AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

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

Maputo

Mozambique

May 14 - 15, 2008

REPORT

by the
Boards of Directors
of the
African Development Bank
and the
African Development Fund
Covering the period
January 1 to December 31, 2007

ADB-ADF/BG/AR/2007

Acknowledgments

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Exchange Rates on December 31, 2007*

Currency	1 Unit of Stated Currency	Equivalent in Units of Account (UA)
European Euro	1.0 €	0.9316 UA
United States Dollar	1.0 US$	0.6328 UA
Canadian Dollar	1.0 C$	0.6404 UA
Danish Krone	1.0 DKK	0.1247 UA
Japanese Yen	1.0 JPY	0.0056 UA
Norwegian Krone	1.0 NOK	0.1169 UA
Swedish Krona	1.0 SEK	0.0980 UA
Swiss Franc	1.0 CHF	0.5622 UA
Pound Sterling	1.0 GBP	1.2678 UA

** For African and other exchange rates, see table on p. 137.*

Abbreviations

ACFA	Accelerated Cofinancing Facility
ADB	African Development Bank
ADF	African Development Fund
ADI	African Development Institute
ADR	African Development Report
AEC	African Economic Conference
AEO	African Economic Outlook
ADF-X	Tenth General Replenishment of the African Development Fund
ADF-XI	Eleventh General Replenishment of the African Development Fund
AFD	Agence Française de Développement
AFESD	Arab Fund for Economic and Social Development
AFRITAC	African Regional Technical Assistance Center
AIC	African Infrastructure Consortium
ALM	Asset-Liability Management
AMBD	Committee on Administrative Matters Affecting the Boards of Directors
APPR	African Portfolio Performance Review
APRM	African Peer Review Mechanism
AU	African Union
AUFI	Audit and Finance Committee
AWF	African Water Facility
BOAD	Banque Ouest Africaine de Développement
CAADP	Comprehensive Africa Agriculture Development Program
CAHR	Committee on Administrative Affairs and Human Resource Policy Issues
CEISP	Community Empowerment and Institutional Support Program
CEMAC	Central African Economic and Monetary Community
CGP	Country Governance Profile
CODE	Committee on Operations and Development Effectiveness
COMPAS	Common Performance Assessment Framework
CoW	Committee of the Whole
CPAR	Country Procurement Assessment Report
CRM	Climate Risk Management
CSP	Country Strategy Paper
DBSA	Development Bank of South Africa
DFID	Department for International Development
DP	Data Platform
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EC	European Commission
ECA	Economic Commission for Africa
ECBD	Ethics Committee of the Boards of Directors
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EPSA	Enhanced Private Sector Assistance
ERSP	Economic Reforms Support Program
ERWP	Economic Research Working Paper Series
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FINESSE	Financing Energy Services for Small-Scale End Users
FMO	The Netherlands Development Finance Corporation
FSF	Fragile States Facility
GCC	Governors' Consultative Committee
GDP	Gross Domestic Product
GEF	Global Environment Fund
GNI	Gross National Income
GPT	Great Pacific Trading Company
HA & MfDR	Harmonization, Alignment and Managing for Development Results
HHA	Harmonizing Health for Africa
HIPC	Heavily Indebted Poor Countries Initiative
HLP	High-Level Panel
IDA	International Development Association
IDC	Industrial Development Corporation of South Africa
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
IPPF	Infrastructure Project Preparation Facility
IRM	Independent Review Mechanism
IsDB	Islamic Development Bank
IWRM	Integrated Water Resources Management
JAI	Joint Africa Institute
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KFAED	Kuwait Fund for Arab and Economic Development
KPIs	Key Performance Indicators
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDI	Multilateral Development Institution
MDRI	Multilateral Debt Relief Initiative
MDWPP	Multi-Donor Water Partnership Program
MIC	Middle-Income Country
MTS	Medium-Term Strategy

N.A.	Not Applicable
NEPAD	New Partnership for Africa's Development
NEPAD-IPPF	NEPAD Infrastructure Project Preparation Facility
NPV	Net Present Value
NSDS	National Strategies for the Development of Statistics
NTF	Nigeria Trust Fund
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
OPEV	Operations Evaluation Department
OPIC	Overseas Private Investment Corporation
PBA	Performance-Based Allocation
PCCF	Post-Conflict Countries Facility
PCR	Project Completion Report
PHRDG	Policy and Human Resources Development Grant
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RBM	Results-Based Management
RB-PRSP	Results-Based Poverty Reduction Strategy Paper
REC	Regional Economic Community
RMC	Regional Member Country
RMF	Results Measurement Framework
RRSF	Reference Regional Strategic Framework for Statistical Capacity Building in Africa
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern Africa Development Community
SDR	Standard Drawing Right
SEAF	Special Emergency Assistance Fund
SMEs	Small and Medium-Size Enterprises
SRF	Special Relief Fund
SRFIC	Strategic Resource Framework for Institutional Development
SWAps	Sector-Wide Approaches
TRA	Temporary Relocation Agency
UA	Unit of Account
UN	United Nations
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
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

The African Development Bank Group — Fast Facts

Constituent Institutions	The African Development Bank (ADB) The African Development Fund (ADF) The Nigeria Trust Fund (NTF)
Shareholders	53 African countries (regional member countries) 24 non-African countries (non-regional member countries)
Mission	To promote sustainable economic growth and reduce poverty in Africa
Authorized Capital at December 31, 2007	UA 21.87 billion
Subscribed Capital at December 31, 2007	UA 21.69 billion
Paid-up Capital at December 31, 2007	UA 2.35 billion
Approved Operations, 2007	100 operations totaling UA 3.10 billion, financed as follows: ADB: UA 1.67 billion ADF: UA 1.38 billion NTF: – Special Funds*: 45.8 million
Of which:	
Loans	UA 2.28 billion (46 operations)
Grants	UA 307.1 million (26 operations)
HIPC	UA 153.2 million (3 operations)
Post Conflict Country Facility	UA 131.0 million (2 operations)
Guarantees	–
Equity Participation	UA 185.4 million (6 operations)
Special Funds*	UA 45.8 million (17 operations)
Sector Approvals, 2007	**Infrastructure:** UA 1.93 billion (74.8 percent of total) **Agriculture and Rural Development:** UA 178.8 million (6.9 percent of total) **Industry, Mining, and Quarrying:** UA 162.7 million (6.3 percent of total) **Social Sector:** UA 119.7 million (4.6 percent of total) **Multisector:** UA 92.2 million (3.6 percent of total) **Finance:** UA 87.8 million (3.4 percent of total) **Environment:** UA 9.8 million (0.4 percent of total)
Total Cumulative Approvals, 1967-2007	3,174 loans and grants totaling UA 41.58 billion, of which UA 2.42 billion were grants

** These are the approvals for the operations of the African Water Facility and the Rural Water Supply and Sanitation Initiative.*
Exchange rate: 1 US$ = 0.6328 UA.

The African Development Bank Group

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

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

The African Development Bank

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

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

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

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

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

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

The African Development Fund

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

The Agreement Establishing the African Development Fund (ADF) designates the Board of Governors as the Fund's highest policy-making organ. The Board of Governors meets at least once a year. The ADF Board of Directors includes 6 Executive

Directors from non-RMCs—nominated by their constituencies—and 6 Executive Directors representing the ADB; it oversees the general operations of the Fund.

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

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

The Nigeria Trust Fund

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

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

The African Development Bank Group

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PRESIDENT

April 3, 2008

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 of the Fund, to submit the audited financial statements of the two institutions for the financial year ended December 31, 2007, and the administrative budgets for the period commencing January 1, 2008, and ending December 31, 2008.

This joint report also contains a review of developments in the African economy and in the operational activities of the Bank Group during 2007.

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

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

The President and the Executive Directors

The Boards of Directors
at December 31, 2007

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

Executive Directors	Alternate Executive Directors
I.C. BONONGWE (Malawi)	M. DHOORUNDHUR (Mauritius)
O. BOUGARA (Algeria)	G.A.F. GOMES (Guinea Bissau)
A.N. BVUMBE (Zimbabwe)	Vacant
E. CARRERE (France)	G.P. RUGGIERO (Italy)
R. DEWDNEY (United Kingdom)	L.M. TALAPESSY (The Netherlands)
L. GUYE (Switzerland)	B. GILLSATER (Sweden)
R.F.T. KARPEH II (Liberia)	F.M. KHALID (Sudan)
H.A.A. KHEDR (Egypt)	A.H. BAHDON (Djibouti)
F.A. KORSAGA (Burkina Faso)	Vacant
M. MAHROUG (Morocco)	M. BOUALLAGUI (Tunisia)
B. MONTADOR (Canada)	B. SOHN (Korea)
M. MUHTAR (Nigeria)	M.F. MONIZ (São Tomé & Principe)
T. N'GUESSAN (Côte d'Ivoire)	L.A. NCHAMA (Equatorial Guinea)
R. RITTERHOFF (Temporary—United States of America)	Vacant
P.A.G. SINON (Seychelles)	Vacant
A.T. TABIB (Libya)	M.A. Oueld DIDI (Mauritania)
T. UTAMURA (Japan)	H.I. AL-ABDULLATIF (Saudi Arabia)
S.B. ZONIABA (Congo–Brazzaville)	M. KOFIO (Central African Republic)

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

Executive Directors	Alternate Executive Directors
I.C. BONONGWE (ADB)	M. DHOORUNDHUR (ADB)
A.N. BVUMBE (ADB)	Vacant
E. CARRERE (France)	G.P. RUGGIERO (Italy)
R. DEWDNEY (United Kingdom)	L.M. TALAPESSY (The Netherlands)
L. GUYE (Switzerland)	B. GILLSATER (Sweden)
H.A. KHEDR (ADB)	A.H. BAHDON (ADB)
M. MAHROUG (ADB)	M. BOUALLAGUI (ADB)
B. MONTADOR (Canada)	B. SOHN (Korea)
M. MUHTAR (ADB)	M.F. MONIZ (ADB)
R. RITTERHOFF (Temporary E.D, United States of America)	Vacant
P.A.G. SINON (ADB)	Vacant
T. UTAMURA (Japan)	C.R. BOLO BOLANO (Argentina)

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

Donald Kaberuka
President of the African Development Bank Group

I am honored to submit this Report which once again presents a very good year for the Bank and for Africa. Despite turbulence in the financial markets and the risks for the global economy, Africa maintained its growth path with real GDP increasing by 5.7 percent in 2007. The continent's economies continued to ride on strong demand for commodities and unprecedented private investment flows. As expected, growth was uneven across subregions. However, even those countries not generously endowed with natural resources continued to reap the benefits of economic reforms, debt relief, and positive neighborhood effects. Nonetheless, the threat of inflation is returning, fueled by rising food and energy costs. In addition, we have to wait and see how the interplay between the financial sector and the real economy develops, given the current uncertainty in the financial markets, and what this implies for the global economy and African countries in particular.

2007 was a solid year for the Bank with strong operational and financial results. Our financial position remains quite strong and income from all windows robust. A credible performance in private sector operations has continued to lead the growth of our portfolio. I am very pleased to also note the increase, though modest, in disbursements in 2007. We will intensify our efforts in 2008 to continuously improve the portfolio. I believe the opening of our field offices will be instrumental in this endeavor.

We have continued to forge a new operational direction, increasingly more focused and selective, carving out a set of distinctive activities and responsibilities in domains such as water where we can have the greatest impact. We have strengthened our alliances with bilateral and multilateral partners, which will permit all of us to become more complementary and results-focused.

Our institutional repositioning continued to make good progress in 2007. Numerous key policy papers were adopted by the Board, including a new Human Resources Strategy. The staff recruitment process accelerated during the year, thereby reducing the gap in capacity. Furthermore, a first ever staff survey was conducted, which helped us to identify areas of strength and weakness in the institution. Business processes were revamped to improve the quality and speed of response to our clients. Budget reforms have begun which will align the Bank's resources with its strategic priorities and allow more fungibility in resource management, thereby enabling greater accountability.

Our decentralization exercise has continued with 23 fully functioning offices, while tentative agreement has been reached to open the remaining two. During my regular visits, I have seen first-hand the potential of the field offices to improve dialogue and to scale up delivery of client services, provided they are well customized. The next step is to ensure that, where feasible, there is a greater delegation of powers, within our strict fiduciary framework. In 2007, I pursued my program of visiting as many RMCs as possible and have personally inaugurated several of the newly opened field offices. I have found these 12 visits to the field in 2007 extremely valuable.

This was the year of ADF Replenishment, which is always a major event in the life of the Bank. I want to acknowledge the remarkable achievement of ADF-XI and to commend all those who made it possible. I take the opportunity here to express our gratitude to the State Participants to ADF, who demonstrated such a strong confidence in the Bank and to Africa. With a record replenishment totaling UA 5.76 billion for the 2008-2010 cycle, a 52 percent increase over the ADF-X level, we will be able to fund our growing projects and programs. I want to acknowledge here that the decision by donors to increase resources for multinational operations and for the Fragile States Facility will go a long way in enabling the Bank to fulfill its mission in regional integration and in supporting countries emerging from crisis.

Let me in the same spirit commend the Nigerian Authorities for deciding on a 10-year extension for the Nigeria Trust Fund. We will resume operations from this window in 2008.

Our Board of Directors, my top management, and our staff remain as committed as ever to always aim high for better results. A Results Measurement Framework and Project Outputs system has been developed to monitor progress. The Bank has also introduced in 2007 some Key Performance Indicators (KPIs), which seek to communicate the Bank's strategic objectives and provide a basis for continuous performance measurement. I am confident about the year ahead but I am under no illusion that major challenges remain for the Bank and for Africa.

Let me take this opportunity to once again commend the Government of the People's Republic of China for a most successful Annual General Assembly in May 2007 in Shanghai.

Finally, may I express my thanks to our shareholders and partners for their continued support, to our Board of Directors and Management for skillfully steering the Bank throughout the year, and to our staff for their devotion to duty. I look forward to a successful year for all our countries and for the Bank in 2008 and commend this Report.

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

Executive Summary

In 2007, the African Development Bank Group continued its efforts to strengthen the development effectiveness of its operations to support its RMCs in their drive to achieve sustainable economic growth, attain the MDGs, and alleviate poverty across the continent. The year 2007 saw the successful replenishment of the ADF-XI by a record amount of UA 5.76 billion to finance development in low-income countries. It was agreed by the Deputies that 7.5 percent of the resources available for allocation would be targeted to a Fragile States Facility. An allocation was also made from ADF-XI to finance multinational operations. The Bank Group's institutional reforms, decentralization, enhanced selectivity and focus on managing for results are well on track to unlock the growth potential of its RMCs.

Macroeconomic Context

Across the continent, average economic growth continued to be buoyant in 2007, marking the longest period of economic expansion for two decades. For the last 6 years, the annual real GDP growth rate has averaged 5.2 percent, while rates of 5.9 and 5.7 percent were recorded for 2006 and 2007 respectively. In total, 25 countries registered growth rates above 5 percent in 2007, 20 attaining 6 percent or above. During the year only 3 countries recorded a negative growth rate.

The continent's GDP per capita rose from US$ 1,161 in 2006 to US$ 1,291 in 2007, while real GDP per capita growth improved marginally from 3.5 percent in 2006 to 3.7 percent in 2007. However, Africa's strong performance during 2007 still falls short of the 7-8 percent real GDP growth required to achieve the Millennium Development Goals (MDGs), in particular the fundamental goal of halving the number of people living in extreme poverty by 2015.

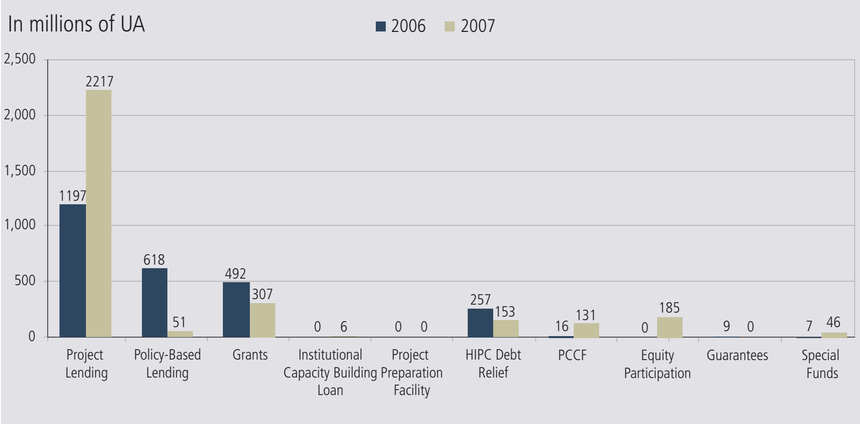
Resource Mobilization and the ADF-XI Replenishment

As at end-December 2007, a total of UA 2.71 billion of the available ADF-X resources (95.4 percent) had been committed to programs and projects, leaving a balance of UA 131.0 million. In anticipation of the possible total commitment of ADF-X resources, the AfDB began discussions and consultations with the ADF Deputies on the modalities for the Eleventh Replenishment of the ADF. Four consultative meetings took place in 2007: the first was held in Dar-es-Salaam, Tanzania in March; the second in Tunis, Tunisia in June; the third in Bamako, Mali in September; and the final meeting in London, UK in December.

During these meetings, the Deputies welcomed the progress made to date on the institutional reforms aimed at improving the effectiveness of ADF and urged Management and the Board to implement them more quickly. On operational focus and effectiveness, they expressed strong support for increased selectivity in 3 core areas, namely, infrastructure, governance, and regional integration.

In terms of the replenishment level, the Deputies agreed on an amount of UA 5.76 billion for the ADF-XI cycle (2008-2010). This represents a 52 percent increase over the ADF-X level. The replenishment level includes UA 3.70 billion of donor contribution and UA 2.06 billion of advance commitment capacity. However, the ADF-XI resources available for allocation after netting out contingencies amounts to UA 5.427 billion. From these resources, the Deputies agreed to allocate (i) 7.5 percent (UA 407.1 million) to a Fragile States Facility (FSF) to provide targeted support to fragile and post-conflict countries, including debt relief; (ii) 17.5 percent (UA 949.7 million) to multinational operations; and (iii) the remaining 75 percent (UA 4.07 billion) to the ADF regional member countries, using the revised performance-based allocation (PBA) formula.

Bank Group Approvals by Financial Instrument 2006-2007



Operational Activities

In 2007, Bank Group loan, grant, and other approvals totaled UA 3.10 billion, compared with UA 2.60 billion in 2006—an increase of 19.3 percent. Of the total approvals for 2007, UA 2.58 billion went to finance operations while UA 515.4 million was allocated to debt relief, assistance to post-conflict countries, private sector equity participation, and special funds. The ADB, the nonconcessionary window of the Bank, accounted for UA 1.67 billion (53.9 percent of total Bank Group approvals), while the ADF, the concessionary window, accounted for UA 1.38 billion (44.6 percent of total approvals), and special funds accounted for UA 45.8 million (1.5 percent of total approvals). There was no lending from the Nigeria Trust Fund in 2007 as the operations of the Fund had reached the end of the Agreement's tenor.

The top 4 sectors to benefit from loan and grant approvals were: infrastructure; agriculture and rural development; industry, mining and quarrying; and social. Total approvals for infrastructure projects rose sharply from UA 857.7 million in 2006 to UA 1.93 billion in 2007. Thus, the share of infrastructure in total loan and grants increased from 37.2 percent to 74.8 percent over the same period. Amongst the components of infrastructure, the power supply subsector received the highest share, followed by transportation, water supply and sanitation, and communication.

The dominance of infrastructure operations reflects the Bank's strategy of targeting those sectors that have a significant impact on economic and social development. Regional integration is another area of focus for the Bank, as this serves to increase competitiveness and productivity, expand trade, and allow for economies of scale. Multinational operations during the year amounted to UA 193.3 million, compared to UA 418.0 million in 2006, which represents a decline of 53.8 percent.

In 2007, Bank Group loan and grant approvals to all 5 subregions (not including multiregional) amounted to UA 2.39 billion, allocated thus: North Africa, UA 591.9 million; East Africa, UA 576.3 million; Southern Africa, UA 539.6 million; Central Africa, UA 429.5 million; and West Africa, UA 251.6 million.

African Development Bank (ADB)

The ADB is an arm of the Bank Group that provides loans to RMCs on nonconcessional terms. In 2007, approvals from the ADB window increased to UA 1.67 billion, which is a 59.8 percent rise from the 2006 level of UA 1.05 billion. The breakdown of approvals was: UA 1.48 billion for operations and UA 185.4 million for private sector equity participation.

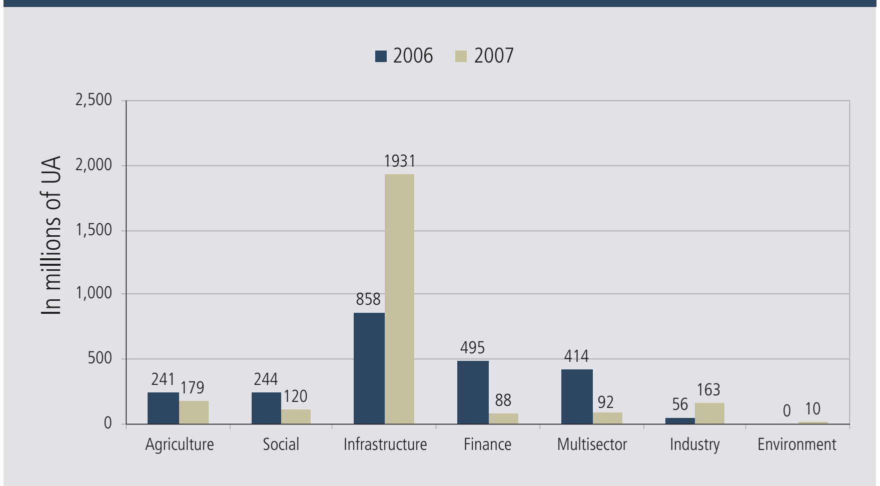
The major shift in allocations was to private sector operations, which more than trebled from UA 278.5 million in 2006 to UA 1.00 billion in 2007. Private sector operations for the year witnessed the largest single loan approved by the Bank for a power project in its 40 years of operation. This was to finance the South Africa Eskom power supply project (US$ 500 million), to support the country's large-scale Electrification Program and address the widespread problem of power outages. Public and publicly guaranteed project loans also increased significantly over the year, from UA 245.3 million in 2006 to UA 646.2 million in 2007. In total, 14 countries benefited from 23 ADB loans and grants in 2007, including private sector operations, and 3 countries from other approvals.

Disbursements on ADB loans increased from UA 548.4 million in 2006 to UA 884.8 million in 2007, representing an increase of 61.3 percent. Cumulative disbursements (including non-sovereign loans) amounted to UA 16.87 billion. At December 31, 2007, 747 loans were fully disbursed for a total amount of UA 15.78 billion, representing 93.4 percent of cumulative disbursements.

African Development Fund (ADF)

The ADF is the Bank Group's concessionary window for countries that cannot access funds under the ADB window. In 2007, ADF total approvals (loans, grants and other assistance for debt and debt service reduction) declined by 10.4 percent to UA 1.38 billion, compared with its level of UA 1.54 billion in 2006. This was prior to the record replenishment of the Fund for the ADF-XI cycle agreed by the Deputies in December 2007. ADF loan and grant approvals declined from UA 1.37 billion in

Bank Group Loans and Grant Approvals by Sector, 2006-2007



2006 to UA 1.10 billion in 2007 and the major recipient sector for these resources was infrastructure, which received 67.2 percent of the total, then agriculture at 15.4 percent, social sector at 10.9 percent, and finally multisector at 6.5 percent.

Project and policy-based loans approved by the Fund amounted to UA 793.0 million of all resources committed to operations. Grants stood at UA 304.6 million in 2007, compared with UA 484.2 million in 2006, representing a decline of 37.1 percent. Other approvals totaling UA 284.2 million were for debt and debt service reduction. Fifteen countries benefited from ADF loan approvals during 2007, while 17 countries benefited from grant approvals.

In 2007, the disbursement of loans and grants on Fund operations amounted to UA 725.0 million compared with UA 685.2 million in 2006, an increase of 5.8 percent. Cumulative disbursements as at December 31, 2007 stood at UA 10.68 billion. A total of 1,429 loans and grants were fully disbursed for an amount of UA 8.64 billion, representing 80.9 percent of cumulative disbursements since the Fund became operational.

The Nigeria Trust Fund (NTF)

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. Approvals under the NTF window ceased legally when the Agreement establishing the Fund reached the end of its 30-year tenor. Although the Bank and the Nigerian authorities agreed to 2 one-year extensions of the Agreement from its original expiry date of April 25, 2006, no new loans or grants have been approved from the NTF window since that date. In November 2006 an evaluation of activities of the Fund was commissioned and the exercise was completed in July 2007. On the basis of the evaluation exercise, findings and recommendations, and the meetings held between the Bank and the Nigerian Authorities in November 2007, the latter have agreed to extend the life of the NTF for a further 10 years. Approvals from this window are expected to recommence in 2008.

Disbursements from the NTF increased by 9.4 percent from UA 5.4 million in 2006 to UA 5.9 million in 2007. Cumulative disbursements at December 31, 2007 amounted to UA 194.4 million. In sum, 58 loans were fully disbursed for a total amount of UA 188.8 million, representing 97.1 percent of cumulative disbursements.

Development Effectiveness and Managing for Results

Within the framework of the Paris Declaration on Aid Effectiveness, in 2007 the Bank Group deepened its harmonization and alignment activities at the institutional, country, and global levels. An assessment of outputs and outcomes of operations exiting the Bank Group's portfolio shows a significant contribution to country-level progress in recent years.

The Bank Group has made steady progress in enhancing its institutional reform program to improve operational effectiveness and service delivery to RMCs. Four key drivers of change were identified, namely: human resources (HR), business processes, the budget, and decentralization. Consequently, in the area of human resources, a new HR Strategy was approved by the Boards of Directors which included a number of important reforms. Also the Bank undertook in June 2007 its first comprehensive staff survey to highlight areas of strength and weakness in the institution and identify areas needing improvement. The survey drew a 73 percent response rate. The President met with staff and managers to discuss the survey findings in October and November 2007.

Effective operational business processes have been introduced to improve client responsiveness and Country Teams strengthened to act as focal points for Bank operations. A new Budget Management Regulatory Framework was introduced to better align the Budget with strategic priorities and to allow for increased flexibility in resource management. The decentralization of Bank Group operations also continued apace, leading to an established Bank presence in 23 RMCs, thereby enhancing dialogue at the country level, intensifying supervision and Bank engagement, and scaling up effectiveness on the ground.

Knowledge Management and Research

The Bank Group aims to be the continent's premier development institution, serving as a repository of knowledge and research on African development issues. In this endeavor, it seeks to generate knowledge for a better understanding of the dynamics of poverty, and for the promotion of sustainable growth and socioeconomic development in its RMCs. Focal knowledge activities include: (i) conducting quality research on development challenges facing Africa; (ii) developing an efficient mechanism for sharing knowledge to enhance the Bank's operations and programs; (iii) emphasizing the measurement of results and evaluating the Bank's effectiveness; and (iv) creating and leveraging resources to support the generation and use of knowledge in Bank policies and programs and in RMCs. The Bank will also serve as a strong voice for Africa on development issues both inside the continent and internationally.

During the year, the Bank conducted research studies and published its standing publications. It undertook statistical capacity-building activities in RMCs in addition to skills training in planning, program implementation and monitoring. These training sessions were attended by about 722 officials from its RMCs. In the context of knowledge dissemination, under the Bank's Eminent Speakers' program, 3 world-renowned experts (Professor Paul Collier of Oxford University, Sir Nicholas Stern of the London School of Economics, and His Excellency Mr. Abdou Diouf, Secretary General of the Francophonie and former President of Senegal) discussed key development issues for Africa, namely post-conflict recovery, climate change, and regional integration respectively.

The 2008 Administrative Expenses and Capital Expenditure Budgets

In December 2007, the ADB Board of Directors approved an Administrative Expenses Budget of UA 219.2 million, a Capital Expenditure Budget of UA 8.5 million, and a contingency budget of UA 2.2 million for 2008. The ADF Board of Directors approved an indicative Administrative Budget of UA 158.2 million for the Fund for the financial year ending December 31, 2008.

Net Income Allocation

The 2007 financial statements of the Bank Group highlight the robustness of the Bank's financial position as manifest from the combined net income before transfers of UA 375.1 million and an allocable income of UA 349.2 million. Furthermore, the AAA ratings of the Bank's senior debt continue to reflect its sound capital base and prudent financial management.

Table 0.1: Summary of Bank Group Operations, Resources, and Finance, 1998-2007
(UA millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Cumulative a/ Total
Operations											
Bank Group Approvals b/											
Number	133	93	144	134	118	145	124	102	137	100	**3,348**
Amount	1,243.59	1,291.71	1,984.02	2,372.27	2,038.95	1,766.31	2,786.70	2,293.63	2,596.88	3,097.64	**46,535.75**
of which HIPC	21.73	91.85	648.13	611.22	451.52	1.85	1,009.13	508.68	257.49	153.17	**3,754.77**
Disbursements	891.20	904.56	707.98	860.47	1,048.14	1,022.83	1,315.54	1,289.81	1,239.03	1,615.68	**27,741.50**
ADB Approvals b/											
Number	18	23	38	26	31	28	23	34	38	29	**1,058**
Amount	667.97	794.29	843.24	986.66	1,068.06	745.84	1,519.54	868.73	1,045.37	1,670.06	**26,015.87**
of which HIPC	21.73	20.77	173.91	174.93	187.98	-	707.77	75.99	102.21	-	**1,465.29**
Disbursements	443.94	527.98	420.58	488.33	499.77	652.32	630.23	595.35	548.44	884.75	**16,871.06**
ADF Approvals b/											
Number	115	70	103	107	84	112	99	65	84	54	**2,183**
Amount	575.62	497.41	1,130.10	1,380.51	960.74	997.96	1,257.91	1,421.71	1,544.57	1,381.75	**20,159.17**
of which HIPC	-	71.08	474.22	436.29	263.34	1.85	301.37	429.49	155.28	153.17	**2,286.09**
Disbursements	442.47	369.09	281.05	369.14	545.02	368.07	680.50	691.06	685.16	725.00	**10,676.03**
NTF Approvals											
Number	-	-	3	1	3	5	2	3	-	-	**75**
Amount	-	-	10.68	5.10	10.14	22.51	9.25	3.19	-	-	**307.94**
of which HIPC	-	-	-	-	0.26	-	-	3.19	-	-	**3.39**
Disbursements	4.78	7.49	6.35	2.99	3.35	2.44	4.81	3.39	5.43	5.94	**194.41**
Special Funds Approvals c/											
Number	-	-	-	-	-	-	-	-	15	17	**32**
Amount	-	-	-	-	-	-	-	-	6.94	45.83	**52.77**
Resources and Finance (at year's end)											
ADB											
Authorized Capital	16,200.00	21,870.00	21,870.00	21,889.34	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	**21.870,00**	
Subscribed Capital d/	15,891.25	16,759.51	20,547.91	21,510.01	21,509.88	21,563.71	21,597.90	21,717.67	21,794.00	**21.693,16**	
Paid-up Portion d/	1,963.98	1,978.17	2,016.83	2,097.66	2,134.36	2,180.94	2,223.26	2,269.06	2,357.78	**2.351,53**	
Callable Portion	13,927.27	14,781.34	18,531.08	19,412.35	19,375.52	19,382.77	19,374.63	19,367.00	19,436.76	**19.341,63**	
Borrowing (gross)	5,575.36	5,429.08	5,538.01	5,397.94	4,617.29	6,058.95	6,057.52	6,560.11	6,088.75	**6.803,17**	
Outstanding Debt e/	5,350.73	5,195.96	5,384.06	5,215.89	4,455.04	5,778.39	5,638.89	5,940.40	5,870.47	**6.198,87**	
Cumulative Exchange Adjustment on Subscriptions f/	(118.43)	(121.93)	(126.84)	(129.73)	(141.99)	(145.33)	(147.20)	(151.76)	(155.74)	**(160.08)**	
Reserves g/	1,329.24	1,436.76	1,534.55	1,716.90	1,464.63	1,507.50	1,486.44	2,266.39	2,305.48	**2,531.80**	
Cumulative Currency Translation Adjustment	(410.08)	(420.58)	(420.77)	(449.53)	(454.84)	(451.71)	(467.97)	-	-	**-**	
Gross Income	536.99	530.57	527.69	569.64	488.83	425.22	446.67	479.61	542.85	**585.31**	
Net Income h/	112.28	123.53	116.79	125.46	188.85	178.33	143.53	221.32	194.03	**323.67**	
ADF											
Subscriptions i/	9,118.79	9,357.60	10,236.35	10,924.42	11,421.12	11,989.14	12,654.44	13,261.76	14,314.51	**15,218.76**	
Other Resources j/	(477.08)	(622.20)	(649.02)	(776.68)	(617.48)	(540.57)	(571.34)	(476.02)	(776.38)	**(703.50)**	
NTF											
Resources (gross) g/	333.01	354.52	395.19	425.42	399.78	375.46	366.93	409.08	268.12	**273.47**	

Sources: ADB Statistics Department for data on operations; ADB Financial Control Department for data on Resources and Finance.
Notes :
a/ The cumulative figures go back to the initial operations of the three institutions (1967 for ADB, 1974 for ADF and 1976 for NTF).
b/ Approvals include loans and grants, private and public equity investments, emergency operations, HIPC debt relief, loan reallocations and guarantee, Post Conflict Country Facility.
c/ These are approvals on the operations of the African Water Fund and Rural Water Supply and Sanitation Initiative.
d/ Subscribed capital and paid up capital for 2005 were restated to exclude shares to be issued upon payment of future installments.
e/ Outstanding debt for 2004 was restated for fair value option.
f/ CEAS were restated in 2001 for prior years to adjust for translation gains and losses on subscriptions.
g/ Reserves for 2004 were restarted following the application of the IFRS.
h/ For the years 2001 to 2003 net income excluded net gains/losses on non trading derivatives (IAS 39 adjustments). Also for the years 2005, 2006 and 2007 net income the same basis as in prior years, thereby ensuring comparability between 2001 figures and those of prior years.excluded income transfers approved by Board of Governors.
i/ Subscriptions = Restated for years 1997-2005 to be amounts paid instead of amounts pledged.
j/ Other Resources = Accumulated Reserves/Loss + Net Income/Loss for the year + Miscellaneous.
Conversion rates of the Unit of Account (UA) to US Dollar as at 31 December of each year:

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
2001	1 UA = 1.25562 US dollars	2006	1 UA = 1.50440 US dollars
2002	1 UA = 1.35952 US dollars	2007	1 UA = 1.58025 US dollars

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, 2007
(UA millions)

Bank Group Approvals by Sector, 2007

Sector	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture and Rural Development	5	10.26	8	168.50	-	-	13	178.76
Social	-	-	11	119.72	-	-	11	119.72
Education	-	-	3	28.57	-	-	3	28.57
Health	-	-	-	-	-	-	-	-
Other	1	0.60	8	91.15	-	-	8	91.15
Infrastructure	12	1,193.66	23	737.67	-	-	35	1,931.33
Water Supply and Sanitation	1	13.80	7	197.69	-	-	8	211.49
Power Supply	5	773.08	8	156.91	-	-	13	929.99
Communication	1	32.99	-	-	-	-	1	32.99
Transportation	5	373.79	8	383.07	-	-	13	756.86
Finance	1	87.80	-	-	-	-	1	87.80
Multisector	2	20.54	7	71.69	-	-	9	92.23
Industry, Mining and Quarrying	2	162.65	-	-	-	-	2	162.65
Urban Development	-	-	-	-	-	-	-	-
Environment	1	9.79	-	-	-	-	1	9.79
Total Loans and Grants	**23**	**1,484.70**	**49**	**1,097.58**	**-**	**-**	**72**	**2,582.28**
Other Approvals	**6**	**185.36**	**5**	**284.17**	**-**	**-**	**24**	**515.36**
HIPC Debt Relief	-	-	3	153.17	-	-	3	153.17
Post Conflict Country Facility	-	-	2	131.00	-	-	2	131.00
Equity Participation	6	185.36	-	-	-	-	6	185.36
Guarantees	-	-	-	-	-	-	-	-
Loan Reallocation	-	-	-	-	-	-	-	-
Special Funds	-	-	-	-	-	-	17	45.83
Total Approvals	**29**	**1,670.06**	**54**	**1,381.75**	**-**	**-**	**100**	**3,097.64**

Bank Group Approvals by Financing Instrument, 2007

Financing Instrument	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	**16**	**1,462.24**	**26**	**755.23**	**-**	**-**	**42**	**2,217.47**
Public and Publicly -Guaranteed:	*5*	*646.16*	*26*	*735.23*	-	-	*31*	*1,401.39*
Project Loans	5	646.16	25	735.23	-	-	30	1,381.39
Sector Investment and Rehabilitation	-	-	1	20.00	-	-	1	20.00
Lines of Credit	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed:	*11*	*816.08*	-	-	-	-	*11*	*816.08*
Project Loans	10	728.29	-	-	-	-	10	728.29
Lines of Credit	1	87.80	-	-	-	-	1	87.80
Policy-Based Lending	**1**	**19.94**	**2**	**31.89**	**-**	**-**	**3**	**51.83**
Sector Adjustment	-	-	-	-	-	-	-	-
Structural Adjustment	1	19.94	1	17.00	-	-	2	36.94
Budget Support	-	-	1	14.89	-	-	1	14.89
Grants	**6**	**2.52**	**20**	**304.56**	**-**	**-**	**26**	**307.08**
Technical Assistance	2	1.20	3	4.85	-	-	5	9.56
Project Cycle Activities	-	-	-	-	-	-	-	-
of which Private Sector	-	-	3	4.85	-	-	3	7.66
Institutional Support	-	-	-	-	-	-	-	-
Middle Income Countries Grant	2	1.20	-	-	-	-	2	1.20
Project Grant	-	-	*15*	*260.21*	-	-	*15*	*260.21*
Structural Adjustment Grant	-	-	*1*	*6.50*	-	-	*1*	*6.50*
Budget Support Grant	-	-	*1*	*33.00*	-	-	*1*	*33.00*
Special Relief Fund	*4*	*1.32*	-	-	-	-	*4*	*1.32*
Emergency Assistance	4	1.32	-	-	-	-	4	1.32
Emergency Postconflict	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	**-**	**-**	**1**	**5.90**	**-**	**-**	**1**	**5.90**
Project Preparation Facility	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt and Debt Service Reduction	**-**	**-**	**5**	**284.17**	**-**	**-**	**5**	**284.17**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	-	-	3	153.17	-	-	3	153.17
Post Conflict Country Facility	-	-	2	131.00	-	-	2	131.00
Equity Participation	**6**	**185.36**	**-**	**-**	**-**	**-**	**6**	**185.36**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	6	185.36	-	-	-	-	6	185.36
Guarantees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Special Funds *	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**45.83**
Total Approvals	**29**	**1,670.06**	**54**	**1,381.75**	**-**	**-**	**100**	**3,097.64**

Note:
*/ These are approvals on the operations of the African Water Fund and Rural Water Supply and Sanitation Initiative.
Source : ADB Statistics Department, Economic and Social Statistics Division

Figure 0.1: Bank Group Loan and Grant Approvals and Disbursements, 1998-2007
(UA millions)

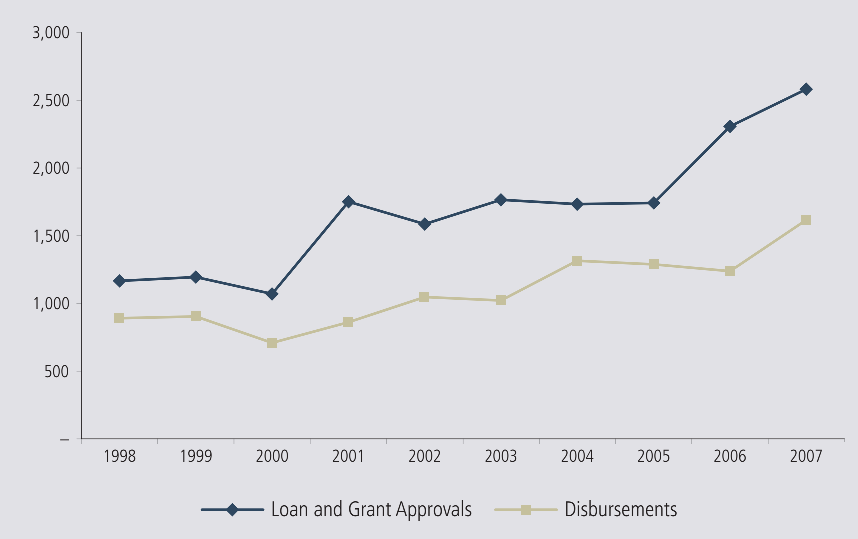


Figure 0.2: Cumulative Bank Group Loan and Grant Approvals by Institution, 1967-2007

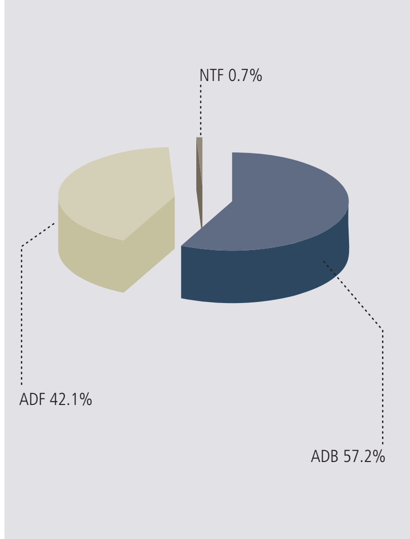


Figure 0.3: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2007

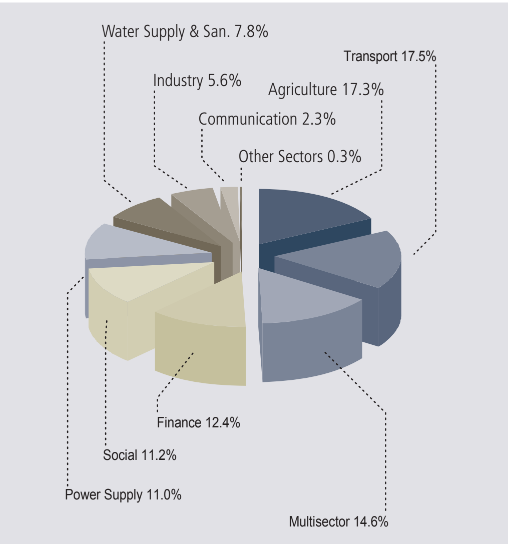
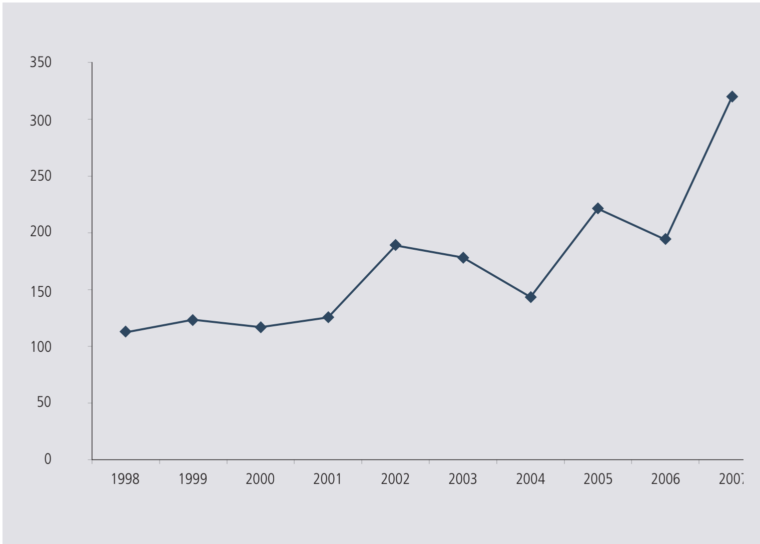


Figure 0.4: ADB Net Income, 1998-2007*
(UA millions)



*For the years 2001 to 2003 net income excluded net gains/losses on non-trading derivatives (IAS 39 adjustments).
Also for the years 2005-2007, net income excluded income transfers approved by the Board of Governors.

Bank Group Sector Definitions

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

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

Part I

Bank Group Activities in Support of Development Effectiveness and Results

001

CHAPTER ONE

Activities of the Boards

The Board of Governors is the institution's highest policy-making organ, comprising one representative from each member country. The Board of Governors issues general directives and elects an 18-member Board of Directors, to which it delegates most of its powers. It also elects the President of the Bank Group. The Board of Directors sets policies and guidelines and oversees all Bank operations in addition to financial and administrative matters. This chapter outlines the Boards' activities during 2007, with particular emphasis on the 2007 Annual Meetings, held for the first time in Asia.

BOARDS OF GOVERNORS

The 2007 Annual Meetings

The Annual Meetings of the Board of Governors of the African Development Bank Group (AfDB) were held in Shanghai, People's Republic of China, on May 16 and 17, 2007. During the meetings, Governors approved the Annual Report and audited financial statements for the financial year ending December 31, 2006. They also participated in the high-level seminars, a Ministerial Roundtable, and Governors' Forum.

Annual Meetings Seminars

The Annual Meetings were preceded by thematic seminars, a Ministerial Roundtable, and related high-level seminars on development issues that are of relevance both to Africa and Asia. The events were attended by about 2,500 participants, including Governors, Alternate Governors, key stakeholders, development partners, and civil society organizations.

The thematic seminars focused on: (i) "Development Finance and China–Africa Economic Cooperation"; (ii) "The Role of Corporate Governance in Private Sector Development: Exploring Partnership and Practices in Asia"; (iii) "African/Chinese Enterprise Forum: African Investment, Financing and Risks."

The plenary session of the Ministerial Roundtable discussion took as its theme, "Asia and Africa: Partners in Development." It was co-chaired by Dr. Abdoulie Janneh, Executive Secretary of UNECA and Dr. Donald Kaberuka, President of the African Development Bank. Two African Heads of State—His Excellency Mr. Pedro Pires, President of Cape Verde, and His Excellency Mr. Marc Ravalomanana, President of Madagascar—delivered the keynote addresses. There were 4 subsequent high-level seminars covering various issues ranging from "Trade and Capital Flows" to "Human Capital and Technology for Development."

Boards of Governors' Forum

The Bank Group's actions geared toward enhancing development effectiveness in RMCs were presented to the Board of Governors during the 2007 Annual Meetings. There were also various Governors' panel discussions which focused on themes including: (i) "Development Finance and Sino-Africa Economic Cooperation," (ii) "Africa's Reindebtedness following the HIPC and MDRI Cancellations: Proposals for Better Debt Governance," and (iii) "Fragile States and the Role of Extractive Industries in Africa."

Boards of Governors' Meeting

In his opening address, His Excellency Dr. Zhou Xiaochuan, Governor for the People's Republic of China and Chairman of the Boards of Governors, warmly acknowledged the presence of His Excellency Pedro Pires, President of the Republic of Cape Verde, His Excellency Marc Ravalomanana, President of the Republic of Madagascar, and His Excellency Paul Kagame, President

of the Republic of Rwanda. Dr. Zhou thanked his fellow Governors for the trust they had placed in China by agreeing to hold the AfDB Group Annual Meetings in Shanghai. He was optimistic that this would enhance and deepen the existing cooperation between China and Africa.

His Excellency Wen Jiabao, Premier of the People's Republic of China, similarly welcomed all participating Heads of State and Governors to Shanghai. He emphasized the commitment of the Government and people of China to peace and development in Africa. He urged the international community to deliver on their pledged assistance to the continent, reduce or cancel African debt, improve trade terms, facilitate market access for African products, and support technology transfer and capacity building for self-development in Africa. The Premier declared the meeting open and wished Governors success in their deliberations.

In his opening remarks, Dr. Donald Kaberuka, President of the Bank Group, stated that the Bank was greatly honored by the presence of the Premier of the People's Republic of China and 3 eminent African Heads of State at the opening ceremony of its Annual Meetings. He thanked the Government and people of China for hosting the Bank Group's Annual Meetings. President Kaberuka also acknowledged Messrs. Kwame Fordwor, Willa Mung'omba, Babacar N'Diaye, and Omar Kabbaj—his predecessors—who were present at the meeting. He further expressed his gratitude to the Government and people of Tunisia for their support in enabling the Bank to continue its normal operations from its Temporary Relocation Agency (TRA) in Tunis. He also commended the Authorities of the Bank's host country, Côte d'Ivoire, for their continued efforts at promoting peace and national reconciliation under the Ouagadougou Agreement. Dr. Kaberuka also thanked His Excellency Dr. Zhou Xiaochuan, Governor of the People's Bank of China, for successfully managing the work of the Bureau, the Joint Steering Committee, and the Governors' Consultative Committee.

The President assured Governors that the Bank was making good progress on all fronts and that its repositioning to become more results-focused was on course. With respect to the Nigeria Trust Fund, the President informed the Governors that no commitments had been made from that window in 2006 and that future operations of the NTF would be founded on a review being jointly undertaken in 2007 by the Bank and Nigerian authorities.

Looking ahead to the challenges facing the continent, the President stated that, as in Asia, the future of African economies would be private sector driven and that the Bank was fully prepared to play a catalytic role in this respect. Other areas of increased Bank focus would include infrastructure development, regional integration, governance, addressing climate change, and support to fragile states and middle-income countries (MICs). On Bank Group operations, President Kaberuka stated that the Bank Group had increased its financing activities by 13.1 percent in 2006, including the Bank's largest single operation of US$ 500 million to support Egypt's financial sector reform. With regard to ADF operations, the President stated that nearly 70 percent of the resources made available under the ADF-X replenishment had been committed. With respect to the decentralization of Bank Group activities, 22 out of the planned 25 field offices had been opened in 2006.

President Kaberuka noted that the outlook for African economies was good, and that several countries could replicate Asia's experience by taking the following actions: (i) building on the emerging dynamics of peace and stability as a necessary precondition for investment; (ii) maintaining the pace of reform and safeguarding against policy or governance slippages; and (iii) enhancing institution building. While recognizing that the continent's economic outlook over the next decade would primarily depend on African nations themselves, the President felt that the international community could assist by reversing the decline in core aid levels observed in 2006 and by bolstering trade negotiations to facilitate access of African products to developed country markets. The Bank Group, for its part, would take advantage of the ongoing ADF-XI negotiations with its partners to reposition the institution as a preferred conduit for resource mobilization in response to the continent's pressing needs. It was in that context that he informed the Governors that the Republic of Turkey had formally applied to be the 78th member of the Bank Group.

Governors' Statements

The Governors expressed gratitude to the Government and the People's Republic of China for hosting the 2007 Annual Meetings of the Bank Group. They endorsed the founding principles of the Bank's vision and new orientation of Bank Group operations. The Governors also commended the Board of Directors and Management for the achievements made in the context of the current global challenges facing RMCs. They called upon the Bank to reinforce its leadership role in supporting the socio-economic development of its RMCs.

Governors highlighted a number of areas requiring increased attention by the Bank, including:

- South–South cooperation and, in particular, Asia–Africa cooperation;
- Aid coordination and harmonization of interventions/activities with development partners within the framework of the Paris Declaration on Aid Effectiveness;
- Selectivity in interventions based on Results-Based Country Strategy Papers (RB-CSPs) to leverage areas of comparative advantage;
- Flexibility to adapt to the diverse needs of RMCs (e.g. fragile states and MICs);
- Enhanced support to the private sector;
- Intensified support to regional integration, particularly through the development of infrastructure financing;
- Scaling-up the efforts of RMCs in the water and sanitation sector.

Governors commended Management for their performance in 2006, particularly in respect to: (i) ongoing institutional reforms designed to enhance operational efficiency and effective service delivery; (ii) higher levels of disbursement; (iii) increased lending to the private sector; (iv) heightened commitment to multinational operations (regional integration projects); (v) successful implementation of the decentralization strategy to bolster development effectiveness; (vi) formulation of the 2008-2010 Medium-Term Strategy (MTS) Plan and the advisory role of the Independent High-Level Panel.

The Governors expressed satisfaction at the ongoing process of peace and reconciliation in Côte d'Ivoire and looked forward to the ultimate orderly return of the Bank to its Headquarters. They also thanked the Government of Tunisia for hosting the Bank's Temporary Relocation Agency since 2003. Governors also commended members of the outgoing Board of Directors. In conclusion, they urged that the year 2007 should be marked as a year of delivery and results.

Governors' Resolutions

During the Annual Meetings, the Board of Governors considered and adopted resolutions on the ADB and the ADF (Appendices II-1 and III-1). They endorsed a report prepared by the Joint Steering Committee and approved the Committee's recommendations, including:

- Resolutions B/BG/2007/07 and F/BG/2007/06—*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;*
- Resolutions B/BG/2007/06 and F/BG/2007/05—*The General Election of the Executive Directors of the African Development Bank and Selection of the Executive Directors of the African Development Fund*;
- Resolutions B/BG/2007/04 and F/BG/2007/03—*Appointment of External Auditors of the Financial Years 2007 through 2011.*

The Governors also adopted resolutions on the Annual Report and audited financial statements for the financial year ending December 31, 2006, for the ADB, ADF, NTF, and Special / Trust Funds. They noted the Independent Auditor's opinion on the audited financial statements and congratulated the Boards of Directors, Management, and staff for the encouraging results achieved during the previous year. In addition, Governors approved the designation of Members of the Bureau and the Joint Steering Committee from end-2007 Annual Meetings to end-2008 Annual Meetings. The Bureau would comprise Mozambique as Chair, with The Netherlands and Ghana as first and second Vice-Chairs, respectively. During the same period, the Joint Steering Committee would comprise Congo (Brazzaville), Djibouti, Korea, Kuwait, Lesotho, Mali, Mauritania, Nigeria, and Norway.

Finally, Governors approved the relevant resolution for allocations from the Bank's 2006 net income of UA 168.9 million as follows: (i) UA 36.9 million as provision for reserves; (ii) UA 21.6 million to the Surplus Account and from the remaining balance; (iii) UA 13.7 million for ADF-X; (iv) UA 65.1 million for the Democratic Republic of Congo (DRC) Special Account; (v) UA 10.0 million for the Technical Assistance Fund of Middle Income Countries; and (vi) UA 21.6 million for the HIPC Initiative. Furthermore, the Governors approved from the NTF 2006 net income UA 12.4 million as provision for reserves and UA 1.4 million for the HIPC Initiative.

Also in 2007, in December the board of Governors adopted Resolution B/BG/2007/16 which allocated UA 9.49 million to the Investment Climate Facility for Africa.

BOARDS OF DIRECTORS

Approvals

During 2007, the Boards of Directors of the ADB and ADF held 76 formal and informal meetings to consider policies, strategies, and guidelines aimed at enhancing the Bank's development effectiveness. The Boards approved loans, grants, private guarantees for sovereign loans, special fund allocations, and HIPC debt relief amounting to UA 3.10 billion. Overall, the Boards approved 8 Results-Based Country Strategy Papers, 2 Country Dialogue Papers, 7 Country Portfolio Reviews, 5 HIPC documents, 4 Humanitarian Emergency Assistance grants for RMCs, and Proposals for Clearing the Arrears of Comoros and Liberia. In addition, the Boards approved 23 key policies, strategies, guidelines, and initiatives to strengthen the effectiveness of Bank Group operations.

The 2008 Administrative Expenses and Capital Expenditure Budgets

In December 2007, the ADB Board of Directors approved an Administrative Expenses Budget of UA 219.2 million, a Capital Expenditure Budget of UA 8.5 million, and a contingency budget of UA 2.2 million for 2008. The ADF Board of Directors approved an indicative Administrative Budget of UA 158.2 million for the Fund for the financial year ending December 31, 2008.

Other Activities of the Boards of Directors

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

Committee of the Whole (CoW)

This committee, of which all Executive Directors are members, is chaired by the President of the Bank. In 2007, it held 2 meetings during which it reviewed the Bank Group's annual budgetary proposals as well as other matters referred to it by the Board on an ad hoc basis.

Committee on Operations and Development Effectiveness (CODE)

In 2007, CODE held 8 sessions to consider operational policies as well as project performance audit-related documents, such as: (i) portfolio performance reviews; (ii) OPEV's proposed 2008-2010 3-year rolling work program and 2008 budget; (iii) simplification of procedures for operations approvals by the Board of Directors; (iv) Bank Group Strategy and Framework for Support to Research and Capacity-building Institutions; (v) Evaluation of the Effectiveness of Lines of Credit as Development Enhancement and Poverty Reduction Tools; and (vi) Review of Bank Assistance Effectiveness to the Health Sector (1987-2005).

Audit and Finance Committee (AUFI)

AUFI held 4 meetings in 2007, during which it considered several documents, including: (i) the proposal on the appointment of External Auditors of the Bank Group for the period 2007-2011; (ii) report on the follow-up to the External Auditors' Management Letter as at June 2006; and (iii) External Auditors' Report to the Audit and Finance Committee on the 2006 Audit of the Bank Group. Furthermore, AUFI held 2 joint meetings with CODE to consider ways of streamlining the Bank Group's budgetary process. It also held 9 joint sessions with CAHR (see below).

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

This Committee held 2 meetings and 9 joint sessions with AUFI in 2007 to consider various financial and corporate issues, including: (i) a follow-up report on the implementation of Internal Audit recommendations on corporate and finance-related audits for 2004 and 2005; (ii) Human Resources Strategy—Strategic Framework and Action Plan; (iii) information note on the 2006 Performance Evaluation Exercise; (iv) Action Plan for addressing Short-Term Staff Employment Issues; (v) proposals for the alignment of the remuneration framework with the new Human Resources Strategy; and (vi) Medical Plan Study and Actuarial Review of human resources issues.

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

Eleven sessions were held to consider, inter alia: (i) the review of the conditions of advisers and assistants to Executive Directors and budgetary implications; (ii) preparations for the 2007 retreat of the Boards; (iii) selection process of the Boards' Committee Chairpersons; and (iv) proposals on the strengthening of the Secretary-General's Department.

Ethics Committee of the Board of Directors (ECBD)

In 2007, 7 meetings were held to consider various institutional issues, such as the eligibility of internal candidates to the post of President of the Bank Group.

In addition to their committee work, the Boards of Directors undertook 2 study tours to RMCs during 2007. The first tour, to Seychelles, Mauritius and Comoros, took place in February, while the second tour, in March 2007, took Executive Directors to Swaziland, Zimbabwe, and Zambia. Study tours provide Executive Directors with the opportunity to (i) learn first-hand about RMCs' development needs and priorities; and (ii) consolidate the Bank's policy dialogue with RMC officials, donors, private sector actors, and civil society organizations.

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CHAPTER TWO

Corporate Management and Institutional Reforms

During 2007, the Bank Group continued to pursue its institutional reforms aimed at maximizing its development effectiveness and the quality of its operations, supporting the efforts of its RMCs and building their capacity to strengthen their economies. The Bank also consolidated its role as the apex development institution for the continent, a repository of knowledge and research, and the preeminent voice for African development issues. This chapter reviews the contribution of the Bank's organizational units to meet these objectives.

INSTITUTIONAL REFORMS

In 2007, significant achievements were made in the implementation of the institutional reforms aimed at reinforcing the Bank's operational effectiveness and results agenda, and improving service delivery and quality to RMCs. Four priority areas were identified as key drivers of change namely: human resources (HR), business processes, the budget, and decentralization.

- *Human Resources:* A new HR Strategy was approved by the Board of Directors which included new mechanisms for more rigorous HR management and more accurate need analysis; improved staff recruitment to attract and retain top candidates; managing staff for results; and a more objective staff performance system. Key achievements in 2007 included the implementation of an enhanced recruitment campaign for non-managerial professional staff, improved conditions of service for staff in country offices (including pension provision), and completion of a comprehensive staff survey (see Box 2.1).

- *Business Processes:* More effective operational business processes have been introduced to improve client responsiveness. A streamlined review and approval process was adopted and Country Teams were strengthened to act as focal points in the design, review, and coordination of the Bank's operations. Delegation of appropriate and specific authority in operational decision-making is being developed to achieve greater empowerment of staff with robust fiduciary safeguards and accountability. This is critical for faster delivery of higher-quality services to clients.

- *Budget Reforms:* The 2008 budget is the first following Board approval, in June 2007, of proposed reforms. The reforms aim at: (i) ensuring strict alignment between resource allocation and institutional priorities, (ii) introducing flexibility in the management of the budget; (iii) establishing a new accountability and performance framework which links work program deliverables to Key Performance Indicators (KPIs) (see Box 2.2). The new framework is intended to provide the Bank with a mechanism to foster efficiency in the use of the scarce budgetary resources.

- *Decentralization:* The decentralization of Bank Group operations registered significant progress during the year with an established Bank presence in 23 RMCs. This has increased the Bank's visibility and improved interaction and sustained dialogue with national authorities and other development partners. A new country-specific Customized Staffing Matrix was introduced to better address country needs and portfolio supervision and management.

High-Level Panel on the Bank's Strategic Orientation

The AfDB's High-Level Panel (HLP) was established by President Donald Kaberuka in 2006 as an independent advisory body on the Bank's strategic vision and the operational strategies needed to achieve it. The HLP was led by co-chairs Joachim Chissano, former President of Mozambique, and Paul Martin, the former Prime Minister of Canada. The draft report was presented at the Bank's Annual Meetings in Shanghai, China, in May 2007. The final report is now available and can be accessed via the Bank's website (http://www.afdb.org). The competent authorities of the Bank will review the final report in due course, including Management's response to the recommendations made.

COMPLIANCE REVIEW AND MEDIATION

The primary function of the Independent Review Mechanism (IRM) is that of mediation and compliance review. Compliance review seeks to investigate whether or not there is just causation between the alleged non-compliance with the Bank Group's policies and procedures and the reported harm/damage incurred. Mediation aims to restore an effective dialogue among requesters, the Bank, and any other interested party, and to reach an acceptable solution for all concerned.

In May 2007, the Bank received a request from a number of Ugandan NGOs and individuals for a compliance review of the Bujagali Hydroelectric Power and Interconnection Projects. The review is currently under preparation and the Review Panel's report will be presented to the Boards of Directors during the first half of 2008. In addition, the Bank developed and updated the IRM website and published the IRM brochures in 4 languages (English, French, Portuguese, and Arabic). Seminars were organized in 2007 to update Bank staff and civil society organizations in regional member countries on the IRM's mandate and procedures.

KNOWLEDGE MANAGEMENT AND RESEARCH

The Bank Group aims to be the continent's premier development institution, serving as a repository of knowledge and research on leading African development issues. In this endeavor, it aims to generate knowledge for a better understanding of the dynamics of poverty, and for the promotion of sustainable growth and socioeconomic development in its RMCs. This will enhance the development effectiveness of the Bank's operations on the continent. Focal knowledge activities include:

- Conducting quality research on developmental challenges facing Africa;
- Developing an efficient mechanism for sharing and using knowledge to enhance the Bank's operations and programs;
- Emphasizing the measurement of results in the Bank's operations and maintaining relevant databases to monitor and evaluate the Bank's effectiveness; and
- Creating and leveraging resources to support the generation, dissemination, and use of knowledge in Bank policies and programs and RMCs.

The Bank will also create a strong voice for Africa on development challenges and act as an advocate on those issues both within the continent and internationally.

Development Research

Research activities during 2007 focused on themes that are relevant to the Bank's development operations and effectiveness in RMCs. During the year, the Bank completed a number of research studies: "Debt Relief and Service Delivery in Africa," which looked at those countries benefiting from the HIPC and Multilateral Debt Relief Initiative (MDRI); "A Simulation of the Impact of Oil Prices on African Economies," and "The Analysis of the Oil and Gas Situation in Africa," which was conducted in collaboration with the African Union (AU). The Bank also reviewed the formula for the Performance Based Allocation (PBA) and, in collaboration with the World Bank and DFID, undertook a study on "Remittances and Migration."

In 2007, the Bank continued to produce and disseminate its flagship publications, including *The African Economic Outlook (AEO) 2006/2007,* produced jointly with the Organization for Economic Cooperation and Development (OECD); *The African Development Report 2007*, which focused on sustainable management of Africa's natural resources; *The Africa Competitiveness Report (ACR) 2007*, a biennial publication produced jointly with the World Bank and the World Economic Forum; 3 issues of *The African Development Review (ADRv) 2007;* and *The Economic Research Working Paper Series (ERWP)*. In addition, in partnership with the UN Economic Commission for Africa (UNECA), the Bank organized the second African Economic Conference (AEC) in Addis Ababa, Ethiopia in November 2007, which was attended by 556 participants from Africa and overseas. Furthermore, a high-level side event was organized at the EU-Africa Summit in Portugal to disseminate key messages emerging from the AEO and ADR 2007.

Capacity Building and Training Activities in RMCs

The Bank Group supports capacity building—both within the institution and in RMCs—through training, strengthening national institutions, and knowledge dissemination. In 2007, the Bank Group's African Development Institute (ADI) and the Joint Africa Institute (JAI) held complementary workshops, seminars, and symposia aimed at improving capacity in program planning, implementation and monitoring. These were attended by 722 officials from RMCs. In addition, 5 seminars were organized on generating a deeper understanding of the issues around the Performance-Based Allocation (PBA) formula, and the determination of the loans/grants proportion of the allocations using the Debt Sustainability Analysis (DSA) framework.

Furthermore, in 2007, 3 renowned experts were invited under the Eminent Speakers' Program to share their knowledge and experience on challenging development issues facing Africa. In July 2007, Professor Paul Collier of Oxford University gave a talk on postconflict recovery; also in July, Sir Nicholas Stern of the London School of Economics addressed the problem of climate change; finally, in September 2007, His Excellency Mr. Abdou Diouf examined the role of regional integration. In cooperation with other institutions, the Bank Group also organized development management seminars and conferences, such as the joint AfDB/ECA roundtable discussion on "Africa and Asia: Partners in Development."

Statistical Services

The Bank Group's statistical work focuses on strengthening statistical capacity within the Bank and in RMCs, particularly in areas such as national accounts, databases for monitoring MDGs, and dissemination of statistical data. The Data Platform (DP) was launched in December 2007, to provide staff and external users with easy online access to a wide range of development data on RMCs. A further development was the Statistical Framework for Effective Implementation of the Results Agenda, which integrates statistical data-generation activities into the Bank's country programming (Results-Based Country Strategy Papers), project cycle and policy-based lending, and institutional support activities. In 2007, the Bank also initiated a system to improve the collection and management of infrastructure statistics.

A number of statistical publications were produced by the Bank in 2007: *Selected Statistics on African Countries; Gender, Poverty and Environmental Indicators for African Countries; Compendium of Statistics on Bank Group Operations; ADB Statistics Pocketbook; The Wall Chart on MDGs;* and the *African Statistical Journal*. During 2007, the Bank was also involved in the Reference Regional Strategic Framework for Statistical Capacity Building in Africa (RRSF) activities, which lends guidance on statistical development in Africa.

HUMAN RESOURCES MANAGEMENT

In 2007, the Bank reviewed its Human Resources Management instruments, which are geared to improving accountability, performance, rewards, and recognition. In this context, a new Human Resources Strategy (2007-2011) was adopted by the Bank in May 2007. During the year, the recruitment and transitioning of 73 new directors and managers (24 external and 49 internal) took place, which resulted in a 50 percent renewal of the Management team. In addition, by the end of the year, 149 employment offers, including 40 Young Professionals, had been accepted. This scaling-up of the recruitment process has reduced vacancy levels for professional staff from over 20 percent to below 5 percent. Specialists were recruited in sectors identified as strategic priorities, in line with the Bank's positioning as a results-based, knowledge institution. Table 2.1 below shows the budgeted posts for 2007 and actual staff at post at year-end. The staff at post excludes persons offered positions but who were yet to assume duty.

The Bank also took steps to support its decentralization process: 125 new staff were recruited for the 23 field offices that had become operational by 2007. This increased the number of field office staff from 171 to 296 by year-end 2007. A new performance management system geared toward output-based evaluation has been developed and will become effective in January 2008. Within this framework, the Bank implemented its first staff survey in June 2007, which drew a 73 percent response rate (see Box 2.1). The President met with staff and managers to discuss the survey findings in October and November 2007.

Additional measures taken to improve working conditions include flexible working hours, enhancements to the selection process, and the implementation of a dual career path and promotions system. To support internal equity, 67 short-term employees who have served the Bank on successive contracts for extended periods of time, have seen their status converted into regular positions.

Table 2.1: Budgeted Posts and Staffing Status as at December 31, 2007

COMPLEXES	2007 Budgeted Posts			Staff at Post as at December 31, 2007		
	PL No.	GS No.	Total	PL No.	GS No	Total
Elected Officers (Executive Directors & The President)	19		19	19		19
Staff Reporting to the Executive Directors	35	18	52	31	19	50
Units Reporting to the Board (SDUP)*	17	5	22	12	4	16
Presidency Units (PRST)**	87	76	163	70	69	139
Operations I - Country & Regional Programs (ORVP)	181	36	217	141	21	162
Operations II - Sector Operations (OSVP)	136	28	164	122	26	148
Operations III - Infrastructure, Private Sector and Regional Integration (OIVP)	150	30	180	125	17	142
Finance (FNVP)	90	93	183	75	62	137
Corporate Services (CSVP)	135	161	296	134	134	268
Office of the Chief Economist (ECON)***	42	26	68	39	19	58
Other Organizational Support Units****	1	2	3	1	2	3
TOTAL	**893**	**475**	**1,367**	**769**	**373**	**1,142**

* Operations & Evaluations Department: PL(11); GS(4)
** The Cabinet: PL(3); GS(6)
Office of the Auditor General: PL(8), GS (4)
General Counsel & Legal Services: PL (18), GS (10)
External Relations & Communications Unit: PL (7), GS (7)
Administrative Tribunal: PL(1); GS(0)
Office of Strategy Management (PL, 5), GS (1),
General Secretariat: PL(21), GS(34)
Office of the Ombudsman: PL(1), GS (1)
Compliance Review & Mediation Unit: PL (2), GS (1)
***Includes the Joint Africa Institute: PL (0), GS (4)
**** Bank Headquarters and Staff Council: PL (3), GS (53)

Box 2.1: The Bank's First Comprehensive Staff Survey, 2007

In 2007, the Bank conducted for the first time since its establishment a comprehensive survey to give staff an opportunity to feed back to Management their views on the institution's major strengths and weaknesses. The survey reflects the Bank's continued focus on good governance, transparency, and dialogue, both at operational and corporate levels. In this respect, it represents an important step toward a more open and accountable institution.

All staff were invited to participate, both General Staff (GS) and professional level (PL), at the TRA, HQ, and field offices. In total, 909 staff took part in the survey, representing a 73.0 percent response rate. The results were disseminated to the Boards and to all Bank staff during meetings chaired by the President in October/November 2007. The findings were also posted on the intranet.

The survey revealed that staff perceived the Bank's main strengths to be its ability to attract staff; the pride and commitment of its workforce; and the institutional improvements in progress. The key areas requiring improvement were identified as:

- Professionalism and specialization of Bank staff;
- The institutional environment; downward communication; openness and trust; listening and respect;
- Recognition and reward for performance;
- Quality of service and operating effectiveness; service to clients; risk-taking and decision-making authority;
- Enhancing cooperation between managers within and across departments;
- Training and development;
- Supervision and management effectiveness.

The findings of the survey will be integrated into Bank-wide processes and reforms. Several instruments to address perceived weaknesses are already being developed, such as the new Staff Performance Management and Evaluation System; the new Compensation and Benefits Framework; Career Development and Promotion policies; and a new Delegation of Authority Matrix. Furthermore, all the Complexes have been requested to develop their own action plans and these will be reviewed for implementation in 2008.

It is envisaged that follow-up surveys will take place using the 2007 Staff Survey as a comparator for monitoring progress. Specific priority areas will be revisited on an annual basis while further comprehensive staff surveys will be repeated at 2-3 year intervals.

ADMINISTRATIVE SERVICES

The institutional reorganization of the Bank resulted in a need for optimal usage of office space, while improving and building a conducive working environment. In 2007, initiatives were also introduced to improve client service and increase efficiency gains. One key innovation was the introduction of the Purchasing Card (P-Card), which aims to decentralize and facilitate the procurement of small value items.

As result of such initiatives, significant savings have been realized in the area of institutional procurement, which totaled UA 2.0 million in 2007. Furthermore, staff operating costs as a percentage of the total volume of procurement activities decreased from 3.5 percent in 2005 to 2.1 percent in 2007. In addition, the Bank launched the "Lodged Card" in the second quarter of 2007 to improve its travel services. In the framework of the Bank's decentralization program, the Sudan office was opened during the last quarter of 2007, with all the necessary administrative and logistical support provided for its effective operation.

INFORMATION AND COMMUNICATION TECHNOLOGY MANAGEMENT

The Bank Group took action in 2007 to consolidate and maintain its ICT infrastructure. The main achievements included the following:

- *Support to Field Offices:* The 23 operational field offices have been provided with the requisite ICT equipment and infrastructure to make them fully operational. Disbursement applications are scanned in field offices and sent by email to the TRA for further processing and archiving. All staff in field offices have been trained on project and loan administration.
- *Corporate Data Warehouse:* The reporting and analytic requirements of financial accounting were successfully implemented during the year. A management reporting facility was developed which will be made available for the entire Operations complex in 2008. The Bank also finalized the "Client Connection" facility, which will give RMCs online access to their loan portfolios and other related information, including procurement data. The system has been tested in Tunisia and will be made available to all RMCs in the second quarter of 2008.
- *Training in IT:* During the year, 36 SAP training sessions were organized and attended by 222 staff members. In addition, training sessions on the usage of SAP were held for all field office staff and the SAP Employee Self Service has been generalized for use in the Bank.

Business Continuity Planning

The Bank appointed a Business Continuity Coordinator in late 2007 to review and redesign its current Business Continuity Plan and test it regularly to ensure that it meets current Bank needs and best standards. In this context, in 2008 there will be a reassessment of risks, identifying risk avoidance measures and risk mitigation strategies, developing new governance structures for business continuity, and establishing new policies and procedures for maintaining the Business Continuity Plan and the Bank's disaster recovery arrangements. The implementation of a renewed comprehensive Business

Continuity Strategy will have an impact on human resources, the information systems and communication network, facilities, and the evolving business model of the Bank going forward.

EVALUATION OF OPERATIONS

Evaluation has a twofold function: (i) to provide a systematic assessment of the institution's performance in attaining development results, and (ii) to identify factors that support or constrain successful operations. Evaluation covers lending and nonlending activities (including advisory services and technical assistance), as well as development partnerships and aid coordination.

In 2007, the Bank produced a selective range of evaluation studies, from project performance evaluations to country assistance evaluations (Ethiopia and Cameroon). Studies were conducted during the year on the Nigeria Trust Fund and Joint Africa Institute. In addition, some 100 Project Completion Reports (PCRs) were reviewed and 2 synthesis studies prepared. The Bank also undertook evaluations of the Bank's approach to development processes, including the harmonization of development assistance with other donor organizations. The Bank has developed Key Performance Indicators or KPIs (see Box 2.2), which will provide a better measure of its efficiency and effectiveness.

The Bank Group will make the evaluation of its operational activities an increasingly significant and measurable contribution to its effectiveness and accountability. To this end, there will be a continued shift from project-level evaluation activities toward high-level evaluation of policies, strategies, and processes at sector, country, and corporate levels.

Box 2.2: Key Performance Indicators (KPIs)

The Bank Group established in 2007 a performance-tracking system based on a set of key performance indicators (KPIs). The system helps to communicate the Bank's vision, maintain managerial and organizational focus on strategic objectives, and provide a basis for performance measurement, thus enhancing accountability both internally and to shareholders.

The system is founded on a limited number of strategic areas of focus (or "perspectives") synthesizing results, performance, and risks/reputation. Each perspective is underpinned by a few specific indicators, or KPIs, which are tracked on a quarterly basis. The areas of focus are informed by targets established for each complex and which are owned by the VP/Head concerned. KPIs can be divided into 2 categories: (i) operational performance and development effectiveness and (ii) institutional or corporate effectiveness.

1. **Development Effectiveness:** KPIs have been developed for key areas of operational focus, for example:

- *Infrastructure:* Level of access to water supply, electricity, and road infrastructure. For ICT: the number of people with access to mobile telephones, landlines, and the Internet.
- *Governance:* Country policy and institutional assessment, country public financial management and financial assessment, governance indicators average score, extractive industries transparency initiative (EITI) index.
- *Private Sector Development:* The initial cost and time required to start up a business.
- *Human Development:* Mortality rate for under-5s; the ratio of girls to boys in primary and secondary schools; the primary school completion rate.
- *Agriculture:* Increase in returns to farming families as a result of Bank operations; reduction in deforestation.

2. **Institutional Effectiveness:** This will be determined by the progress made in a number of key areas, such as: (i) project and program design; (ii) supervision; (iii) the ability to learn and feed back into the implementation and policy formulation process; (iv) the role of decentralization; and (v) harmonization with development partners.

The KPIs will be adapted and improved with experience, as their utility is tested in the overall drive to enhance accountability and transparency in Bank Group operations.

INTERNAL AUDIT, ANTI-CORRUPTION, AND FRAUD INVESTIGATION

Internal Audit offers independent and objective assurance, advisory, and consulting services for Bank Group operations, finance, and corporate administrative activities. In 2007, the Bank Group conducted 10 audits in the Operations Complex, 11 in Finance and Corporate Complexes, and audits of 15 Trust and Grant Funds. It also provided opinions on over 200 project audit reports. Furthermore, Audit staff participated as resource persons in 4 project financial management workshops in RMCs.

The Bank Group's Anti-Corruption and Fraud Investigation unit, which became operational in 2006, continued to undertake unhindered investigations into allegations of corruption, fraud, or other misconduct against Bank personnel and third parties who engage in business with the Bank Group. In January 2007, the Bank approved a comprehensive *Whistle-blowing and Complaints Handling Policy* to support this function. This provides an avenue for raising concerns related to fraud, corruption, and other misconduct and assures that persons who disclose such information are protected from retaliation. The Bank Group received 27 complaints (18 in 2006), of which 12 were referred or considered frivolous (4 in 2006). The cases that entered preliminary inquiry and subsequent investigation are summarized in Table 2.2 below.

Table 2.2: Status of Complaints on Fraud and Corruption

Complaint Status	2006	2007
Preliminary Inquiry Consideration	14	15
Closed	5	3
Pending (low priority)	0	8
Investigation Cases	9	4
Carried over	0	3
Ongoing	3	4
Completed	6	3
Total Caseload	**9**	**7**

PROCUREMENT AND PROJECT FINANCIAL MANAGEMENT

During 2007, the Bank Group undertook a review of the existing procurement and project financial management processes in the institution. The ensuing report identified bottlenecks and proposed remedial actions to strengthen the Bank's development effectiveness. In 2007, a number of procurement documents were revised including: procurement policy rules; the development of guidelines, guidance notes, manuals, and related Presidential Instructions.

A capacity-building exercise was launched in 2007 with the ultimate aim of accrediting staff both in the TRA and in the field offices as part of the drive to improve procurement service delivery. The Bank Group also launched e-enabled procurement processes to reduce transaction costs and ensure timely delivery. Furthermore, assistance was provided to the Operations Complex in the review of procurement documents throughout the project cycle.

In total, 14 national project implementation workshops and seminars were jointly organized by the Bank Group and the African Development Institute during the year. In addition, 6 business opportunities seminars for government officials and private sector representatives of RMCs provided fora for dialogue and familiarization with Bank operations and processes. The harmonization of procurement policies and procedures with partner institutions has been another active area of Bank engagement. During 2007, the Bank continued to cooperate closely with the World Bank in the preparation of Country Procurement Assessment Reports (CPARs).

CORPORATE COMMUNICATIONS

In 2007, the Bank Group developed a significant range of outreach products and services, and strengthened its corporate communications system. This system comprises: a state-of-the-art multimedia center, a graphics design unit, a web-content management program, staff media training modules, an improved Public Information Center, a contacts database, and a calendar of corporate events.

Improvements in the Bank's internal communications during the year included better coverage of Bank events (such as the Shanghai Meetings); in-house video-streaming of events; coordinated outreach strategies with key players; enhancements to the internal daily newsletter, *Bank in Action;* and the strengthening of internal service lines (web, publications, graphic design, etc.). The design of a closed-circuit television system for the Bank was prepared during the year and an initial implementation budget was approved by the Board. Comprehensive print, audio, and video communication packages were also produced in 2007 on selected projects, in addition to a number of brochures, manuals, and guidebooks. The development of a *Field Office Communications Guide* will assist in the preparation of a local Communications Strategy for field offices. Furthermore, in Zambia and Mozambique, a Development Information Center was jointly created with the respective governments, World Bank, UNESCO, and other donors.

GENERAL COUNSEL AND LEGAL SERVICES

During 2007, the Bank's legal function continued to provide flexible, innovative, and effective services to advance the Bank's development mandate. In this connection, legal services and advice were provided for: (i) ADF-XI replenishment negotiations; (ii) implementation of the 2007 borrowing program, which included the Bank's first domestic South African Rand bond issue; (iii) resource mobilization, investment and liability management transactions; (iv) new agreements for the establishment of bilateral and multi-donor trust funds, contributions to existing trust funds, and grants utilizing trust fund resources; (v) budget process reforms, including drafting the enabling amendments to the Bank's Financial Regulations; (vi) strengthening the Bank's recourse mechanisms for staff grievances; (vii) designing a new staff performance evaluation system and proposed changes in compensation and benefits policies; (viii) finalization of 2 landmark post-conflict country facility arrears clearance programs; and (ix) preparations for the *Whistle Blowing and Complaints Handling Policy.*

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CHAPTER THREE

Operational Priorities

This chapter reviews the operational priorities and principles which guided the Bank's activities during 2007. The new selectivity in Bank operations was demonstrated by a shift to high-impact areas such as infrastructure, private sector development, and regional integration, which saw record levels of approvals. These areas are analyzed below, together with other sectors of continuing Bank intervention such as agriculture and rural development and social development. Other new focal priorities, such as middle-income countries (MICs) and fragile states, are also discussed. Finally, the Bank's resource mobilization efforts are detailed; including its engagement with bilateral and multilateral development partners and ongoing harmonization efforts within the framework of the Paris Declaration on Aid Effectiveness.

INTRODUCTION

Guided by its overarching mission of poverty reduction through sustainable economic growth, the Bank Group focused its activities throughout 2007 on 4 core operational priority areas, namely, infrastructure, governance, private sector development, and regional integration. These activities support progress in complementary areas such as agriculture and rural development, social and human development, and the mainstreaming of crosscutting issues, particularly gender, environmental sustainability, and climate change.

During the year the Bank Group continued to pursue ongoing and new strategic initiatives, such as Harmonization, Alignment, and Managing for Results (HA & MfR), the Water Initiatives, NEPAD, the African Fertilizer Financing Mechanism (AFFM), the Heavily Indebted Poor Countries Initiative (HIPC), the Multilateral Debt Relief Initiative (MDRI), and arrears clearance using the Post-Conflict Countries Facility (PCCF). Furthermore, the Bank Group continued to implement its internal reforms to enhance its development effectiveness on the ground.

In the context of institutional policy reform, work is at an advanced stage on various documents, including the following: (i) "Eligible Expenditures for Bank Group Financing"; (ii) "Revision of the Bank's Environmental and Social Assessment Procedures"; (iii) "Format of Midterm Progress and Completion Reports on Results-based CSP"; (iv) "Fragile States"; (v) "Middle Income Countries"; (vi) "Regional Operations"; (vii) "The Free-Rider Problem," and (viii) "Enhancing the Use of Country Systems."

The Bank Group also contributed to the development of the *African Community Practice in Managing for Results,* and to the publication of the *Global Monitoring Report* and the Common Performance Assessment System (COMPAS) Report.

INVESTING IN INFRASTRUCTURE

Infrastructure (power supply, water and sanitation, transportation, and communication) is critical for economic growth, private sector development and investment, increased competitiveness and productivity, improved access to basic services, and employment creation. The provision of infrastructure also acts as a catalyst for the development of other sectors and the achievement of key MDGs by improving access to markets, schools and hospitals. It is therefore one of the principal areas of intervention by the Bank Group.

Approvals for infrastructure projects in 2007 reached a record level of UA 1.93 billion, accounting for 74.8 percent of the total Bank Group loan and grant approvals for the year, and representing an increase of about 125 percent from the 2006 level of UA 857.7 million. The breakdown of infrastructure approvals shows that 48.2 percent was allocated to power supply projects; 39.2 percent to transportation; 11.0 percent to water and sanitation; and 1.7 percent to information communication and technology (ICT) projects (see Figure 4.2).

The approved projects include national transportation projects in Botswana, Egypt, Gabon, Kenya, Morocco, Nigeria, Tanzania, and Uganda; a multinational Cameroon–RCA–Chad transportation facilitation program; electricity projects in Burundi, Cape Verde, DRC, Egypt, Ghana, Madagascar, Morocco, Tanzania, Uganda, and South Africa; a multinational Ghana–Togo–Benin power interconnection project; and water supply and sanitation projects in Angola, Burkina Faso, Djibouti, DRC, Kenya, Mauritius, Niger, and Nigeria. The profiles of these and all other projects approved in 2007 are presented at the end of Chapter 4.

The Water Initiatives

Water resources development and management continues to be one of the Bank's core areas of intervention through its key water sector initiatives—the Rural Water Supply and Sanitation Initiative (RWSSI), the African Water Facility (AWF), and the Multi-Donor Water Partnership Program (MDWPP). Progress during the year on each of these 3 initiatives is outlined below.

- *Rural Water Supply and Sanitation Initiative (RWSSI):* The main objective of the RWSSI is to extend safe water and basic sanitation coverage to 80 percent of African rural dwellers by 2015, at an estimated overall cost of US$ 14.2 billion. The Bank's commitment to this initiative has led to a significant increase in its financial support, from approximately US$ 70.0 million in 2002 to over US$ 330.0 million in 2007. During 2007, 4 operations totaling US$ 222.2 million were approved for Burkina Faso, Kenya, Niger, and Nigeria, which will provide 5.9 million people with safe water and 6.2 million people with sanitation by the end of 2010. Total financing for rural water and sanitation since 2003 stands at US$ 1.80 billion—the Bank has contributed US$ 753.1 million from ADF resources and leveraged US$ 1.01 billion from other donors and RMCs. In addition, in order to meet the growing needs of urban centers, 5 urban water supply and sanitation projects were approved in 2007 for Angola, Djibouti, DRC, Kenya, and Mauritius, amounting to US$ 217.3 million.

- *The African Water Facility (AWF):* The operational focus of the AWF is to mobilize additional funding for Integrated Water Resources Management (IWRM) at the national and transboundary levels as well as for project/program preparation. Since the AWF began its core activities in January 2006, the level of pledged donor funds has reached € 67.1 million (UA 62.5 million), with € 23.5 million (UA 21.9 million) already paid (as at end November 2007). During the same period, a total of 29 operational activities were approved at a cost of € 24.1 million (UA 22.5 million). In 2007, AWF supported projects and programs in Botswana, Central African Republic, Chad, Republic of Congo, Egypt, Mauritania, Mozambique, Niger, Senegal, Tanzania, Uganda, and the IGAD region.

- *The Multi-Donor Water Partnership Program (MDWPP):* This program was created with the support of the Dutch, Canadian, and Danish Governments for the promotion of IWRM practices in the RMCs. To date, the program has received € 5.4 million (UA 5.0 million) and has disbursed approximately € 3.0 million (UA 2.8 million). MDWPP has also financed 22 activities including several studies, the preparation of guidelines and strategy papers, a Handbook on Water Harvesting, and a strategy paper on "Scaling-up Agricultural Water Development in Africa."

SUPPORTING ECONOMIC AND GOVERNANCE REFORMS

Good governance is crucial for long-term economic growth and its promotion is a key element in the Bank Group's strategy to alleviate poverty in RMCs. To mainstream this focus into its operations in a more systematic way, the Bank Group created a Governance, Economic and Financial Reforms Department in its 2006 institutional reforms.

During 2007, the Bank Group continued to support RMCs' efforts to improve their systems of governance by helping them to strengthen their institutional capacities and design and implement policy reforms

Box 3.1: The Gambia—Institutional Support for Economic and Financial Governance

Background: In November 2007, the Bank Group approved a UA 1.4 million grant to finance the Institutional Support for Economic and Financial Governance Project in The Gambia. The project is cofinanced by the Government of Gambia for the amount of UA 0.07 million.

Objectives: The project is designed to respond to major institutional capacity problems in The Gambia and to assist the Government to attain its strategic medium-term development objectives. The aim is to build the capacity of institutions involved in economic and financial management both in the executive branch of government (Ministry of Finance) and beyond, in particular the Gambian National Audit Office. It will provide targeted training, technical assistance, and information technology equipment to improve economic management, public budgeting, and financial accountability.

Expected impact and outputs:

(i) Improved debt and macroeconomic management, particularly in the areas of financial planning and budgeting;
(ii) Enhanced national capabilities in auditing;
(iii) Improved access to the Integrated Financial Management System.

(see Box 3.1). Five policy-based and budget support programs and 4 institutional support projects were approved in 2007 for a total cost of UA 102.1 million. The programs were for the Central African Republic, Kenya, Malawi, Mauritius, and Rwanda; while the institutional support projects were for Angola, Gambia, Kenya and Madagascar.

Nonlending activities also form an integral part of the Bank Group's efforts to foster good governance in RMCs. The preparation of Country Governance Profiles (CGPs) constitutes one such instrument. In 2007, 3 new CGPs (Botswana, Egypt, and Gambia) were completed and 4 others were under preparation. A moratorium was put on CGPs during the year in order to review the Bank's approach to country governance assessments. The aim is to achieve better alignment with country-own systems and to enhance coordination with development partners.

The Bank continued to provide support to the African Peer Review Mechanism (APRM) through technical and financial assistance. Two new country assessments for Benin and Algeria were conducted in 2007 with the technical support and effective participation of the AfDB. During the year, the Bank Group further supported the implementation of the Extractive Industries Transparency Initiative (EITI) in 5 countries (Botswana, Central African Republic, Chad, Liberia, and Madagascar). It plans to scale up its involvement in this subsector to promote efficiency, transparency, and accountability in the management of EI resources, particularly in fragile states.

Also during the year, a "Bank Group Strategy for the Prevention of Money Laundering and Terrorism Financing in Africa" was drawn up. This strategy will guide the Bank's engagement in key selected areas, including facilitating the formulation and implementation by RMCs of laws and regulations to combat money laundering.

In 2007, initiatives were undertaken by the Bank Group to enhance its partnership and cooperation with development partners. Joint activities and programs were implemented, including the *Making Finance Work for Africa Partnership (MFW4),* a new initiative launched in October 2007 to support the efforts of RMCs to accelerate economic growth and reduce poverty through financial sector reforms (see Box 3.2). The Bank Group also participated actively in donor harmonization efforts in governance diagnostic work, notably under the auspices of the OECD DAC as well as in the Special Partnership with Africa (SPA), a joint initiative of African governments and development partners dedicated to making aid more effective in reducing poverty.

During the year, new "Governance Strategic Directions for 2008-2010" were formulated to sharpen the focus and enhance the selectivity of the Bank Group's governance operations. Operationally, the Bank Group's new approach in governance will focus on strengthening transparency and accountability in the management of public resources. The Bank Group will also support RMCs' efforts to improve the environment for private sector activity.

Box 3.2: The Making Finance Work for Africa (MFW4A) Partnership

Background: The Making Finance Work for Africa Partnership (MFW4A) was officially launched in October 2007. It is a joint initiative of development partners, including the Bank Group, to support the efforts of RMCs to develop their financial sectors and so accelerate economic growth and reduce poverty. The Partnership acknowledges that the financial sector is a key driver of private investments, employment generation, and economic growth. From 2008 the Partnership's Secretariat will be hosted by the Bank.

Objectives: The MFW4A initiative aims to scale up resources and knowledge for the development of the financial sector and enhance its contribution to economic growth and poverty reduction in Africa. The Partnership is intended to: (i) increase awareness of the importance of the financial sector and support RMCs' efforts to develop the sector; (ii) create momentum for increased donor support for the sector; (iii) make donors' support more effective and efficient by fostering greater cooperation, coordination, and harmonization among development partners.

Expected outcomes:
- Increased support for financial sector development in RMCs;
- Enhanced knowledge of financial sector issues and increased awareness of the importance of the sector for the sustainable economic development;
- Improved depth and efficiency of the financial sector and enhanced contribution of the sector to economic growth in RMCs.

Partners: The Partnership is widely supported by, among others, the AfDB, International Monetary Fund (IMF), World Bank Group, Agence Française de Développement (AFD), Germany (BMZ), UK (DFID), Sweden (SIDA), Consultative Group to Assist the Poor (CGAP), UNCDF, and USAID.

PROMOTING REGIONAL INTEGRATION

Most RMC economies are small, undiversified, and face physical, political, and policy-induced constraints to deeper economic integration with their neighbors and the global economy. However, economic cooperation and regional integration are crucial if Africa is to overcome trade and other barriers and take its rightful place in the global market.

For more than 40 years, the Bank has

actively promoted regional economic communities (RECs) through regional economic cooperation, trade expansion, capacity building, and renewed support for the New Partnership for Africa's Development (NEPAD) programs. The Bank also actively collaborates with national governments and pan-African organizations, particularly the African Union (AU) and United Nations Economic Commission for Africa (UNECA), to rationalize and streamline REC structures. The rationalization process is expected to contribute to more effective Free Trade Areas (FTAs) and Customs Unions (CUs) to accelerate progress toward the creation of larger and open regional markets and ultimately the attainment of the African Economic Community.

Other integration measures fostered by the Bank include the development of subregional Assistance Strategies to complement its Country Strategy Papers (CSPs). The Bank is actively involved also in many multilateral and bilateral initiatives to boost Africa's trade capacity and global integration (see Box 3.3).

During 2007 the Bank approved a number of operations in support of economic cooperation and regional integration in Africa, including the RASCOM Telecommunications Satellite Project; the Cameroon–Chad–CAR Transportation Facilitation Program; the East African Submarine Cable System (EASSy) Project; and the Electrical Interconnection Project for Ghana, Togo, and Benin.

New Partnership for Africa Development (NEPAD) and the IPPF

In 2007, the African Development Bank approved 5 regional infrastructure projects under the NEPAD initiative for a total of US$ 290 million (UA 183.5 million). This brings the total number of NEPAD Short Term Action Plan (STAP) projects financed by the Bank since 2002 to 38, for a total amount of US$ 1.3 billion (UA 0.82 billion); this is in addition to US$ 1.6 billion (UA 1.01 billion) mobilized through cofinanciers.

Under the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), US$ 4.2 million was approved in 2007 to finance 7 (UA 2.66 million) project preparatory activities in the energy, transportation, and ICT sectors. The facility is currently financed by Canada (C$ 10 million/UA 6.4 million) and Denmark (DKK 3 million/UA 0.37 million). The Bank has intensified its resource mobilization efforts resulting in 3 new donors (Norway, the UK, and Germany) who have made pledges to the Fund. The UK has pledged GBP 6 million (UA 7.6 million), Norway NOK 45 million (UA 5.3 million), and Germany € 2 million (UA 1.9 million) to support capacity-building efforts for the RECs in infrastructure projects. In December 2007, a formal agreement was signed between Norway and the Bank.

Connect Africa Initiative

The Connect Africa Initiative is a global partnership launched in October 2007 to mobilize the human, financial, and technical resources needed to bridge major gaps in ICT infrastructure across the continent. A total of US$ 55 billion (UA 34.08 billion) has so far been pledged for the development of infrastructure and services necessary to achieve both the ICT-related MDGs and the World Summit on Information Society Action Plan. The Bank Group will play a leading role in the coordination of this initiative.

DEEPENING PRIVATE SECTOR INVESTMENT

The private sector has long been recognized as the engine of growth for sustainable economic development in support of poverty reduction. The Bank Group's Private Sector Development Strategy articulates 5 focal areas: (i) supporting private enter-

Box 3.3: Mobilizing Aid for Trade

A regional conference was organized by the AfDB in collaboration with the WTO, UNECA, and the Tanzanian Government, in Dar-es-Salaam, Tanzania in October 2007. The meeting was attended by more than 400 delegates, including African ministers and government officials, donors, IGOs, NGOs, RECs, and private sector organizations. This was the last of 3 high-level regional reviews (Asia, Latin America, and Caribbean) held as part of the WTO's Aid for Trade (AfT) initiative launched at the 2005 Hong Kong Ministerial Conference.

This conference aimed at developing a clear plan of action and a shared political commitment to implementing the initiative. For African countries, the rationale for the conference was straightforward: Globalization is fundamentally changing the development dynamic, creating a huge potential for developing countries to harness international trade as an engine of growth.

The conference focused on the challenges facing subregions in Africa, with a particular emphasis on the regional and transnational dimensions of trade capacity-building. Many of the capacity and infrastructure constraints facing African countries are regional or cross-border in nature—and the benefits of greater regional integration can be high. The discussions paid particular attention to the adequacy of regional planning mechanisms and financing instruments.

A follow-up meeting was the Global AfT Review held in Geneva, Switzerland in November 2007. It provided an overview of progress in the delivery of Aid-for-Trade, including current flows, existing gaps, and areas for improvement. It highlighted the need to deliver more and better AfT and to strengthen mutual accountability between partner countries and donors.

prises; (ii) strengthening financial systems; (iii) building competitive infrastructure; (iv) promoting regional integration and trade; and (v) improving the investment climate. To this end, the Bank finances reform programs in RMCs in addition to specific activities with private sector entrepreneurs and organizations.

From 2004-2007 there was a sevenfold increase in the ADB's non-sovereign lending operations. Private sector financing operations in 2007 exceeded UA 1.00 billion compared to UA 166.0 million in 2004. The geographical distribution of the 2007 approvals reflects a shift toward middle-income countries (MICs) and multinational projects. Approvals for MICs represented 61 percent of total approvals in 2007, compared with 26 percent in 2006. Similarly, there was a rise in the level of multinational projects for 2007 (UA 112.3 million) compared with 2006 (UA 72.6 million). However, the share of approvals for low-income countries (LICs) fell from 72 percent in 2006 to 26 percent in 2007.

Box 3.4: Enhancing Private Sector Assistance for Africa

The Enhanced Private Sector Assistance (EPSA) Initiative is an innovative, multi-component, multi-donor framework for resource mobilization and development partnership to support implementation of the AfDB's Strategy for Private Sector Development. Drawing on successful development experience in Asia and around the globe, EPSA was conceived in partnership with the Government of Japan (GOJ), which provided generous financial support for its launch in 2005. The Japan Bank for International Cooperation (JBIC) has committed a total of US$ 1 billion in concessional loans over the period 2006-2010 through a combination of direct lending to the Bank under the EPSA Non-sovereign Loan component and cofinancing under the Accelerated Cofinancing Facility (ACFA). In addition, Japan made an initial contribution of US$ 20 million to launch the multi-donor Trust Fund for African Private Sector Assistance (FAPA), which provides grant funding for technical assistance and capacity building to support implementation of the Bank's Private Sector Development Strategy.

During 2007, JBIC provided US$ 100 million through direct financing to the Bank for non-sovereign operations, plus US$ 120 million in new cofinancing under ACFA, bringing total commitments under all EPSA components to approximately US$ 250 million. Approvals during 2007 included support for the Bujagali Interconnection Project in Uganda, SME credit lines in Nigeria, and the development of the East Africa Submarine Cable System (EASSy).

AGRICULTURE AND RURAL DEVELOPMENT

The vast majority of the continent's population who live in extreme poverty are in the rural areas. The enhancement of sustainable agricultural and rural development is therefore fundamental to the attainment of the Millennium Development Goals (MDGs) in Africa, particularly the eradication of hunger and poverty. In 2007, the Bank Group's intervention in this sector focused on the provision of rural agriculture infrastructure, natural resources management, adaptation to climate change, and the provision of technical assistance for the Comprehensive Africa Agriculture Development Program (CAADP).

During 2007, total Bank Group approvals for the sector amounted to UA 178.8 million, accounting for about 6.9 percent of the total loan and grant approvals. The approvals include projects in community agricultural infrastructure, irrigation, horticulture, and sector budget support in Ethiopia, Gabon, Ghana, Kenya, Lesotho, Madagascar, Mali, Mozambique, Tanzania, and Uganda, as detailed in the project profiles at the end of Chapter 4.

Nonlending activities carried out by the Bank Group to improve the development effectiveness of agricultural operations included: (i) the simplification and harmonization of loan conditionality with the best practices of other MDBs; (ii) the enhancement of portfolio management in collaboration with field offices; and (iii) an improvement in financial management of agricultural operations through the regular follow-up of external audit submissions by RMCs and the implementation of the Bank internal audit recommendations. These measures led to a 38 percent reduction of problem projects in 2007.

The Bank Group also organized a number of strategic partnership meetings focusing on the agricultural sector. These included (i) the 7th Donor Partnership Meeting on Agriculture and Rural Development in West and Central Africa, with the participation of the major MDBs, bilateral and international organizations; (ii) ADB/FAO/IFAD technical partnership meeting; (iii) the AfDB/FAO/IFAD technical and partnership meeting; (iv) a seminar on Integrated Water Resources Management (IWRM) to select operations for possible cofinancing with the Global Environment Fund (GEF); and (v) a cooperation meeting with the World Bank in Agricultural Water Use.

PROMOTING SOCIAL AND HUMAN DEVELOPMENT

The Bank Group supports human capital development in RMCs through strengthened and effective education, health, and social systems (see Box 3.5). Approvals by the Bank Group for the social sector in 2007 amounted to UA 119.7 million, or 4.6 percent of total loans and grants. The decrease in the social sector's share of approvals since 2006 can be attributed to the Bank Group's enhanced selectivity toward projects and programs that will have the maximum impact on poverty reduction.

Box 3.5: Implementation of the Bank's Policy on Poverty Reduction

In 2007, the Bank continued the implementation of its Policy on Poverty Reduction which is designed to:

- Facilitate a strong linkage between country-owned Poverty Reduction Strategy Papers (PRSPs) and corresponding Results-Based Country Strategy Papers (RB-CSPs);
- Articulate the poverty reduction potential (including contributions to the achievements of MDGs) of Bank-financed lending and nonlending operations to maximize improvements in the welfare of the poor; and
- Enhance the poverty-related capacity building for its staff and in its RMCs.

The implementation strategy guided the review process of documents relating to Bank operations at all levels, especially RB-CSPs, budget support programs and sector projects, capacity-building operations, Economic and Sector Work, and the expanded program of applied socioeconomic research. For instance, the review process was used to ensure that the MDGs are mainstreamed in RB-CSPs and the linkage between RB-CSPs and PRSPs is strengthened. In addition, efforts were made to improve the quality and depth of the poverty diagnostics, the analysis of the sources of pro-poor growth, and the viability and sustainability of Monitoring and Evaluation systems in RB-CSPs.

In 2007, the Bank also organized training in the Economics of Poverty for approximately 30 Bank staff. The training was based on 4 modules, which included sessions on the development of tools for poverty measurement, the analysis of sources of pro-poor growth, the assessment of pro-poor public expenditures, and examination of data requirements for PRSP-MDG relevant monitoring and evaluation systems. The objective of the training program is to sharpen the skills of Bank staff in the analysis of poverty in its lending and nonlending operations so that its contribution to poverty reduction and the achievement of the MDGs are maximized.

In the primary and secondary education sector, the Bank Group provided sector budget support to Lesotho and Tanzania to enable both countries to implement their primary and secondary education strategic plans. Three operations were approved for the Democratic Republic of Congo (DRC), Côte d'Ivoire, and Liberia to provide employment and income-generating opportunities to former combatants and youth, and rehabilitate social infrastructure in the regions that were worst affected by the conflict. In the health sector, the Bank Group focused on portfolio management to decrease the number of problematic projects, identify areas of comparative advantage, and so increase its effectiveness on the ground.

In support of poverty alleviation programs in RMCs, the Bank Group approved a microfinance project in Mauritania in 2007 aimed at improving access to financial services, particularly for women entrepreneurs. Also, a Community Empowerment and Institutional Support project was approved for Kenya to build capacity and improve utilization of development resources. Nonlending operations in social and human development by the Bank Group in

2007 included 2 gender profiles for Kenya and Ghana and studies on the maintenance of social infrastructure in Mozambique.

During the year, the Bank participated in the Telemedicine Task Force (TTF) for Sub-Saharan Africa; a high-level forum on HIV/AIDS and infrastructure; and a conference on technical and vocational education, amongst others. The Bank is also actively engaged with the Association for the Development of Education in Africa (ADEA) and will be hosting the ADEA Secretariat at the TRA in Tunis.

Emergency Humanitarian Assistance

In 2007, approvals were made from the Special Relief Fund (SRF) for emergency humanitarian assistance to drought victims in Lesotho, Madagascar, and Mozambique, for a total amount of UA 1.0 million. In addition, a grant of UA 0.33 million was extended from the Special Relief Fund to victims of the floods in Ethiopia.

CROSSCUTTING ACTIVITIES

Gender Mainstreaming

Gender mainstreaming continues to be a priority crosscutting issue and an integral component in Bank Group lending and nonlending activities. In 2007, training was given to various members of staff in infrastructure, to enhance competence to integrate gender in projects and programs. The Gender Guidelines for agriculture, education, health and infrastructure are now at an advanced stage of development to provide a practical tool for Bank staff in identifying and mainstreaming gender issues through all stages of the program/project cycle. Work is also at an advanced stage on a midterm review of the Gender Plan of Action, to generate lessons and best practice that can be replicated across the Bank's field of operations. Furthermore, a Gender Resources and Results Tracking System (GRARTS) is currently under development to enable the tracking of resources allocated to gender equality and to help monitor results over time. The main objective is to strengthen the linkage between policy objectives and resource allocations.

Although some progress is being made to promote the Bank's gender agenda, several areas requiring further attention need to be addressed. These include: (i) enhancing the use of gender profiles; (ii) increasing the sensitization of Bank staff on gender issues; (iii) scaling up capacity-building for data collection on gender-related issues; and (iv) more effective incorporation of gender components and monitorable indicators into project design.

The Environment and Climate Change

Africa has contributed the least to climate change but, experts agree, will be the worst affected globally. The Bank seeks to develop policies and frameworks to address this new global challenge, within the Nairobi Framework. During 2007 work continued on the development of a Clean Energy Investment Framework (CEIF), which is now at an advanced stage. The framework is articulated around 3 main pillars: (i) energy

access, (ii) mitigation, and (iii) adaptation. *Energy access* includes electrification programs; enhancing generation capacity of power grids; provision of energy services to key public facilities; promotion of standalone projects for households without electricity; and a push for cleaner fuels. *Mitigation* aims at mainstreaming renewable energy and energy efficiency. *Adaptation* is the component of the CEIF that involves climate risk management (CRM). The Bank Group is also working closely with other bilateral, multilateral, and UN agencies on climate change in Africa, within the Nairobi Framework.

Under the Financing Energy Services for Small-Scale Energy Users Program (FINESSE), the Bank Group provided technical assistance and knowledge management services in the preparation of a wind powerplant project in Kenya, a micro-hydro power in Madagascar, and a renewable energy for agro-processing project in Uganda. The Bank Group is currently working on its new Strategy on Climate Risk Management and Adaptation, which will mainstream environmental issues into the Bank's portfolio of operations to support RMCs' efforts in addressing climate change impacts.

In the area of natural resources management, the Bank's emphasis has been on improved conservation, utilization, governance and management regimes for land, water, fish and forest resources as well as to conserve biodiversity.

SUPPORT FOR MIDDLE INCOME COUNTRIES (MICs)

The increasing liquidity and declining cost of borrowing in the international financial markets have broadened the financing options open to middle-income countries (MICs). In the context of the rapidly changing financial architecture, MDBs need to develop innovative policies and strategies to meet this new challenge. The Bank Group is at an advanced stage in developing a new strategy to enhance support to MICs, which will emphasize country ownership, selectivity and complementarity, partnership, and a results focus.

This new approach, which is being aligned with the Bank's private sector strategy, sets out the following objectives:

(i) To build the competitiveness of MICs by supporting infrastructure development;

(ii) To deepen private sector investment and catalytic transactions by providing an interface between public and private investment through direct investment, equity participation, and by engaging private corporations, financial institutions, and state-owned enterprises;

(iii) To boost regional investment and trade by supporting partnerships between MICs and neighboring ADF countries through public/private (PPP) operations;

(iv) To enhance capacity building and knowledge by investing in productive sectors; and

(v) To disseminate best practices among development stakeholders to strengthen their institutional management and capacity.

The Bank has commenced the preparatory process to co-organize with the World Bank an MIC Conference in March 2008 to enhance competitiveness in delivering lending and nonlending services in support of MICs.

SUPPORT FOR FRAGILE STATES

The Bank has developed an operational strategy for enhancing its engagement in fragile regional member states to be approved by the Board during the first quarter 2008. Such states continue to pose serious challenges in Africa by undermin-

Box 3.6: The Fragile States Facility (FSF)

The FSF provides a broad and well integrated operational framework through which the Bank can be more effectively engaged in countries experiencing fragility. Specifically, the FSF will provide scaled-up support to eligible fragile states, under 3 pillars:

- **Supplementary Financing:** On top of the regular PBA-based country allocation, supplementary financing will be provided to eligible post-crisis/transitional countries. The support will be for a limited period of time, with clear and strict criteria to be met for eligibility, a specific allocation, and phasing-out mechanism and monitoring, delivery and exit provisions.

- **Arrears Clearance:** Supplementary support will be closely coordinated with arrears clearance operations to ensure the highest impact to the eligible post-crisis/transitional countries. Accordingly, the Bank's Post-Conflict Country Facility (PCCF), which provided arrears clearance to eligible countries, will be folded into an Arrears Clearance Window (ACW) of the FSF; and

- **Targeted Support:** A limited pool of resources will be set aside to allow the Bank to provide supplementary targeted support for capacity building, knowledge management, etc. in all categories of fragile states.

Financing the FSF: The amount of resources allocated to the FSF under the ADF-XI cycle, 2008-2010, is UA 407.1 million or 7.5 per cent of the total ADF-XI resources available for allocation (i.e. the total replenishment level minus contingencies). Funding can be supplemented by additional voluntary contribution from donors.

ing the development prospects of individual countries and adversely affecting regional stability, security, and economic growth. The Bank's strategy, developed to meet specific priorities and expectations expressed by partner countries, has two interrelated objectives:

(i) to more effectively assist fragile states, including the post-crisis/transitional countries to move toward more stable political and economic development; and

(ii) to assist countries at risk of slipping into fragility.

The strategy is informed by the Bank's past operational experiences, grounded on the OECD-DAC Principles of Good International Engagement, and will be implemented in close collaboration with other multilateral and bilateral partners, including UN agencies and the African Union (AU). A new financing instrument, the Fragile States Facility (FSF), has been created to operationalize the strategy, as outlined in Box 3.6.

DEVELOPMENT EFFECTIVENESS AND MANAGING FOR RESULTS

Harmonization and Alignment

The Bank Group, within the framework of the Paris Declaration commitments on Aid Effectiveness, deepened its harmonization and alignment activities at the institutional, country, and global levels. Institutional-level activities focused on developing additional harmonization programming instruments, implementation and monitoring tools, improving operations business processes, and enhancing internal capacity. Harmonization and alignment-friendly business process reforms have been at the center of the Bank's ongoing institutional reforms including: operational programming; decentralization; delegation of authority; procurement and financial management services; and aligning the Technical Cooperation Fund with the Bank's strategic priorities. These reforms will further enhance the Bank's effectiveness by improving quality at entry, efficiency, accountability, portfolio management, and coordination.

At the country level, the Bank is helping RMCs to meet the Paris Declaration commitments in 3 major areas: in implementing national harmonization and alignment action plans; improving coordination and use of common arrangements; and providing capacity-building assistance, for example in country statistical collection and utilization. During 2007, the Bank has continued collaboration with other donors in joint country analysis and country analytic work, including the joint Assistance Strategy for Zambia. Such collaborative activities are further strengthening national ownership, improving predictability of development partners' support, and maximizing the use of donor resources.

At the global level, the Bank has deepened its participation in the MDB technical working group and OECD-DAC joint venture workstreams, which play a key facilitation role in the implementation of the Paris Declaration commitments at the country level. Moreover, the Bank Group in partnership with other MDBs and the OECD-DAC is organizing the Accra High-Level Forum (HLF) on Aid Effectiveness, scheduled for September 2-4, 2008. The Bank is representing regional development banks on the Steering Committee and is providing support to African countries for effective participation in Accra.

One of the key objectives of the Accra HLF is to take stock of progress in the implementation of the Paris Declaration specific commitments. In this regard, the Bank's own assessment shows that it is making progress overall. While strong to moderate progress has been achieved on targets related to alignment of Bank support to national priorities, joint analytic work, coordinated technical cooperation, use of country systems, and common arrangements, the Bank will strive to achieve better results in the predictability of resource flows, avoidance of parallel implementation arrangements, and joint missions. Steps taken by the Bank to scale up its performance include: introducing an incentive system to improve staff buy-in; strengthening the Bank's own capacity; introducing greater flexibility in Bank procedures and rules; and enhancing country institutional capacity. The Bank has also put in place specific quantitative targets that will be used as a benchmark for measuring progress over the next 3 years.

Managing for Results: the Results Measurement Framework

The Bank Group uses the Results Measurement Framework to assess aggregate progress toward selected development goals by ADF-eligible RMCs. The framework focuses on: (i) development effectiveness in terms of country progress on key outcomes (see Box 3.7); and (ii) institutional effectiveness in terms of program outputs and outcomes, and business processes.

- *Outcomes at the Country Level:* These indicate that RMCs have made significant progress on growth, poverty reduction and human development in recent years. Communications across the continent and with the rest of the world have also improved through ICT.

- *Operational Effectiveness:* An assessment of outputs and outcomes of operations exiting the Bank Group's portfolio shows a significant contribution to country-level progress in recent years.

- *Institutional Effectiveness:* The Bank Group has made steady progress in enhancing its institutional effectiveness. Measures already taken include:

Box 3.7: Assessment of Progress of Key Outcomes: ADF Results Measurement Framework and Project Outputs

Up to 39 of the 40 ADF-eligible RMCs made progress in the 18 indicators in the areas of governance, regional integration, private sector development, agriculture, and information technology. Project results shown below are an aggregation of only some of the outputs from 140 operations, representing UA 1.40 billion in disbursements.

Growth and Poverty Reduction

- Real per capita income in ADF-eligible RMCs rose by more than 3 percent per annum over the 2002-2006 period, which is the fastest growth rate for more than two decades. As a result, the share of the population living in extreme poverty declined.

Infrastructure

- Estimated population with improved access to transportation: 31.8 million.
- 75 percent of the ADF-eligible RMCs made positive progress on access to improved water sources.
- 6 projects improved access to water resources and sanitation for 1.6 million people.
- 23 transportation sector projects upgraded 2,440 km of paved roads and constructed marketplaces, boreholes, and school yards in the areas served by the roads.
- More than 700,000 households were provided with new or improved access to electricity.

Regional Integration and Trade

- The value of trading among ADF-eligible RMCs within Africa increased by more than 30 percent per year in the 2005-2007 period.

Governance and Transparency

- Modest improvements in government effectiveness, regulatory quality, rule of law, and control of corruption, were offset by marginal declines in voice and accountability, and political stability.

Private Sector and Agriculture

- 10 million farmers benefited from the projects including the training of 350,000 people.
- The staple crops index shows a 15 percent increase in average cereal yield per hectare during the 2005-2007 period.
- 3,300 kilometers of feeder roads were built or rehabilitated to link 1,427 agricultural production and marketing facilities.
- 47 irrigation dams, 11,545 kilometers of dikes, 2,761 wells and boreholes, and 11,537 other water and sanitation units were constructed or rehabilitated.
- 36,000 hectares of land were reforested and 373,660 hectares of natural forests brought under sustainable use and management techniques.

Social Sector Development

- Access to basic health for about 5-8 million people was improved.
- 32 hospitals and 260 primary health centers were constructed or rehabilitated.
- 600 health facilities were provided with equipment; 52,000 health workers, including doctors, nurses, and midwives, were trained.
- 8,480 classrooms and 461 education support facilities were constructed or rehabilitated.
- 6,074 schools were provided with water and sanitation facilities; 81,436 teachers were trained, 12,553 new teachers recruited and 6.9 million textbooks supplied.
- 769 social fund and microfinance (Mf) institutions established, micro-credits granted to 334,990 people;.
- 131,000 micro-enterprises were established.
- 1.3 million people benefited from the Mf projects and 41,000 jobs were created through poverty reduction operations.

(i) achieving operations staffing targets and enhancing staff diversity; (ii) establishing 23 fully functioning field offices; (iii) introducing results-based Country Strategy Papers; (iv) speeding up procurement processes; (v) increasing supervision ratios; (vi) reducing aging and non-performing projects; and (vii) lowering the share of problem/ at risk projects.

Despite the progress made in these areas, the Bank believes that much work remains to be done to improve the measurement of outcomes and effectiveness in Bank Group operations.

Decentralization: Increasing the Country-Level Focus

During 2007, significant progress was made in staffing the 23 operational field offices; as a result, the 21 percent vacancy rate will be filled in early 2008. Installation of the essential ICT infrastructure was completed for these 23 field offices, including the Sudan office which opened in 2007. Staffing and installation of ICT equipment in the 2 remaining field offices (Algeria and Angola) will be finalized once their Host Country Agreements have been signed.

The field offices have increased the Bank Group's focus on results at the country level and accelerated the pace of project and program implementation. Portfolio quality in these countries is now improving through the Bank's intensified supervision and engagement in the procurement and disbursement approval processes. The Bank's proximity to RMCs has also enhanced its knowledge and intelligence of client countries' sectoral and macro positions. Collaboration frameworks with governments and other development partners have led to enhanced harmonization and alignment of strategies, procedures, and policies.

The establishment of field offices has therefore generated positive results, and performance is expected to be further enhanced by increased delegation of authority for those activities that could be more cost-effectively managed at the country level with all the necessary fiduciary safeguards.

The Bank's oversight functions will be strengthened through an enhanced monitoring and reporting framework on various key performance indicators, or KPIs (see Box 2.2) for which the field offices will be held accountable.

RESOURCES MOBILIZATION

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

The HIPC Initiative provides comprehensive debt relief to the poorest and most heavily indebted countries around the world after they have reached their decision and completion points. During 2007, 3 African RMCs (Sierra Leone, São Tomé and Principe, and The Gambia) reached their completion points, while the Central African Republic (CAR) reached its decision point. HIPC debt relief of UA 60.2 million and UA 58.4 million were approved for Sierra Leone and São Tomé and Principe, respectively, and UA 34.6 million for Central African Republic. The Gambia reached its completion point in December 2007 and debt relief of UA 14.9 million is expected to be approved in early 2008. At the end of December 2007, 19 RMCs had reached their completion point, 7 were in the interim stage between decision and completion points, and 7 were at their pre-decision point (see map below).

Four decision-point countries (Burundi, Chad, Democratic Republic of Congo, and Guinea) are expected to reach their completion point in 2008; while 5 pre-decision point countries (Liberia, Comoros, Côte d'Ivoire, Sudan, and Togo) are expected to reach their decision point.

The total cost of the HIPC Initiative for the 33 RMCs is estimated at US$ 3.64 billion in NPV terms, equivalent to about US$ 5.63 billion in nominal terms. The breakdown of the cost by HIPC status is shown in Figure 3.1. As of end-December 2007, 26 out of the 33 RMCs classified as HIPCs in Africa were receiving debt relief from the Bank Group under the enhanced HIPC Initiative. Figure 3.1 also shows the amounts that have been delivered to these RMCs by HIPC status.

As shown in Table 3.1, as at end-December 2007, the total resources mobilized for the Bank Group under the HIPC Trust Fund amounted to US$ 2.47 billion. The total cost of commitments for decision and completion point RMCs under the HIPC initiative as at end-December 2007 is estimated at US$ 4.81 billion. The financing gap in terms of resources needed to fund the commitments is estimated at US$ 2.34 billion. Based on current estimates, the HIPC Trust Fund will need about US$ 86.2 million of new cash inflows to cover its contribution to the 4 RMCs that will reach their completion point in 2008.

Classification of RMCs by HIPC Status (as at end-December 2007)

COUNTRIES STATUS

Completion Point	Decision Point	Pre-Decision Point
Benin	Burundi	Comoros
Burkina Faso	Chad	Côte d'Ivoire
Cameroon	C.A. Rep.	Eritrea
Ethiopia	D. Rep. Congo	Liberia
Ghana	Congo	Somalia
Gambia	Guinea	Sudan
Madagascar	Guinea Bissau	Togo
Malawi		
Mali		
Mauritania		
Mozambique		
Niger		
Rwanda		
Sao Tomé & Principe		
Senegal		
Sierra Leone		
Tanzania		
Uganda		
Zambia		
19	7	7

Figure 3.1: Cost of the HIPC Initiative (US$ billions)

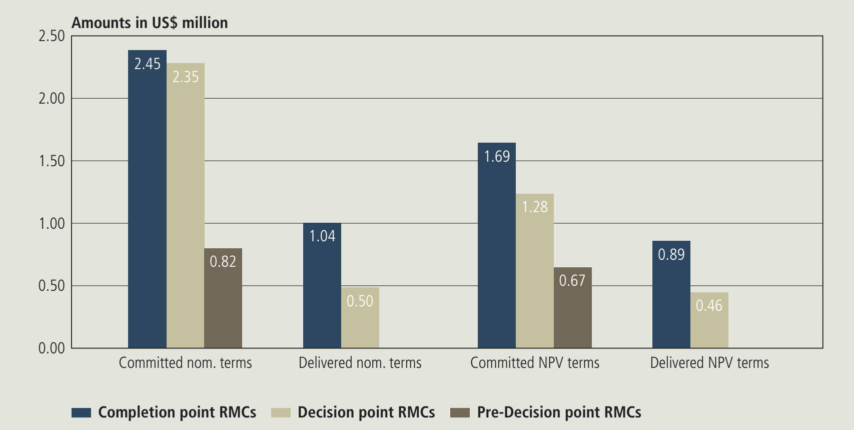


Table 3.1: HIPC Trust Fund Resources Mobilized for the Bank Group as at end-December 2007, (US$ millions)

Source of Funds	Grants Funded	Resources Available	Total Contri-bution	(%) of Total contribution
I- Bank Internal Resources	**333.6**	**29.3**	**362.9**	**14.7**
II- Resources through the HIPC Trust Fund	**1,926.2**	**184.3**	**2,110.4**	**85.3**
European Community	733.7	71.6	805.3	32.56
United States	392.9	75.4	468.3	18.94
United Kingdom	296.5	0.5	297.0	12.01
Japan	127.0	31.6	158.6	6.41
Netherlands	88.8		88.8	3.59
Canada	50.0		50.0	2.02
Switzerland	40.5		40.5	1.64
Italy	36.5		36.5	1.48
Germany	29.9		29.9	1.21
Denmark	29.6		29.6	1.20
Norway	16.1	5.1	21.2	0.86
Sweden	17.5		17.5	0.71
Portugal	15.7		15.7	0.63
Belgium	11.4		11.4	0.46
Finland	10.6	0.00	10.6	0.43
Ireland	8.1		8.1	0.33
Russia	2.1		2.1	0.09
France	2.0		2.0	0.08
Austria	0.8		0.8	0.03
Greece	0.6		0.6	0.02
Korea	0.5		0.5	0.02
Luxembourg	0.4		0.4	0.02
Investment Income	15.1		15.1	0.61
TOTAL	**2,259.8**	**213.6**	**2,473.3**	**100.00**

Source: HIPC Trust Fund (World Bank) and Bank Group

Table 3.2: Classification of ADF RMCs based on the 2007 Risk of Debt Distress

Classification under DSA/DSF	Countries
Green – Loans Only (13 RMCs)	Cameroon, Cape Verde, Ghana, Kenya, Madagascar, Mali, Mozambique, Nigeria, Senegal, Tanzania, Uganda, Zambia, Zimbabwe
Yellow – Loan/Grant Combination (9 RMCs)	Angola, Benin, Burkina Faso, Ethiopia, Lesotho, Malawi, Mauritania, Niger, Sierra Leone
Red – Grants Only (18 RMCs)	Burundi, Central African Republic (CAR), Chad, Comoros, Cong Rep., Côte d'Ivoire, Dem. Rep. of Congo, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Liberia, Rwanda, São Tome and Principe, Somalia, Sudan, Togo

The Multilateral Debt Relief Initiative (MDRI)

The MDRI provides additional debt relief under the enhanced HIPC Initiative to the MDRI-eligible RMCs after completion point. Under the MDRI, donors are committed to cancel debts for loans disbursed and outstanding under ADF, as at December 31, 2004, for the eligible RMCs, and to compensate the Bank "dollar for dollar" for the MDRI-related foregone reflows over a 50-year period. The estimated cost of the Initiative is UA 5.57 billion, equivalent to US$ 8.80 billion. MDRI debt relief of UA 129.0 million and UA 65.3 million were approved for Sierra Leone, and São Tomé and Principe respectively in 2007, which will be spread over a 50-year period. UA 107.6 million is expected to be approved for The Gambia in early 2008 to be spread over the same timeframe. The total debt relief provided to the 19 MDRI-eligible RMCs in 2007 is estimated at UA 36.6 million, equivalent to US$ 57.8 million (see also Annexes II-15 and II-16).

2007 ADF-X Country Allocations

As at end-December 2007, a total of UA 2.71 billion, representing 95.4 percent of the available resources, had been committed to programs and projects in RMCs, leaving a balance of UA 131.0 million. Of the amount committed, 72.5 percent was allocated to performing countries. The grants portion of the committed ADF-X resources is estimated at UA 857.4 million.

The enhanced Performance-Based Allocation (PBA) formula is used to determine the country allocations and the Debt Sustainability Analysis/Debt Sustainability Framework (DSA/DSF) for determining the country-specific financing terms, i.e. loan, grant, or loan/grant combination. Table 3.2 sets out the 2007 DSA/DSF classification.

ADF-XI Replenishment Consultations

There were 4 consultative meetings for the Eleventh Replenishment of Resources for the African Development Fund (ADF-

Box 3.8: ADF-XI Replenishment—Main Features

Replenishment level
The Deputies agreed to a record level of support for the ADF with a replenishment of UA 5.76 billion for the ADF-XI cycle (2008-2010). This includes UA 3.70 billion of donor contribution and UA 2.06 billion of advance commitment capacity, and represents a 52 percent increase over the resources under the ADF-X cycle (2005-2007).

Focal areas of ADF support
The Deputies endorsed the focus of the ADF on 3 core operational priorities: infrastructure, governance, and regional integration. They also highlighted the need to integrate agriculture and human development, gender, environmental sustainability and climate change, and clean energy into the focal areas.

Financial allocations
The ADF-XI resources available for allocation after netting out contingencies amount to UA 5.427 billion. From this allocable amount, the distribution of resources was agreed as follows:

- The ADF will enhance its engagement in fragile states, including post-conflict countries, and will allocate 7.5 percent of the total allocable resources (UA 407.1 million) to a Fragile States Facility (FSF) to provide targeted support to specific countries, including debt relief.
- The ADF will assist Africa to become more competitive and overcome the limitations of many small separate domestic markets through greater economic integration. It will allocate 17.5 percent of the total allocable resources (UA 949.7 million) to multinational operations.
- The remaining 75 percent of the resources (UA 4.07 billion), will be allocated to the ADF regional member countries using the revised PBA formula.

XI) in 2007. The first meeting was held in Dar-es-Salaam, Tanzania, on March 14-15, 2007; the second in Tunis, Tunisia, on June 11-12, 2007; the third in Bamako, Mali, on September 20-21, 2007; and the final meeting in London, UK on December 11-12, 2007. All Board members participated as observers at these meetings.

The Deputies discussed the progress on the institutional reforms aimed at improving the operational capability and effectiveness of the ADF. These included corporate performance measurement; improved portfolio management; strengthening of procurement and financial services; decentralization; and business and budget process reforms. The Deputies welcomed the reforms and urged Management and the Board to implement them more quickly.

On lending scenarios and the financing framework, participants reconfirmed the importance of the PBA system in the allocation of ADF resources, and proposed several process changes. Participants reiterated the need for the Fund to better demonstrate results and urged the Fund to audit and quantify results in a more systematic and analytical way. The main features of the ADF-XI replenishment consultations are outlined in Box 3.8.

Post-Conflict Countries Facility (PCCF)—Progress Report
The Bank Group's Post-Conflict Countries Facility (PCCF), approved during the ADF-X replenishment negotiations in 2004, provides grant financing for arrears clearance in post-conflict countries. This is to enable the PCCs to progress quickly to HIPC decision point. PCCF grants count toward the Bank Group's HIPC debt relief for RMCs.

As at end 2007, the total contribution from ADB and ADF-X resources to the PCCF amounted to UA 350 million (equivalent to about US$ 553.1 million). Of this amount:

- US$ 64.0 million was used to finance 35 percent of the arrears clearance of Burundi and 33 percent of the arrears clearance of Congo Republic in 2004;
- US$ 23.3 million to finance 49.5 percent of the arrears of Central African Republic (CAR) in 2006;
- US$ 181.7 million to cover 69.3 percent of the arrears of Liberia in 2007; and
- US$ 25.3 million to finance the arrears clearance for Comoros, also in 2007.

During the ADF-XI negotiations, the PCCF was incorporated into the new Fragile States Facility (see Box 3.6). UA 407.1 million (representing 7.5% of the total ADF-XI allocable resources), was earmarked for the FSF to provide targeted support to specific countries, including debt relief.

PARTNERSHIPS AND COOPERATION ACTIVITIES

In 2007, the Bank Group continued to promote and strengthen cooperative relations with multilateral and bilateral development partners. The main objective of these strategic partnerships is to mobilize financial resources, share knowledge and information, and build technical skills in the RMCs. In 2007, the Bank reinforced its strategic partnerships with the World Bank, European Commission, and UN Agencies. All partnerships endorse the principles of the Paris Declaration, in seeking harmonization of procedures and instruments, collaboration based on comparative advantages, and results management for maximum impact on poverty reduction. The activities undertaken by the Bank in this context can be grouped into cofinancing operations, bilateral technical cooperation, and multilateral technical cooperation.

Table 3.3: Cofinancing Operations by Source and by Sector, 2007
(UA millions)

Sector	SOURCE OF COFINANCING									Total Cost of Co-financed Projects	Multiplier Coefficient
	Bank Group Contribution				External Sources				Local **		
	ADB	ADF	NTF	Total	Bilateral	Multilateral	Other *	Total			
	(1)	(2)	(3)	(4)='(1)+(2)+'(3)	(5)	(6)	(7)	(8)='(5)+(6)+'(7)	(9)	(10)='(4)+(8)+'(9)	(11)=(8)/'(4)
Agriculture and Rural Development	-	80.00	-	80.00	2.67	106.00	47.58	156.25	42.95	279.20	1.95
Social	-	40.00	-	40.00	-	100.00	280.00	380.00	696.00	1,116.00	9.50
Water Supply & Sanitation	13.80	115.69	-	129.49	32.40	104.97	-	137.37	73.29	340.15	1.06
Power	435.13	91.99	-	527.12	258.52	602.69	62.13	923.35	542.87	1,993.34	1.75
Communications	32.99	-	-	32.99	-	50.28	56.08	106.36	-	139.35	3.22
Transportation	135.17	108.80	-	243.97	79.72	404.11	129.89	613.72	563.24	1,420.93	2.52
Finance	-	-	-	-	-	-	-	-	-	-	-
Multisector	19.87	54.39	-	74.26	166.61	185.12	-	351.73	59.64	485.62	4.74
Industry, Mining and Quarrying	162.65	-	-	162.65	1,178.23	260.38	96.36	1,534.97	-	1,697.62	9.44
Environment	-	-	-	-	-	-	-	-	-	-	-
Total	**799.61**	**490.87**	**-**	**1,290.48**	**1,718.15**	**1,813.56**	**672.04**	**4,203.75**	**1,978.00**	**7,472.23**	**3.26**

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

Cofinancing Operations

During 2007, the Bank Group, in collaboration with other development partners, cofinanced projects amounting to UA 7.47 billion compared with UA 11.7 billion in 2006—a decrease of 36.2 percent. The Bank's contribution amounted to UA 1.29 billion compared with UA 1.32 billion in 2006, while the contribution of external development partners decreased to UA 4.20 billion, from the 2006 figure of UA 4.24 billion. The share of beneficiary RMCs declined sharply from UA 6.10 billion in 2006 to UA 1.98 billion in 2007. The top 4 sectors to benefit from cofinancing operations were power supply, followed by industry, mining and quarrying; transportation; and social (see Table 3.3).

Bilateral Technical Cooperation Activities

The Bank's bilateral development partners provide grant resources to support institution-building reforms and project-cycle operations. Bilateral technical cooperation activities focus on mobilizing, managing, and administering these grant resources for maximum impact and results. In 2007, UA 7.76 million was committed from existing bilateral resources to finance 56 activities. New bilateral resources, amounting to UA 29.0 million, were mobilized from donor countries. Korea approved US$ 5 million (UA 3.2 million) and the UK provided GBP 13 million (UA 16.5 million) under bilateral trust funds. Canada has committed to provide C$ 5 million (UA 3.2 million) in early 2008. Portugal has committed € 2 million (UA 1.9 million) to replenish the bilateral trust fund in early 2008.

During the year, the Bank Group simplified and standardized its Technical Cooperation Fund (TCF) programs to align with those of other MDBs. The TCF Reform Program, approved by the Board in September 2006, allows the Bank more efficiency and flexibility in the utilization of such funds, for example: to negotiate fully untied TCFs, promote multi-donor thematic funds, levy a standard minimum administrative fee of 5 percent of the committed amount, and establish minimum amounts for single and multi-donor funds. Standard templates of agreements for single-donor trust funds and multi-donor thematic trust funds have respectively been formulated. In mid-2007, preparatory work started on operationalizing IT-based, real-time trust funds management system in early 2008.

Bilateral cooperation covers a broad spectrum of activities, including policy formulation, sector studies, capacity building for RMCs and Bank staff, donor-funded secondments and technical assistance, business opportunities seminars, and conferences.

Activities Funded by Trust Funds in 2007

- *Belgium* financed the Burundi Hydrological Study and the DRC/Rwanda/Uganda Gorilla Protection Study, in addition to a workshop on fragile states.

- *Canada* funded the training of young professionals on risk management through the Bank's Private Sector Department.

- *Denmark* funded a "Review of Bank Assistance to Subregional Development Finance Institutions" and a "Review of Bank Assistance to HIV/AIDS Prevention and Control in Africa."

- *Finland* financed the "Banjul Port Study in the Gambia—Component Bank".

- *India* supported "Rural Transportation Support in Ethiopia", a "Study on Outsourcing", as well as 2 capacity-building activities.

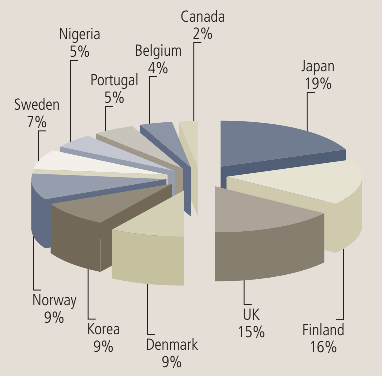
- *Japan* approved 3 activties under its Policy and Human Resources Development Grant: "Support of Enhanced Economic and Financial Programming" and preparation of 2 Poverty Reduction Strategy Papers for Burkina Faso and Niger. In addition, an activity in support of the development of the East African Submarine Cable System (EASSy) was approved under the Fund for African Private Sector Assistance (FAPA).

- *Korea* financed 5 activities, including the Banjul Port Study in the Gambia and the building of the Korea-Africa Economic Cooperation (KOAFEC) website. Two KOAFEC seminars were organized in Tunisia and South Africa in 2007.

- *The Nordic Trust Fund for Governance* financed 12 activities for the amount of UA 1.3 million, in support of good governance and capacity building.

- *Norway* financed 2 activities from the NORAD Consultancy Trust Fund: (i) an assessment of the Bank's portfolio in the fisheries and aquaculture subsector and (ii) an update of the Gender Plan of Action.

Figure 3.2: Share of Bilateral Trust Funds Approved in 2007



- *Sweden (SIDA)* financed 2 activities: (i) a study on "Debt Swaps for Education" and (ii) "The AfDB-AU-ECA Land Policy Initiative for Africa."

Other New Resources Mobilized in 2007

- *Germany* has committed € 2 million (UA 1.9 million) for the Capacity Development of Regional Economic Communities through the NEPAD-Infrastructure Project Preparation Facility (NEPAD-IPPF) and to fund a Capacity Development Specialist in infrastructure.

- *Japan* cofinanced 3 new operations during 2007 for the amount of UA 80 million under the Accelerated Cofinancing Facility (ACFA) with the Japan Bank for International Cooperation (JBIC).

- *Nigeria* has provided an initial contribution of US$ 10 million (UA 6.3 million) toward the start-up of the Africa Fertilizer Financing Mechanism (AFFM), which was approved by the Board in 2007.

Donor-Supported Secondments and Technical Assistance in 2007

- *Denmark* provided a socioeconomist/gender specialist in the African Water Facility of the Bank and an expert to the Office of the Chief Economist to assist with the preparation of the *African Development Report 2007*. Denmark continued to fund the position of Nordic Portfolio Coordinator in the Bank's Resource Mobilization and Partnerships Unit.

- *Finland* financed a private sector advisor, water sanitation engineer, and a rural sanitation program socioeconomist under the Finnish Trust Fund.

- *France* financed an expert to the Secretariat of Infrastructure Consortium for Africa (ICA), as well as an expert to the African Water Facility.

- *Germany* provided an expert on Partnerships Policy and Strategy and an environmental expert to support the Bank's capacity building. Two other secondments in agribusiness and governance were approved, to commence in early 2008.

- *Japan* continued its support to the Enhanced Private Sector Assistance (EPSA) Initiative through the JBIC's ongoing funding for a TA program coordinator and renewal of the secondment of a private sector specialist. The *Japan International Cooperation Agency (JICA)* continued seconding a Japanese expert to the ICA Secretariat in 2007.

- *Korea* funded a research expert in the Development Research Department and an investment expert in the Private Sector Department.

- *Norway* continued to fund technical experts in Water Resources Management in the African Water Facility and a

Coordinator of the African Women in Business Program for Private Sector Department.

- *The Netherlands* funded a renewable energy specialist.

- *The United Kingdom* continued to fund an infrastructure expert in the ICA Secretariat as well as a financial management expert in the African Water Facility.

- *The United States* continued to fund a technical expert in anti-corruption in the Auditor-General's Office.

Multilateral Cooperation Activities

Various high-level consultations took place in 2007 between the Bank and key development partners to deepen strategic cooperation in line with the Paris Declaration.

European Commission (EC)

In 2007, a high-level consultation between the Bank President and the Director-General of the EC was held in Brussels to reinforce the partnerships between the two institutions. An Action Plan was agreed, focusing on infrastructure, regional integration, trade, performance-based management/harmonization for aid effectiveness, fragile states, and climate change. In December, the Bank President attended the second EU–Africa Summit held in Lisbon.

World Bank

In 2007, the Bank President hosted a high-level consultative meeting with World Bank representatives in Tunis to enhance strategic partnerships between the two institutions. The adopted Joint Action Plan focuses on infrastructure, regional integration, fragile states, and climate change. In view of the similarities in focus areas of cooperation with the European Commission, the Bank is paving the way to integrate the two partnerships into a tripartite partnership.

UN Agencies

- *The International Labor Organization (ILO):* The ILO held a technical consultation with the Bank in September on (i) joint cooperation in fragile states and (ii) the monitoring of the AfDB/ILO/UNDP program on women entrepreneurs.

- *United Nations Children's Fund (UNICEF):* Preparations were initiated for a high-level retreat in 2008, and to harmonize initiatives relating to the MDGs, particularly in water and sanitation and education in fragile states.

- *United Nations Educational, Scientific and Cultural Organization (UNESCO):* In November 2007, the Bank and UNESCO organized a workshop in Tunis on the Bank's strategy on fragile states and post-conflict countries, to draw lessons on best practices. The 54th AfDB/UNESCO coordination meeting was held in Tunis in November 2007.

- *United Nations Population Fund (UNFPA):* A joint study on sexual violence in Côte d'Ivoire is in the initiation phase, which would involve a Bank contribution of approximately UA 1.0 million.

Business Opportunities Seminars (BOSs)

In 2007 the Bank, through the Partnerships and Cooperation Unit, organized 10 BOSs to familiarize the business communities with the opportunities available for participation in Bank-funded projects and the workings of the Bank's procurement processes. During the year, BOSs were held for Belgium, Canada (twice), Finland, Germany, Norway, Portugal, Spain, South Africa and Sweden.

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CHAPTER FOUR

Bank Group Operations

Macroeconomic Context

Overview of Bank Group Operations:
ADB Operations
ADF Operations
NTF Operations

Bank Group Operations by Subregion:
North Africa
East Africa
Southern Africa
Central Africa
West Africa
Profiles of ADB- and ADF-Approved Projects and Programs

The focus of this chapter is firmly on the operational side of Bank Group activities. First, a brief overview of the performance of Africa's economies during the year is presented. Next, Bank Group operations for 2007 are analyzed, for the Bank Group as a whole, the ADB, ADF, and NTF. The analysis covers approvals by financing instrument, sector, and subregion and provides cumulative figures since 1967 for each of the 3 windows. There follows an analysis of Bank approvals for each of the 5 subregions of the continent in 2007, with a particular emphasis on sectoral allocations to demonstrate the Bank's new focus on selectivity in its operations. The chapter ends by presenting comprehensive Profiles of all the projects and programs approved by the ADB and ADF during the year, including multinational operations.

MACROECONOMIC CONTEXT

The performance of Africa's economies continued to be robust in 2007, marking the longest period of economic expansion in the continent for two decades. The annual real GDP growth rate has averaged 5.2 percent for the last 6 consecutive years, and over 5.7 percent during the last 3 years. Real GDP growth rates of 5.9 and 5.7 percent were recorded for 2006 and 2007 respectively (see Table 4.1). A total of 14 countries recorded growth rates of 3 to 5 percent in 2007, while those with higher growth rates increased to 25. During the year only 3 countries recorded a negative growth rate.

The continent's GDP per capita rose from US$ 1,161 in 2006 to US$ 1,291 in 2007 (see Table 4.1), while real GDP per capita growth improved marginally from 3.5 percent to 3.7 percent over the same period. However, this favorable trend still falls short of the 7-8 percent GDP growth required to achieve the Millennium Development Goals (MDGs), in particular that of halving the proportion of people living in extreme poverty by 2015.

For the continent as a whole, average inflation rose from 6.6 percent in 2006 to 8.2 percent in 2007. This is partly explained by the improved economic performance and sustained oil price increases, which exerted upward pressure on consumer prices. However, Africa's fiscal balance declined from a surplus of 4.2 percent of GDP in 2006 to 2.8 percent of GDP in 2007.

The performance of Africa's external position in 2007 was mixed, with higher export volumes and negative terms of trade; the latter declining from 8.6 percent in 2006 to a negative 1.7 percent in 2007. Debt relief measures under the enhanced HIPC Initiative and the MDRI contributed to the decline of Africa's external debt from 26.2 percent of GDP in 2006 to 22.7 percent of GDP in 2007. Similarly, its debt-service as a percentage of exports fell from 9.9 percent in 2006 to 6.3 percent in 2007.

The average current account balance as a proportion of GDP has been positive during the past 5 years, spurred by economic expansion in OECD countries and the increasing global demand for primary commodities, particularly from China and India. Another significant factor affecting African economies in recent years has been the rise in official development assistance (ODA). Net total ODA for Africa rose from US$ 15.0 billion in 2000 to US$ 41.3 billion in 2006. Similarly, FDI inflows grew from US$ 9.7 billion in 2000 to US$ 35.5 billion in 2006.

With regard to macroeconomic performance across the 5 subregions of the continent, Table 4.2 presents selected indicators in relation to the continental average for 2007. The real GDP growth rate was

Table 4.1: Africa — Macroeconomic Indicators, 1990-2007

	1990	2000	2002	2003	2004	2005	2006	2007
Real GDP Growth Rate (%)	3.2	3.8	3.5	4.9	5.6	5.7	5.9	5.7
GDP Per Capita (US$)	756	723	666	783	909	1,042	1,161	1,291
Inflation (%)	12.8	10.0	7.6	7.9	8.1	7.6	6.6	8.2
Fiscal Balance (% of GDP)	-4.9	-0.1	-2.7	-2.0	-0.1	2.8	4.2	2.8
Gross Domestic Investment (% of GDP)	21.1	19.1	20.5	20.4	21.4	21.1	21.8	23.1
Gross National Savings (% of GDP)	20.2	22.5	20.3	21.8	23.1	25.5	27.4	27.8
Real Export Growth (%)	15.9	9.4	0.8	8.2	7.8	5.9	2.8	7.5
Trade balance (% of GDP)	1.4	4.6	1.1	2.7	4.0	7.0	7.8	6.3
Current Account (% of GDP)	-1.1	2.6	-1.1	0.5	1.4	3.7	5.3	2.9
Terms of Trade (%)	-1.3	16.2	0.8	2.8	6.1	14.8	8.6	-1.7
Total External Debt (% of GDP)	55.4	54.0	55.4	50.9	45.1	34.9	26.2	22.7
Debt service (% of Exports)	24.3	15.4	13.6	13.0	11.2	10.3	9.9	6.3
Net total ODA (US$ billion)	24.4	15.0	20.2	25.1	27.5	33.7	41.3	N/A
Foreign Direct Investment Inflows (US$ billion)	2.8	9.7	13.6	18.7	18.0	29.6	35.5	N/A

KEY: N/A=Data not available

Table 4.2: Subregional Macroeconomic Indicators, 2007

Indicators	East Africa	North Africa	Southern Africa	West Africa	Central Africa	Africa
Real GDP Growth Rate (%)	8.0	5.3	7.0	3.5	4.1	5.7
GDP Per Capita (US$)	494	2,433	2,574	727	605	1,291
Inflation (%)	9.9	6.9	11.5	6.2	3.2	8.2
Fiscal Balance (% of GDP)	-3.2	4.7	1.9	2.6	8.9	2.8
Gross Domestic Investment (% of GDP)	23.0	26.0	19.9	22.5	24.6	23.1
Gross National Savings (% of GDP)	15.5	42.7	17.3	22.4	23.6	27.8
Real Export Growth (%)	22.3	8.1	12.3	-4.7	4.5	7.5
Trade balance (% of GDP)	-10.5	6.0	6.5	10.5	27.0	6.3
Current Account (% of GDP)	-7.6	12.2	-1.7	0.5	2.3	2.9
Terms of Trade (%)	-3.2	-3.6	0.0	6.1	-9.6	-1.7
Total External Debt (% of GDP)	35.8	19.5	20.7	23.8	26.0	22.7
Debt Service (% of Exports)	5.5	5.2	8.5	4.9	7.3	6.3

highest in East Africa (8.0 percent), followed by Southern Africa (7.0 percent) and North Africa (5.3 percent). The real GDP of Central Africa and West Africa grew by 4.1 percent and 3.5 percent respectively, which is below the continental average of 5.7 percent. Inflation in all subregions except Southern Africa and East Africa was below the continental average of 8.2 percent in 2007. The inflation rate for Southern Africa, at 11.5 percent, was 40.2 percent more than the continental average, although this masks considerable variations across the subregion. For example, Zimbabwe suffered from hyperinflation (6,724 percent) in 2006/2007, whereas the rate of inflation for most other RMCs in the subregion was in single digits.

OVERVIEW OF BANK GROUP OPERATIONS

Bank Group loan, grant, and other approvals in 2007 amounted to UA 3.10 billion, compared to UA 2.60 billion in 2006—an increase of 19.2 percent. Of the total approvals for 2007, UA 2.58 billion was allocated to financing operations, while UA 515.4 million went to debt relief, assistance to post-conflict countries, private sector equity participation, and special fund allocations. The ADB accounted for UA 1.67 billion (53.9 percent) of total Bank Group approvals), the ADF for UA 1.38 billion (44.6 percent), and special funds for UA 45.8 million (1.5 percent). There was no lending from the Nigeria Trust Fund during 2007.

Approvals for public and publicly-guaranteed loans in 2007 amounted to UA 1.46 billion, representing 56.5 percent of total operations. Private non-publicly guaranteed loans totaled UA 816.1 million, representing 31.6 percent of Bank Group operations.

Bank Group Loans and Grant Approvals by Financing Instrument

Project and policy-based loans and grants are 2 principal Bank Group financing instruments. Project lending is specific in nature while policy-based lending is designed for macroeconomic policy, and structural, sectoral, and institutional reforms. Project lending (including private sector project loans) rose to UA 2.22 billion in 2007 from UA 1.20 billion in 2006, which represents an increase of 85.0 percent. Project lending accounted for 71.6 percent of the total approvals in 2007 (see Table 4.3). With regard to policy-based lending, there was a very significant decline from UA 618.4 million in 2006 to just UA 51.8 million in 2007.

Grant approvals declined from UA 492.4 million in 2006 to UA 307.1 million in 2007. The bulk of the grant resources in 2007 were allocated for 15 projects, 1 budget support grant and 1 structural adjustment grant. In addition, UA 153.2 million was approved for 3 operations under HIPC arrears clearance, UA 131.0 million as assistance to 2 countries under the PCCF, and UA 185.4 million for 6 private sector equity participations.

Bank Group Operations by Sector

Bank Group operations during 2007 continued to reflect the country strategies and development priorities of RMCs. Total approvals for 2007 far exceeded the previous year's level; this was the result of the Bank's policy of selectivity, project focus and effectiveness, and the rising demand for infrastructure financing in RMCs. Table 4.4 shows that the top 4 sectors to benefit from loan and grant approvals were: infrastructure (comprising power supply, transportation, water supply & sanitation, and communication); agriculture and rural development; industry, mining and quarrying; and social.

Table 4.3: Bank Group Approvals by Financing Instrument, 2005-2007
(UA millions)

Financing Instrument	2005			2006			2007		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**30**	**1,046.81**	**45.6**	**34**	**1,197.00**	**46.1**	**42**	**2,217.47**	**71.6**
Public and Publicly -Guaranteed	*26*	*908.71*	*39.6*	*27*	*927.31*	*35.7*	*31*	*1401.39*	*45.2*
Project Loans	25	770.73	33.6	26	907.31	34.9	30	1381.39	44.6
Sector Investment and Rehabilitation	-	-	-	1	20.0	0.8	1	20.00	0.6
Lines of Credit	1	137.98	6.0	-	-	-	-	-	-
Private Non-Publicly Guaranteed	*4*	138.10	*6.0*	*7*	*269.70*	*10.4*	*11*	*816.08*	26.3
Project Loans	2	64.32	2.8	4	112.56	4.3	10	728.29	23.5
Lines of Credit	1	73.78	3.2	3	157.13	6.1	1	87.80	2.8
Policy-Based Lending	**6**	**274.73**	**12.0**	**9**	**618.43**	**23.8**	**3**	**51.83**	**1.7**
Sector Adjustment Loans	1	49.97	2.2	1	337.98	13.0	-	-	-
Structural Adjustment Loans	5	224.76	9.8	8	280.45	10.8	2	36.94	1.2
Budget Support Loans	-	-	-	-	-	-	1	14.89	0.5
Grants	**51**	**420.28**	**18.3**	**70**	**492.39**	**19.0**	**26**	**307.08**	**9.9**
Technical Assistance	15	32.76	1.4	25	59.34	2.3	5	6.05	0.2
Project Cycle Operations	4	7.81	0.3	6	13.86	0.5	-	-	-
of which Private Sector	-	-	-	1	5.00	0.2	-	-	-
Institutional Capacity Building	11	24.96	1.1	15	43.08	1.7	3	4.85	0.2
of which Private Sector	-	-	-	-	-	-	-	-	-
Middle Income Countries Grant	-	-	-	4	2.40	0.1	2	1.20	0.0
Project Grant	*19*	381.77	*16.6*	*27*	*419.91*	*16.2*	*15*	*260.21*	8.4
Structural Adjustment Grant	-	-	-	*1*	*7.30*	*0.3*	*1*	*6.50*	0.2
Budget Support Grant	-	-	-	-	-	-	*1*	*33.00*	1.1
Special Relief Fund	*17*	5.75	*0.3*	*17*	*5.84*	*0.2*	*4*	*1.32*	0.0
Emergency Assistance	17	5.75	0.3	17	5.84	0.2	4	1.32	0.0
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	**-**	-	**-**	**-**	**-**	**-**	**1**	**5.90**	**0.2**
Project Preparation Facility	**3**	1.13	**0.0**	**1**	**0.30**	**0.0**	**-**	**-**	-
SFM Debt Alleviation	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and Grants Subtotal	**90**	**1,742.95**	**76.0**	**114**	**2,308.12**	**88.9**	**72**	**2,582.28**	**83.4**
of which ADB	*29*	**750.73**	*43.1*	*34*	*934.41*	*40.5*	*23*	*1484.70*	*57.5*
ADF	*61*	**992.22**	*56.9*	*80*	*1,373.72*	*59.5*	*49*	*1,097.58*	*42.5*
NTF	-	**-**	-	-	-	-			-
Other Approvals:									
HIPC Debt Relief	**10**	**508.68**	**22.2**	**6**	**257.49**	**9.9**	**3**	**153.17**	**4.9**
Post Conflict Country Facility	**-**	**-**	**-**	**1**	**15.57**	**0.6**	**2**	**131.00**	**4.2**
Equity Participation	**1**	**35.11**	**1.5**	**-**	**-**	**-**	**6**	**185.36**	**6.0**
Public Equity	-	**-**	-	-	-	-	**-**	-	-
Private Equity	1	35.11	1.5	-	-	-	**6**	185.36	6.0
Guarantees	**1**	**6.90**	**0.3**	**1**	**8.75**	**0.3**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	**-**	-	-
Private Guarantees	**1**	6.90	0.3	-	8.75	0.3	**-**	-	-
Loan Reallocations	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Special Funds *	**-**	-	**-**	**15**	**6.94**	**0.3**	**17**	**45.83**	**1.5**
TOTAL APPROVALS	**102**	**2,293.63**	**100.0**	**137**	**2,596.87**	**100.0**	**100**	**3,097.64**	**100.0**
of which ADB	*34*	868.73	*37.9*	*38*	*1,045.37*	*40.3*	*29*	*1,670.06*	*53.9*
ADF	*65*	1,421.71	*62.0*	*84*	*1,544.57*	*59.5*	*54*	*1,381.75*	*44.6*
NTF	*3*	3.19	*0.1*	-	-	-	-	-	-
Special Funds	-	-	-	*15*	*6.94*	*0.0*	*17*	*45.83*	*1.5*

Source : ADB Statistics Department, Economic and Social Statistics Division
**/ These are approvals on the operations of the African Water Facility and Rural Water Supply and Sanitation Initiative.*
- Magnitude zero
0.0 Magnitude less than 5 percent of the unit employed

Table 4.4: Bank Group Approvals by Sector, 2007
(UA millions)

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	8	177.14	7.8	5	1.62	0.5	13	178.76	6.9
Social	5	50.50	2.2	6	69.22	22.5	11	119.72	4.6
Education	2	21.57	0.9	1	7.00	2.3	3	28.57	1.1
Health	-	-	-	-	-	-	-	-	-
Other	3	28.93	1.3	5	62.22	20.3	8	91.15	3.5
Infrastructure	25	1,741.59	76.5	10	189.74	61.8	35	1,931.33	74.8
Water Supply and Sanitation	5	131.99	5.8	3	79.50	25.9	8	211.49	8.2
Power Supply	10	885.65	38.9	3	44.34	14.4	13	929.99	36.0
Communication	1	32.99	1.5	-	-	-	1	32.99	1.3
Transportation	9	690.96	30.4	4	65.90	21.5	13	756.86	29.3
Finance	1	87.80	3.9	-	-	-	1	87.80	3.4
Multisector	4	45.73	2.0	5	46.50	15.1	9	92.23	3.6
Industry, mining and quarrying	2	162.65	7.1	-	-	-	2	162.65	6.3
Urban Development	-	-	-	-	-	-	-	-	-
Environment	1	9.79	0.4	-	-	-	1	9.79	0.4
Total Loans and Grants	**46**	**2,275.20**	**100.0**	**26**	**307.08**	**100.0**	**72**	**2,582.28**	**100.0**
Other Approvals	**28**	**515.36**	**n.a.**	**-**	**-**	**-**	**28**	**515.36**	**n.a.**
HIPC Debt Relief	3	153.17	n.a.	-	-	-	3	153.17	n.a.
Equity Participation	2	131.00	n.a.	-	-	-	2	131.00	n.a.
Guarantees	6	185.36	n.a.	-	-	-	6	185.36	n.a.
Special Funds*	17	45.83	n.a.	-	-	-	17	45.83	n.a.
TOTAL APPROVALS	**74**	**2,790.56**	**n.a.**	**26**	**307.08**	**n.a.**	**100**	**3,097.64**	**n.a.**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
n.a. Not applicable
**/ These are approvals on the operations of the African Water Facility and Rural Water Supply and Sanitation Initiative.*

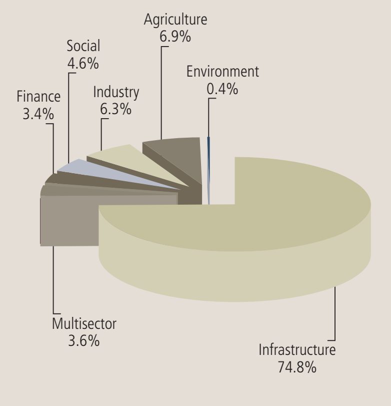
Approvals for infrastructure projects rose sharply from UA 857.7 million in 2006 (37.2 percent of total loan and grant approvals) to UA 1.93 billion (74.8 percent of the total) in 2007. The remaining 25.2 percent of Bank Group commitments was shared among the other sectors: agriculture and rural development; industry, mining and quarrying; social sector; multisector; finance; and environment (see Figure 4.1). The partial decline in Bank Group approvals for these other sectors was partly compensated by increased funding from bilateral and multilateral development partners.

Of the UA 1.93 billion allocated to infrastructure, the largest subsector was power supply (48.2 percent), followed by transportation (39.2 percent), water supply and sanitation (11.0 percent), and finally communication (1.7 percent) (see Figure 4.2).

Cumulative Loan and Grant Approvals by Sector and Subregion

During the period 1967 to 2007, the Bank Group approved 3,174 loans and grants, totaling UA 41.58 billion. Of the total cumulative approvals, the nonconcessionary ADB window accounted for 57.2 percent, the concessionary ADF window for 42.1 percent, and the NTF resources for 0.7 percent respectively. The dominance of infrastructure projects in Bank Group operations for 2007 is also manifested in Bank Group cumulative loan and grant approv-

Figure 4.1: Bank Group Loan and Grant Approvals by Sector, 2007



als for 1967-2007. Figure 4.3 presents the cumulative Bank Group approvals by sector, with the top 6 sectors being transportation, agriculture, multisector, finance, social, and power supply.

Figure 4.4 shows the subregional distribution of cumulative Bank Group loan and grant approvals from 1967 to 2007. North Africa received the highest share (31.0 percent), followed by West Africa (22.8 percent), East Africa (16.2 percent), Southern Africa (15.7 percent), Central Africa (10.0 percent), and multiregional (4.2 percent).

Figure 4.2: Subsectoral Distribution for Infrastructure, 2007

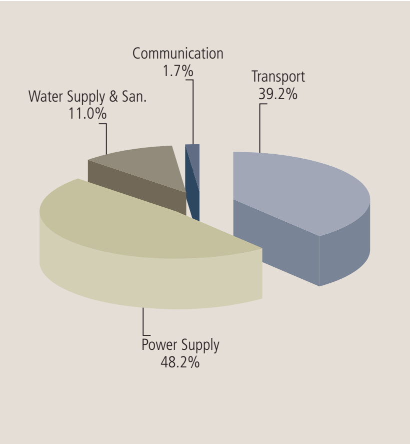
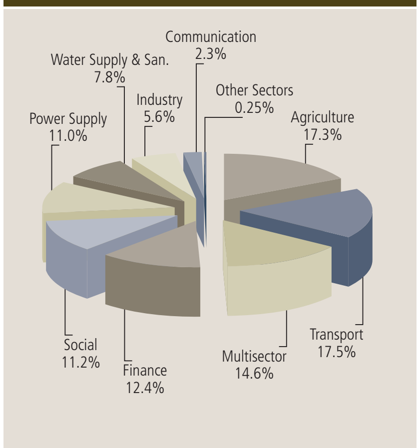


Figure 4.3: Cumulative Bank Group Loan and Grant Approvals by Sector; 1967-2007



Multinational Projects and Programs

Regional integration is essential to increase competitiveness and productivity, expand trade, pool resources for investment, enlarge local markets, and take advantage of the scale of production afforded by large markets. Regional projects and programs therefore constituted key elements in Bank Group loan and grant approvals during the year.

In 2007, loan and grant approvals for multinational operations stood at UA 193.3 million, which is less than half the 2006 level. This can be attributed to a retargeting of resources to infrastructure and private sector development in RMCs. Figure 4.5 shows that the largest share of multinational projects went to transportation, followed by communications, power supply, and environment (see also Annex II-7).

Cumulatively, Bank Group support for multinational projects amounted to UA 1.75 billion in 2007.

AFRICAN DEVELOPMENT BANK (ADB)

The ADB window is the Bank's nonconcessional lending arm, through which it supports development activities in 13 creditworthy RMCs and 2 blend countries, namely Nigeria and Zimbabwe. The latter also have access to ADF funds for project and program financing in their countries.

In 2007, the ADB approved a total of UA 1.67 billion for 29 activities, comprising UA 1.48 billion for operations and UA 185.4 million for private sector equity participations. ADB total approvals increased from UA 1.05 billion in 2006 to UA 1.67 billion in 2007, a rise of 59.8 percent. This was due mainly to an increased level of public and publicly guaranteed project loans, from UA 245.3 million in 2006 to UA 646.2 million in 2007 (see Table 4.5).

Figure 4.4: Cumulative Bank Group Loan and Grant Approvals by Subregion, 1967-2007

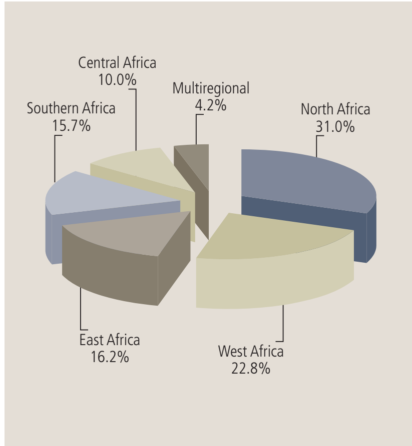
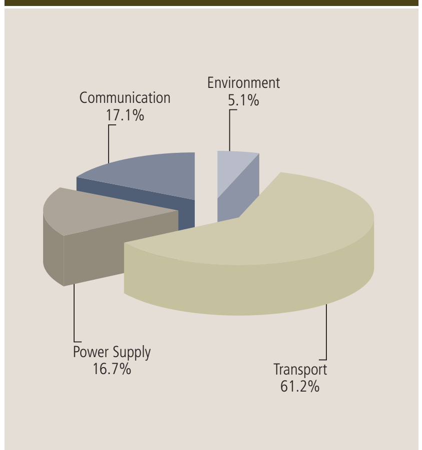


Figure 4.5: Sectoral Composition of Multinational Projects Financed in 2007



Private Sector Operations

The private sector is increasingly recognized as the engine of growth for African economies in the drive to reduce poverty and attain the MDGs. Accordingly, private sector approvals in 2007 rose to UA 1.00 billion, compared with UA 278.5 million in 2006. In 2007, 17

Table 4.5: ADB Approvals by Financing Instrument, 2005-2007
(UA millions)

Financing Instrument	2005			2006			2007		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**10**	**597.25**	**68.8**	**11**	**514.98**	**49.3**	**16**	**1462.24**	**87.6**
Public and Publicly -Guaranteed	*6*	*459.16*	*52.9*	*4*	*245.29*	*23.5*	*5*	*646.16*	*38.7*
Project Loans	5	321.18	37.0	4	245.29	23.5	5	646.16	38.7
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-	-
Lines of Credit	1	137.98	15.9	-	-	-	-	-	-
Private Non-Publicly Guaranteed	*4*	*138.10*	*15.9*	*7*	*269.70*	*25.8*	*11*	*816.08*	*48.9*
Project Loans	2	64.32	7.4	4	112.56	10.8	10	728.29	43.6
Lines of Credit	2	73.78	8.5	3	157.13	15.0	1	87.80	5.3
Policy-Based Lending	**2**	**147.73**	**17.0**	**2**	**411.18**	**39.3**	**1**	**19.94**	**1.2**
Sector Adjustment Loans	1	49.97	5.8	1	337.98	32.3	-	-	-
Structural Adjustment Loans	1	97.76	11.3	1	73.20	7.0	1	19.94	1.2
Grants	**-**	**-**	**-**	**21**	**8.24**	**0.8**	**6**	**2.52**	**0.2**
Technical Assistance	-	-	-	*4*	*2.40*	*0.2*	*2*	*1.20*	*0.1*
Project Cycle Operations	-	-	-	-	-	-	-	-	-
Institutional Capacity Building	-	-	-	-	-	-	-	-	-
Middle Income Countries Grant	-	-	-	4	2.40	0.2	2	1.20	0.1
Special Relief Fund	*17*	*5.75*	*0.7*	*17*	*5.84*	*0.6*	*4*	*1.32*	*0.1*
Emergency Assistance	17	5.75	0.7	17	5.84	0.6	4	1.32	0.1
Emergency Post Conflict	-	-	-	-	-	-	-	-	-
Debt and Debt Service Reduction	**3**	**75.99**	**8.7**	**3**	**102.21**	**9.8**	**-**	**-**	**-**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	3	75.99	8.7	3	102.21	9.8	-	-	-
Equity Participation	**1**	**35.11**	**4.0**	**-**	**-**	**-**	**6**	**185.36**	**11.1**
Public Equity	-	-	-	-	-	-	-	-	-
Private Equity	1	35.11	4.0	-	-	-	6	185.36	11.1
Guarantees	**1**	**6.90**	**0.8**	**1**	**8.75**	**0.8**	**-**	**-**	**-**
Public Guarantees	-	-	-	-	-	-	-	-	-
Private Guarantees	1	6.90	0.8	1	8.75	0.8	-	-	-
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL APPROVALS	**34**	**868.73**	**100.0**	**38**	**1,045.37**	**100.0**	**29**	**1,670.06**	**100.0**

Source: ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
0.0 Magnitude less than 5 percent of the unit employed

private sector operations were financed, 6 of which were to support regional integration. Figure 4.6 presents the composition of private sector operations between loans and equity investments.

The sectoral distribution of private sector operations shows the dominance of infrastructure, followed by finance, industry, and agriculture. The 5 major private sector operations during the year were: the Eskom Holdings Expansion Project in South Africa (UA 333.0 million), the Ambatovy Nickel and Cobalt Project in Madagascar (UA 100.0 million), the Damietta Port Container Terminal in Egypt (UA 94.3 million), the equity investment in NEDBANK Housing Finance of South Africa (UA 92.1 million), and the Line of Credit to STB in Tunisia (UA 87.8 million). Cumulative approvals for private sector projects and programs at year-end 2007 exceeded those at year-end 2006 by some 20 percent. A brief description of the Eskom power supply project is presented in Box 4.1.

In terms of the sectoral distribution of ADB total loans and grants, Table 4.6 shows that infrastructure received the largest share (80.4 percent); followed by industry, mining and quarrying, (11.0 percent); finance (5.9 percent); multisector (1.4 percent); agriculture and rural development (0.7 percent); and environment (0.7 percent). The targeting of financial resources to infrastructure reflects the Bank's new selectivity toward high-impact projects that will enhance the climate for private sector investment, increase competitiveness and productivity, and so boost trade, socioeconomic development, and employment.

Among the components of infrastructure, the share of power supply in loan and grants rose from 5.5 percent in 2006 to 52.1 percent in 2007. Similarly, that of transportation rose from 11 percent to 25.2 percent during the same period. These increases were offset by decreases in approvals to other subsectors.

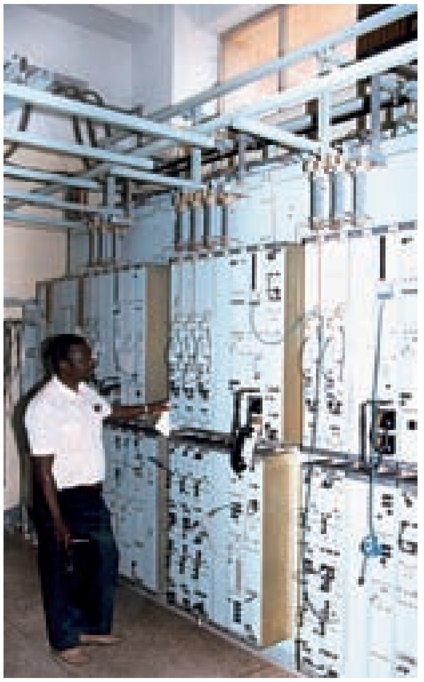
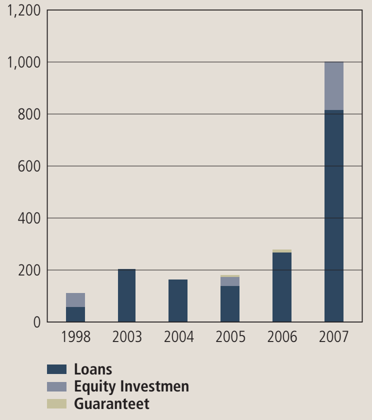


Figure 4.6: ADB Private Sector Approvals, 2003-2007
(UA millions)



Box 4.1: Eskom Holdings Ltd. Expansion Project

Background: After two decades of power surplus, South Africa is experiencing for the first time significant power outages. This unprecedented situation reveals the huge investment needed to sustain the country's economic growth rate and reach 6 percent growth by 2010, as well as to attain the Government's objective of universal electricity access by 2012. Eskom is the largest power company in South Africa and has the remit for implementing the country's Electrification Program, mainly targeting poor communities. Eskom is state-owned, operates as an independent commercial entity, and ranks among the top ten power companies in the world in terms of sales and capacity.

Amount: A non-sovereign guaranteed long-term loan in the amount of UA 333.04 million (US$ 500 million) was granted to Eskom by the Bank, with a repayment period of 20 years including a grace period of 5 years. The Bank's comparative advantage is its ability to provide funding at longer tenors, which Eskom would be unlikely to procure through other investors.

Objectives: The Bank's loan is intended to (i) assist the Government in achieving the GDP growth target of 6 percent per annum from 2010, within the framework of the Accelerated Shared Growth Initiative of South Africa (ASGISA); (ii) ensure the security of the supply of electricity; (iii) improve the operational efficiency of the power utility company; and (iv) enhance the rate of access to electricity services from 72 percent to 100 percent by 2012.

Expected Outcomes: (a) *Short-Term*: Commissioning of various power generation projects over the period 2007-2014; (b) *Medium-Term*: (i) Fulfilling the electricity demands of various industries in the country through the implementation of electricity generation projects, involving a total capacity of 11850 megawatts over the 2007-2014 period; (ii) Attainment of universal access to electricity by 2012; (c) *Long-Term*: Helping to meet the Government's twin objectives under ASGISA of halving the level of poverty and unemployment by 2014 and achieving high and sustained economic growth rates of 4.5 percent for the period 2004-2009 and 6.0 percent for the period 2010-2014.

General Remarks: As a member of the Southern African Power Pool, Eskom intends to source 15 percent of its power from neighboring countries through the construction of transnational high-voltage transmission lines. The program is therefore strongly aligned with the Bank's focus on fostering regional cooperation and integration, particularly in infrastructure.

Table 4.6: ADB Approvals by Sector, 2005-2007
(UA millions)

Sector	2005			2006			2007		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	2	23.11	3.1	17	25.37	2.7	5	10.26	0.7
Social	18	55.71	7.4	6	61.53	6.6	-	-	-
Infrastructure	3	270.80	36.1	4	223.26	23.9	12	1,193.66	80.4
Water Supply and Sanitation	-	-	-	1	69.61	7.4	1	13.80	0.9
Power Supply	3	270.80	36.1	1	51.13	5.5	5	773.08	52.1
Communication	-	-	-	-	-	-	1	32.99	2.2
Transportation	-	-	-	2	102.52	11.0	5	373.79	25.2
Finance	3	211.76	28.2	4	495.12	53.0	1	87.80	5.9
Multisector	1	97.76	13.0	1	73.20	7.8	2	20.54	1.4
Industry, Mining and Quarrying	1	33.96	4.5	2	55.93	6.0	2	162.65	11.0
Environment	1	57.63	7.7	-	-	-	1	9.79	0.7
Total Loans and Grants	**29**	**750.73**	**100.0**	**34**	**934.41**	**100.0**	**23**	**1,484.70**	**100.0**
Other Approvals	**5**	**118.00**	**n.a.**	**4**	**110.96**	**n.a.**	**6**	**185.36**	**n.a.**
HIPC Debt Relief	3	75.99	n.a.	3	102.21	n.a.	-	-	-
Equity Participation	1	35.11	n.a.	-	-	-	6	185.36	n.a.
Guarantees	1	6.90	n.a.	1	8.75	n.a.	-	-	-
TOTAL APPROVALS	**34**	**868.73**	**n.a.**	**38**	**1,045.37**	**n.a.**	**29**	**1,670.06**	**n.a.**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
n.a. Not applicable

Cumulative ADB Loan and Grant Approvals by Sector and Subregion

Cumulatively, ADB loan and grant approvals during the period 1967-2007 amounted to 23.78 billion for 988 operations, of which UA 2.25 billion was allocated for 89 private sector investments. Figure 4.7 shows the 5 top sectors for ADB cumulative approvals as finance, then transportation, power supply, multisector, and agriculture and rural development.

With regard to the subregional distribution of cumulative ADB approvals, North Africa received the largest share, followed by West Africa, Southern Africa, Central Africa, East Africa, and multinational (see Figure 4.8).

Figure 4.7: Cumulative ADB Loan and Grant Approvals by Sector, 1967-2007

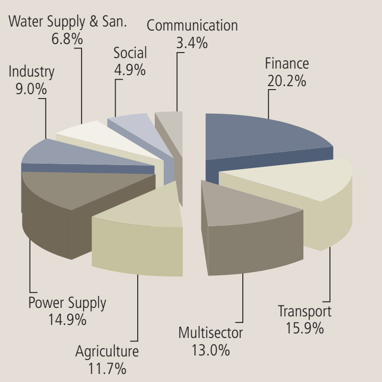
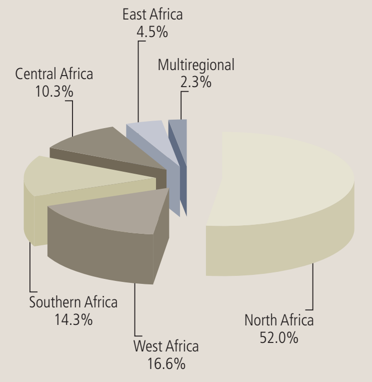


Figure 4.8: Cumulative ADB Loan and Grant Approvals by Subregion, 1967-2007



Disbursements

Disbursements on ADB loans increased from UA 548.4 million in 2006 to UA 884.8 million in 2007, representing an increase of 61.3 percent. Cumulative disbursements (including non-sovereign loans) amounted to UA 16.87 billion. At December 31, 2007, 747 loans were fully disbursed for an amount of UA 15.78 billion, representing 93.4 percent of cumulative disbursements.

AFRICAN DEVELOPMENT FUND

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

Table 4.7 below shows that in 2007, ADF approvals (loans, grants, and debt and debt

Table 4.7: ADF Approvals by Financing Instrument, 2005-2007
(UA millions)

Financing Instrument	2005			2006			2007		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Project Lending	**20**	**449.56**	**31.6**	**23**	**682.02**	**44.2**	**26**	**755.23**	**54.7**
Public and Publicly -Guaranteed	*20*	*449.56*	*31.6*	*23*	*682.02*	*44.2*	*26*	*755.23*	*54.7*
Project Loans	20	449.56	31.6	22	662.02	42.9	25	735.23	53.2
Sector Investment and Rehabilitation	-	-	-	1	20.00	1.3	1	20.00	1.4
Lines of Credit	-	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed	-	-	-	-	-	-	-	-	-
Project Loans	-	-	-	-	-	-	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-	-
Policy-Based Lending	**4**	**127.00**	**8.9**	**7**	**207.25**	**13.4**	**2**	**31.89**	**2.3**
Sector Adjustment Loans	-	-	-	-	-	-	-	-	-
Structural Adjustment Loans	4	127.00	8.9	7	207.25	13.4	1	17.00	1.2
Budget Support Loans	-	-	-	-	-	-	1	14.89	1.1
Grants	**34**	**414.53**	**29.2**	**49**	**484.15**	**31.3**	**20**	**304.56**	**22.0**
Technical Assistance	*15*	*32.76*	*2.3*	*21*	*56.94*	*3.7*	*3*	*4.85*	*0.4*
Project Cycle Operations	4	7.81	0.5	6	13.86	0.9	-	-	-
of which Private Sector	-	-	-	1	5.00	0.3	-	-	-
Institutional Capacity Building	11	24.96	1.8	15	43.08	2.8	3	4.85	0.4
of which Private Sector	-	-	-	-	-	-	-	-	-
Project Grant	*19*	*381.77*	*26.9*	*27*	*419.91*	*27.2*	*15*	*260.21*	*18.8*
Structural Adjustment Grant	-	-	-	*1*	*7.30*	*0.5*	*1*	*6.50*	*0.5*
Budget Support Grant	-	-	-	-	-	-	*1*	*33.00*	*2.4*
Loan for Institutional Capacity Building	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**5.9**	**0.4**
									-
Project Preparation Facility	**3**	**1.13**	**0.1**	**1**	**0.30**	**0.0**	**-**	**-**	**-**
Debt and Debt Service Reduction	**4**	**429.49**	**30.2**	**4**	**170.85**	**11.1**	**5**	**284.17**	**20.6**
SFM Debt Alleviation	-	-	-	-	-	-	-	-	-
HIPC Debt Relief	4	429.49	30.2	3	155.28	10.1	3	153.17	11.1
Post Conflict Country Facility	-	-	-	1	15.57	1.0	2	131.00	9.5
Loan Reallocations	-	-	-	-	-	-	-	-	-
TOTAL APPROVALS	**65**	**1,421.71**	**100.0**	**84**	**1,544.57**	**100.0**	**54**	**1,381.75**	**100.0**

Source: ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
0.0 Magnitude less than 5 percent of the unit employed

service reduction) declined by 10.4 percent from UA 1.54 billion in 2006 to UA 1.38 billion. ADF loan and grant approvals decreased from UA 1.37 billion in 2006 for 80 operations in 32 countries to UA 1.1 billion in 2007 for 49 operations in 24 countries. This was due mainly to the diminishment in resources at the end of the ADF-X cycle, prior to the Eleventh Replenishment of the Fund. Project and policy-based loans, approved by the Fund, including one loan for institutional capacity building, amounted to UA 793.0 million, while grants totaled UA 304.6 million. The 14 countries that benefited from ADF loan approvals in 2007 are presented in Figure 4.9; in addition, there was one multinational approval.

In addition to loans and grants, the Fund approved UA 153.2 million for arrears clearance under the HIPC Initiative for 3 countries (Central Africa Republic, Sierra Leone, and São Tomé and Principe) and UA 131.0 million for arrears clearance to 2 fragile states (Comoros and Liberia) under the PCCF. The amount approved for debt service reduction and assistance under PCCF increased from UA 170.9 million in 2006 to UA 284.2 million in 2007—a rise of 66.3 percent.

ADF Approvals by Sector

Three sectors (infrastructure, agriculture and rural development, and social) accounted for 93.5 percent of the operational approvals in 2007 (see Table 4.8). Infrastructure

Figure 4.9: ADF Loan Approvals by Country, 2007
(UA millions)

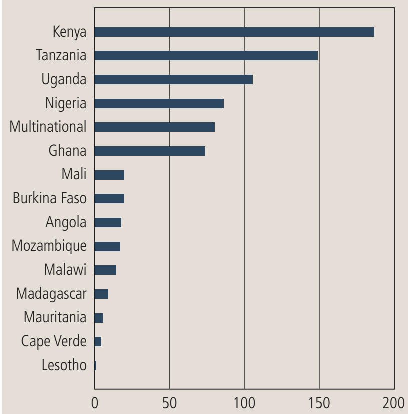


Table 4.8: ADF Approvals by Sector, 2007
(UA millions)

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	7	168.20	21.2	1	0.30	0.1	8	168.50	15.4
Social	5	50.50	6.4	6	69.22	22.7	11	119.72	10.9
Education	2	21.57	2.7	1	7.00	2.3	3	28.57	2.6
Health	-	-	-	-	-	-	-	-	-
Other	3	28.93	3.6	5	62.22	20.4	8	91.15	8.3
Infrastructure	14	548.53	69.2	9	189.14	62.1	23	737.67	67.2
Water Supply and Sanitation	4	118.19	14.9	3	79.50	26.1	7	197.69	18.0
Power Supply	5	112.57	14.2	3	44.34	14.6	8	156.91	14.3
Communication	-	-	-	-	-	-	-	-	-
Transportation	5	317.77	40.1	3	65.30	21.4	8	383.07	34.9
Finance	-	-	-	-	-	-	-	-	-
Multisector	3	25.79	3.3	4	45.90	15.1	7	71.69	6.5
Industry, mining and quarrying	-	-	-	-	-	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	-	-	-
Total Loans and Grants	**29**	**793.02**	**100.0**	**20**	**304.56**	**100.0**	**49**	**1,097.58**	**100.0**
Other Approvals	**5**	**284.17**	**n.a.**	**-**	**-**	**n.a.**	**5**	**284.17**	**n.a.**
HIPC Debt Relief	3	153.17	n.a.	-	-	n.a.	3	153.17	n.a.
Post Conflict Country Facility	2	131.00	n.a.	-	-	n.a.	2	131.00	n.a.
Loan Reallocations	-	-	-	-	-	-	-	-	-
TOTAL APPROVALS	**34**	**1,077.19**	**n.a.**	**20**	**304.56**	**n.a.**	**54**	**1,381.75**	**n.a.**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
n.a. Not applicable

Figure 4.10: ADF Loan and Grant Approvals by Sector, 2007

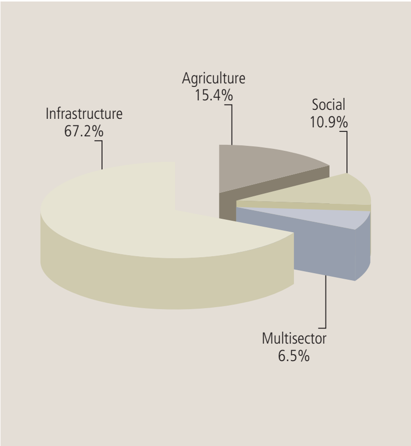


Figure 4.11: Cumulative ADF Loan and Grant Approvals by Sector, 1974-2007

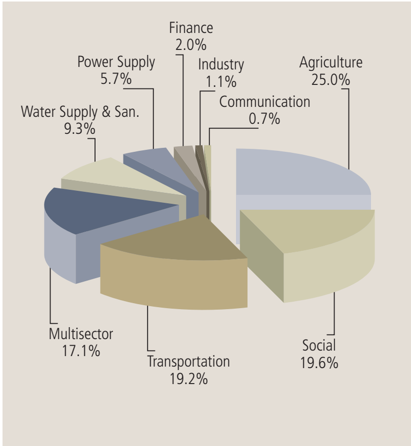
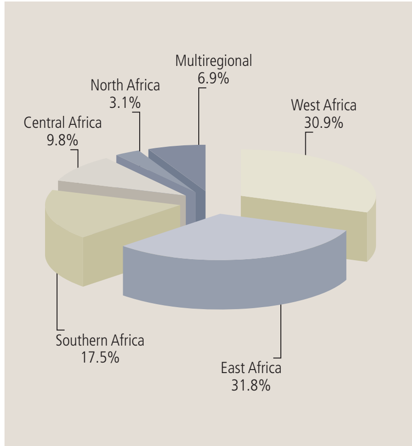


Figure 4.12 : Cumulative ADF Loan and Grant Approvals by Subregion, 1974-2007



projects were allocated the bulk of the approvals—UA 737.7 million, consisting of UA 548.5 million in loans and UA 189.1 million in grants. Of this allocation, transportation procured the lion's share at 34.9 percent; water supply and sanitation received 18.0 percent; and power supply 14.3 percent (Figure 4.10). Agriculture and rural development was allocated 15.4 percent, followed by social sector at 10.9 percent, and multisector at 6.5 percent. The increase in approvals for infrastructure projects in 2007 over the 2006 level was offset by a sharp reduction in the share of multisector and the social sector and by a slight decrease in agricultural operations. The decline in these sectors was compensated to a large extent by increased financial support from the Bank Group's bilateral and multilateral development partners.

Cumulative ADF Loan and Grant Approvals by Sector and Subregion, 1974-2007

ADF cumulative approvals for the period 1974-2007 totaled UA 17.49 billion for 1,370 loans and 745 grants. The cumulative approvals broadly reflect the 2007 sectoral distribution, with the main recipient being infrastructure, followed by agriculture, social sector, and multisector (see Figure 4.11).

Figure 4.12 presents the cumulative (1974-2007) ADF loan and grant approvals by subregion. Central Africa, East Africa, and West Africa, which mostly comprise ADF countries, accounted for 72.5 percent of cumulative total loans and grants. North Africa and Southern Africa, which principally comprise ADB countries, accounted for 20.6 percent, while multinational operations received 6.9 percent. This is consistent with the Bank Group's operational policy, whereby ADF resources are used mainly for financing operations in low-income and blend countries.

Disbursements

In 2007, the disbursement of loans and grants on Fund operations amounted to UA 725.0 million, compared with UA 685.2 million in 2006, an increase of 5.8 percent. Cumulative disbursements as at December 31, 2007 stood at UA 10.68 billion. A total of 1,429 loans and grants were fully disbursed at year-end 2007 for an amount of UA 8.64 billion, representing 80.9 percent of cumulative disbursements since the Fund became operational.

THE NIGERIA TRUST FUND (NTF)

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

Cumulative Loan and Grant Approvals, 1976-2007

The cumulative loan and grant approvals from this third window of the Bank Group remained the same at year-end 2007 as at year-end

2006, viz. UA 304.6 million, for 71 operations in 30 RMCs. The sectoral allocation therefore also remained unchanged post April 2006. Figure 4.13 shows that the majority allocation was for infrastructure operations, followed by agriculture, social sector, finance, and industry.

The cumulative subregional distribution of NTF approvals were concentrated in West Africa, followed by East Africa, Southern Africa, and North Africa. Multiregional projects accounted for just 4.6 percent of NTF cumulative total approvals (see Figure 4.14).

Disbursements

Disbursements increased by 9.4 percent from UA 5.4 million in 2006 to UA 5.9 million in 2007. Cumulative disbursements at December 31, 2007 amounted to UA 194.4 million. In sum, 58 loans were fully disbursed for a total amount of UA 188.8 million, representing 97.1 percent of cumulative disbursements.

BANK GROUP OPERATIONS BY SUBREGION

For operational purposes, the Bank Group has divided Africa into 5 subregions, namely: East Africa, North Africa, Central Africa, Southern Africa, and West Africa. In 2007, total Bank Group approvals for all 5 subregions (excluding multinational projects and programs) amounted to UA 2.39 billion, allocated as follows: North Africa, UA 591.9 million; East Africa, UA 576.3 million; Southern Africa, UA 539.6 million; Central Africa, UA 429.5 million; and West Africa, UA 251.6 million. Approvals for multinational projects and programs amounted to UA 193.0 million. The cumulative (1967-2007) loan and grant approvals for the 5 subregions amounted to UA 39.82 billion, while that of multinational operations stood at UA 1.76 billion (see Annex II-7 and Figure 4.4).

North Africa

The North Africa subregion is made up of 6 countries: Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia. Mauritania is an ADF country and the others are classified as ADB countries, although Libya is not a borrowing country. In 2007, the subregion received the highest loan and grant approvals amounting to UA 591.9 million, compared with UA 668.9 million in 2006. This represented 22.9 percent of Bank Group approvals for 2007. As in previous years, the Bank's commitments were mainly for supporting infrastructure projects and finance sector reforms, including financial intermediation.

In 2007, the benefiting countries were: Egypt, UA 316.7 million; Morocco, UA 180.8 million; Tunisia, UA 87.8 million; Mauritania, UA 6.0 million; and Algeria, UA 0.6 million (see Annex II-7). The approval for Mauritania was a grant to support capacity building in microfinance, while that of Algeria was a technical assistance grant to CNED for capacity building in the area of design and monitoring/evaluation of large-scale infrastructure projects. (The summary profiles of all projects are presented at the end of Chapter 4).

The sectoral distribution for North Africa in 2007 was dominated by infrastructure at UA 497.5 million, followed by finance at UA 87.8 million; social, UA 6.0 million; and multisector, UA 0.6 million.

The Bank Group started operations in the North Africa subregion in 1968, a year later than in the other subregions. From 1968 to 2007, the subregion received the highest cumulative loan and grant approvals of UA

Figure 4.13: Cumulative NTF Approvals by Sector, 1976-2007

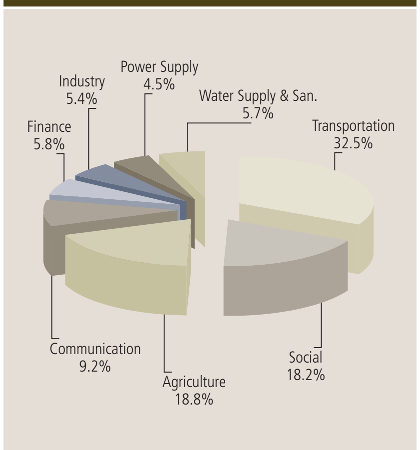


Figure 4.14: Cumulative NTF Approvals by Subregion, 1976-2007

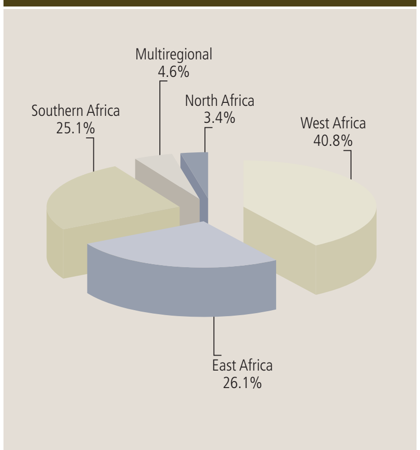
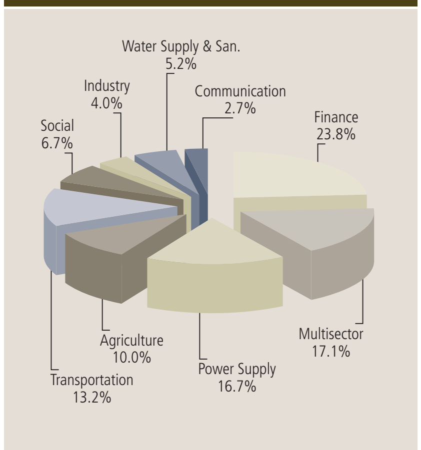


Figure 4.15: North Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1968-2007



12.91 billion, representing 31.0 percent of Bank Group loan and grant approvals (see Annex II-7). The top 3 beneficiaries have consistently been Morocco, Tunisia, and Egypt, followed by Algeria and Mauritania. Figure 4.15 presents the cumulative Bank Group loan and grant approvals by sector, for the period 1968-2007.

East Africa

East Africa comprises the 12 countries of Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, Sudan, Tanzania, and Uganda. Seychelles is eligible to borrow from the ADB window while the other 11 countries are eligible for ADF resources only. In 2007, East Africa benefited from the second highest loan and grant approvals of all the 5 subregions. It received UA 576.3 million of Bank Group loan and grants for financing operations in 8 countries, accounting for 22.3 percent of approvals (see Annex II-7). Bank Group commitments in the subregion rose by 9.0 percent in 2007 over 2006 levels. The recipient countries were Kenya, with UA 190.2 million; Uganda, UA 179.4 million; Tanzania, UA 150.0 million; Rwanda, UA 33.0 million; Sudan, UA 9.6 million; Burundi, UA 7.3 million; Djibouti, UA 6.5 million; and Ethiopia, UA 0.3 million.

The Bank Group's approvals were directed toward infrastructure (UA 409.4 million), agriculture and rural development (UA 87.3 million), social (UA 46.6 million), and multisector (UA 33.0 million). Of the 11 ADF countries, only Uganda benefited from an ADB loan through the Bank's private sector window to finance the Bujagali Hydroelectric Power Project. Comoros, which had been suspended from accessing Bank Group facilities due to an accumulation of loan arrears, was granted assistance of UA 16.0 million under the PCCF program to meet its obligations and resume development operations with the Bank. A reform program in Kenya received support from the Bank through its policy-based lending. In the social sector, the Bank supported emergency relief operations in the aftermath of a natural disaster in Ethiopia.

From 1967 to 2007, East Africa was allocated UA 6.73 billion, which represented 16.2 percent of cumulative Bank Group loan and grant approvals. Within the region, Ethiopia received the largest share of cumulative approvals, followed by Tanzania, Uganda, Kenya, Rwanda, Sudan, Burundi, Somalia, Djibouti, Seychelles, Eritrea, and Comoros. The cumulative Bank Group loan and grant approvals by sectors are presented in Figure 4.16. Infrastructure was the leading sector followed by agriculture and rural development, multisector, social, industry, and finance.

Southern Africa

Southern Africa is made up of 12 countries: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The countries eligible for ADB resources are Botswana, Mauritius, Namibia, South Africa, and Swaziland. The others can only access the concessionary ADF resources with restricted access to ADB funds for private sector and enclave projects. Zimbabwe is a blend country with access to funds from both the ADB and ADF windows, although it has been on sanction since 2000. In 2007, Bank Group loan and grant approvals to the subregion more than doubled from UA 260.4 million in 2006 to UA 539.6 million. The 2007 approvals represented 20.9 percent of loan and grant approvals for Bank Group operations (see Annex II-7).

The 8 beneficiary countries in 2007 were South Africa with UA 333.0 million; Madagascar, UA 113.2 million; Mauritius, UA 33.7 million; Angola, UA 17.9 million; Mozambique, UA 17.3 million; Malawi, UA 14.9 million; Lesotho, UA 8.9 million; and Botswana, UA 0.6 million. South Africa was the single largest beneficiary of total Bank Group approvals for the subregion. This was due mainly to the loan for financing the Eskom power supply project (US$ 500 million) (see Box 4.1).

The approvals for the subregion were used to support 5 sectors, predominantly infrastructure (67.5 percent), followed by industry, mining and quarrying (18.2 percent), multisector (7.5 percent), agriculture and rural development (5.1 percent), and social (1.6 percent).

Figure 4.16: East Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2007

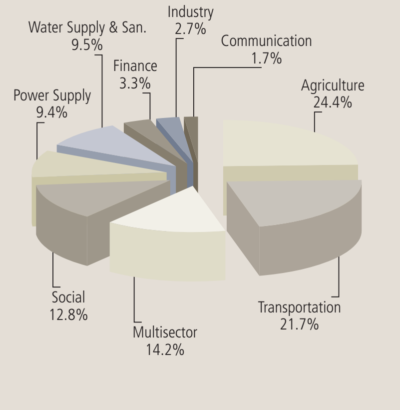
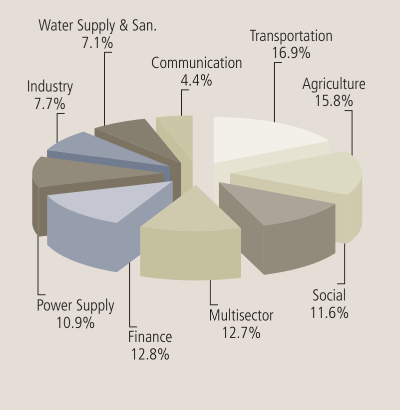


Figure 4.17: Southern Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2007



In addition, emergency food assistance under the Special Relief Fund was provided to 3 countries in the subregion that had been badly affected by drought, namely Lesotho, Madagascar, and Mozambique.

Bank Group operations in the subregion started in 1969. From 1969 to 2007, Southern Africa was allocated a cumulative Bank Group loan and grant approvals worth UA 6.54 billion (see Annex II-7). This is equivalent to 15.7 percent of cumulative loan and grant approvals to all RMCs in the continent. Mozambique received the largest share, followed by South Africa, Zimbabwe, Madagascar, Zambia, Malawi, Botswana, Angola, Lesotho, Mauritius, Swaziland, and Namibia. Figure 4.17 shows that the leading sector for cumulative approvals was transportation, followed by agriculture, finance, power supply, social, and multisector.

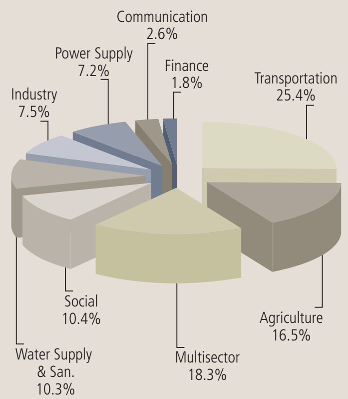
Central Africa

The Central Africa subregion is made up of 7 countries, namely Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, and Gabon. In this subregion, Gabon and Equatorial Guinea are eligible to borrow from the ADB window of the Bank. The other 5 countries can borrow from the ADF resources, with limited access to ADB financing for private sector and enclave projects. In 2007, the subregion was allocated UA 429.5 million, representing 16.6 percent of total Bank Group loan and grant approvals. Total commitments in 2007 were more than double the 2006 level of UA 160.3 million.

With respect to sectoral approvals, infrastructure received the highest allocation of UA 334.9 million (78.0 percent), followed by industry, mining and quarrying (15.0 percent); social (3.5 percent); agriculture (2.1 percent), and multisector (1.5 percent).

The 3 countries that benefited from the loan and grant approvals in 2007 were: Gabon (UA 238.1 million), Democratic Republic of Congo (UA 184.9 million), and the Central African Republic (UA 6.5 million) (see Annex II-7). In the Democratic Republic of Congo, the Bank Group's intervention was for large-scale projects in the areas of mining, infrastructure, and social sectors. Bank assistance financed a copper and cobalt plant (Tenke Fungurume), water supply and sanitation initiatives, and power supply projects, which together amounted to UA 169.9 million.

Figure 4.18: Central Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2007



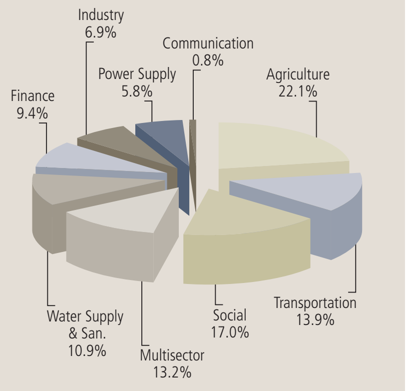
The cumulative Bank Group loan and grant approvals (1967-2007) to the subregion totaled UA 4.15 billion, representing 10.0 percent of all approvals for this period. The DRC received the highest allocation, followed by Gabon, Cameroon, Chad, Congo, Central African Republic, and Equatorial Guinea.

Figure 4.18 presents the cumulative Bank Group loan and grant approvals by sector. The 4 key beneficiary sectors were infrastructure, multisector, agriculture and rural development, and social.

West Africa

West Africa comprises 16 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, São Tomé and Principe, Senegal, Sierra Leone, and Togo. West Africa is the subregion with the largest linguistic, geographical, and natural resource diversity. All countries in the subregion, except Nigeria, are ADF countries, and can only borrow from ADF resources. Nigeria, being a blend country, can borrow from both ADB and ADF windows. West Africa's allocation of Bank Group loan and grant approvals declined by 7.4 percent over the 2006-2007 period, from 271.8 million to UA 251.6 million.

Figure 4.19: West Africa: Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2007



In 2007, approvals to the subregion accounted for 9.7 percent of total loans and grants approved by the Bank (see Annex II-7). The sectoral distribution was infrastructure (UA 141.7 million); agriculture (UA 55.0 million), social (UA 43.6 million) and multisector (UA 11.4 million).

The 9 countries that benefited from loans and grants were: Nigeria, UA 86.3 million; Ghana, UA 75.9 million; Mali, UA 25.0 million; Burkina Faso, UA 20.0 million; Côte d'Ivoire, UA 20.0 million; Liberia, UA 15.2 million; Cape Verde, UA 4.8 million; Niger, UA 3.0 million; and Gambia, UA 1.4 million. West Africa has the greatest number of beneficiary countries of all the subregions, although it comes second to North Africa in terms of total cumulative loan and grant approvals (see Annex II-7).

Cumulative Bank Group loan and grant approvals to the subregion (1967-2007) amounted to UA 9.49 billion, representing 22.8 percent of cumulative allocations to RMCs. Nigeria received the highest share, followed by Côte d'Ivoire, Ghana, Mali, Senegal, Burkina Faso, Guinea, Benin, Niger, Sierra Leone, Gambia, Togo, Guinea Bissau, Cape Verde, Liberia, and São Tomé and Principe. Figure 4.19 shows that over the 1967-2007 period, the largest allocations went to agriculture, social, transportation, multisector, and water supply and sanitation.

Profiles of ADB-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE & RURAL DEVELOPMENT				
Gabon	*SIAT Gabon Agricultural Expansion Project* **Objective:** Promote industrial production of oil palm and rubber and contribute to economic growth and poverty reduction. **Expected Outcomes:** Achievement of rehabilitation and expansion of agricultural estates (palm oil and rubber). Increased fiscal revenue, direct business opportunities, and employment generation. Increased agricultural sector contribution to exports (by over € 10.5 million per annum) and GDP (by over €20.0 million per annum over most of the project life). Expansion of local infrastructure (roads, schools, clinics, water supply, and electricity). **Cofinanciers:** DEG € 2.0 million (UA 1.79 million); equity (€ 28.3 million/UA 25.31 million); others (UA 10.73 million)	46.77	8.94	
FINANCE				
Nigeria	*Equity Participation in the United Bank for Africa Plc (UBA)* **Objective:** Increase support for private sector development and expansion and contribute to economic growth. **Expected Outcomes:** Increased availability of medium- and long-term financial resources to the private sector. Increased number of private sector enterprises with access to medium- and long-term financing. Improve financial intermediation market for long-term financing. Improved capital market access to private sector operators. **Cofinanciers:** None.	N.A.	32.81	
South Africa	*NEDBANK Group* **Objective:** Provide resources for financing affordable housing and other forms of infrastructure in favor of low-income households and previously disadvantaged people within the framework of Black Economic Empowerment policy. **Expected Outcomes:** Increased volume of financial resources available for financing affordable houses. Enhanced diversification of NEDBANK's capital base and funding sources and improvement in the maturity profile of NEDBANK's funding profile. **Cofinanciers:** IFC (ZAR 1.0 billion/UA 92.05 million; Shareholders (ZAR 2.31 billion/UA 212.63 million), other bondholders (ZAR 3.50 billion/UA 322.17 million), imperial equity shareholding (ZAR 0.70 billion/UA 64.43 million).	783.34	92.05	
Tanzania	*Equity Investment in the Access Bank of Tanzania* **Objective:** Provide a broad range of financial services to small and medium-sized enterprises (SMEs). **Expected Outcomes:** Development of microfinance products. Provision of loans and other financial services. Achievement of a diversified loan portfolio (build a US$ 28.8 million portfolio representing about 24,000 outstanding loans). **Cofinanciers:** BIO (€ 0.6 million/UA 0.53 million), IFC (€ 0.6 million/UA 0.53 million), and KfW (€ 0.6 million/UA 0.53 million).	2.08	0.49	
Tunisia	*Line of Credit to Société Tunisienne de Banque (STB)* **Objective:** Finance SMEs and contribute to economic growth. The major components consist of a line of credit to finance projects generated by SME promoters and an institutional support financed under the Bank's Technical Assistance Fund for Middle Income Countries (TAF-MICs). **Expected Outcomes:** Increase in the number of small and medium-scale enterprises. (About 70 industrial and hotel enterprises are expected to be established and operational by 2010.) Increased employment opportunities resulting from the establishment of various SMEs (about 5,000 jobs are expected to be created). **Cofinanciers:** None.	N.A.	87.80	

Profiles of ADB-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
FINANCE (cont.)				
Multinational	*Equity Participation in TCX Investment Company Mauritius Limited* **Objective:** Provide hedging products to emerging market investors in local currency by offering plain vanilla currency and interest rate derivatives; derivatives would comprise forwards, forward rate agreements, and swaps. **Expected Outcomes:** Enhanced capacity for financing projects and programs in local currencies in RMCs. Increased involvement of major sectors, such as telecommunications, power supply, water supply, banks, and microfinance institutions. Elimination of risks associated with currency mismatches in borrowing RMCs. **Cofinanciers:** Development Bank of South Africa (DBSA), Netherlands Development Finance Company-FMO (Sponsor).	N.A	16.31	
Multinational	*Equity Participation in Atlantic Coast Regional Fund Limited (ACRF)* **Objective:** Assist in fostering capital market development with the ultimate objective of poverty reduction. **Expected Outcomes:** Deepened financial market resulting in increased investments, establishment of productive enterprises, increased employment generation, and increase in tax-based revenues for Government. **Cofinanciers:** CDC (US$ 15.0 million/UA 9.93 million), EIB (US$ 15.0 million/UA 9.93 million), IFC (US$ 10.0 million/UA 6.62 million).	N.A	9.93	
Multinational	*Pan African Infrastructure Development Fund* **Objective:** Provide equity and quasi-equity capital resources to infrastructure projects legally constituted and operating in Africa. **Expected Outcomes:** Strengthening financial market for infrastructure development. Increased infrastructure development projects, employment creation, and public fiscal revenue. **Cofinanciers:** PIC (US$ 250.0 million/UA 165.54 million), DBSA (US$ 100.0 million/UA 66.22 million), Sanlam (US$ 20.0 million/UA 13.24 million), EPPF (US$ 15.0 million/UA 9.93 million), Metropolitan (US$ 10.0 million/UA 6.62 million) with BPOPF (Botswana), GIPF (Namibia), and SSNIT (Ghana) contributing a total of US$ 5.0 million/UA 3.31 million.	298.63	33.77	
INDUSTRY				
Congo, Democratic Republic	*Tenke Fungurume Copper & Cobalt Project* **Objective:** Support the mining of cobalt, thereby contributing to sociocultural and economic development of the Katanga region. Promote sustainable development in the DRC using the mining sector as an engine of growth. **Expected Outcomes:** Enhanced copper and cobalt recovery. Increased FDI flows. Increased local enterprise development and employment generation. Enhanced government stakeholder revenues. Enhanced infrastructure development in the project area. Increased support for the Community Development Fund. **Cofinanciers:** Equity & shareholder loans (UA 264.00 million), EIB/KfW (UA 66.00 million), DBSA (UA 66.00 million), Standard Bank/IDC (UA 66.00 million), OPIC (UA 66.00 million), ONDD (UA 33.00 million) and EDC (UA 33.00 million).	660.00	66.00	
Madagascar	*The Ambatovy Nickel and Cobalt Project* **Objective:** Production for export of nickel and cobalt and fertilizer grade of ammonium sulfate in order to promote economic growth, industrial development, generate jobs, transfer technical know–how, and so contribute to poverty reduction. **Expected Outcomes:** Increased fiscal revenues. Direct business opportunities and increased employment for nationals and women. Increased mining sector exports and enhanced contribution of the mining sector to GDP. Improvement in infrastructure in energy production, water treatment, as well as roads, railroads, and port enhancement. Increased social benefits including HIV/AIDS awareness campaign, rolling-back malaria, and training programs. **Cofinanciers:** Equity (UA 548.0 million), shareholders (UA 366.0 million), EDC (UA 199.0 million), EIB (UA 166.0 million), JBIC (UA 465.0 million), K-Exim (UA 399.0 million).	2,243.00	100.0	

Profiles of ADB-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
MULTISECTOR				
Mauritius	*Economic Reform Support Program* **Objective:** Stabilize revenue and reduce expenditure through improved fiscal performance and public sector efficiency. **Expected Outcomes:** Improved fiscal performance, public expenditure management and financial accountability. Enhanced financial performance for parastatals and establishment of a common regulatory and tax regime. Enhanced efficiency resulting in improved ranking in *Doing Business*. Reduction in time needed to start business (from 46 days to 3 days by 2009), and increased number of work and residency permits granted. Increased empowerment of the vulnerable segment of society through social protection, retraining, support to SMEs, increased number of trained workers, housing provision, and assisting unemployed women to become entrepreneurs. **Cofinaciers:** AFD (US$ 30.0 million/UA 19.94 million), EU (€ 6.5 million/UA 5.71 million), and World Bank (US$ 30.0 million/UA 19.94 million).	65.53	19.94	
Multinational	*Investment Climate Facility* **Objective:** Contribute to a fund aimed at enhancing the investment climate in Africa, thereby increasing GDP growth and reducing poverty in RMCs. **Expected Outcomes:** Increased financial resources available for investment climate improvement efforts, resulting in higher private investor participation in various productive sectors of African economies.	N.A.	9.79	
POWER SUPPLY				
Egypt	*Abu Qir 1300 MW Steam Power Project* **Objective:** Contribute to economic growth and improved standards of living by ensuring adequate availability of power supply at minimum cost. **Expected Outcomes:** Increased electricity generation capacity to support higher coverage to at least 99.3 percent of the population and meet energy demand by households, industry and agriculture. **Cofinanciers:** IsDB (UA 103.04 million), AFESD (UA 68.55 million), KFAED (UA 64.78 million), NDPC/EEHC (UA 423.47 million).	874.33	222.42	
Madagascar	*Sahanivotry Second Hydroelectric Power Station Project* **Objective:** Increase electrical output capacity to address Madagascar's energy needs at competitive prices. **Expected Outcomes:** Increase coverage (number of customers) by 50 percent between 2006 and 2010. Increased provision of power supply at competitive prices. Installation of an operational power-station and reduction of electrical power generation costs. Emergence of a small tourist development pole. **Cofinanciers:** Sponsors (€ 4.5 million/UA 4.01 million), banks (€ 3.5 million/ UA 3.12 million).	12.04	4.91	
Morocco	*The Ain Beni Mathar Solar-Thermal Power Station Project (Supplementary Loan)* **Objective:** Expand regular electricity supply and diversify energy sources to support economic growth and competitiveness of the Moroccan economy. Outputs comprise solar thermal power, electrical power transmission lines, and electrical power substations. **Expected Outcomes:** Increased availability of cheaper electricity from renewable energy sources. Enhanced installed capacity for renewable energy sources. **Cofinancing:** Global Environment Facility-GEF (UA 32.75 million), the ICO Bilateral Fund of Spain (UA 44.49 million), ONE (UA 52.30 million).	378.03	140.54	
South Africa	*Eskom Holdings Ltd. Expansion Project* **Objective:** Support Eskom's plan to add 800 MW to its grid by 2012, representing a 22 percent increase in the company's generation capacity to meet the country's increasing power needs. **Expected Outcomes:** Increased power supply to meet demand for industrial consumption. Achievement of universal access to electricity, with coverage increasing from 72 percent to 100 percent by 2012. Contribute to unemployment reduction and poverty alleviation (50 percent reduction by 2014 under the Accelerated and Shared Growth Initiative (ASGISA). Major project components comprise generation, transmission, and distribution assets. **Cofinanciers:** Internally generated cash (ZAR 50.0 billion/UA 4,602.48 million); bond markets, export credit agencies, banks (ZAR 100.00 billion/UA 9,204.97 million).	13,807.45	333.04	

Profiles of ADB-Approved Projects and Programs in 2007

(UA millions)

Country	Project	Total Cost	Loan	Grant
POWER SUPPLY (cont.)				
Uganda	*The Bujagali Hydroelectric Power Project* **Objective:** Improve the quality and reliability of power supply. Increase power generation and facilitate power supply exports to neighboring countries, thereby boosting the country's socioeconomic development. **Expected Outcomes:** Increased reliability and continuity of power supply. Increased power supply exports. **Cofinancing:** EIB (US$ 140.0 million/UA 91.85 million), IFC (US$ 130.0 million/UA 85.29 million), DEG (US$ 45.0 million/UA 29.52 million), Proparco/AFD (US$ 75.0 million/UA 49.21 million), FMO (US$ 40.0 million/UA 26.24 million), Commercial Bank/PRG (US$ 48.4 million/UA 31.75 million), equity sponsors and Government (US$ 147.1 million/UA 96.51 million).	482.54	72.17	
TRANSPORTATION				
Botswana	*SADC North–South Transportation Corridor Improvement Study.* **Objective:** Support the undertaking of a detailed economic and technical feasibility study for the construction of a bridge (Kazungula Bridge) on the Zambesi river, to (i) link Botswana and Zambia and (ii) link the mineral rich regions of Zambia and DRC to Botswana and the port of Durban in South Africa. Major components comprise (i) economic feasibility and detailed design study, including environmental and social impact assessment (ESIA); (ii) feasibility and detailed design studies of other corridor-related facilities, (iii) trade and facilitation program (regulatory and institutional framework, customs documentation, IT-system, etc.). **Expected Outcomes:** Improved efficiency and reliability as well as realization of time savings in transportation between Botswana and Zambia. Enhanced integration among SADC countries. Increased international competitiveness of productive activity in targeted zones. **Cofinanciers:** AfDB: MIC-Trust Fund (UA 0.60 million), ADF-grant (1.45 million), NEPAD-IPPF (UA 0.34 million); Govt. of Botswana (UA 0.10 million), Govt. of Zambia (UA 0.08 million).	2.57	0.60	
Egypt	*Damietta Port Container Terminal* **Objective:** Enhance Egypt's status as a transshipment hub and foster integration among North African countries bordering Egypt. **Expected Outcomes:** Increased market share for the country's import/export trade. Additional employment to be generated from increased export and import trade transactions. Increased technology transfer in modern port management practices through capacity-building programs. **Cofinanciers:** Commercial banks (US$ 330.0 million/UA 207.52 million), sponsors (US$ 200.0 million/UA 125.77 million).	427.62	94.33	
Gabon	*Road Program Phase I (RPI)* **Objective:** Increase internal access roads, reduce poverty, and improve standards of living. **Expected Outcomes:** Reduction in vehicle operating costs and travel time. Improved road safety. Improved community access to basic infrastructure and marketing. **Cofinanciers:** Government (UA 24.66 million).	253.82	229.16	
Morocco	*National Rural Roads Program* **Objective:** Provide road access to rural populations; facilitate access to administrative and rural centers, increase production and incomes as well as social welfare. Project comprises construction of 460 km of roads, 226 km of earth roads, in addition to drainage structures and signposting. **Expected Outcomes:** Increased access to transportation services for the rural population, increased rural incomes, and improved standard of living. **Cofinanciers:** World Bank (UA 43.24 million), EIB (UA 51.89 million), AFD (UA 43.24 million), AFESD (UA 35.38 million), OPEC (UA 17.69 million), Government (UA 329.80 million).	559.94	38.70	

Profiles of ADB-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
TELECOMMUNICATIONS				
Multinational	*The East African Submarine Cable System (EASSy)* **Objective:** Promote a competitive investment climate by providing Eastern and Southern African regions with high-speed capacity to support reliable telecommunications services at an affordable price. **Expected Outcomes:** Significant reduction in cost of telecoms services for EASSy countries by avoiding the use of expensive third-party foreign satellite providers. Enhanced regional integration and cross-country trade. Increased interconnectivity and competition among countries of the subregion. Increased employment and entrepreneurship. **Cofinanciers:** IFC (US$ 18.2 million/UA 11.88 million), EIB (US$ 14.5 million/UA 9.46 million), KfW (US$ 11.5 million/UA 7.5 million), DBSA (US$ 10.5 million/UA 6.85 million), and AFD/Proparco (US$ 9.5 million/UA 6.20 million).	51.35	9.46	
Multinational	*RASCOM Telecommunications Satellite Project* **Objective:** Provide intra-connectivity among African countries as well as telecommunications services to rural areas in Africa on a large scale and at a low cost. Provide interconnectivity, television broadcasting, and internet services to all regions of the African continent. **Expected Outcomes:** Enhanced telecommunication facilities in African rural areas. Reduced costs of accessing telecommunication services and increased public revenue from increased IT transactions. Fostering regional integration. **Cofinanciers:** *Equity Funding:* RASCOM (US$ 32.7 million/UA 21.58 million), GPTC (US$ 54.6 million/UA 36.03 million), Thales (US$ 22.5 million/UA 14.85 million), LAIB (US$ 58.9 million/UA 38.86 million), *Debt Funding*: LAFB (US$ 85.0 million/UA 56.08 million), IsDB (US$ 49.8 million/UA 32.86 million), BOAD (US$ 26.4 million/UA 17.42 million).	250.67	32.99	
WATER SUPPLY AND SANITATION				
Mauritius	*Plaines Wilhems Sewerage Project* **Objective:** Render environmentally appropriate collection, treatment, and disposal of sewage and sludge from the Plaines Wilhems District, thereby increasing environmental protection. **Expected Outcomes:** Reduced health risk, enhanced economic growth, and contribution to attainment of MDGs on child mortality, maternal health and environmental sustainability. Reduced pollution of coastal and waterborne diseases. Increased household connectivity to sewerage network. **Cofinanciers:** EIB (UA 30.03 million), EU (UA 25.29 million), People's Republic of China (UA 18.21 million), Government (UA 44.45 million).	131.70	13.72	

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
AGRICULTURE & RURAL DEVELOPMENT				
Ghana	*Northern Rural Growth Program* **Objective:** Contribute to equitable and sustainable poverty reduction. **Expected Outcomes:** Increased rural-household incomes. Major components include: commodity chain development, rural infrastructure development, rural finance, and program coordination. **Cofinanciers:** IFAD (UA 16.15 million), financial institutions (UA 3.16 million), private investors (UA 0.80 million), beneficiaries (UA 1.64 million), Government (UA 6.64 million).	68.39	40.00	
Kenya	*Small-Scale Horticulture Development (SHDP)* **Objective:** Enhance food security and poverty alleviation. Main components comprise irrigation and infrastructure development, farmers' support program, and project coordination assistance. **Expected Outcomes:** Increased household incomes, increased horticultural production, and improved marketing facilities. **Cofinanciers:** Government (UA 2.18 million), beneficiaries (UA 0.58 million).	19.75	17.00	
Madagascar	*Manombo Irrigation Area Rehabilitation Project* **Objective:** Contribute to poverty reduction. Main components include management and protection of irrigated area, agricultural development, and project coordination and management. **Expected Outcomes:** Improved infrastructure, increased livestock production, and income-generating activities for women. **Cofinanciers:** Beneficiaries (UA 0.14 million), Government (UA 1.12 million).	10.76	9.20	0.30
Mali	*The Development of Livestock Production in South Kayes Area (PADEPA-KS)* **Objective:** Increase animal production in a sustainable manner and increase incomes of livestock farmers with the objective of contributing to food security and poverty alleviation. **Expected Outcomes:** Increased food production and incomes of agro-stock breeders. **Cofinanciers:** Government and beneficiaries (UA 3.90 million).	18.92	15.00	
Mozambique	*Massingir Dam and Smallholder Agricultural Rehabilitation Project* **Objective:** Improve the operational efficiency of the dam to enable smallholders to produce crops, thereby enhancing living standards of the local communities and reducing poverty. **Expected Outcomes:** Increased dependable water flow and enhanced irrigation activities and productivity of smallholder farmers. **Cofinanciers:** Government (UA 6.01 million)	61.00	17.00	
Tanzania	*Agricultural Sector Development Program Phase 1* **Objective:** Enhance farmers' access to agricultural technologies, marketing systems and infrastructure, with a view to reducing rural poverty, enhancing food security, and increasing GDP growth. **Expected Outcomes:** Enhanced productivity resulting from increased access to agricultural knowledge, technology, marketing systems, and infrastructure. Increased private sector investment in agriculture and improved regulatory and policy environment. **Cofinanciers:** World Bank (UA 60.13 million), EU (UA 5.68 million), Japan (UA 2.00 million), Development Corporation of Ireland (UA 0.67 million), IFAD (UA 24.05 million), beneficiaries (UA 15.47 million), Government (UA 19.20 million); others (UA 43.60).	210.81	40.00	
Uganda	*Community Agricultural Infrastructure Improvement Program (CAAP-1)* **Objective:** Enhance the commercialization of agriculture through improved access to markets by supporting the development and management of rural infrastructure, thereby contributing to poverty reduction and economic growth. **Expected Outcomes:** Enhanced commercialization of agriculture, increased access to markets, rural infrastructure improvements, and enhanced income streams for farmers. **Cofinanciers:** Beneficiaries (UA 0.44 million), Government (UA 3.76 million).	34.20	30.00	

Profiles of ADF-Approved Projects and Programs in 2007

(UA millions)

Country	Project	Total Cost	Loan	Grant
FINANCE				
Mauritania	*Microfinance Operators' Capacity-Building Project (PRECAMF)* **Objective:** Increase funds to provide financial services in response to increased demand for microfinance support and so boost entrepreneurship, increase livelihoods and reduce poverty. **Expected Outcomes:** Improved access to viable and sustainable financial services. Improved institutional capacity to supply microfinance services. Project reach estimated at 245,000 people, of whom 147,000 will be women. **Cofinanciers:** Government (UA 1.99 million).	7.97	5.98	
SOCIAL				
Lesotho	*Education Quality Enhancement Project* **Objective:** Improve efficiency of the education system through quality education and training. Major project components include improving the quality of primary and secondary education; aligning skills to exigencies of the jobs market; and enhancing project management in the areas of procurement and financial management. **Expected Outcomes:** Achievement of quality, relevant, and functional primary and post-primary education and training. Increased number of adequately trained teachers, counselors, inspectors, curriculum assessment officers and anti-HIV/AIDS activists. Improved technical capacity for project implementation in the Planning Unit. **Cofinanciers:** Government (UA 2.03 million).	10.60	1.57	7.00
Tanzania	*Support to Education Secondary Development Program—ESDP (SWAP)* **Objective:** Ensure equitable access to quality primary and secondary education, universal literacy, and expansion of higher technical and vocational education. Increase equal access to and quality of secondary education: **Expected Outcomes:** Increased number of students attending secondary education, reduction of inequities in its provision, and enhancement of its quality. Major project components comprise: (i) construction of new classrooms, libraries, science teaching areas, and teachers' houses; (ii) provision of scholarships to children from poor households and support for programs that increase the retention of girls; (iii) supply of instructional materials, training of teachers, school managers, and school inspectors. **Cofinanciers:** IDA (UA 100.00 million); Government and beneficiaries (UA 634.00 million).	754.00	20.00	
WATER SUPPLY AND SANITATION				
Angola	*Sumbe Water Supply, Sanitation, and Institutional Support Project* **Objective:** Improve access to water supply and sanitation services, thereby improving the health and living standards of the population and contributing to the attainment of the MDGs. **Expected Outcomes:** Increased proportion of the population with access to water supply and sanitation services, Improved management of water supply and sanitation facilities and of public water supply points in semi-urban and peri-urban areas. Increased participation of women in various water supply and sanitation management functions. **Cofinanciers:** Government (UA 12.00 million).	24.00	12.00	
Burkina Faso	*Rural Drinking Water Supply and Sanitation Project in the Cascades, West Central and South Central and Sahel regions (RWSSI-Program AEPA)* **Objective:** Provide a sustainable supply of drinking water and sanitation in rural areas to improve health and living conditions of the rural communities contributing to the attainment of MDGs. **Expected Outcomes:** Improved water supply, sanitation, and community services in the targeted project areas. **Cofinanciers:** Beneficiaries (UA 0.63 million), Government (UA 4.34 million).	34.97	20.00	10.00
Congo, Democratic Republic	*Semi-Urban Drinking and Water Supply and Sanitation Project (PEASU)* **Objective:** Provide sustainable water supply and sanitation services, improving health and standards of living of the population, thereby contributing to the attainment of the MDGs. **Expected Outcomes:** Improved accessibility to water supply and sanitation services and reduced incidence of waterborne diseases and infant mortality. **Cofinanciers:** Government (UA 8.00 million).	78.00		70.00

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
WATER SUPPLY AND SANITATION (CONT.)				
Djibouti	*The Djibouti City Sanitation Project* **Objective:** Improve living and health conditions of the people living in the City of Djibouti by ensuring sustainable access to sanitation services and contributing to the attainment of MDGs. **Expected Outcomes:** Improved access to hygienic sanitation services and health conditions. Increased protection of the environment and fishery resources. **Cofinanciers:** EU (UA 13.41 million), Government (UA 1.05 million)	20.96		6.50
Kenya	*Water Services Boards Support Project (RWSSI)* **Objective:** Contribute to the social wellbeing of the population by improving water supply and sanitation services in urban, peri-urban, and rural communities in targeted areas and contributing to health-related MDGs. **Expected Outcomes:** Improved water supply and sanitation. Increased access to water supply and sanitation and reduced incidences of child mortality, maternal mortality, and reduced incidence of diarrhea. Enhanced WSBs/WSPs performance. **Cofinanciers:** Includes UN Habitat (UA 1.00 million), beneficiaries (UA 1.26 million), Government (UA 9.37 million)	56.89	35.19	10.07
Niger	*Rural Drinking Water Supply and Sanitation Project in Regions of Maradi, Tahoua, and Tillaberi Project (RWSSI)* **Objective:** Ensure sustainable access to safe water and sanitation so as to improve living conditions of rural communities and contribute to poverty reduction. Major components consist of construction of boreholes, latrines and lavatories; and building managerial skills, particularly of rural women, in the water supply and sanitation sector. **Expected Outcomes:** Increased access to safe water and sanitation services to targeted communities and improved socioeconomic conditions of women. **Cofinanciers:** AFD (UA 9.97 million), beneficiaries (UA 0.47 million), Government (UA 1.22 million).	25.66	11.0	3.0
Nigeria	*Rural Water Supply and Sanitation Subprograms in Yobe and Osun States* **Objective:** Provide safe and adequate water and sanitation service to the rural population in target areas and strengthen sector capacity for program implementation, operation, and maintenance. **Expected Outcomes:** Increased water supply and sanitation services. Improved water supply and sanitation services, resulting in the reduction of the incidence of waterborne diseases. Enhanced sector capacity for program implementation. **Cofinanciers:** EU (UA 3.24 million), UNICEF (UA 0.26 million), JICA (UA 4.22 million), local contributions (UA 10.50 million).	69.22	51.00	
TRANSPORTATION				
Kenya	*Nairobi–Thika Highway Improvement Project* **Objective:** Improve the accessibility, affordability, and reliability of transportation services, thereby promoting economic growth and socioeconomic development. **Expected Outcomes:** Improved transportation services, reduced travel time and accidents. Increased and sustained economic growth. **Cofinanciers:** Government (UA 54.0 million).	175.00	117.85	3.15
Nigeria	*Rural Access and Mobility Project* **Objective:** Improve access to transportation services of the rural population. **Expected Outcomes:** Reduced transportation costs and average travel time. Increased accessibility to major rural markets and to basic social services. **Cofinanciers:** CRSG (UA 3.28 million), Federal Government of Nigeria (UA 0.85 million).	39.40	35.27	
Tanzania	*Singida–Babati–Mijingu Road Upgrading Project* **Objective:** Improve road transportation services and contribute to socioeconomic development and poverty reduction. **Expected Outcomes:** Increased movement of people, goods and services; increased agricultural productivity, trade, and improved road safety. **Cofinanciers:** Government (UA 23.17 million).	83.17	60.00	

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
TRANSPORTATION (CONT.)				
Uganda	*Road Sector Support Project II* **Objective:** Improve road transportation services and contribute to poverty reduction on a sustainable basis. **Expected Outcomes:** Reduction in transportation costs; increased movement of persons, goods and services; improved safety as well as increased trade and improved standard of living. **Cofinanciers:** Government (UA 9.67 million).	67.67	56.65	1.35
Multinational	*CEMAC/Cameroon–Central African Republic–Chad Transportation Facilitation Program: The Douala–Bangui–Douala–N'Djamena Corridors* **Objective:** Improve the efficiency of road and railroad transportation logistics with the ultimate objective of contributing to increased DEMAC intra-community and extra-community trade. Major components included road improvements and rehabilitation, transportation facilitation measures, and institutional support. **Expected Outcomes:** Increased intra-community trade. (From 5% in 2006 to 15% in 2015). Improved customs processing system following the implementation of customs reforms. Reduction of turnaround time for major importers (by 20%) and increased haulage traffic along the Douala–D'Jamena and Douala–Bangui corridors. **Cofinanciers:** IDA (UA 115.12 million), EU (UA 130.14 million), AFD (UA 35.01 million), CEMAC (UA 1.62 million), others (UA 4.12 million), Governments (CAR, Cameroon, Chad) (UA 14.52 million).	409.32	48.00	60.80
POWER SUPPLY				
Burundi	*The Electricity Infrastructure Rehabilitation and Extension Project* **Objective:** Provide electricity in sufficient quantity and cheaply, in order to improve living conditions of the people and the country's socioeconomic development. Major project activities include: rehabilitation of hydroelectric plants; rehabilitation, and extension of MV and LV networks; strengthening of logistics and operating equipment; and building the capacity of Regideso. **Expected Outcomes:** Increased availability and reliability of power supply. Achievement of lower production costs and reduced technical and commercial losses in power supply. **Cofinanciers:** Regideso (UA 0.50 million), beneficiaries (UA 0.43 million), Government (UA 0.98 million).	9.20		7.32
Cape Verde	*Santiago Island Power Reinforcement* **Objective:** Improve access to a more reliable electricity supply for Santiago Island, thereby contributing to better living standards and enhanced competitiveness of the economy. Major components of the project comprise a power plant, transmission and distribution networks, as well as capacity building and project management. **Expected Outcomes:** Increased access to electricity. Increased efficiency in electricity production to be reflected in higher output, increased generation capacity, and reduction of power losses. **Cofinanciers:** Japan Bank for International Cooperation (JBIC) (UA 25.07 million), Government (UA 2.75 million).	32.64	4.82	
Congo, Democratic Republic	*Inga Hydro-Power Stations and Kinshasa Distribution Network Rehabilitation and Upgrade (RDPMDP) Project* **Objective:** Improve operational efficiency in the energy sector, thereby improving socioeconomic conditions. **Expected Outcomes:** Enhanced operational efficiency in the energy sector as well as increased collection rate, improved quality of service, and reduced electricity network losses. **Cofinanciers:** World Bank (UA 193.45), Government(UA 9.35 million), other sources (UA 62.12 million).	301.36		36.43
Ghana	*The Energy Development and Access Program Power System Reinforcement Project* **Objective:** Ensure a secure and reliable power supply to all Ghanaian homes, businesses, industries, and thereby contributing to socioeconomic development. **Expected Outcomes:** Increased access to reliable power supply with minimum losses. **Cofinanciers:** VRA (UA 0.61 million), ECG (UA 3.36 million)	31.57	27.60	

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
POWER SUPPLY (CONT.)				
Tanzania	*The Electricity 5 Project (Rural Electrification V)* **Objective:** Extend, secure, and improve a power supply to households and economic sectors in rural towns, district headquarters, and peri-urban areas in Mwanza, Shinyanga, Arusha, and Dar Es Salaam regions. **Expected Outcomes:** Achievement of sustainable power supply to households, and economic sectors, leading to poverty reduction and improved quality of life in the project's zones of influence. **Cofinanciers:** Government (UA 3.57 million).	33.57	28.68	1.32
Uganda	*Bujagali Interconnection Project* **Objective:** Provide adequate transmission infrastructure and distribute the hydroelectricity of power from Bujagali power station to the Ugandan national grid, thereby increasing access to a cheaper and more reliable power supply. **Expected Outcomes:** Increased coverage and availability of cheaper and more reliable power supply for industry, commerce, and domestic users. **Cofinanciers:** The Japan Bank for International Cooperation (JBIC) (UA 19.21 million), UETCL (UA 11.71 million)	50.13	19.21	
Multinational	*West African Power Pool Program (The Ghana–Togo–Benin Power Interconnection Project)* **Objective:** Increase transmission capacity for power generation between Nigeria, Benin, Togo, and Ghana, for trading of electricity, with a view to improving the reliability of the power supply, reducing production costs, and offsetting shortfalls in the output of hydropower stations. **Expected Outcomes:** Improved power supply reliability in the interconnected countries, reduced cost of power supply, and continuity of power supply during periods of drought. Increased coverage of the population having access to a reliable energy supply. **Cofinanciers:** World Bank-IDA (UA 9.75 million), IsDB (UA 9.11 million), and BOAD (UA 8.90 million), VRA (UA 4.93 million), CEB (UA 6.60 million).	71.55	32.26	
MULTISECTOR				
Angola	*Financial Management Support Program* **Objective:** Contribute to increased transparency and efficiency in the management of public resources, enhance capacity for management of public assets, and strengthen internal and external audit functions. **Expected Outcomes:** Enhanced public financial management and capacity for evaluation, management, and auditing of public assets. Reinforce institutional and human resource capacities for public accounting and auditing functions. Increase transparency and civic community participation in public financial management. **Cofinanciers:** Government (UA 0.67 million).	6.57	5.90	
Central African Republic	*Economic Reforms Support Program (ERSP)* **Objective:** Strengthen public financial management, the quality of public expenditure, and good governance, thereby contributing to sustainable economic growth and poverty reduction. **Expected Outcomes:** Improved macroeconomic management focus; enhanced public expenditure management and public procurement. Improved regulatory frameworks for extractive mining and forestry sectors thereby encouraging FDI flows and deepening the role of the private sector. **Cofinanciers:** International Monetary Fund (UA 20.90 million), EU (UA 5.20 million), Government (UA 8.92 million).	41.52	6.50	
Congo, Democratic Republic	*Post-Conflict Socioeconomic Reintegration Support Project (PARSEC)* **Objective:** Support the redeployment of ex-combatants through cash safety-net payments, vocational training, and self-employment in the agricultural sector with a view to fostering the framework for peace and sustainable development. **Expected Outcomes:** Successful demobilization of 28,500 ex-combatants (including 1,000 women) and their engagement in productive agricultural activities. Transformation of ex-combatants to "no-risk" segment in society and their sensitization in wide-ranging issues including gender, violence against women, HIV/AIDS, environmental protection, etc. Acquisition by ex-combatants of skills and tool-kits needed for productive self-employment and reintegration into their respective communities. **Cofinanciers:** Government (UA 1.66 million)	16.66		15.00

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
MULTISECTOR (CONT.)				
Côte d'Ivoire	*Post-Crisis Multisector Institutional Support Project* **Objective:** Restore public services in education, health, and rural development and contribute to restoration of the functions of the state and consolidation of social cohesion. **Expected Outcomes:** Improved access to basic education and enhanced quality of services in primary education and teaching conditions. The net primary enrollment rate is expected to rise from 44% in 2006 to 61% in 2010. Restoration of basic health services and improved quality of healthcare delivery services. Enhanced capacity for monitoring the Post-Crisis Program in the Office of the Prime Minister. Provision of agricultural supervision and extension services thereby contributing to increased pastoral and pisci-cultural production yields. **Cofinanciers:** World Bank, IMF, UN Agencies and bilateral partners (UA 280.0 million), Government (UA 62.0 million).	362.00		20.00
Gambia	*The Institutional Support Project for Economic and Financial Governance* **Objective:** Strengthen capacities in economic management and financial governance with a view to achieving sustained economic growth and reducing poverty. **Expected Outcomes:** Enhanced accountability in economic and financial governance. Improved fiscal management and reduced domestic and external debt. Ultimate achievement of economic growth and improved socioeconomic conditions. Components include: improved resource mobilization, macroeconomic analysis, financial management information systems, as well as enhanced macroeconomic management and debt management. **Cofinanciers:** Government (UA 0.07 million).	1.47		1.40
Kenya	*Community Empowerment and Institutional Support Project (CEISP)* **Objective:** Improve management of socioeconomic development at local level (district level), thereby empowering communities or districts, to access socioeconomic services. Major project components comprise community capacity building and decentralized development planning and finance. **Expected Outcomes:** Improved management and utilization of development resources. Enhanced social and public accountability in local governance and service delivery. Increased community and stakeholder capacity for participation in local development. Enhanced gender equality and participation of women in local development. Increased public awareness of Devolved Fund's Operations. Harmonized and decentralized development planning systems. **Cofinanciers:** Government (UA 3.78 million).	20.78	17.00	
Liberia	*Capacity Building for Reconstruction and Development Project Support Project (PADER)* **Objective:** Rehabilitate socioeconomic infrastructure and improve maintenance capacities, thereby contributing to increased gender-sensitive employment opportunities, public service delivery, and poverty reduction. **Expected Outcomes:** Employment generation and improved livelihoods through community labor works. Rehabilitated road infrastructure, thereby improving access to social services. **Cofinanciers:** Government (UA 0.80 million).	16.04		15.24
Malawi	*Poverty Reduction Support Program* **Objective:** Promote sound macroeconomic reforms and strengthen public financial management with a view to accelerating growth and reducing poverty. Major components of the program include: (i) macroeconomic and public financial management reforms; (ii) human and institutional capacity development; (iii) policy and institutional framework for governance. **Expected Outcomes:** Improved macroeconomic environment. Increased pro-poor budget spending and improved budget implementation outcomes. Enhanced number of qualified teachers and of students passing MSCE examinations. Reduction in maternal and child mortality rates. Reduction in the incidence of corruption and better observance of the rule of law. **Cofinanciers:** DFID (UA 27.10 million), IDA (UA 17.40 million), EU (18.20 million), Norway (UA 7.10 million).	84.70	14.89	

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
MULTISECTOR (CONT.)				
Mali	*Decentralization and Regional Economic Development* **Objective:** Promote regional economic development through the strengthening of public and private civil society partnership and contribute to poverty reduction. **Expected Outcomes:** Establishment of a local government environment conducive to public/private society environment. Effective transfer of regional development to local government authorities. Enhanced capacities for regional planning and management as well as monitoring and evaluation of regional development. **Cofinanciers:** Private Sector (UA 0.20 million), Government (UA 0.91 million).	11.11	5.00	5.00
Rwanda	*Poverty Reduction Strategy Support Program-Phase II (PRSP II)* **Objective:** Improve budget programming and execution and contributing to economic growth and poverty reduction. Increase transparency in public financial management. Improve the legal and institutional framework for business. Strengthen financial intermediation and improve the banking system. **Expected Outcomes:** Enhanced pro-poor focused expenditure management and more efficient budget management through extensive computerization. Increased transparency in public financial and public procurement management. Reduced incidence of embezzlement of public funds. Improved human resource and business registration capacities. Reinforced financial sector and increased accessibility to banking sector loans. **Cofinanciers:** IDA (UA 66.46 million), EU (UA 31.60 million), DfID (UA 91.02 million), Netherlands (UA 4.46 million), Sweden (UA 14.42 million), and Germany (UA 2.64 million).	243.60		33.00
Sudan	*Institutional Capacity Building for Poverty Reduction and Good Governance* **Objective:** Strengthen the capacity of key national institutions in the North and South to implement macroeconomic reforms and good governance practices for poverty reduction in Sudan. Major components of the program comprise: (i) support to the poverty reduction eradication process; (ii) Government of Southern Sudan Capacity Strengthening; and (iii) support to project management. **Expected Outcomes:** Increased accessibility to basic social services and improved standards of living. (The proportion of the population living below the poverty line to be reduced from 60% to 45% for the country as a whole and from 90% to 85% by April 2010, for Southern Sudan). **Cofinanciers:** GoNU & GoSS (UA 1.07 million).	10.69		9.62
OTHER APPROVALS				
Ghana	*Gender Responsive Skills and Community Development Project* **Objective:** Improve national capacities for enhanced gender mainstreaming as well as access to training and entrepreneurship for women, thereby contributing to gender-equitable socioeconomic development and elevated living conditions for women. **Expected Outcomes:** Enhanced professional competency for gender mainstreaming in development management. Enhanced marketability of women entrepreneurial skills. Enhanced accessibility to skills training, business service, and ICT-based delivery capacity and better project management capabilities. **Cofinanciers:** Government (UA 1.09 million).	9.40	5.95	2.36
Central African Republic	*HIPC Debt Relief* **Objective:** Provide HIPC assistance to CAR after reaching a decision point under the HIPC Initiative, to finance arrears owed to AfDB in the amount of US$ 42.8 million (UA 28.29 million). Another US$ 42.55 million (UA 28.13 million) would be available for HIPC Relief. CAR would also be eligible for additional relief to the sum of US$ 95.7 million/UA 63.26 million (ADF). **Expected Outcomes:** Improved debt indicators for CAR: Reduction of CAR's external debt from US$ 855.9 million to US$ 273.1 million and improved debt ratio from 150% in 2006 to 66% by 2026. The debt service ratio is expected to decline from an average of 14% to below 10%. Reduction of non-concessional borrowing, permitted by the HIPC relief exercise.	34.60		

Profiles of ADF-Approved Projects and Programs in 2007

(UA millions)

Country	Project	Total Cost	Loan	Grant
OTHER APPROVALS (CONT.)				
São Tomé & Principe	*HIPC Debt Relief* **Objective:** Provide HIPC assistance to São Tomé & Principe after reaching the completion point under the enhanced HIPC Initiative. **Expected Outcomes:** Improved debt indicators for São Tomé & Principe. Immediate eligibility to debt relief and hence realization of debt savings for the total amount of US$ 77.1 million.	58.41		
Sierra Leone	*HIPC Debt Relief* **Objective:** Provide HIPC assistance, for the amount of US$ 43.4 million/UA 28.47 million, following Sierra Leone's attainment of the completion point under the HIPC Initiative. The decision point was reached in March 2002. Bank Group relief as of January 2007 amounted to US$ 11.4 million/UA 7.48 million and eligibility under MDRI comes to US$ 146.5 million/UA 96.12 million. **Expected Outcomes:** Reduction of Sierra Leone's external debt from US$ 1,573 to US$ 45.0 million after enhanced HIPC and additional bilateral assistance. Immediate eligibility to additional relief (and hence, debt savings) for the amount of US$ 146.5 million under the MDRI facility. Savings on debt service owed to ADF in the amount of US$ 146.5 million. Total cancellation of debt owed to the Paris Club amounts to US$ 218.0 million or 91%).	60.16		
Comoros	*PCCF Arrears Clearance* **Objective:** To assist Comoros to resume concessional borrowing from the AfDB and other development partners. **Expected Outcomes:** Arrears clearance, permitting resumption of lending by the AfDB and financing of projects and programs aimed at poverty reduction.	16.00		
Liberia	*PCCF Arrears Clearance* **Objective:** To assist Liberia to resume concessional borrowing from the AfDB and other development partners. **Expected Outcomes:** Arrears clearance, permitting resumption of lending by the AfDB and financing of projects and programs aimed at poverty reduction.	115.00		
EMERGENCY AND RELIEF OPERATIONS				
Ethiopia	*Humanitarian Emergency Assistance for Food Relief (SRF)* **Objective:** Address the effects of widespread floods in northern, western, and southern parts of Ethiopia which affected about 100,000 people, by providing access to a safe water supply, better sanitation facilities, and proper hygiene education services (through UNICEF in collaboration with local NGOs and CBOs). **Expected Outcomes:** Preservation of human lives through the immediate provision of emergency relief assistance in the form of food, clean water, and non-food items including the hygiene education services. Reconstruction and rehabilitation of water schemes, improved sanitation and hygiene facilities, and enhanced emergency relief assistance monitoring and evaluation.	N.A.		0.33
Lesotho	*Emergency Food Assistance to Vulnerable Populations Affected by the 2005 Drought (SRF)* **Objective:** Provide food assistance and contribute to the alleviation of suffering caused by serious drought conditions in Lesotho. The World Food Program was given the responsibility to implement the food assistance program, which involved buying 1,000 tons of maize from South Africa at a cost of US$ 0.5 million (UA 0.33 million), including transportation and distribution costs. **Expected Outcomes:** Preservation of the livelihoods of an estimated 548,800 people in 6 countries suffering from food insecurity. Targeted groups include orphans, vulnerable children, and HIV/AIDS victims.	N.A.		0.33

Profiles of ADF-Approved Projects and Programs in 2007
(UA millions)

Country	Project	Total Cost	Loan	Grant
EMERGENCY AND RELIEF OPERATIONS				
Madagascar	*Emergency Humanitarian Assistance to Victims of Drought in the South (SRF)* **Objective:** Address widespread food shortages caused by continuous drought conditions experienced since 2005 and affecting about 466,000 people in 32 communities by providing emergency assistance through FAO. **Expected Outcomes:** Improved living conditions and enhanced food security for 31,000 households in 32 communities through the provision of farming tools as well as seeds for various products including cereals, sorghum, manioc, beans, cassava, maize, sweet potatoes, etc. and farming tools.	N.A.		0.33
Mozambique	*Emergency Food Assistance to Vulnerable Populations Affected by Drought (SRF)* **Objective:** Provide food assistance and help alleviate the suffering of the drought- and cyclone-affected victims (132,000 people were displaced following the occurrence of floods). The primary objective was to save lives and preserve the livelihoods of vulnerable individuals and households. The World Food Program was given the responsibility to implement the food assistance program, which involved the purchase of 1,000 tons of maize from South Africa at a cost of US$ 0.5 million (UA 0.33 million), including transportation and distribution costs. **Expected Outcomes:** To help save up to 500,000 people, most of whom are orphans affected by food insecurity and HIV/AIDS epidemic.	N.A.		0.33

Part II

Financial Management and Financial Statements

African Development Bank

African Development Fund

Nigeria Trust Fund

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CHAPTER FIVE

ADB, ADF, and NTF Financial Management and Financial Statements

AFRICAN DEVELOPMENT BANK GROUP

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

Date: April 2, 2008

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

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

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

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

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

The Bank's assessment of the effectiveness of internal controls was based on the framework provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). On the basis of the work performed, Management asserts that the Bank Group maintained effective internal controls over its financial reporting as contained in the Financial Statements for 2007. Management is not aware of any material control weakness that could affect the reliability of the 2007 financial statements.

In addition to providing an audit opinion on the fairness of the financial statements for 2007, the external auditors of the Bank Group conducted an independent assessment of the Bank Group's internal control framework and their opinion thereon is presented separately in this annual report.

Donald Kaberuka
PRESIDENT

Thierry de Longuemar
VICE PRESIDENT, FINANCE

Charles Boamah
CONTROLLER

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Independent Auditors' Report to the Board of Governors of the African Development Bank Group regarding the effectiveness of internal control over external financial reporting
Year ended 31 December 2007

Scope

We have examined the African Development Bank Group's internal controls over external financial reporting for the year ended 31 December 2007, based on criteria established in *"Internal Control – Integrated Framework"* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibilities

The management of the African Development Bank Group ("The Bank Group") is responsible for implementing and maintaining effective internal controls over financial reporting and for assessment of the effectiveness of such controls. Management has asserted the effectiveness of the internal controls over financial reporting for 2007.

Independent Auditors' responsibilities

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

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

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

Inherent limitation

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

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the effectiveness of internal control over external financial reporting

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

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

Opinion

In our opinion, the Bank Group, in all material respects, maintained effective internal controls over financial reporting during the year ended 31 December 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited the financial statements of the African Development Bank, the African Development Fund and the Nigeria Trust Fund for 2007, in accordance with the International Standards on Auditing, and we have expressed unqualified opinions.

Paris La Défense, 2nd April 2008

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

This chapter discusses the management of the financial resources of the Bank Group's windows—the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF)—during the year. It also presents the Audited Financial Statements for 2007 for the three windows, as well as the ADB and ADF Administrative Budgets for the financial year 2008.

THE AFRICAN DEVELOPMENT BANK

Financial Management

Capital Subscription

The authorized capital stock of the Bank stood at UA 21.87 billion as of December 31, 2007, and has been allocated to regional and non-regional members in such proportion so that, when fully subscribed, the regional group holds 60 percent of the total capital stock and the non-regional group 40 percent. At December 31, 2007, members' subscriptions reached UA 21.69 billion, that is 99.18 percent of the capital stock.

The capital stock is composed of paid-up and callable capital. The paid-up capital is the amount of capital payable over a period determined by the Board of Governors' resolution for the relevant General Capital Increase (10 years for the fourth General Capital Increase and 8 years for the fifth General Capital Increase). The paid-in capital, which represents the portion of paid-up capital that has been actually paid, reached UA 2.34 billion. As of December 31, 2007, the Bank's callable capital was UA 19.34 billion of which UA 6.66 billion was from countries rated double-A and higher. The callable capital is subject to payment as and when required by the Bank to meet its incurred obligations, (a) by making or participating in direct loans out of funds borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources or in special resources; or (b) by guaranteeing in whole or in part, loans made by other entities. It is a protection of the Bank's creditors and holders of Bank's guarantees in the event that it is not able to meet its financial obligations. There has never been a call on the callable capital of the Bank.

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

The position of capital subscriptions at December 31, 2007 is shown in the Statement of Subscriptions to the Capital Stock and Voting Power, which forms part of the Financial Statements in this Report.

Bank Rating

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

Borrowings

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

As at December 31, 2007, the borrowing portfolio of the Bank stood at UA 6.20 billion. The Bank is well within its debt policy limits. The key debt ratios are as follows:

- Total debt/total callable capital (max 80 percent): 32.05 percent
- Senior debt/non-borrowing members' callable capital (max 80 percent): 65.04 percent

In December 2006, the ADB Board of Directors approved for the year 2007, a borrowing program of up to UA 1,015 million including a UA 140 million component for the Enhanced Private Sector Assistance for Africa Initiative (EPSA). In 2007, the Bank raised UA 724 million from the capital markets at a weighted average cost of 6-month US Dollar LIBOR minus 32 basis points. In addition, the Bank raised UA 55 million under the EPSA initiative.

The highlight of the year was the Bank's first transaction in the domestic bond market of any African country with the raising of ZAR 1.2 billion for a five-year maturity in the domestic bond market of South Africa. The transaction is also the first by any supranational in that market and is listed on the Bond Exchange of South Africa. The listing enables the Bank to offer its bond issues to the domestic South African investors. This is based on the specific documentation framework that has now been created by the Bank which is in line with local financial regulations in South Africa.

During 2007, the Bank also raised funds through transactions in the public market, the private placement market, the Uridashi market and through African currency-linked bonds.

The Bank maintained its presence in the public market through a highly successful five-year maturity inaugural transaction for an amount of Canadian Dollar 400 million in the Canadian domestic bond market in July 2007.

The Bank continues to focus its efforts on the possibility of issuance in African currencies. Following the successes of the earlier years, the Bank concluded offshore transactions linked to Nigerian Naira, Kenyan Shilling, Tanzanian Shilling and Ghanaian Cedi in 2007 in addition to the domestic South African Rand transaction.

Investments

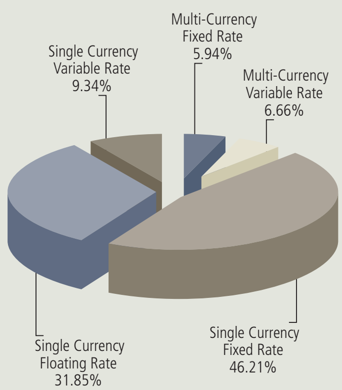
The Bank's cash and treasury investments (net of repurchase agreements) as of December 31, 2007 totaled UA 5.40 billion, compared to UA 5.34 billion at the end of 2006. Investment income for 2007 amounted to UA 238.40 million, or a return of 4.59 percent on an average liquidity of UA 5.20 billion, compared to UA 213.82 million in 2006, or a return of 4.22 percent, on an average liquidity of UA 5.06 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 re-pricing profile benchmark with 10 percent of the Bank's net assets re-pricing uniformly over a period of 10 years.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2007 amounted to UA 18.83 billion. Total outstanding loans, as at December 31, 2007, was UA 5.54 billion, UA 249 million higher than the UA 5.29 billion outstanding as at the end of 2006. This increase was in spite of prepayments during the year amounting to UA 199.06 million. Undisbursed balances at December 31, 2007 totaled UA 1.62 billion, a decrease of UA 408.93 million from December 31, 2006. The number of active signed loans stood at 276 for a total amount of UA 5.54 billion. Also, at December 31, 2007, 547 loans amounting to UA 8.27 billion had been fully repaid. A breakdown of the loan portfolio by product type is presented below.

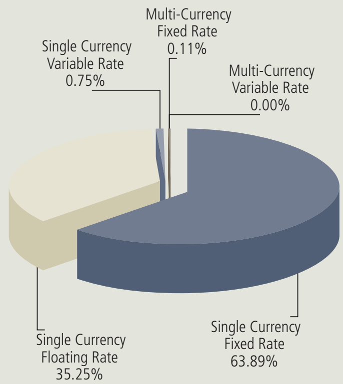
Loans Outstanding, December 31, 2007 (percentages)



Disbursements

Disbursements on Bank loans increased from UA 548.44 million in 2006 to UA 884.75 million, representing an increase of 61.3 percent. At December 31, 2007, cumulative disbursements (including non-sovereign loans) amounted to UA 16.87 billion. Fully disbursed loans at December 31, 2007 were 747 for a total amount of UA 15.78 billion, representing 93.40 percent of cumulative disbursements.

Undisbursed Balances, December 31, 2007 (percentages)



Financial Products

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

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

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

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

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

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

Risk Management Policies and Processes

As a development finance institution, the African Development Bank seeks to reduce its exposure to risks that are not essential to its core business of providing development finance and related assistance. To this end, the Bank has adapted its risk management policies, guidelines and processes to reduce exposure to interest rate, currency, liquidity, counterparty, legal and other operational risks, while maximizing its capacity to assume credit risks to public and private sector clients, within approved risk limits.

Note D of the Financial Statements provides the details regarding the Risk Management policies and processes applied by the Bank to manage these risks.

Financial Results

Since 2006, the Bank has accounted for distributions to organizations, funds or institutions for purposes complementary with the Bank's mission as grant expenses in the period such distributions are approved by the Board of Governors. Prior to 2006, such distributions were presented as direct reductions of equity. Due to current expense treatment of distributions approved by the Board of Governors, "Income before transfer of income approved by the Board of Governors" is separately disclosed on the income statement, to highlight income from normal or ordinary operations of the Bank.

The highlights of the Bank's financial performance in 2007 include the following:

- Income before transfers approved by the Board of Governors increased by 66.81 percent from UA 194.03 million in 2006 to UA 323.67 million in 2007. The increase is mainly attributable to the following factors: a) net write-back of provision for impairment on loans and related charges receivable of UA 69.96 million in 2007 compared to a net charge for provision of UA 51.69 million in 2006, b) an increase of UA 21.24 million in 2007 in the unrealized gains on derivatives and borrowings for which fair value option was elected, and c) a reduction of UA 27.52 million in the amount of impairment for equity investments and other receivables.

- Loan income increased by UA 12.92 million, or 3.93 percent, in 2007. The increase in loan income was mainly due to a higher average loan balance during 2007. Investment income also increased in 2007 by UA 24.57 million, or 11.49 percent, as a result of higher average investment balances and higher yields, but the increase was more than offset by a UA 50.18 million increase in borrowing-related charges. In 2007, the Bank earned income of UA 4.97 million on investments in debt instruments issued by entities in its regional member countries.

- As a result of the arrears clearance mechanism approved by the Board of Directors during 2007, the number of sovereign borrowers in arrears for six months or more decreased from 6 at December 31, 2006 to 4 at December 31, 2007. Consequently, there was a write-back of impairment for losses on loans and related charges receivable in 2007 compared to a charge for impairment in 2006. At December 31, 2007 total accumulated provision for losses on principal and charges was UA 364.72 million, which was 6.10 percent of gross principal and charges receivable at that date, compared to UA 436.77 million, or 7.60 percent of gross principal and charges receivable at December 31, 2006.

- Total Bank Group administrative expenses increased from UA 154.34 million in 2006 to UA 180.65 million in 2007. The Bank's share of the Bank Group administrative expenses amounted to UA 42.22 million for 2007, compared to UA 36.86 million for 2006. Bank Group administrative expenses are allocated between the Bank, the ADF and the NTF based on a predetermined cost-sharing formula driven primarily by the relative levels of certain operational volume indicators.

- For the past several 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 contributions on behalf of its shareholders to other development initiatives for Africa. Total reserves plus accumulated loss provisions on outstanding loan principal and charges at December 31, 2007 were UA 2.90 billion, up from UA 2.74 billion at December 31, 2006. As a percentage of gross loans, reserves plus loss provisions on loan principal increased from 47.7 percent at December 31, 2006 to 49.24 percent at December 31, 2007. Against the background of the strong risk-bearing capacity of the Bank, the Board of Governors in 2007 approved transfers of UA 119.90 million to various development initiatives in Africa. These transfers included UA 65.07 million to the special fund for post-conflict assistance to the Democratic Republic of Congo, UA 13.70 million to the ADF, UA 21.64 million to the Heavily Indebted Poor Countries (HIPC) initiative, UA 10 million to the Middle Income Countries Technical Assistance Fund, and UA 9.49 million to the Investment Climate Facility for Africa.

African Development Bank

Financial Statements and Report of the Independent Auditors

Years ended December 31, 2007 and 2006

BALANCE SHEET
AS AT DECEMBER 31, 2007 AND 2006

(UA thousands - Note B)

ASSETS		2007	2006
CASH		95,528	129,329
DEMAND OBLIGATIONS		3,801	3,801
TREASURY INVESTMENTS (Note F)		5,303,540	6,093,361
DERIVATIVE ASSETS (Note G)		425,338	273,310
NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL (Note H)		15,385	20,383
ACCOUNTS RECEIVABLE			
Accrued income and charges receivable on loans (Note I)	267,149		232,935
Other accounts receivable	328,726		368,037
		595,875	600,972
DEVELOPMENT FINANCING ACTIVITIES			
Loans, net (Notes D & I)	5,344,073		5,076,771
Equity participations (Note J)	189,248		119,119
Other debt securities (Note K)	94,622		-
		5,627,943	5,195,890
OTHER ASSETS			
Property, equipment and intangible assets (Note L)	14,362		14,241
Miscellaneous	667		713
		15,029	14,954
TOTAL ASSETS		**12,082,439**	**12,332,000**

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

LIABILITIES & EQUITY		2007		2006
ACCOUNTS PAYABLE				
Accrued financial charges	418,706		328,751	
Other accounts payable	165,633		320,209	
		584,339		648,960
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND PAYABLE FOR CASH COLLATERAL RECEIVED (Note F)		-		877,833
DERIVATIVE LIABILITIES (Note G)		591,047		481,937
BORROWINGS (Note M)				
Borrowings at fair value	5,226,279		4,823,648	
Borrowings at amortized cost	972,594		1,046,821	
		6,198,873		5,870,469
EQUITY (Note N)				
Capital				
Subscriptions paid	2,336,457		2,303,062	
Cumulative Exchange Adjustment on Subscriptions (CEAS)	(160,075)		(155,742)	
Subscriptions paid (net of CEAS)	2,176,382		2,147,320	
Reserves				
Retained earnings	2,498,288		2,305,345	
Fair value gains on available-for-sale investments	33,510		136	
Total reserves	2,531,798		2,305,481	
Total equity		4,708,180		4,452,801
TOTAL LIABILITIES & EQUITY		**12,082,439**		**12,332,000**

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands - Note B)

	2007	2006
OPERATIONAL INCOME & EXPENSES		
Income from:		
Loans (Note O)	341,945	329,027
Investments and related derivatives (Note O)	238,397	213,824
Other debt securities	4,966	-
Total income from loans and investments	585,308	542,851
Borrowing expenses (Note P)		
Interest and amortized issuance costs	(268,023)	(245,413)
Net interest on borrowing-related derivatives	(62,706)	(35,137)
Unrealized gain on fair-valued borrowings and related derivatives	21,239	10,672
Unrealized gain on derivatives on non fair-valued borrowings and others	34,774	21,067
Provision for impairment (Note I)		
Loan principal	17,453	(22,566)
Loan charges	52,503	(29,120)
Provision for impairment on equity investments and other receivables	(7,222)	(34,745)
Translation (losses)/gains	(8,895)	4,101
Other income	7,323	23,736
Net operational income	371,754	235,446
OTHER EXPENSES		
Administrative expenses (Note Q)	(42,218)	(36,859)
Depreciation - Property, equipment and intangible assets (Note L)	(5,375)	(6,233)
Sundry (expenses)/gains	(493)	1,678
Total other expenses	(48,086)	(41,414)
Income before transfers approved by the Board of Governors	323,668	194,032
Transfers of income approved by the Board of Governors (Note N)	(119,902)	(139,200)
NET INCOME	**203,766**	**54,832**

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands - Note B)

	2007	2006
Gain/(loss) on available-for-sale investments taken to equity	33,374	(8,574)
Actuarial losses on defined benefit plans	(10,823)	(7,165)
Net income/(loss) recognized directly in equity	22,551	(15,739)
Net income for the year	203,766	54,832
TOTAL RECOGNIZED INCOME FOR THE YEAR	**226,317**	**39,093**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UA thousands - Note B)

	2007	2006
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	203,766	54,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,375	6,233
Provision for impairment on loan principal and charges	(69,956)	51,686
Unrealized gains on investments and related derivatives	(5,997)	(2,638)
Amortization of discount or premium on held-to-maturity investments	(5,645)	2,814
Provision for impairment on equity investments and receivables	7,222	34,745
Amortization of borrowing issuance costs	3,333	2,936
Unrealized gain on fair value borrowings and derivatives	(56,013)	(48,799)
Translation losses/(gains)	8,895	(4,101)
Share of profits in associate	(479)	(379)
Net movements in derivatives	(51,659)	130,972
Changes in accrued income on loans	15,640	(4,877)
Changes in accrued financial charges	90,409	79,132
Changes in other receivables and payables	(123,330)	19,412
Net cash provided by operating activities	21,561	321,968
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(884,747)	(548,440)
Repayments of loans	704,045	706,408
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	(79,764)	(410,735)
Trading portfolio	359,145	(85,443)
Other debt securities	(92,801)	-
Changes in other assets	(5,451)	(4,209)
Equity participations movement	(40,150)	2,919
Net cash used in investing, lending and development activities	(39,723)	(339,500)
FINANCING ACTIVITIES:		
New issues on borrowings	779,649	730,741
Repayments on borrowings	(402,541)	(621,486)
Net cash from capital subscriptions	33,363	40,302
Net cash provided by financing activities	410,471	149,557
Effect of exchange rate changes on cash and cash equivalents	(12,363)	(18,150)
Increase in cash and cash equivalents	379,946	113,875
Cash and cash equivalents at the beginning of the year	705,890	592,015
Cash and cash equivalents at the end of the year	**1,085,836**	**705,890**
COMPOSED OF:		
Investments maturing within 3 months of acquisition:		
Held-to-maturity portfolio	24,114	80,075
Trading portfolio	966,194	1,374,319
Securities sold under agreements to repurchase and payable for cash collateral received	-	(877,833)
Cash	95,528	129,329
Cash and cash equivalents at the end of the year	**1,085,836**	**705,890**
SUPPLEMENTARY DISCLOSURE:		
Movement resulting from exchange rate fluctuations:		
Loans	(70,008)	32,776
Borrowings	(77,088)	(251,558)
Currency swaps	89,729	163,523

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

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – OPERATIONS AND AFFILIATED ORGANIZATIONS

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Currency Translation
Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into UA at rates prevailing at the balance sheet date. The rates used for translating currencies into UA at December 31, 2007 and 2006 are reported in Note V-1. Non-monetary assets and liabilities are translated into UA at historical rates. Translation differences are included in the determination of net income. Capital subscriptions are recorded in UA at the rates prevailing at the time of receipt. The translation difference relating to payments of capital subscriptions is reported in the financial statements as the Cumulative Exchange Adjustment on Subscriptions (CEAS). This is composed of the difference between the UA amount at the predetermined rate and the UA amount using the rate at the time of receipt. When currencies are converted into other currencies, the resulting gains or losses are included in the determination of net income.

Member Countries' Subscriptions

Although the Agreement establishing the ADB allows for a member country to withdraw from the Bank, no member has ever withdrawn its membership voluntarily, nor has any indicated to the Bank that it intends to do so. The stability in the membership reflects the fact that the members are independent African and non-African countries, and that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its regional member countries individually and jointly. Accordingly, as of December 31, 2007, the Bank did not expect to distribute any portion of its net assets due to member country withdrawals.

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

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

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

Employee Benefits

1) Pension Obligations

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

2) Post-Employment Medical Benefits

The Bank operates a contributory defined Medical Benefit Plan (MBP), which provides post-employment healthcare benefits to eligible former staff, including retirees. Membership of the MBP includes both staff and retirees of the Bank. The entitlement to the post-retirement healthcare benefit is usually conditional on the employee 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 MBP Board, an independent body created by the Bank, determines the adequacy of the contributions and is authorized to recommend changes to the contribution rates of both the Bank and plan members.

Financial Instruments

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

1) Financial Assets

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

i) *Financial Assets at Fair Value through Profit or Loss*

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

ii) *Loans and Receivables*

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

iii) *Held-to-Maturity Investments*

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

iv) *Available-for-Sale Financial Assets*

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

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

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

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

2) Financial Liabilities

i) Borrowings

In the ordinary course of its business, the Bank borrows funds in the major capital markets for lending and liquidity purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. The Bank's borrowing strategy is driven by three major factors, namely: timeliness in meeting cash flow requirements, optimizing asset and liability management with the objective of mitigating exposure to financial risks, and providing cost-effective funding. In addition to long and medium-term borrowings, the Bank also undertakes short-term borrowing for cash and liquidity management purposes only. Borrowings not designated at fair value through profit or loss are carried on the balance sheet at amortized cost with interest expense determined using the effective interest method. Borrowing expenses are recognized in profit or loss and include the amortization of issuance costs, discounts and premiums, which is determined using the effective interest method. 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 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 otherwise have arisen if the borrowings were carried on the balance sheet at amortized cost while the related swaps are carried on the balance sheet at fair value.

iii) Other Liabilities

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

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

Derivatives

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

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

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

Impairment of Financial Assets

1) Assets Carried at Amortized Cost

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

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

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

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

2) Available-for-Sale Assets

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

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

Offsetting Financial Instruments

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

Fair Value Disclosure

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.

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

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

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

Day One Profit and Loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). A gain or loss may only be recognized on initial recognition of a financial instrument if the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. On initial recognition, a gain or loss may not be recognized when using a valuation technique that does not incorporate data solely from observable markets. The Bank only recognizes gains or losses after initial recognition to the extent that they arise from a change in a factor (including time) that market participants would consider in setting a price. The gain or loss is amortized over the life of the applicable 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 the entity's financial and operating policy decisions. The relationship between the Bank and the ADF is described in more detail in Note J. IAS 28 requires that the equity method be used to account for investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's income statement. The subscriptions by the Bank to the capital of the ADF occurred between 1974 and 1990. At December 31, 2007, such subscriptions cumulatively represented approximately 1% of the economic interest in the capital of the ADF. Although ADF is a not-for-profit entity and has never distributed any dividend to its subscribers since its creation in 1972, the revisions to IAS 28 require that the equity method be used to account for the Bank's investment in the ADF. Furthermore, in accordance with IAS 36, the net investment in the ADF is assessed for impairment. Cumulative losses as measured under the equity method are limited to the investment's original cost as the ADB has not guaranteed any potential losses of the ADF.

Property and Equipment

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

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

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

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

Intangible Assets

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

Leases

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

Transfers Approved by the Board of Governors

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

Retained Earnings

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

1) Significant Judgments

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

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

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

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

2) Significant estimates

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

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

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

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

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

In 2007, the Bank adopted International Financial Reporting Standard (IFRS) 7, *Financial Instruments: Disclosures* and related amendments to International Accounting Standard (IAS) 1, *Presentation of Financial Statements – Capital Disclosures*. IFRS 7 supersedes IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institution* and IAS 32, *Financial Instruments: Presentation*, and introduces new and enhanced qualitative and quantitative disclosures about exposures to risks arising from financial instruments and how the Bank manages those risks. The amendments to IAS 1 require new disclosures on the Bank's objectives, policies and processes for managing capital. The new disclosures are presented in Note D.

At the date of authorization of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations have been issued and will become effective for periods after December 31, 2007. IFRS 8, *Operating Segments*, which becomes effective for financial statements for the period beginning January 1, 2009, replaces the segmental reporting requirements of IAS 14, *Segment Reporting*, and requires alignment of the segments in the financial statements with those used internally by management in the allocation of resources and assessing performance. The amendments to IAS 1 require the Bank to present in separate statements, changes in equity related to its shareholders and those related to comprehensive income (i.e., non-shareholder-related components), including related reclassification adjustments of those components. It also requires the presentation of a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the Bank applies an accounting policy retrospectively or makes a retrospective restatement. None of these new standards or amendments is expected to have a significant impact on the Bank's financial statements.

On February 14, 2008, the International Accounting Standards Board (IASB) issued amendments to IAS 32 and IAS 1. The amendments require an entity to classify as part of its equity those financial instruments that it issues that are either (a) puttable financial instruments, or (b) financial instruments or components of financial instruments that impose an obligation to deliver to another party a pro-rata share of its net assets only on liquidation, if certain criteria are met. Prior to these amendments, such financial instruments were to be classified as liabilities. The amendments are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted.

Subscriptions by the member countries to the Bank's capital described in Note B are puttable financial instruments that meet the requirements for equity classification under the amended standards. While the standards prior to the amendments required liability classification by the issuer of puttable financial instruments, the Bank has always reported the subscriptions by the member countries to its capital as equity. Under the Agreement establishing the Bank, such instruments provide an equal and residual right to its member countries that are subordinate to the rights of its creditors. The equity classification requirements under the amended standards are fully consistent with and confirm the Bank's prior classification of these instruments as equity. The amendments to IAS 32 and IAS 1 relating to puttable financial instruments were issued after the balance sheet date but before the approval of the financial statements. The Bank has opted to early adopt the amendments. The application of these amended standards had no effects on the Bank's financial statements.

NOTE D - RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

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

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

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

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

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

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

Credit Risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Bank arising essentially from its lending and treasury operations.

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

1) Sovereign Credit Risk

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

Country Exposure

The Bank's exposure at December 31, 2007 to borrowing member countries with respect to its lending activities is summarized below:

(Amounts in UA thousands)

Country	No of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Angola	3	1,041	-	-	1,041	0.02
Botswana	6	11,808	-	-	11,808	0.21
Cameroon	6	61,929	-	16,759	45,170	0.82
Congo	2	38,349	-	-	38,349	0.69
Côte D'Ivoire**	15	340,588	-	2,543	338,045	6.10
Democratic Republic of Congo	10	689,519	-	-	689,519	12.45
Egypt	12	1,037,811	225,439	260,193	552,179	9.97
Ethiopia	5	26,456	-	-	26,456	0.48
Gabon	18	435,558	-	265,941	169,617	3.06
Ghana	5	8,578	-	-	8,578	0.15
Guinea	4	13,108	-	-	13,108	0.24
Kenya	4	9,674	-	-	9,674	0.17
Lesotho	1	622	-	-	622	0.01
Liberia**	8	3,550	-	-	3,550	0.06
Malawi	1	5,444	-	-	5,444	0.10
Mauritania	3	26,050	-	-	26,050	0.47
Mauritius	9	49,479	-	36,783	12,696	0.23
Morocco	23	1,939,267	141,039	569,163	1,229,065	22.18
Namibia	8	105,516	-	30,680	74,836	1.35
Nigeria	11	223,101	-	-	223,101	4.03
Senegal	3	29,948	-	-	29,948	0.54
Seychelles	5	4,200	-	-	4,200	0.08
Somalia**	3	3,719	-	-	3,719	0.07
South Africa	4	167,690	-	-	167,690	3.03
Sudan**	5	51,278	-	-	51,278	0.93
Swaziland	9	93,095	-	10,893	82,202	1.48
Tanzania	1	3,058	-	-	3,058	0.06
Tunisia	28	1,484,828	93,157	274,799	1,116,872	20.16
Uganda	1	1,109	-	-	1,109	0.02
Zambia	4	9,839	-	-	9,839	0.18
Zimbabwe**	12	191,979	-	-	191,979	3.47
Multinational	5	57,939	-	8,361	49,578	0.89
Total Public Sector	**234**	**7,126,132**	**459,635**	**1,476,116**	**5,190,381**	**93.69**
Total Private Sector	**42**	**946,890**	**452,135**	**145,047**	**349,708**	**6.31**
Total	**276**	**8,073,022**	**911,770**	**1,621,163**	**5,540,089**	**100.00**

* *Excludes fully repaid loans and cancelled loans.*

** *Countries in arrears as at December 31, 2007. The Board of Directors approved an arrears clearance mechanism for Liberia in December 2007.*

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment

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

<table>
<tr><th>Risk Rating</th><th>Description</th><th>Risk Class</th><th>International Equivalent</th></tr>
<tr><td>1</td><td>Excellent</td><td>Very Low Risk</td><td>A - BBB</td></tr>
<tr><td>2</td><td>Very Good</td><td>Low Risk</td><td>BB</td></tr>
<tr><td>3</td><td>Good</td><td rowspan="2">Moderate Risk</td><td rowspan="2">B</td></tr>
<tr><td>4</td><td>Fair</td></tr>
<tr><td>5</td><td>Acceptable</td><td rowspan="2">High Risk</td><td rowspan="2">CCC</td></tr>
<tr><td>6</td><td>Marginal</td></tr>
<tr><td>7</td><td>Special Attention</td><td rowspan="4">Very High Risk</td><td rowspan="4"><CCC</td></tr>
<tr><td>8</td><td>Substandard</td></tr>
<tr><td>9</td><td>Doubtful</td></tr>
<tr><td>10</td><td>Known Loss</td></tr>
</table>

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

Portfolio Risk Monitoring

In 2007, the overall risk profile of the Bank's sovereign guaranteed portfolio improved slightly, mainly due to the combined effect of improvement in the weighted average credit rating of certain regional member countries and the Bank's increased exposure to high graded countries.

The portfolio's weighted-average risk rating showed a marginal strengthening from 2.93 at the end of 2006 to 2.67 at the end of 2007. The distribution of the sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

Risk Profile of the Outstanding Sovereign-Guaranteed Loan Portfolio

	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2007	37%	31%	8%	15%	9%
2006	28%	35%	10%	17%	10%
2005	26%	26%	18%	17%	13%
2004	28%	28%	21%	11%	12%
2003	25%	32%	21%	16%	6%

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

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

To cover potential unexpected credit-related losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for sovereign credit risks. The Bank's capital adequacy policy articulates differentiated risk capital requirements for all credit-sensitive assets (loans and equity investments) plus contingent liabilities (guarantees and client risk management products) in each risk class[1]. At the end of 2007, the Bank's public sector loan portfolio used up 37% of the Bank's total risk capital based on the Bank's capital adequacy framework. This compares with 45% at the end of 2006 and reflects the improvement in the composition of the sovereign portfolio. The Bank defines risk capital as the sum of paid-in capital plus accumulated reserves net of translation adjustments. Callable capital is not included in the computation of risk capital.

2) Non-Sovereign Credit Risk

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

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

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

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

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

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

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

In 2007, the Bank increased its investments in the non-sovereign loan and equity portfolios. The weighted-average risk rating had deteriorated marginally from 3.52 at the end of 2006 to 3.82 at year-end 2007. The distribution of the non-sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

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

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

In compliance with the revised IFRS, the Bank no longer makes general provisions to cover the expected losses in the performing non-sovereign portfolio. For the non-performing portfolio, the Bank makes a specific provision based on an assessment of the credit impairment, or incurred loss, on each loan. At the end of 2007, the impairment allowance to cover the incurred loss on impaired loans in the non-sovereign portfolio decreased marginally to UA 12.13 million as a comparison to UA 15.40 million in 2006 because of the reduction in the size of the portfolio of impaired non-sovereign loans.

In addition to private sector lending, the Bank makes equity investments in private sector projects, either directly or through investment funds. To the extent possible, equity investments are carried at fair value. In the event that the fair value of an equity investment cannot be reliably determined, it is carried at amortized cost, and periodically assessed for impairment. The Bank recognizes loss provision based on accepted impairment tests measured against the carrying cost of the equity investment. At the end of 2007, the provision for impairment on equity investment was equivalent to 6.58% 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 2007, the Bank's non-sovereign portfolio required as risk capital approximately 5.3% of the Bank's total on-balance sheet risk capital sources, slightly above the level at the end of 2006. This was still well below the limit of 20% determined by the Bank for total non-sovereign operations.

Credit Exposure Limits

The Bank operates a system of exposure limits to ensure the development of an adequately diversified portfolio. The Bank manages credit risk at the global level (combined sovereign guaranteed and non-sovereign guaranteed portfolios) by ensuring that in the aggregate, the total country exposure limit does not exceed 15% of the maximum sustainable portfolio. The maximum sustainable portfolio is determined as the largest outstanding portfolio (outstanding loans plus potential new lending) that can be supported by the current level of risk capital applying the Bank's capital adequacy policy. Each specific country limit is based on the economic potential of the country and perceived risk level. Country exposure limits are reviewed annually and are used as a risk-based benchmark to plan the Bank's medium-term country assistance strategies.

The credit exposure on the non-sovereign portfolio is further managed by limiting exposures to certain industry sectors, equity investments and single obligor. In addition, the Bank generally requires a range of securities and guarantees from project sponsors to partially mitigate the credit risk for direct private sector loans.

3) Counterparty Credit Risk

In the normal course of business, the Bank utilizes various financial instruments to meet the needs of its borrowers, manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Bank.

Given the nature of the Bank's business, it is not possible to completely eliminate counterparty credit risk, however, the Bank minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures.

Counterparties must meet the Bank's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For local currency operations, less stringent minimum credit rating limits are permitted in order to provide adequate availability of investment opportunities and derivative counterparties for implementing appropriate risk management strategies. ALCO approves counterparties that are rated below the minimum rating requirements.

Counterparties are classified as investment counterparties, derivative counterparties, and trading counterparties. Their ratings are closely monitored.

Trading counterparties are generally rated A/A2.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	**1 year**	**5 years**	**10 years**	**15 years**	**30 years**
Government		A/A2			AA-/Aa3	AAA/Aaa
Government Agencies and Supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS /ABS	No maturity limit, but repayment projections mandatory					

The Bank also invests in mortgage-backed and asset-backed securities with a minimum rating of AAA/Aaa; money market mutual funds with a minimum rating of AA-/Aa3; and enters into collateralized securities repurchase agreements.

As a rule, the Bank executes an ISDA master agreement and netting agreement with its derivative counterparties prior to undertaking any transactions. Derivative counterparties are required to be rated AA-/Aa3 by at least two approved rating agencies or A- for counterparties with whom the Bank has entered into a collateral exchange agreement. Approved transactions with derivative counterparties include swaps, forwards, options and other over-the-counter derivatives.

In addition to these minimum rating requirements, the Bank operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 8% of the Bank's total risk capital for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Bank's credit limits after considering the benefits of any collateral.

As shown in the following table, the estimated potential counterparty credit exposure of the investment and derivative portfolios continues to be predominantly AA or higher rated.

Credit Risk Profile of the Investment and Derivative Portfolios			
	AAA	**AA**	**A**
2007	43%	54%	3%
2006	56%	39%	5%
2005	56%	36%	8%
2004	62%	36%	2%
2003	67%	27%	6%

To cover potential unexpected credit losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for counterparty credit risks in line with the current BIS standards. At the end of 2007, the Bank's counterparty credit portfolio including all investments and derivative instruments required as risk capital just over 2.0% of the Bank's total on-balance sheet risk capital sources. This is a minor change from 2.2% in 2006.

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. The Bank's principal liquidity risk management objective is to hold sufficient liquid resources to enable it to meet all probable cash flow needs for a rolling 1-year horizon without additional financing from the capital markets for an extended period. In order to minimize this risk, the Bank maintains a prudential minimum level of liquidity (PML) based on the projected net cash requirement for a rolling one-year period. The PML is updated quarterly and computed as the sum of four components: 1) 1-year debt service payments; 2) 1-year projected net loan disbursements (loans disbursed less repayments) if greater than zero; 3) loan equivalent value of committed guarantees; and 4) undisbursed equity investments.

To strike an 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 in the determination of the Bank's minimum liquidity requirements.

The contractual maturities of financial liabilities and future interest payments at December 31, 2007 and 2006 were as follows:

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2007

(UA thousands)

	Carrying Amount	Contractual Cash Flows	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Liabilities								
Accounts payable	(584,339)	(584,339)	(584,339)	-	-	-	-	-
Net derivative liabilities	(172,458)	(651,235)	(42,078)	(49,125)	(46,498)	18,772	(1,633)	(530,673)
Borrowings	(6,198,873)	(7,906,030)	(1,793,169)	(1,167,663)	(1,248,284)	(305,462)	(491,894)	(2,899,558)
Total	**(6,955,670)**	**(9,141,604)**	**(2,419,586)**	**(1,216,788)**	**(1,294,782)**	**(286,690)**	**(493,527)**	**(3,430,231)**

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2006

(UA thousands)

	Carrying Amount	Contractual Cash Flows	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Liabilities								
Accounts payable	(648,960)	(648,960)	(648,960)	-	-	-	-	-
Net derivative liabilities	(202,531)	(631,207)	(61,922)	3,819	(13,036)	(43,762)	(2,765)	(513,541)
Borrowings	(5,870,469)	(7,720,550)	(817,563)	(1,312,966)	(1,125,147)	(1,005,305)	(276,143)	(3,183,426)
Total	**(6,721,960)**	**(9,000,717)**	**(1,528,445)**	**(1,309,147)**	**(1,138,183)**	**(1,049,067)**	**(278,908)**	**(3,696,967)**

Currency Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. To promote stable growth in its risk bearing capacity, the Bank's principal currency risk management objective is to protect its risk capital from translation risk due to fluctuations in foreign currency exchange rates by matching the currency composition of its net assets to the currency composition of the SDR (UA). The agreement establishing the Bank explicitly prohibits it from taking direct currency exchange exposures by requiring liabilities in any one currency to be matched with assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings (after swap activities) in the same currencies in which they were borrowed (after swap activities). To avoid creating new currency mismatches, the Bank requires its borrowers to service their loans in the currencies disbursed.

Because a large part of its balance sheet is funded by equity resources, which are denominated in Units of Account (equivalent to the SDR), the Bank has a net asset position that is potentially exposed to translation risk when currency exchange rates fluctuate. The Bank's policy is to minimize the potential fluctuation of the value of its net worth measured in Units of Account by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR (the Unit of Account). In line with this policy, throughout 2007 the Bank's currency alignment was adjusted within a tight band of the risk-neutral position in each of the currencies making up the SDR composition. In keeping with the Bank's currency risk management policy, spot currency transactions are carried out to realign the net assets to the SDR basket each time there is a revision to the SDR currency composition. As result of these policies and practices, despite sharp movements in the values of the major currencies during the year, the Bank experienced translation adjustments of less than 0.20% of net assets (2006: gain less than 0.10%).

The Bank also hedges its exposure to adverse movements on currency exchange rates on its administrative expenses. The distribution of the currencies of the Bank's recurring administrative expenditures shows a high concentration of expenses in Euros, USD and Tunisian Dinar. For 2007, the Bank's strategy of purchasing currencies in the forward market to cover the estimated currency composition of expenses mitigated the unfavorable impact of those currencies movements during the year.

Net currency position at December 31, 2007 and 2006 was as follows:

Net Currency Position at December 31, 2007

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	(2,162)	44,889	46,049	1,696	5,056	95,528	-	95,528
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments – trading (net of repos) [(a)]	792,134	1,614,782	64,142	20,264	175,421	2,666,743	-	2,666,743
Investments – held-to-maturity	724,683	1,188,074	223,793	506,996	-	2,643,546	-	2,643,546
Non-negotiable instruments on account of capital	526	11,536	-	-	-	12,062	3,323	15,385
Accounts receivable	172,603	266,626	57,593	18,772	60,793	576,387	19,488	595,875
Loans	2,686,522	1,757,906	525,955	2,864	370,826	5,344,073	-	5,344,073
Equity participations	2,033	58,960	-	-	64,419	125,412	63,836	189,248
Other debt securities	-	-	-	-	94,622	94,622	-	94,622
Other assets	1,492	186	-	659	1,051	3,388	11,641	15,029
	4,377,831	4,942,959	917,532	551,251	775,989	11,565,562	98,288	11,663,850
Liabilities								
Accounts payable	(136,858)	(296,168)	(3,682)	(7,904)	(74,714)	(519,326)	(65,013)	(584,339)
Borrowings	-	(2,671,338)	(1,532,246)	(63,389)	(1,811,940)	(6,078,913)	(119,960)	(6,198,873)
	(136,858)	(2,967,506)	(1,535,928)	(71,293)	(1,886,654)	(6,598,239)	(184,973)	(6,783,212)
Currency swaps on borrowings and related derivatives [(b)]	(2,534,775)	(111,400)	1,096,639	38,033	1,232,216	(279,287)	106,829	(172,458)
Currency position of equity as at December 31, 2007	**1,706,198**	**1,864,053**	**478,243**	**517,991**	**121,551**	**4,688,036**	**20,144**	**4,708,180**
% of sub-total	36.40	39.76	10.20	11.05	2.59	100.00	-	100.00
SDR composition as at December 31, 2007	**38.25**	**40.05**	**10.24**	**11.46**	**-**	**100.00**	**-**	**100.00**

(a) Investments held for trading comprise:

Investments held for trading, net of repos	2,659,994
Derivative assets	8,997
Derivative liabilities	(2,248)
Amount per statement of net currency position	2,666,743

(b) Currency swaps on borrowings comprise:

Derivative assets	416,341
Derivative liabilities	(588,799)
Net swaps on borrowings per statement of net currency position	(172,458)

Net Currency Position at December 31, 2006

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	13,892	55,659	58,319	1,475	(16)	129,329	-	129,329
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments - trading (net of repos) [(a)]	825,376	1,538,925	50,661	10,206	142,789	2,567,957	-	2,567,957
Investments - held-to-maturity	707,189	1,159,385	216,105	558,796	-	2,641,475	-	2,641,475
Non-negotiable instruments on account of capital	990	15,607	-	-	-	16,597	3,786	20,383
Accounts receivable	135,660	214,359	73,400	123,386	41,849	588,654	12,318	600,972
Loans	2,453,622	1,628,117	610,555	2,994	381,483	5,076,771	-	5,076,771
Equity participations	2,269	37,637	-	-	7,766	47,672	71,447	119,119
	1,448	186	-	474	(1,394)	714	14,240	14,954
	4,140,446	4,649,875	1,009,040	697,331	576,278	11,072,970	101,791	11,174,761
Liabilities								
Accounts payable	(152,113)	(194,261)	(43,633)	(125,056)	(51,573)	(566,636)	(82,324)	(648,960)
Borrowings	(66,730)	(2,832,915)	(1,741,848)	(65,242)	(1,089,090)	(5,795,825)	(74,644)	(5,870,469)
	(218,843)	(3,027,176)	(1,785,481)	(190,298)	(1,140,663)	(6,362,461)	(156,968)	(6,519,429)
Currency swaps on borrowings and related derivatives [(b)]	(2,420,203)	313,666	1,224,654	39,145	634,707	(208,031)	5,500	(202,531)
Currency position of equity as at December 31, 2006	**1,501,400**	**1,936,365**	**448,213**	**546,178**	**70,322**	**4,502,478**	**(49,677)**	**4,452,801**
% of sub-total	33.35	43.01	9.95	12.13	1.56	100.00	-	100.00
SDR composition as at December 31, 2006	**35.90**	**42.02**	**10.29**	**11.79**	**-**	**100.00**	**-**	**100.00**

(a) Investments held for trading comprise:	
Investments held for trading, net of repos	2,574,053
Derivative assets	1,278
Derivative liabilities	(7,374)
Amount per statement of net currency position	2,567,957

(b) Currency swaps on borrowings comprise:	
Derivative assets	272,032
Derivative liabilities	(474,563)
Net swaps on borrowings per statement of net currency position	(202,531)

Currency Risk Sensitivity Analysis

As described in the previous section, the Bank manages its currency risk exposure by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR. The SDR is composed of a basket of four currencies, namely the US dollar, Euro, Japanese yen and Pound sterling. The weight of each currency in the basket is reviewed by the International Monetary Fund every five years and the last revision became effective on January 1, 2006. The SDR rate represents the sum of the interest rate of each currency that is determined based on the weight and the representative exchange rate and interest rate of each currency.

The following tables illustrate the sensitivity of the Bank's net assets to currency fluctuations due to movements in the exchange rate of the currencies in the SDR basket as of December 31, 2007 and 2006, respectively. The sensitivity analysis shown assumes a separate 10% appreciation/depreciation for each currency in the basket against the US dollar. Due to a moderate change in the African currency holdings from 2006 to 2007, the 2007 table also includes the effect of a 10% appreciation/depreciation of each African currency against the SDR. Under the different scenarios, the currency risk management strategy of the Bank shows a minimal change in net assets as a result of currency mismatches.

Sensitivity of the Bank's Net Assets to Currency Fluctuations at December 31, 2007

(Amounts in UA millions)

	US Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	1,811.72	1,864.67	462.90	501.16	66.54	4,706.99	(1.19)	3bps
GBP	1,859.60	1,739.95	475.13	565.85	66.54	4,707.07	(1.11)	2bps
JPY	1,861.56	1,741.79	523.20	514.95	66.54	4,708.04	(0.14)	*
Net assets resulting from 10% appreciation of each African currency against the SDR	1,880.89	1,759.88	480.57	520.30	73.20	4,714.84	6.66	14bps
Net assets resulting from a 10% depreciation against the USD								
EUR	1,948.51	1,657.41	497.85	539.00	66.54	4,709.31	1.13	2bps
GBP	1,900.66	1,778.37	485.63	477.97	66.54	4,709.17	0.99	2bps
JPY	1,898.81	1,776.64	441.05	525.25	66.54	4,708.29	0.11	*
Net assets resulting from 10% depreciation of each African currency against the SDR	1,880.89	1,759.88	480.57	520.30	60.49	4,702.13	(6.05)	13bps
Assumptions:								
Base net assets	1,880.88	1,759.88	480.58	520.30	66.54	4,708.18	-	-
Currency weight	0.6320	0.4100	18.4000	0.0903	-	-	-	-
Base exchange rate	1.5803	1.0735	179.9472	0.7889	-	-	-	-

** Less than 1 basis point.*

Sensitivity of the Bank's Net Assets to Currency Fluctuations at December 31, 2006

(Amounts in UA millions)

	US Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	1,858.00	1,632.94	427.65	521.45	6.78	4,446.82	(5.98)	1bp
GBP	1,902.44	1,520.00	437.88	587.32	6.78	4,454.42	1.62	*
JPY	1,905.24	1,522.23	482.38	534.71	6.78	4,451.34	(1.46)	*
Net assets resulting from a 10% depreciation against the USD								
EUR	1,989.86	1,445.31	458.00	558.46	6.78	4,458.41	5.61	1bp
GBP	1,945.62	1,554.48	447.82	496.40	6.78	4,451.10	(1.70)	*
JPY	1,942.97	1,552.37	406.55	545.29	6.78	4,453.96	1.16	*
Assumptions:								
Base net assets	1,924.86	1,537.90	443.04	540.21	6.78	4,452.80	-	-
Currency weight	0.6320	0.4100	18.4000	0.0903	-	-	-	-
Base exchange rate	1.5040	1.1403	179.0799	0.7686	-	-	-	-

** Less than 1 basis point.*

Interest Rate Risk

The Bank's interest rate risk sensitivity is comprised of two elements: 1) the sensitivity of the interest margin between the rate the Bank earns on its assets and the cost of the borrowings funding such assets; and 2) the sensitivity of the income on assets funded by equity resources to changes in interest rates. The Bank's principal interest rate risk management objective is to generate a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but yet adequately responsive to general market trends.

Interest rate risk position as at December 31, 2007 and 2006 was as follows:

Interest Rate Risk Position as at December 31, 2007

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	95,528	-	-	-	-	-	-	95,528
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury Investments [(a)]	2,940,551	378,568	357,080	454,262	305,483	891,882	(17,537)	5,310,289
Non-negotiable instruments on account of capital	3,655	3,616	3,694	1,575	1,046	1,799	-	15,385
Accounts receivable	764,575	-	-	-	-	-	(168,700)	595,875
Loans - disbursed and outstanding	2,979,075	216,388	146,020	222,674	147,551	1,828,381	-	5,540,089
Accumulated provision for loan impairment	-	-	-	-	-	-	(196,016)	(196,016)
Equity participations	-	-	-	-	-	-	189,248	189,248
Other debt securities	-	-	-	-	-	92,924	1,698	94,622
Other assets	-	-	-	-	-	-	15,029	15,029
	6,787,185	598,572	506,794	678,511	454,080	2,814,986	(176,278)	11,663,850
Liabilities								
Accounts payable	(584,339)	-	-	-	-	-	-	(584,339)
Borrowings [(b)]	(5,399,080)	(60,675)	(236)	(69,285)	(236)	(831,390)	(10,429)	(6,371,331)
Macro hedge swaps	(389,812)	42,398	-	-	-	347,414	-	-
	(6,373,231)	(18,277)	(236)	(69,285)	(236)	(483,976)	(10,429)	(6,955,670)
Interest rate risk position as at December 31, 2007*	**413,954**	**580,295**	**506,558**	**609,226**	**453,844**	**2,331,010**	**(186,707)**	**4,708,180**

** Interest rate risk position represents equity.*

(a) Treasury investments is made up as follows:

Treasury investments	5,303,540
Derivative assets - investments	8,997
Derivative liabilities - investments	(2,248)
Amount per statement of interest rate risk	5,310,289

(b) Borrowings is made up as follows:

Borrowings	6,198,873
Derivative assets - borrowings	(416,341)
Derivative liabilities - borrowings	588,799
Net borrowings per statement of interest rate risk	6,371,331

Interest Rate Risk Position as at December 31, 2006

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Not interest bearing funds	Total
Assets								
Cash	129,329	-	-	-	-	-	-	129,329
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [a]	2,879,721	237,347	337,710	381,255	378,585	1,012,782	(17,968)	5,209,432
Non negotiable instruments on account of capital	4,637	3,971	3,760	3,842	1,616	2,557	-	20,383
Accounts receivable	823,560	-	-	-	-	-	(222,588)	600,972
Loans - disbursed and outstanding	2,271,415	286,961	239,624	211,502	200,596	2,080,853	-	5,290,951
Accumulated provision for loan impairment	-	-	-	-	-	-	(214,180)	(214,180)
Equity participations	-	-	-	-	-	-	119,119	119,119
Other assets	-	-	-	-	-	-	14,954	14,954
	6,112,463	528,279	581,094	596,599	580,797	3,096,192	(320,663)	11,174,761
Liabilities								
Accounts payable	(648,960)	-	-	-	-	-	-	(648,960)
Borrowings [b]	(4,612,678)	(326,422)	(57,022)	(8,605)	(56,985)	(1,077,633)	66,345	(6,073,000)
Macro hedge swaps	(290,482)	31,242	-	-	259,240	-	-	-
	(5,552,120)	(295,180)	(57,022)	(8,605)	202,255	(1,077,633)	66,345	(6,721,960)
Interest rate risk position as at December 31, 2006*	**560,343**	**233,099**	**524,072**	**587,994**	**783,052**	**2,018,559**	**(254,318)**	**4,452,801**

** Interest rate risk position represents equity.*

(a) Treasury investments comprise:	
Treasury investments	6,093,361
Derivative assets - investments	1,278
Derivative liabilities - investments	(7,374)
Securities sold under agreements to repurchase	(877,833)
Amount per statement of net currency position	5,209,432

(b) Borrowings comprise:	5,870,469
Derivative assets - borrowings	(272,032)
Derivative liabilities - borrowings	474,563
Net borrowings per statement of interest rate risk	6,073,000

Interest Rate Risk on Assets Funded by Debt

Over half of the Bank's interest-rate-sensitive assets are funded by debt. The Bank seeks to generate a stable net interest margin on assets funded by debt by matching the interest rate characteristics of each class of assets with those of the corresponding liabilities.

In 1990, the Bank began offering "variable rate loans". The interest rate on these loans resets semi-annually based on the average cost of a dedicated pool of the Bank's borrowings. These pools are funded with a mix of fixed rate and floating rate borrowings to provide borrowers with broadly stable interest rates that gradually track changes in market interest rates. The cost of funds pass-through formulation incorporated in the lending rates charged on the Bank's pool-based loans has traditionally helped to minimize the interest rate sensitivity of the net interest margin on this part of its loan portfolio. In view of declining demand for this product in favor of market-based loans, the Bank is carefully managing the gradual winding down of the designated funding pools.

Since 1997, the Bank offers fixed and floating rate loans whose interest rate is directly linked to market interest rates (market-based loans). For the market-based loan products, the Bank's net interest margin is preserved by using swaps to align the interest rate sensitivity of the loans with that of the Bank's underlying funding reference (six-month Libor floating rate). The Bank may also provide borrowers with risk management products such as swaps to modify the currency and interest rate terms of its market-based loan products. Although it retains the credit risks of the borrower, the Bank eliminates the associated market risk on these risk management products by simultaneously laying off market risks with an approved derivative counterparty.

For the portfolio of liquid assets funded by borrowings, the Bank protects its net interest margin by managing its investments within limits around benchmarks that replicate the interest rate characteristics of the underlying funding for each portfolio tranche. The portfolio of liquid assets funded by borrowings is currently divided into two tranches to reflect the different business purposes and underlying funding. The core part of the investment portfolio is held to comply with the Bank's liquidity policy and uses a six-month Libor floating rate benchmark. The operational liquidity portfolio is managed to meet projected operational cash flow needs and uses a one-month Libor floating rate benchmark.

The Bank diversifies the sources of its funding by issuing debt in a variety of markets and instruments. Unless fixed rate funding is required for one of its pool-based loan products, the Bank protects its net interest margin by simultaneously swapping all new borrowings into floating rate in one of the Bank's active currencies on a standard six-month Libor rate reference. Where the Bank issues structured debt, the Bank simultaneously enters into a swap with matching terms to synthetically create the desired six-month Libor-based floating rate funding. For risk management purposes, callable funding is considered as one alternative to issuing short-term debt such as Euro Commercial Paper. The Bank manages refinancing risk by limiting the amount of debt that will mature or is potentially callable within one year to 25% of the outstanding debt portfolio.

Interest Rate Risk on Assets Funded by Equity

The second principal source of interest rate risk is the interest rate sensitivity of the income earned from funding a significant portion of the Bank's assets with equity resources. Changes in market interest rates in the currencies of the Bank's equity resources (the SDR) affect the net interest margin earned on assets funded by equity. In general, lower nominal market interest rates result in lower lending and investment rates, which in the long-term, reduce the nominal earnings on the Bank's equity resources.

The Bank manages the interest rate profile of the assets funded by equity resources with the objective of reducing the sensitivity of the net interest margin to fluctuations in market interest rates. This is achieved by continuously adjusting the repricing profile of the assets funded by the Bank's equity resources (fixed rate loans and investments) to match a repricing profile benchmark. The Bank's repricing profile benchmark is a 10-year ladder whereby a uniform 10% of the Bank's assets funded by equity reprice in each year. Using this benchmark, the Bank's net interest margin on assets funded by equity tends to track a ten-year moving average of 10-year maturity SDR interest rates. At the end of 2007 and 2006, the Bank's overall repricing profile was closely aligned to the benchmark in almost all annual buckets. For net assets repricing within one year, the Bank had a manageable gap relative to the benchmark.

Interest Rate Risk Sensitivity Analysis

Net Interest Margin Sensitivity

The table below details the repricing gap by currency as of December 31, 2007 and 2006, respectively. A parallel upward shift in the SDR curve of 100 bps would have generated a maximum loss of UA 8.0 million and UA 4.8 million as of December 31, 2007 and 2006, respectively.

(UA millions)	2007	2006
USD	304	209
EUR	379	156
GBP	78	70
JPY	52	44
Total repricing gap	**813**	**479**
Loss due to a 100bps upwards shift in the SDR curve	8.00	4.80

Fair Value Sensitivity

Movements in interest rates also have an impact on the values of assets and liabilities that are reported in the financial statements at fair value through profit or loss. The table below shows the effect of a parallel yield curve movement of +/- 100bps of each of the currencies in the trading investment portfolio and the borrowings and derivative portfolios as of December 31, 2007 and 2006, respectively. However, due to the low level of interest rates across the Japanese Yen yield curve, the sensitivity analysis for assets and liabilities denominated in Japanese Yen reflect a parallel movement in the yield curve of +/- 20 bps.

(UA thousands)

	Upward Parallel Shift		Downward Parallel Shift	
	2007	2006	2007	2006
	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)
Held-for-trading investments	(9,982)	(25,723)	11,478	27,543
Fair-valued borrowings and derivative portfolios	65,809	60,458	(74,278)	(75,160)

Prepayment Risk

In addition to the two principal sources of interest rate risk described above, the Bank is exposed to prepayment risk on loans committed before 1997. Although the Bank is unable to charge a prepayment penalty on such older loans, in practice the level of prepayments has generally been within acceptable levels. In 2003 and 2004, however, driven by low market interest rates, contracting credit spreads for emerging market borrowers and enhanced debt management by several sovereign borrowers, total loan prepayments increased sharply to UA 471 million and UA 542 million, respectively. In 2005, prepayments of pre-1997 loans declined sharply to UA 70 million, due in large part to increased market interest rates. For all market-based loans issued since 1997, the Bank protects itself from prepayment risk by linking the prepayment penalty to the cost of redeploying the funds at current market rates. In 2006, total prepayments of UA 298 million included an amount of UA 192 million in respect of market-based floating rate loans, while in 2007, total prepayment amounted to UA 199 million, of which 98% related to market-based loans.

Operational Risk

The Bank defines operational risks to include all aspects of risk-related exposure other than those falling within the scope of credit, market and liquidity risks including specifically the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and reputational risk.

Like all financial institutions, the Bank is also exposed to controls and operational risks arising from its systems, functions and interdependencies among its departments, which could impact broadly its activities with a possible consequence of operational losses. There are also many interdependencies among risk factors that may result in an operational risk loss.

In the past, the Bank Group has relied almost exclusively upon internal controls within departments, although not necessarily identified as managing operational risk, for its internal controls and operational risk management. The evolving best practice is for specific structures and methods to be dedicated for managing and coordinating operational risks. Following approval by the Board of Directors in 2004, the Bank established an Internal Control Unit (ICU) to develop assessments and measure areas of operational risk in the Bank in line with the evolving best practices. The Bank also adopted and commenced in 2005, the implementation of the COSO control framework to regularly evaluate the effectiveness of its internal controls in all significant business operations.

The implementation of Operational Risk Management is being done in phases: the first phase focused on the documentation and testing of controls around financial reporting. Management attestation on the adequacy of internal controls was published in the annual reports for the first time in 2006. Phase two of the implementation commenced in 2007 and is extending the COSO framework to other areas of operational risk management.

There are other initiatives or activities in the other areas of the Bank Group that are complementing the work on operational risk management and controls including:

- Review of Code of Conduct and Staff Rules
- Fraud and Investigation Unit
- Whistleblower Protection Policy
- Document Retention Policy
- Business Continuity Planning and Preparedness

Effects of Recent Developments in the Financial Markets

As a result of its prudent risk management policies and practices, the impact on the Bank of the recent turbulence in the world financial markets related in large part to losses on sub-prime mortgage loans and related derivatives have been insignificant. With regard to the funding activities, there has been no adverse effect on the Bank's ability to borrow at very attractive rates, consistent with the Bank's solid financial position as evidenced by the continued uniform top rating by all the major rating agencies. Consequently, the Bank continues to be well placed to play its intermediation role in support of the development financing needs of its member countries. With regard to investing activities, the Bank's investment guidelines and practices have helped to ensure a very limited exposure to financial instruments backed by sub-prime mortgages and other risky asset classes. At December 31, 2007, the Bank held an asset-backed commercial paper issued by a SIV-lite with exposure to sub-prime mortgages. This investment amounted to USD 50 million or UA 31.64 million, representing 0.26% of the Bank's total assets or 0.67% of total equity. The estimated loss to the Bank on such asset-backed commercial paper has been provided for in these financial statements.

NOTE E – FINANCIAL ASSETS AND LIABILITIES

The tables below set out the Bank's classification of each class of financial assets and liabilities, and their respective fair values:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

December 31, 2007	Financial Assets and Liabilities through Profit or Loss		Held-to-Maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
	Held-for-Trading	Designated at Fair Value						
Cash	-	-	-	-	-	95,528	95,528	95,528
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	2,659,994	-	2,643,546	-	-	-	5,303,540	5,296,591
Derivative assets	425,338	-	-	-	-	-	425,338	425,338
Non-negotiable instruments on account of capital	-	-	-	-	-	15,385	15,385	15,385
Accounts receivable	-	-	-	-	595,875	-	595,875	595,875
Loans	-	-	-	-	5,344,073	-	5,344,073	5,637,708
Equity participations	-	-	-	189,248	-	-	189,248	189,248
Other debt securities	-	-	-	94,622	-	-	94,622	94,622
Total financial assets	**3,085,332**	**-**	**2,643,546**	**283,870**	**5,939,948**	**114,714**	**12,067,410**	**12,354,096**
Accounts payable	-	-	-	-	-	584,339	584,339	584,339
Securities sold under agreements to repurchase and payable for cash collateral received	-	-	-	-	-	-	-	-
Derivative liabilities	591,047	-	-	-	-	-	591,047	591,047
Borrowings	-	5,226,279	-	-	-	972,594	6,198,874	6,396,478
Total financial liabilities	**591,047**	**5,226,279**	**-**	**-**	**-**	**1,556,933**	**7,374,259**	**7,571,864**

(UA thousands)

December 31, 2006	Financial Assets and Liabilities through Profit or Loss		Held-to-maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
	Held-for-Trading	Designated at Fair Value						
Cash	-	-	-	-	-	129,329	129,329	129,329
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	3,451,886	-	2,641,475	-	-	-	6,093,361	6,085,626
Derivative assets	273,310	-	-	-	-	-	273,310	273,310
Non-negotiable instruments on account of capital	-	-	-	-	-	20,383	20,383	20,383
Accounts receivable	-	-	-	-	600,972	-	600,972	600,972
Loans	-	-	-	-	5,076,771	-	5,076,771	5,354,861
Equity participations	-	-	-	119,119	-	-	119,119	119,119
Other debt securities	-	-	-	-	-	-	-	-
Total financial assets	**3,725,196**	**-**	**2,641,475**	**119,119**	**5,677,743**	**153,513**	**12,317,046**	**12,587,401**
Accounts payable	-	-	-	-	-	648,960	648,960	648,960
Securities sold under agreements to repurchase and payable for cash collateral received	877,833	-	-	-	-	-	877,833	877,833
Derivative liabilities	481,937	-	-	-	-	-	481,937	481,937
Borrowings	-	4,823,648	-	-	-	1,046,821	5,870,469	6,058,453
Total financial liabilities	**1,359,770**	**4,823,648**	**-**	**-**	**-**	**1,695,781**	**7,879,199**	**8,067,183**

NOTE F – TREASURY INVESTMENTS

As part of its overall portfolio management strategy, the Bank invests in government and agency obligations, time deposits, asset-backed securities, secured lending transactions, resale agreements and related derivative instruments including futures, forward contracts, cross-currency swaps, interest rate swaps, options and short sales.

For government and agency obligations with final maturity longer than 1 year and less than 15 years, the Bank may only invest in obligations with counterparties having a minimum credit rating of AA- or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Bank may only invest in securities with a AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum credit rating of A. Over-the-counter (OTC) options on government securities and interest rate products are purchased only if the life of the option contract does not exceed 1 year, and such transactions are only executed with counterparties with credit ratings of AA- or above. Cross-currency and interest rate swaps including asset swap transactions are only permitted with approved counterparties or guaranteed by entities with minimum credit ratings of AA-/Aa3 at the time of the transaction.

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, 2007, investments under external management were UA 154.85 million (2006: UA 120.39 million). These amounts were included in the held-for-trading portfolio below.

At December 31, 2007, the Bank had no securities sold under repurchase agreements (Repos). At December 31, 2006, Repos with a nominal value of UA 877.83 million and a market value including accrued interest of UA 879.41 million were outstanding on the balance sheet date. Securities pledged as collateral outstanding at December 31, 2006 had a carrying value of UA 757.49 million. The nominal value of securities sold under repurchase agreements, but not yet settled and therefore not requiring collateral to be pledged at December 31, 2006 was UA 117.64 million. These securities included held-for-trading and held-to-maturity instruments and were reported in their respective captions below.

The composition of treasury investments as at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Held-for-trading	2,659,994	3,451,886
Held-to-maturity	2,643,546	2,641,475
Total	**5,303,540**	**6,093,361**

Held-for-Trading Investments

A summary of the Bank's held-for-trading investments at December 31, 2007 and 2006 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Time deposits	444.23	535.08	246.69	43.62	20.26	464.70	215.22	168.58	926.40	1,211.98
Asset-backed securities	158.17	509.56	134.35	355.32	-	-	-	-	292.52	864.88
Government and agency obligations	41.24	-	-	17.99	-	-	-	9.04	41.24	27.03
Corporate bonds and commercial paper	964.24	784.16	411.22	519.21	-	-	24.37	44.63	1,399.83	1,348.00
Total held-for-trading investments	**1,607.88**	**1,828.80**	**792.26**	**936.14**	**20.26**	**464.70**	**239.59**	**222.25**	**2,659.99**	**3,451.89**
Repos	-	**(284.48)**	-	**(110.06)**	-	**(454.48)**	-	**(28.81)**	-	**(877.83)**

The nominal balance of the Bank's held-for-trading investments as at December 31, 2007 was UA 2,650.03 million (2006: UA 3,449.01 million). The average yield of held-for-trading investments in 2007 was 4.54% (2006: 4.28%).

The contractual maturity structure of held-for-trading investments as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	1,260.08	1,588.07
More than one year but less than two years	576.19	272.92
More than two years but less than three years	349.37	584.19
More than three years but less than four years	106.07	331.13
More than four years but less than five years	16.59	66.36
More than five years	351.69	609.22
Total	**2,659.99**	**3,451.89**

The maturity structure of repos as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	-	**(877.83)**

Held-to-Maturity Investments

A summary of the Bank's held-to-maturity investments at December 31, 2007 and 2006 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Time deposits	3.71	14.74	-	-	-	65.33	20.41	-	24.12	80.07
Asset-backed securities	181.11	156.67	31.91	10.34	-	-	-	-	213.02	167.01
Government and agency obligations	329.85	484.56	120.28	188.33	82.09	225.24	96.96	126.29	629.18	1,024.42
Corporate bonds and others	673.41	503.41	572.49	508.52	424.91	268.23	106.42	89.82	1,777.23	1,369.98
Total held-to-maturity investments	**1,188.08**	**1,159.38**	**724.68**	**707.19**	**507.00**	**558.80**	**223.79**	**216.11**	**2,643.55**	**2,641.48**

The nominal balance of the Bank's held-to-maturity investments as at December 31, 2007, was UA 2,661.08 million (2006: UA 2,639.68 million). The average yield of held-to-maturity investments in 2007 was 4.21% (2006: 4.16%).

The contractual maturity structure of held-to-maturity investments as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	274.05	313.15
More than one year but less than two years	380.01	238.22
More than two years but less than three years	363.48	340.64
More than three years but less than four years	458.56	368.94
More than four years but less than five years	303.80	380.37
More than five years	863.65	1,000.16
Total	**2,643.55**	**2,641.48**

The fair value of held-to-maturity investments at December 31, 2007 was UA 2,636.60 million (2006: UA 2,633.74 million).

NOTE G – DERIVATIVE ASSETS AND LIABILITIES

The fair values of derivative financial assets and financial liabilities at December 31, 2007 and 2006 were as follows:

	2007		2006	
(UA thousands)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Borrowings-related:				
Cross-currency swaps	318,039	560,594	198,550	394,460
Interest rate swaps	74,365	16,697	49,960	54,080
Loan swaps	23,635	10,546	23,203	24,834
Embedded derivatives	302	962	319	1,189
	416,341	588,799	272,032	474,563
Investments-related:				
Asset swaps	42	2,233	1,071	775
Macro-hedge swaps	8,955	15	207	6,599
	8,997	2,248	1,278	7,374
Total	**425,338**	**591,047**	**273,310**	**481,937**

The notional amounts of derivative financial assets and financial liabilities at December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Borrowings-related:		
Cross-currency swaps	4,403,494	4,139,026
Interest rate swaps	3,542,754	3,772,252
Loan swaps	952,633	880,152
Embedded derivatives	18,339	18,441
	8,917,220	8,809,871
Investments-related:		
Asset swaps	108,456	126,176
Macro-hedge swaps	228,911	289,817
	337,367	415,993
Total	**9,254,587**	**9,225,864**

Loan Swaps

The Bank has entered into interest rate swaps to effectively convert fixed rate income on loans in certain currencies into variable rate income.

Administrative Expenses Hedge

To insulate the Bank from possible significant increases in administrative expenses that could arise from an appreciation of the principal currencies of administrative expenditure i.e. EUR, GBP and USD vis-à-vis the UA, the Bank executed forward exchange transactions to economically hedge its administrative expenses. As at December 31, 2007 and 2006, there were no open positions with respect to the forward exchange transactions.

NOTE H – NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL

Prior to May 1981, all payments in respect of paid-up capital had been made in convertible currencies. However, for the capital increases authorized in May 1979 (but effective December 1982) and May 1981, regional members had the following two options for making their payments:

1) Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in local currency; or
2) Five (5) equal annual installments, of which 20 percent is payable in convertible currency and 80 percent in non-negotiable, non-interest bearing notes. Such notes are redeemable by the Bank solely in convertible currency in installments commencing on the fifth anniversary of the first subscription payment date.

Non-regional members were required to make their payments solely in convertible currencies.

The paid-up portion of subscriptions, authorized in accordance with Board of Governors' Resolution B/BG/87/11 relating to the Fourth General Capital Increase (GCI-IV), is to be paid as follows:

1) **Regional Members** – 50 percent in five (5) equal annual installments in cash in freely convertible currency or freely convertible currencies selected by the member state, and 50 percent by the deposit of five non-negotiable, non-interest bearing notes of equal value denominated in Units of Account. Such notes are redeemable by the Bank solely in convertible currency in five (5) equal annual installments commencing on the fifth anniversary of the first subscription payment date.
2) **Non-Regional members** – five (5) equal annual installments in their national currencies, where such currencies are freely convertible or in notes denominated in freely convertible currencies encashable on demand.

Under the Fifth General Capital Increase (GCI-V), there is no distinction in payment arrangements between regional and non-regional members. Each member is required to pay for the paid-up portion of its subscribed shares in eight (8) equal and consecutive annual installments. The first installments shall be paid in cash and in a freely convertible currency. The second to the eighth installments shall be paid in cash or notes encashable on demand in a freely convertible currency.

At December 31, 2007 and 2006, the non-negotiable notes balances were as follows:

(UA thousands)	**2007**	2006
Balance at January 1	20,383	25,897
Net movement for the year	(4,998)	(5,514)
Balance at December 31	**15,385**	**20,383**

NOTE I – LOANS

The Bank's loan portfolio comprises loans granted to, or guaranteed by borrowing member countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programs, and are not intended for sale. Furthermore, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

The types of loans currently held by the Bank and the rates charged are described below:

Multi-Currency Fixed Rate Loans: For all loans negotiated prior to July 1, 1990, the Bank charges interest at fixed rates.

Multi-Currency Variable Rate Loans: Between July 1, 1990 and September 30, 1997, the Bank offered variable rate loans to its borrowers. The variable interest rate is reset twice a year and is based on the Bank's own cost of qualified borrowing plus 50 basis points, resulting in a pass-through of average borrowing costs to borrowers.

Conversion of Multi-Currency Pool-Based Variable Rate Loans: Borrowers were offered the choice to convert the disbursed and undisbursed amounts of their multi-currency pool-based variable rate to single currency variable terms or retain the terms of their existing multi-currency pool-based variable rate loans. The conversion dates were October 1, 1997 and March 1, 1998. The other terms and conditions of converted loans remained the same as in the original loan agreements. Since October 1, 1997, the Bank has provided several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely, the chosen base rate plus a lending margin.

Single Currency Variable Rate Loans: Since October 1, 1997, the Bank has offered single currency variable rate loans. The variable base rate is the average cost of funding a designated pool of borrowings in each currency and is adjusted semi-annually on January 1 and July 1.

Single Currency Floating Rate Loans: Since October 1, 1997, the Bank has offered LIBOR-based single currency floating rate loans. The floating base rate is determined for each currency and reset frequency is based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6)-month reference rate (USD LIBOR, JPY LIBOR, EURIBOR and JIBAR) which is reset semi-annually on February 1 and August 1 and is applicable for the six-month period following the reset date.

Single Currency Fixed Rate Loans: Fixed rate loans were reintroduced with effect from October 1997 in the form of single currency fixed rate loans. The fixed rate is computed as the inter-bank swap market rate corresponding to the principal amortization schedule.

Lending Margin: The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin determined by the Bank is independent of the base rate chosen, and remains unchanged throughout the life of the loan. The lending margin for sovereign guaranteed loans is fixed at 40 to 50 basis points. For non-sovereign guaranteed loans, the lending margin is based on the Bank's assessment of the risks inherent in each project.

At December 31, 2007 and 2006, outstanding loans were as follows:

(UA thousands)	**2007**	2006
Disbursed and outstanding loans	5,540,089	5,290,951
Less: accumulated provision for impairment	(196,016)	(214,180)
Balance at December 31	**5,344,073**	**5,076,771**

Fair Value of Loans

At December 31, 2007 and 2006, the carrying and estimated fair values of loans were as follows:

(UA thousands)	2007		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fixed rate loans	2,889,112	3,176,494	2,701,177	2,948,806
Floating rate loans	1,764,346	1,708,687	1,389,586	1,342,702
Variable rate loans	886,631	752,527	1,200,188	1,063,353
	5,540,089	5,637,708	5,290,951	5,354,861
Accumulated provision for impairment	(196,016)	-	(214,180)	-
Net loans	**5,344,073**	**5,637,708**	**5,076,771**	**5,354,861**

Maturity and Currency Composition of Outstanding Loans

The contractual maturity structure of loans as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007				2006
Periods	**Fixed Rate**	**Floating Rate**	**Variable Rate**	**Total**	**Total**
One year or less	392.92	171.89	360.98	925.79	929.31
More than one year but less than two years	180.83	157.86	139.71	478.40	502.71
More than two years but less than three years	171.59	163.38	134.32	469.29	474.86
More than three years but less than four years	171.75	143.92	116.05	431.72	448.34
More than four years but less than five years	181.59	147.55	63.74	392.88	415.63
More than five years	1,790.43	979.75	71.83	2,842.01	2,520.10
Total	**2,889.11**	**1,764.35**	**886.63**	**5,540.09**	**5,290.95**

Borrowers may repay loans before their contractual maturity, subject to the terms specified in the loan agreements.

The currency composition and types of loans as at December 31, 2007 and 2006 were as follows:

(Amounts in UA millions)			2007		2006	
			Amount	**%**	**Amount**	**%**
Fixed Rate:	Multi-Currency	Euro	155.83		100.93	
		Japanese Yen	381.32		143.72	
		Pound Sterling	3.09		0.67	
		Swiss Franc	156.38		36.17	
		US Dollar	320.96		192.83	
		Others	0.96		1.54	
			1,018.54	18.38	475.86	8.99
	Single Currency	Euro	1,690.28		1,433.01	
		Japanese Yen	12.67		311.34	
		Pound Sterling	-		2.55	
		South African Rand	69.30		54.35	
		Swiss Franc	-		129.72	
		US Dollar	98.32		294.00	
		Others	-		0.33	
			1,870.57	33.76	2,225.30	42.07
Floating Rate:	Single Currency	Euro	517.34		457.46	
		Japanese Yen	12.27		11.26	
		South African Rand	137.48		153.30	
		US Dollar	1,097.26		767.57	
			1,764.35	31.85	1,389.59	26.26
Variable Rate:	Multi-Currency	Euro	175.58		190.88	
		Japanese Yen	33.99		42.22	
		Swiss Franc	0.95		1.15	
		US Dollar	158.17		181.88	
		Others	0.18		0.24	
			368.87	6.66	416.37	7.87
	Single Currency	Euro	214.67		336.53	
		Japanese Yen	111.92		132.19	
		Swiss Franc	16.22		17.16	
		US Dollar	174.92		297.91	
		Others	0.03		0.04	
			517.76	9.35	783.83	14.81
Total			**5,540.09**	**100.00**	**5,290.95**	**100.00**

The weighted-average yield on outstanding loans for the year ended December 31, 2007 was 6.21% (2006: 6.20%).

A comparative summary of the currency composition of loans at December 31, 2007 and 2006 follows:

(Amounts in UA millions)	2007		2006	
	Amount	%	Amount	%
Euro	2,753.69	49.70	2,518.81	47.61
Japanese Yen	552.17	9.97	640.72	12.11
Pound Sterling	3.09	0.06	3.22	0.06
South African Rand	206.78	3.73	207.65	3.92
Swiss Franc	173.55	3.13	184.20	3.48
US Dollar	1,849.64	33.39	1,734.19	32.78
Others	1.17	0.02	2.16	0.04
Total	**5,540.09**	**100.00**	**5,290.95**	**100.00**

Accrued Income and Charges Receivables on Loans

The accrued income and charges receivable on loans as at December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Accrued income and charges receivable on loans	435,850	455,523
Less: accumulated provision for impairment	(168,701)	(222,588)
Balance at December 31	**267,149**	**232,935**

Provision for Impairment on Loan Principal and Charges Receivable

At December 31, 2007, loans with an aggregate principal balance of UA 603.44 million (2006: UA 670.11 million), of which UA 418.22 million (2006: UA 418.59 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, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Outstanding balance on impaired loans	603,437	670,111
Less: accumulated provision for impairment	(196,016)	(214,180)
Net balance on impaired loans	**407,421**	**455,931**
Charges receivable and accrued income on impaired loans	261,895	330,103
Less: accumulated provision for impairment	(168,701)	(222,588)
Net charges receivable and accrued income on impaired loans	**93,194**	**107,515**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Balance at January 1	214,180	194,613
Provision for impairment on loan principal for the year	(17,453)	22,566
Translation effects	(711)	(2,999)
Balance at December 31	**196,016**	**214,180**

Provision for loan impairment included those relating to private sector loans. During the year ended December 31, 2007, a write-back of provision on private sector loans of UA 2.66 million (2006: charge of UA 0.13 million) were made. The accumulated provisions on private sector loans at December 31, 2007 amounted to UA 12.13 million (2006: UA 15.40 million).

The movements in the accumulated provision for impairment on loan interest and charges receivable for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Balance at January 1	222,588	197,764
Provision for impairment on loan interest and charges for the year	(52,503)	29,120
Translation effects	(1,384)	(4,296)
Balance at December 31	**168,701**	**222,588**

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, 2007, irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans amounted to UA 1.27 million (2006: UA 8.09 million).

Also, the Bank may provide guarantees for securities issued by an entity eligible for the Bank's loans. Guarantees are regarded as outstanding when the borrower incurs the underlying financial obligation and are called when a guaranteed party demands payment under the guarantee. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. At December 31, 2007 and 2006, the Bank had no outstanding guarantee to any entity.

NOTE J – EQUITY PARTICIPATIONS

Investment in Associate: ADF

The ADF was established in 1972 as an international institution to assist the Bank in contributing to the economic and social development of African countries, to promote co-operation and increased international trade particularly among the African countries, and to provide financing on highly concessional terms for such purposes. The Fund's original subscriptions were provided by the Bank and the original State Participants to the ADF Agreement, and State Participants acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of Special General Increases and General Replenishments.

The ADF has a 12-member Board of Directors, made up of 6 members selected by the African Development Bank and 6 members selected by State Participants. The Fund's Board of Directors reports to the Board of Governors made up of representatives of the State Participants and the ADB. The President of the Bank is the ex-officio President of the Fund.

To carry out its functions, the Fund utilizes the offices, staff, organization, services and facilities of the Bank, for which it pays a share of the administrative expenses. The share of administrative expenses paid by the Fund to the Bank is calculated annually on the basis of a cost-sharing formula, approved by the Board of Directors, which is driven in large part by the number of programs and projects executed during the year. Based on the cost-sharing formula, the share of administrative expenses incurred by ADF for the year ended December 31, 2007 amounted to UA 135.85 million (2006: UA 114.56 million), representing 73.06 percent (2006: 71.39 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, 2007, the Bank's pro-rata or economic share in ADF was 0.86% (2006: 0.93%).

As a result of the implementation in 2006 of the Multilateral Debt Relief Initiative described in note V-2, the net asset value of ADF which is the basis for determining the value of the Banks investment in the Fund continue to decline resulting in impairment loss on the Bank's investment. The net assets of ADF is made up of its net development resources less outstanding demand obligations plus disbursed and outstanding loans excluding balances due from countries that have reached their HIPC completion points and are therefore due for MDRI loan cancellation at the balance sheet date.

Other Equity Participations

The Bank may take equity positions in privately owned productive enterprises and financial intermediaries, public sector companies that are in the process of being privatized or regional and sub-regional institutions. The Bank's objective in such equity investments is to promote the economic development of its regional member countries and in particular the development of their private sectors. The Bank's equity participation is also intended to promote efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flow of domestic and external resources to financially viable projects, which also have significant economic merit.

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 at the end of 2007 and 2006 are summarized below:

(Amounts in UA thousands)

Institutions	Year Established	% Shareholding	Callable Capital	Carrying Value 2007	Carrying Value 2006
African Development Fund	1972	0.86	-	111,741	111,741
Accumulated share of loss & impairment on January 1				(48,743)	(14,377)
Share of profit for the year				479	379
Impairment for the year				360	(34,745)
				63,837	62,998
Regional Development Banks (Carried at Cost)					
Afreximbank	1993	6.70	9,492	6,328	6,647
BDEAC	1975	3.19	2,556	1,704	1,601
BDEGL	1980	-	-	1,946	1,946
BOAD	1973	0.31	2,130	710	667
East African Development Bank	1967	11.30	-	4,272	5,000
PTA Bank	1985	5.76	8,606	4,303	5,000
			22,784	19,263	20,861
Other Development Institutions (Carried at Cost)					
Africa - Re	1977	8.00	-	5,512	5,790
K-REP Bank Limited	1997	15.14	-	714	718
National Development Bank of Sierra Leone *		-	-	-	-
Shelter Afrique	1982	10.00	-	3,164	3,323
Zimbabwe Development Bank	1984	-	-	8	9
			-	9,398	9,840
Investment Funds (Carried at Fair value)**					
Acacia Fund Limited	1996	10.40	-	733	808
Access Bank Tanzania Limited	2007	15.80	-	525	-
AIG Africa Infrastructure Fund	1999	12.27	462	11,140	14,405
EMP Africa Fund II LLC	2005	13.06	13,385	23,280	5,979
Indian Ocean Regional Fund Limited	1999	16.83	-	79	92
Pan African Infrastructure Development Fund	2007	8.00	31,170	5	-
South Africa Infrastructure Fund	1996	14.10	-	17,518	7,049
United Bank for Africa	1961	1.57	-	45,661	-
Zambia Venture Capital Fund	1996	16.11	-	144	592
			45,017	99,085	28,925
Total			67,801	191,583	122,624
Less: Accumulated provision for impairment			-	(2,335)	(3,505)
Net			**67,801**	**189,248**	**119,119**

* *Amounts fully disbursed, but the value is less than UA 100, at the applicable exchange rates.*

** *The cost of equity investment carried at fair value at December 31, 2007 amounted to UA 74.16 million (2006: UA 29.37 million).*

An analysis of the movement in accumulated provision for impairment on equity participations other than ADF was as follows:

(UA thousands)	2007	2006
Balance at January 1	3,505	3,496
Provision for the year	(417)	-
Translation adjustment	(753)	9
Balance at December 31	**2,335**	**3,505**

NOTE K – OTHER DEBT SECURITIES

The Bank may invest in certain debt instruments issued by entities in its Regional Member Countries (RMC) for the purpose of financing development projects and programs. Such investments are classified as available-for-sale.

The fair value of “Other debt securities” at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Investment in debt instruments issued in RMC	**94,622**	-

The nominal value of the securities outstanding as at December 31, 2007, was UA 92.92 million.

NOTE L – PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2007	Land	Building and Improvements	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:							
Balance at January 1	141	22,779	7,256	38,575	**68,751**	17,982	**86,733**
Additions during the year	-	64	1,783	2,769	**4,616**	887	**5,503**
Disposals during the year	-	-	(41)	(1,822)	**(1,863)**	-	**(1,863)**
Balance at December 31	141	22,843	8,998	39,522	**71,504**	18,869	**90,373**
Accumulated Depreciation:							
Balance at January 1	-	21,284	4,927	30,302	**56,513**	15,979	**72,492**
Depreciation during the year	-	102	1,187	2,887	**4,176**	1,199	**5,375**
Disposals during the year	-	-	(41)	(1,815)	**(1,856)**	-	**(1,856)**
Balance at December 31	-	21,386	6,073	31,374	**58,833**	17,178	**76,011**
Net Book Values: December 31, 2007	**141**	**1,457**	**2,925**	**8,148**	**12,671**	**1,691**	**14,362**

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2006	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	7,337	36,703	**66,933**	16,517	**83,450**
Additions during the year	-	27	656	1,990	**2,673**	1,465	**4,138**
Disposals during the year	-	-	(737)	(118)	**(855)**	-	**(855)**
Balance at December 31	141	22,779	7,256	38,575	**68,751**	17,982	**86,733**
Accumulated Depreciation:							
Balance at January 1	-	21,182	4,678	26,579	**52,439**	14,660	**67,099**
Depreciation during the year	-	102	982	3,830	**4,914**	1,319	**6,233**
Disposals during the year	-	-	(733)	(107)	**(840)**	-	**(840)**
Balance at December 31	-	21,284	4,927	30,302	**56,513**	15,979	**72,492**
Net Book Values: December 31, 2006	**141**	**1,495**	**2,329**	**8,273**	**12,238**	**2,003**	**14,241**

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the business of the Bank Group only. The rights on the lands and buildings therefore cannot be transferred to a third party. If the Bank elected to give up the use of the lands and buildings, the properties would have to be surrendered to the host country. At December 31, 2007, the book value of such assets is not significant.

NOTE M – BORROWINGS

It is the Bank's policy to limit senior borrowing and guarantees chargeable to the Bank's ordinary capital resources to 80 percent of the callable capital of its non-borrowing members and also to limit the total borrowing represented by both senior and subordinated debt to 80 percent of the total callable capital of all its member countries. At December 31, 2007, total borrowings amounted to UA 6,198.87 million (2006: UA 5,870.47 million) comprising senior debt and subordinated debt amounting to UA 5,530.59 million (2006: UA 5,178.74 million) and UA 668.28 million (2006: UA 691.73 million), respectively. As of the same date, the ratio of senior debt to the non-borrowing members' callable capital of UA 8,503.17 million (2006: UA 8,533.51 million) was 65.04 percent (2006: 60.69 percent). Also at December 31, 2007, the ratio of total outstanding borrowings to the total callable capital of UA 19,341.63 million (2006: UA 19,436.76 million) was 32.05 percent (2006: 30.20 percent). At December 31, 2007, borrowings with embedded callable options amounted to UA 316.50 million (2006: UA 381.05 million). 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 cross-currency swap agreements with major international banks through which proceeds from borrowings are converted into a different currency and include a forward exchange contract providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice-versa.

A summary of the Bank's borrowings portfolio at December 31, 2007 and 2006 was as follows:

Borrowings and Swaps at December 31, 2007:

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements[a]			Interest Rate Swaps		
Currency	**Rate Type**	**Carried at Fair Value**	**Carried at Amortized Cost**	**Wgtd. Avg. Cost[b] (%)**	**Wgtd. Average Maturity (Years)**	**Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**	**Notional Amount Payable/ (Receivable)**	**Wgtd. Avg. Cost[b] (%)**	**Average Maturity (Years)**
Euro	Fixed	-	-	-	-	158.97	8.71	11.7	120.84	5.32	1.2
	Adjustable	-	-	-	-	2,524.86	4.50	4.1	-	-	-
		-	-	-	-	(149.05)	4.11	6.2	(120.84)	4.73	1.2
Sterling	Fixed	70.64	-	11.13	2.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(63.39)	11.13	2.0
	Adjustable	-	-	-	-	25.36	5.94	1.0	63.39	11.80	2.0
		-	-	-	-	(63.39)	11.80	2.0	-	-	-
Japanese Yen	Fixed	642.63	277.86	2.94	6.5	-	-	-	222.29	4.64	0.3
		-	-	-	-	(254.57)	2.25	15.0	(658.85)	2.21	1.4
	Adjustable	563.06	18.34	3.58	6.0	-	-	-	720.53	0.86	1.7
		-	-	-	-	(841.88)	2.68	4.7	(283.97)	1.47	1.3
US Dollars	Fixed	2,186.44	575.86	4.59	4.8	-	-	-	-	-	-
		-	-	-	-	(284.77)	7.57	10.7	(2,032.91)	3.58	2.6
	Adjustable	18.97	-	5.75	0.1	1,559.99	4.94	4.9	1,945.32	5.25	2.4
		-	-	-	-	(1,171.60)	5.13	2.1	(18.98)	5.75	2.4
Others	Fixed	1,744.54	104.67	4.80	3.6	8.65	3.67	2.4	-	-	-
		-	-	-	-	(1,638.24)	2.78	2.8	(363.81)	5.12	2.2
	Adjustable	-	-	-	-	204.27	10.04	4.8	363.81	6.93	2.2
Total	Fixed	4,644.25	958.39	4.47	4.2	167.62	8.45	11.2	343.13	4.88	0.6
		-	-	-	-	(2,177.58)	3.34	5.2	(3,118.96)	3.62	2.3
	Adjustable	582.03	18.34	3.65	5.8	4,314.48	4.93	4.4	3,093.05	4.56	2.2
		-	-	-	-	(2,225.92)	4.33	3.3	(423.79)	2.59	1.3
Principal at face value		5,226.28	976.73	4.39	4.4	78.60	-	-	(106.57)	-	-
Net unamortized premium/(discount)		-	(4.14)	-	-	201.51	-	-	105.75	-	-
		5,226.28	972.59	4.39	4.4	280.11	-	-	(0.82)	-	-
Fair valuation adjustment		-	-	-	-	(37.55)[c]	-	-	(69.28)[c]	-	-
Total		**5,226.28**	**972.59**	**4.39**	**4.4**	**242.56**	**-**	**-**	**(70.10)**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2007 was UA 6,388.81 million and the estimated fair value was UA 6,396.48 million.

a. Currency swap agreements include cross-currency interest rate swaps.

b. The average repricing period of the net currency obligations for adjustable rate borrowings was six months.
The rates indicated are those prevailing at December 31, 2007.

c. These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2006:

(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	-	-	-	-	149.39	8.71	12.9	205.13	5.16	1.4
	Adjustable	66.59	-	3.79	0.3	2,453.29	3.48	4.6	66.73	3.13	0.3
		-	-	-	-	(182.48)	3.09	5.7	(271.86)	3.36	1.1
Sterling	Fixed	75.41	-	11.13	3.1	-	-	-	-	-	-
		-	-	-	-	-	-	-	(65.24)	11.13	3.1
	Adjustable	-	-	-	-	26.10	4.68	2.6	65.24	10.48	3.1
		-	-	-	-	(65.24)	10.48	3.1	-	-	-
Japanese Yen	Fixed	755.65	355.69	3.23	4.7	-	-	-	223.53	4.64	1.3
		-	-	-	-	(289.47)	2.69	6.5	(718.41)	2.29	2.3
	Adjustable	601.10	18.44	4.08	6.5	86.55	0.35	0.8	780.44	0.38	2.6
		-	-	-	-	(1,021.49)	2.49	4.6	(285.56)	1.16	2.3
US Dollars	Fixed	2,226.72	604.89	4.77	7.7	-	-	-	-	-	-
		-	-	-	-	(299.12)	7.57	11.9	(2,135.40)	3.58	3.7
	Adjustable	39.67	6.65	5.21	0.3	1,254.24	5.23	4.1	2,069.99	5.45	3.4
		-	-	-	-	(1,273.79)	5.32	2.8	(46.53)	6.61	0.2
Others	Fixed	1,058.51	66.71	3.77	4.6	8.38	3.67	3.4	-	-	-
		-	-	-	-	(1,007.44)	3.80	5.2	(249.25)	3.47	2.0
	Adjustable	-	-	-	-	194.13	8.08	6.2	249.25	3.87	2.0
Total	Fixed	4,116.29	1,027.29	4.31	5.5	157.77	8.44	12.3	428.66	4.89	1.4
		-	-	-	-	(1,596.03)	4.31	6.7	(3,168.30)	3.43	3.2
	Adjustable	707.36	25.09	4.13	5.5	4,014.31	4.19	4.4	3,231.65	4.16	3.0
		-	-	-	-	(2,543.00)	4.16	3.7	(603.95)	2.57	1.6
Principal at face value		4,823.65	1,052.38	4.29	5.5	33.05	-	-	(111.94)	-	-
Net unamortized premium/(discount)		-	(5.56)	-	-	175.82	-	-	111.10	-	-
		4,823.65	1,046.82	4.29	5.5	208.87	-	-	(0.84)	-	-
Fair valuation adjustment			-	-	-	(12.96)[c]	-	-	7.46[c]	-	-
Total		**4,823.65**	**1,046.82**	**4.29**	**5.5**	**195.91**	**-**	**-**	**6.62**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2006 was UA 6,088.55 million and the estimated fair value was UA 6,058.45 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, 2006.
c. These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2007 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	1,052.72	231.25	1,283.97
More than one year but less than two years	940.90	1.36	942.26
More than two years but less than three years	1,073.99	8.31	1,082.30
More than three years but less than four years	171.59	-	171.59
More than four years but less than five years	375.82	1.67	377.49
More than five years	1,368.67	-	1,368.67
Total	**4,983.69**	**242.59**	**5,226.28**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	100.87	73.91	174.78
More than one year but less than two years	-	-	-
More than two years but less than three years	-	-	-
More than three years but less than four years	-	-	-
More than four years but less than five years	-	-	-
More than five years	801.95	-	801.95
Sub-total	**902.82**	**73.91**	**976.73**
Net unamortized premium and discount	(4.14)	-	(4.14)
Total	**898.68**	**73.91**	**972.59**

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2006 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	207.34	300.41	507.75
More than one year but less than two years	1,050.54	4.90	1,055.44
More than two years but less than three years	929.55	1.42	930.97
More than three years but less than four years	883.88	-	883.88
More than four years but less than five years	166.73	-	166.73
More than five years	1,278.88	-	1,278.88
Total	**4,516.92**	**306.73**	**4,823.65**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	115.93	74.32	190.25
More than one year but less than two years	29.82	-	29.82
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	832.31	-	832.31
Sub-total	**978.06**	**74.32**	**1,052.38**
Net unamortized premium and discount	(5.56)	-	(5.56)
Total	**972.50**	**74.32**	**1,046.82**

The fair value of borrowings carried at fair value through profit or loss at December 31, 2007 was UA 5,226.28 million (2006: UA 4,823.65 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at December 31, 2007 was UA 5,106.32 million (2006: UA 4,748.81 million). The surrender value of callable borrowings is equivalent to the notional amount plus accrued finance charges.

As per Note P, there was a net gain of UA 21.24 million on fair-valued borrowings and related derivatives for the year ended December 31, 2007 (2006: UA 10.67 million). This included a gain of UA 3.00 million which was attributable to changes in the Bank's credit risk during the year ended December 31, 2007. Fair value changes attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings designated at fair value through profit or loss using the Bank's credit spread versus LIBOR both at the beginning and end of the relevant period.

For borrowings designated at fair value through profit or loss at December 31, 2007, the cumulative unrealized fair value losses to date were UA 119.96 million (2006: losses of UA 74.64 million).

NOTE N – EQUITY

Equity is composed of capital and reserves. These are further detailed as follows:

Capital

Capital includes subscriptions paid-in by member countries and cumulative exchange adjustments on subscriptions (CEAS). The Bank is not exposed to any externally imposed capital requirements.

Subscriptions Paid In

Subscriptions to the capital stock of the Bank are made up of the subscription to the initial capital, a voluntary capital increase and five General Capital Increases (GCI). The Fifth General Capital Increase (GCI-V) was approved by the Board of Governors of the Bank on May 29, 1998 and became effective on September 30, 1999 upon ratification by member states and entry into force of the related amendments to the Agreements establishing the Bank. The GCI-V increased the authorized capital of the Bank by 35 percent from 1.62 million shares to 2.187 million shares with a par value of UA 10,000 per share. The GCI-V shares, a total of 567,000 shares, are divided into paid-up and callable shares in proportion of six percent (6%) paid-up and ninety-four percent (94%) callable. The GCI-V shares were allocated to the regional and non-regional members such that, when fully subscribed, the regional members shall hold 60 percent of the total stock of the Bank and non-regional members shall hold the balance of 40 percent.

Prior to the GCI-V, subscribed capital was divided into paid-up capital and callable capital in the proportion of 1 to 7. With the GCI-V, the authorized capital stock of the Bank consists of 10.81 percent paid-up shares and 89.19 percent callable shares.

The Bank's capital as at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Capital Authorized (in shares of UA 10 000 each)	21,870,000	21,870,000
Less: Unsubscribed	(176,839)	(75,463)
Subscribed Capital	21,693,161	21,794,537
Less: Callable Capital	(19,341,627)	(19,436,756)
Paid-up Capital	2,351,534	2,357,781
Shares to be issued upon payment of future installments	(12,960)	(51,879)
Add: Amounts paid in advance	118	328
	2,338,692	2,306,230
Less: Amounts in arrears	(2,235)	(3,168)
Capital at December 31	**2,336,457**	**2,303,062**

Included in the total unsubscribed shares of UA 176.84 million at December 31, 2007, was an amount of UA 38.83 million representing the balance of the shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia).

Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 41.93 million callable, and UA 5.99 million paid-up shares) were 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 accepted the offer.

Subscriptions by member countries and their voting power at December 31, 2007 were as follows:

(Amounts in UA thousands)

	MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
1	ALGERIA	83,169	3.836	94,089	737,600	83,793	3.786
2	ANGOLA	25,405	1.172	28,837	225,212	26,030	1.176
3	BENIN	4,246	0.196	4,817	37,633	4,870	0.220
4	BOTSWANA	46,633	2.151	52,925	413,405	47,258	2.135
5	BURKINA FASO	9,307	0.429	10,920	82,155	9,932	0.449
6	BURUNDI	5,173	0.239	6,465	45,256	5,798	0.262
7	CAMEROON	22,588	1.042	25,439	200,371	23,143	1.046
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	2,266	0.102
11	COMOROS	483	0.022	588	4,250	1,093	0.049
12	CONGO	9,861	0.455	11,450	87,170	10,266	0.464
13	COTE D'IVOIRE	81,008	3.737	101,260	708,820	81,633	3.689
14	DEMOCRATIC REPUBLIC OF CONGO	22,740	1.049	28,426	198,975	23,365	1.056
15	DJIBOUTI	1,213	0.056	1,517	10,618	1,838	0.083
16	EGYPT	111,829	5.158	126,920	991,370	112,454	5.081
17	EQUATORIAL GUINEA	3,491	0.161	3,930	30,615	3,807	0.172
18	ERITREA	2,003	0.092	2,506	17,522	2,628	0.119
19	ETHIOPIA	34,778	1.604	39,470	308,310	35,403	1.600
20	GABON	27,229	1.256	32,684	238,255	26,765	1.209
21	GAMBIA	3,341	0.154	3,891	29,523	3,966	0.179
22	GHANA	49,593	2.287	54,185	441,752	50,217	2.269
23	GUINEA	8,868	0.409	10,658	78,031	9,494	0.429
24	GUINEA BISSAU	600	0.028	750	5,250	1,225	0.055
25	KENYA	31,707	1.462	35,990	281,080	32,332	1.461
26	LESOTHO	3,324	0.153	3,773	29,470	3,949	0.178
27	LIBERIA	4,230	0.195	5,287	37,017	4,855	0.219
28	LIBYA	79,862	3.684	90,643	707,978	80,487	3.637
29	MADAGASCAR	14,162	0.653	16,070	125,550	14,787	0.668
30	MALAWI	6,472	0.299	8,090	56,630	7,097	0.321
31	MALI	9,535	0.440	10,937	84,411	10,161	0.459
32	MAURITANIA	3,543	0.163	4,015	31,000	3,838	0.173
33	MAURITIUS	14,094	0.650	16,000	124,940	14,719	0.665
34	MOROCCO	72,268	3.333	82,020	640,660	72,893	3.294
35	MOZAMBIQUE	13,767	0.635	15,636	122,038	14,391	0.650
36	NAMIBIA	7,397	0.341	8,400	65,570	8,022	0.362
37	NIGER	5,526	0.255	6,908	48,353	6,151	0.278
38	NIGERIA	193,131	8.908	221,382	1,709,933	193,756	8.755
39	RWANDA	2,965	0.137	3,333	26,310	3,527	0.159
40	SAO TOME & PRINCIPE	1,488	0.069	1,864	13,024	2,114	0.096
41	SENEGAL	22,344	1.031	25,318	198,132	22,459	1.015
42	SEYCHELLES	1,224	0.056	1,501	10,739	1,849	0.084
43	SIERRA LEONE	5,298	0.244	6,623	46,362	5,923	0.268
44	SOMALIA	1,941	0.090	2,427	16,986	2,566	0.116
45	SOUTH AFRICA	98,808	4.558	78,930	909,160	99,433	4.493
46	SUDAN	8,830	0.407	11,036	77,257	9,455	0.427
47	SWAZILAND	7,241	0.334	8,134	64,280	7,715	0.349
48	TANZANIA	17,860	0.824	20,685	157,927	18,486	0.835
49	TOGO	3,451	0.158	4,314	30,201	4,077	0.184
50	TUNISIA	30,492	1.406	34,610	270,310	31,117	1.406
51	UGANDA	11,012	0.508	13,331	96,787	11,637	0.526
52	ZAMBIA	26,960	1.244	31,059	238,554	27,211	1.230
53	ZIMBABWE	45,028	2.077	54,094	396,188	45,653	2.063
Total Regionals		**1,301,802**	**60.046**	**1,469,496**	**11,546,436**	**1,331,799**	**60.180**

Slight differences may occur in totals due to rounding.

(Amounts in UA thousands)

	MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
Total Regionals		**1,301,802**	**60.046**	**1,469,496**	**11,546,436**	**1,331,799**	**60.180**
54	ARGENTINA	5,846	0.270	6,108	52,364	6,472	0.292
55	AUSTRIA	9,707	0.448	9,720	87,350	10,332	0.467
56	BELGIUM	13,288	0.613	13,579	119,314	13,914	0.629
57	BRAZIL	9,674	0.446	9,700	87,036	10,299	0.465
58	CANADA	81,648	3.766	81,750	734,730	82,273	3.718
59	CHINA	24,300	1.121	24,330	218,670	24,925	1.126
60	DENMARK	25,168	1.161	25,200	226,480	25,793	1.166
61	FINLAND	10,627	0.490	10,640	95,630	11,252	0.508
62	FRANCE	81,648	3.766	81,750	734,730	82,273	3.718
63	GERMANY	89,631	4.134	89,740	806,570	90,256	4.078
64	INDIA	4,860	0.224	4,870	43,730	5,485	0.248
65	ITALY	52,644	2.428	52,710	473,730	53,269	2.407
66	JAPAN	119,400	5.507	119,550	1,074,450	120,025	5.424
67	KOREA	9,707	0.448	9,720	87,350	10,332	0.467
68	KUWAIT	9,707	0.448	9,720	87,350	10,332	0.467
69	NETHERLANDS	18,555	0.856	17,116	168,450	19,180	0.867
70	NORWAY	25,168	1.161	25,200	226,480	25,793	1.166
71	PORTUGAL	5,205	0.240	5,074	46,980	5,830	0.263
72	SAUDI ARABIA	4,212	0.194	4,220	37,900	4,837	0.219
73	SPAIN	23,034	1.062	21,870	208,470	23,659	1.069
74	SWEDEN	33,592	1.549	33,630	302,290	34,217	1.546
75	SWITZERLAND	31,882	1.471	31,920	286,900	32,507	1.469
76	UNITED KINGDOM	36,554	1.686	36,600	328,940	37,179	1.680
77	UNITED STATES OF AMERICA	140,154	6.465	142,245	1,259,298	140,779	6.361
Total Non-Regionals		**866,210**	**39.954**	**866,961**	**7,795,191**	**881,213**	**39.820**
Grand Total		**2,168,012**	**100.000**	**2,336,457**	**19,341,627**	**2,213,012**	**100.000**

Slight differences may occur in totals due to rounding.

Cumulative Exchange Adjustment on Subscriptions (CEAS)

Prior to the fourth General Capital Increase (GCI-IV), payments on the share capital subscribed by the non-regional member countries were fixed in terms of their national currencies. Under GCI-IV, payments by regional and non-regional members in US dollars were fixed at an exchange rate of 1 UA = US$ 1.20635. As a result of these practices, losses or gains could arise from converting these currencies to UA when received. Such conversion differences are reported in the Cumulative Exchange Adjustment on Subscriptions account.

At December 31, 2007 and 2006, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)	2007	2006
Balance at January 1	155,742	151,759
Net conversion losses on subscriptions	4,333	3,983
Balance at December 31	**160,075**	**155,742**

Reserves

Reserves consist of retained earnings and fair value gains on available-for-sale investments.

Retained Earnings

Retained earnings included the net income for the year, after taking into account transfers approved by the Board of Governors, and net expenses recognized directly in equity. Retained earnings as at December 31, 2007 and 2006 were as follows:

(UA thousands)	
Balance at January 1, 2006	2,257,678
Net income for the year	54,832
Net expenses recognized directly in equity	(7,165)
Balance at December 31, 2006	**2,305,345**
Net income for the current year	203,766
Net expenses recognized directly in equity	(10,823)
Balance at December 31, 2007	**2,498,288**

In May 2007, the Board of Governors of the Bank approved the transfer of UA 21.59 million and UA 119.90 million from the income earned for the year ended December 31, 2006 to surplus account and to certain entities for development purposes, respectively. In December 2007, the Board of Governors also approved the transfer of UA 9.49 million from the surplus account to an entity for development purposes. With effect from 2006, Board of Governors' approved transfers to entities for development purposes are reported as expenses in the Income Statement in the year such transfers are approved.

Transfers to entities for development purposes in the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Post Conflict Assistance - DRC	65,070	67,300
African Development Fund (ADF)	13,700	21,300
Heavily Indebted Poor Countries	21,640	10,600
Special Relief Fund	-	15,000
Post Conflict Countries Facility	-	25,000
Middle Income Country Technical Assistance Fund	10,000	-
Investment Climate Facility for Africa	9,492	-
Balance at December 31	**119,902**	**139,200**

Fair Value Gains on Available-for-Sale Investments

At December 31, 2007 and 2006, the fair value gains on available-for-sale investments were as follows:

(UA thousands)	2007	2006
Balance at January 1	136	8,710
Net gain/(loss) for the year	33,374	(8,574)
Balance at December 31	**33,510**	**136**

NOTE O – INCOME FROM LOANS AND INVESTMENTS AND RELATED DERIVATIVES

Income from Loans

Income from loans for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest income on loans not impaired	300,678	284,769
Interest income on impaired loans	36,511	38,687
Commitment charges	3,432	3,848
Statutory commission	1,324	1,723
Total	**341,945**	**329,027**

Income from Investments and Related Derivatives

Income from investments for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest income	238,951	214,989
Realized and unrealized fair value losses	(554)	(1,165)
Total	**238,397**	**213,824**

Total interest income on investment at amortized cost for the year ended December 31, 2007 was UA 123.51 million (2006: UA 106.22 million).

NOTE P – BORROWING EXPENSES

Interest and Amortized Issuance Costs

Interest and amortized issuance costs on borrowings for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Interest cost	264,690	242,477
Amortization of issuance costs	3,333	2,936
Total	**268,023**	**245,413**

Total interest expense for financial liabilities not at fair value through profit or loss for the year ended December 31, 2007 was UA 65.13 million (2006: UA 76.38 million).

Net Interest on Borrowing-Related Derivatives

Net interest on borrowing-related derivatives for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest on derivatives payable	410,714	322,500
Interest on derivatives receivable	(348,008)	(287,363)
Total	**62,706**	**35,137**

Unrealized Gain on Fair-Valued Borrowings and Related Derivatives

Unrealized gain on fair-valued borrowings and related derivatives for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Fair-valued borrowings	(45,315)	48,799
Cross-currency swaps	10,628	(25,780)
Interest rate swaps	55,926	(12,347)
Total	**21,239**	**10,672**

Unrealized Gain on Derivatives on Non-Fair Valued Borrowings and Others

Unrealized net gain on derivative on non-fair valued borrowings and others for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest rate swaps	21,876	22,283
Cross-currency swaps	13,958	6,464
Macro hedge swaps	(1,269)	(8,061)
Embedded derivatives	209	381
Total	**34,774**	**21,067**

NOTE Q – ADMINISTRATIVE EXPENSES

Total administrative expenses relate to expenses incurred on behalf of the ADF, the NTF and for the operations of the Bank itself. The ADF and NTF reimburse the Bank for their share of the total administrative expenses, based on an agreed-upon cost-sharing formula, which is driven by certain selected indicators of operational activity for operational expenses and relative balance sheet sizes for non-operational expenses. However, the expenses allocated to the NTF shall not exceed 20 percent of the NTF's gross income.

Administrative expenses comprised the following:

(UA thousands)	2007	2006
Personnel expenses	141,086	123,234
Other general expenses	39,567	31,106
Total	**180,653**	**154,340**
Reimbursable by ADF	(135,848)	(114,561)
Reimbursable by NTF	(2,587)	(2,920)
Net	**42,218**	**36,859**

Included in general administrative expenses is an amount of UA 4.65 million (2006: UA 3.91 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)	2007	2006
Within one year	3,945	3,941
In the second to fifth years inclusive	1,155	2,285
Total	**5,100**	**6,226**

Leases are generally negotiated for an average term of one (1) to three (3) years and rentals are fixed for an average of one (1) year. Leases may be extended for periods that are no longer than the original term of the leases.

NOTE R – EMPLOYEE BENEFITS

Staff Retirement Plan

The Staff Retirement Plan (SRP), a defined benefit plan established under Board of Governors' Resolution 05-89 of May 30, 1989, became effective on December 31, 1989, following the termination of the Staff Provident Fund. Every person employed by the Bank on a full-time basis, as defined in the Bank's employment policies, is eligible to participate in the SRP, upon completion of 6 months service without interruption of more than 30 days.

The SRP is administered as a separate fund by a committee of trustees appointed by the Bank on behalf of its employees. In November 2004, the Board of Directors of the Bank approved certain revisions to the SRP, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the SRP sponsor, changes in survivor child benefits and an increase in the pension accumulation rate from 2 percent to 2.5 percent for each year of service. The past service cost associated with these changes amounted to UA 1.64 million and has been recorded in 2004. Also, new members from the local field offices of the Bank joined the Plan in 2007 and the associated past service cost of UA 1.07 million were reported in the 2007 financial statements. Under the revised SRP, employees contribute at a rate of 9 percent of regular salary. A tax factor included in the basis for the determination of contribution in the previous SRP has been eliminated. The Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

All contributions to the SRP are irrevocable and are held by the Bank separately in a retirement fund to be used in accordance with the provisions of the SRP. Neither the contributions nor any income thereon shall be used for or diverted to purposes other than the exclusive benefit of active and retired participants or their beneficiaries or estates, or to the satisfaction of the SRP's liabilities. At December 31, 2007, virtually all of the SRP's investments were under external management and these were invested in indexed funds, with the following objectives: a) Equity portfolio – to track as closely as possible, the returns of the Morgan Stanley Capital International World

Index as well as hedging the currency exposure of the SRP's anticipated future liabilities; b) Bond portfolio – to track as closely as possible, the returns of the Citigroup World Government Bond Index as well as hedge the currency exposure of the SRP's anticipated future liabilities.

Medical Benefit Plan

The Medical Benefit Plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of July 17, 2002 and became effective on January 1, 2003. Under the MBP, all plan members including existing staff or retirees contribute a percentage of their salary or pension while the Bank also contributes twice the total staff contribution towards the financing of the MBP. Contribution rates by staff members and retirees, which are based on marital status and number of eligible children, range between 0.70 percent to a maximum of 3.10 percent of salary or pension. An MBP board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the MBP. The contributions from the Bank, staff and retirees are deposited in a trust account. In accordance with the directive establishing the Plan, all Plan members including staff and retirees are eligible as beneficiaries for making claims for medical services provided to them and their recognized dependants.

In accordance with IAS 19, and based on actuarial valuations, the pension and post employment medical benefit expenses for 2007 and 2006 for the Bank, the ADF and the NTF combined (the Bank Group) comprised the following:

	Staff Retirement Plan		**Medical Benefit Plan**	
(UA millions)	**2007**	2006	**2007**	2006
Current service cost – gross	17.57	16.56	4.03	3.87
Less: estimated employee contributions	(5.66)	(5.05)	(1.02)	(0.97)
Net current service cost	**11.91**	**11.51**	**3.01**	**2.90**
Interest cost	11.53	9.39	2.12	2.07
Expected return on plan assets	(12.65)	(10.44)	(0.40)	(0.27)
Past service cost	1.07	-	-	-
Expense for the year	**11.86**	**10.46**	**4.73**	**4.70**

At December 31, 2007, the Bank group's liability to the SRP and the post-employment aspect of the MBP amounted to UA 7.37 million and UA 40.76 million respectively (2006: UA 34.40 million and UA 35.86 million respectively).

At December 31, 2007 and 2006 the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet is set out below:

	Staff Retirement Plan		Medical Benefit Plan	
(UA millions)	**2007**	2006	**2007**	2006
Fair value of plan assets:				
Market value of plan assets at beginning of year	199.48	166.76	7.00	4.76
Actual return on assets	10.11	10.92	0.52	0.26
Employer's contribution	47.44	23.14	2.06	1.99
Plan participants' contribution	5.66	5.05	1.02	0.99
Benefits paid	(7.71)	(6.39)	(1.56)	(1.00)
Market value of plan assets at end of year	**254.98**	**199.48**	**9.04**	**7.00**
Present value of defined benefit obligation:				
Benefit obligation at beginning of year	233.88	200.57	42.86	44.08
Current service cost	11.91	11.51	3.01	2.90
Employee contributions	5.66	5.05	1.02	0.99
Interest cost	11.53	9.39	2.12	2.07
Actuarial loss/(gain)	7.08	13.75	2.35	(6.18)
Benefits paid	(7.71)	(6.39)	(1.56)	(1.00)
Benefit obligation at end of year	**262.35**	**233.88**	**49.80**	**42.86**
Funded status:				
Liability recognized on the balance sheet at December 31, representing excess of benefit over plan asset	**(7.37)**	**(34.40)**	**(40.76)**	**(35.86)**

There were no unrecognized past service costs at December 31, 2007 and 2006. The cumulative amounts of actuarial gains and losses recognized in the statement of recognized income and expenses up to December 31, 2007 for the SRP and MBP were a net loss of UA 23.05 million and UA 1.32 million respectively (2006: SRP – UA 14.50 million; MBP – UA 3.55 million).

The following summarizes the funding status of the SRP at the end of the last five fiscal years:

(UA millions)	**2007**	2006	2005	2004	2003
Staff Retirement Plan					
Fair value of Plan assets	254.98	199.48	166.76	140.89	119.81
Present value of defined benefit obligation	(262.35)	(233.88)	(200.57)	(177.83)	(156.74)
Plan deficit	(7.37)	(34.40)	(33.81)	(36.94)	(36.93)
Experience adjustments on plan assets	0.90	3.45	2.97	1.56	(1.26)
Experience adjustments on plan liabilities	(23.95)	(17.95)	(4.20)	(1.53)	(5.37)
Net	**(23.05)**	**(14.50)**	**(1.23)**	**0.03**	**(6.63)**

The funding status of the Medical Benefit Plan at the end of the last four fiscal years was as follows:

(UA millions)	**2007**	2006	2005	2004
Medical Benefit Plan				
Fair value of plan assets	9.04	7.00	4.76	3.07
Present value of defined benefit obligation	(49.80)	(42.86)	(44.08)	(37.17)
Plan deficit	(40.76)	(35.86)	(39.32)	(34.10)
Experience adjustments on plan assets	(0.13)	(0.01)	(2.55)	(0.06)
Experience adjustments on plan liabilities	(1.19)	3.56	-	-
Net	**(1.32)**	**3.55**	**(2.55)**	**(0.06)**

Assumptions used in the latest available actuarial valuations at December 31, 2007 and 2006 were as follows:

	Staff Retirement Plan		**Medical Benefit Plan**	
(Percentages)	**2007**	2006	**2007**	2006
Discount rate	5.625	5.000	5.625	5.000
Expected return on plan assets	6.000	6.000	4.250	5.000
Rate of salary increase	4.000	4.000	4.000	4.000
Future pension increase	2.500	2.500		
Health care cost growth rate				
-at end of fiscal year			8.000	8.000
-ultimate health care cost growth rate			5.000	5.000
Year ultimate health cost growth rate reached			2010	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 2010, with the growth rate assumed to remain at that level thereafter.

No plan assets are invested in any of the Bank's own financial instruments, nor any property occupied by, or other assets used by the Bank.

The following table presents the weighted-average asset allocation at December 31, 2007 and 2006 for the Staff Retirement Plan:

(UA thousands)	2007	2006
Debt securities	101,993	79,794
Equity securities	127,491	99,742
Others	25,498	19,948
Total	**254,982**	**199,484**

At December 31, 2007 and 2006, the assets of the MBP were invested primarily in time deposits.

The Bank's estimate of contributions it expects to make to the SRP and the MBP for the year ended December 31, 2008, are UA 13.56 million and UA 2.58 million respectively.

The health care cost growth rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the MBP.

The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

	1% Increase		1% Decrease	
(UA millions)	2007	2006	2007	2006
Effect on total service and interest cost	1.283	1.065	(0.839)	(0.900)
Effect on post-retirement benefit obligation	10.794	10.242	(8.363)	(8.271)

NOTE S – RELATED PARTIES

The following related parties have been identified:
The Bank makes or guarantees loans to some of its members who are also its shareholders, and borrows funds from the capital markets in the territories of some of its shareholders. As a multilateral development institution with membership comprising 53 African states and 24 non-African states (the "regional members" and "non-regional members" respectively), subscriptions to the capital of the Bank are made by all its members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each member of the Bank, who exercise the voting power of the appointing member country. Member country subscriptions and voting powers are disclosed in Note N. The Board of Directors, which is composed of eighteen (18) Directors elected by the member countries, is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank also makes or guarantees loans to certain of the agencies of its regional member countries and to public and private enterprises operating within such countries. Such loans are approved by the Board of Directors.

In addition to its ordinary resources, the Bank administers the resources of other entities under special arrangements. In this regard, the Bank administers the resources of the ADF. Furthermore, the Bank administers various special funds and trust funds, which have purposes that are consistent with its objectives of promoting the economic development and social progress of its regional member countries. In this connection, the Bank administers the NTF as well as certain multilateral and bilateral donor funds in the form of grants.

The ADF was established pursuant to an agreement between the Bank and certain countries. The general operation of the ADF is conducted by a 12-member Board of Directors of which 6 members are selected by the Bank. The Bank exercises 50 percent of the voting power in the ADF and the President of the Bank is the ex-officio President of the Fund. To carry out its functions, the ADF utilizes the offices, staff, organization, services and facilities of the Bank, for which it reimburses the Bank based on an agreed cost-sharing formula, driven in large part by the number of programs and projects executed during the year.

The Bank's investment in the ADF is included in Equity Participations and disclosed in Note J. In addition to the amount reported as equity participation, the Bank periodically makes allocations to the Fund, to further its objectives. Net income allocations by the Bank to ADF are reported as Other Resources in the Fund's financial statements. Net income allocation to the Fund in 2007 amounted to UA 13.70 million (2006: UA 21.30 million).

The NTF is a special fund administered by the Bank with resources contributed by Nigeria. The ADB Board of Directors conducts the general operations of NTF on the basis of the terms of the NTF Agreement and in this connection, the Bank consults with the Government of Nigeria. The NTF also utilizes the offices, staff, organization, services and facilities of the Bank for which it reimburses to the Bank its share of administrative expenses for such utilization. The share of administrative expenses reimbursed to the Bank by both the ADF and NTF are disclosed in Note Q.

Grant resources administered by the Bank on behalf of other donors, including its member countries, agencies and other entities are generally restricted for specific uses, which include the co-financing of Bank's lending projects, debt reduction operations and technical assistance for borrowers including feasibility studies. Details of the outstanding balance on such grant funds at December 31, 2007 and 2006 are disclosed in Note V-5.

The Bank also administers the SRP and MBP. The activities of the SRP and MBP are disclosed in Note R.

Management Personnel Compensation
Compensation paid to the Bank's management personnel and executive directors during the years ended December 31, 2007, and 2006 was made up as follows:

(UA thousands)	**2007**	2006
Salaries	14,164	12,211
Termination and other benefits	5,961	3,929
Contribution to retirement and medical plan	2,927	2,420
Total	**23,052**	**18,560**

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, 2007 outstanding balances on loans and advances to management staff amounted to UA 3.23 million (2006: UA 1.93 million). No expense was recognized during the year in respect of impairment on debts due from related parties.

NOTE T – SEGMENT REPORTING

The Bank is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers. In the opinion of management, the Bank operates in a single operating segment.

NOTE U – APPROVAL OF FINANCIAL STATEMENTS

On April 2, 2008, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2008.

NOTE V – SUPPLEMENTARY DISCLOSURES

NOTE V-1: EXCHANGE RATES

The rates used for translating currencies into Units of Account at December 31, 2007 and 2006 were as follows:

		2007	2006
1 UA = SDR =	Algerian Dinar	106.161000	107.190000
	Angolan Kwanza	119.287000	120.940000
	Botswana Pula	9.502360	9.090080
	Brazilian Real	2.797830	3.215210
	Canadian Dollar	1.561440	1.753080
	Chinese Yuan	11.530200	11.747400
	CFA Franc	704.144000	749.293000
	Danish Kroner	8.020210	8.517020
	Egyptian Pound	8.649740	8.474270
	Ethiopian Birr	13.304000	13.127200
	Euro	1.073460	1.142290
	Gambian Dalasi	33.937600	41.391100
	Ghanaian Cedi *	1.424030	13,915.500000
	Guinean Franc	8,283.200000	8,283.200000
	Indian Rupee	62.277700	66.539800
	Japanese Yen	179.947000	178.948000
	Kenyan Shilling	105.994 000	105.462000
	Korean Won	1,482.590000	1,398.490000
	Kuwaiti Dinar	0.431408	0.434622
	Libyan Dinar	1.932370	1.932370
	Mauritian Rupee	44.588500	51.656400
	Moroccan Dirham	12.235300	12.728400
	Nigerian Naira	195.584000	191.482000
	Norwegian Krone	8.550740	9.410170
	Pound Sterling	0.788780	0.766377
	Sao Tomé Dobra	19,668.400000	17,360.200000
	Saudi Arabian Riyal	5.925930	5.641490
	South African Rand	10.761500	10.485700
	Swedish Krona	10.208800	10.339000
	Swiss Franc	1.778570	1.835820
	Tunisian Dinar	1.936680	1.960350
	Ugandan Shilling	2,727.920000	2,726.760000
	US Dollar	1.580250	1.504400
	Zimbabwean Dollar	391.005000	372.130000

* *The Ghanaian Cedi was redenominated during 2007.*

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 V-2: OTHER DEVELOPMENT ASSISTANCE ACTIVITIES

(i) Democratic Republic of Congo (DRC)

In connection with an internationally co-coordinated effort between the Bank, the International Monetary Fund (the IMF), the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002, approved an arrears clearance plan for the DRC. Under the arrears clearance plan, contributions received from the donor community were used immediately for partial clearance of the arrears owed by the DRC. The residual amount of DRC's arrears to the Bank and loan amounts not yet due were consolidated into new contractual receivables, such that the present value of the new loans was equal to the present value of the amounts that were owed under the previous contractual terms. The new loans carry the weighted average interest rate of the old loans. In approving the arrears clearance plan, the Board of Directors considered the following factors: a) the arrears clearance plan is part of an internationally coordinated arrangement for the DRC; b) the magnitude of DRC's arrears to the Bank ruled out conventional solutions; c) the prolonged armed conflict in the DRC created extensive destruction of physical assets, such that the DRC had almost no capacity for servicing its debt; and d) the proposed package would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. Furthermore, there was no automatic linkage between the arrears clearance mechanism and the debt relief that may be subsequently provided on the consolidated facility. In June 2004, the DRC reached its decision point under the Heavily Indebted Poor Countries (HIPC) initiative. Consequently, the consolidated facility has since that date benefited from partial debt service relief under HIPC.

A special account, separate from the assets of the Bank, was established for all contributions towards the DRC arrears clearance plan. Such contributions may include allocations of the net income of the Bank that the Board of Governors may from time to time make to the special account, representing the Bank's contribution to the arrears clearance plan. The amount of such net income allocation is subject to the approval of the Boards of Governors of the Bank, typically occurring during the annual general meeting of the Bank. Consequently, income received on the consolidated DRC loans is recognized in current earnings and is transferred out of reserves to the special account only after the formal approval of such transfer, in whole or in part, by the Board of Governors of the Bank.

(ii) Post-Conflict Countries Assistance

The Post Conflict Countries' Fund was established as a framework to assist countries emerging from conflict in their efforts towards re- engagement with the donor community in order to reactivate development assistance and help these countries reach the Heavily Indebted Poor Countries (HIPC) decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with allocations from the ADB's net income, and contributions from the ADF and other private donors. Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. In this connection, the Board of Governors by its Resolution B/BG/2004/07 of May 25, 2004, established the Post-Conflict Countries Facility (PCCF) under the administration of the ADF and approved an allocation of UA 45 million from the 2003 net income of the Bank. The Board of Governors also, by its resolution B/BG/2005/05 of May 18, 2005, approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility and by its resolution B/BG/2006/04 of May 17, 2006, the Board of Governors also approved the third and final installment of the Bank's allocation of UA 25 million from the 2005 net income. By policy, contributions made by ADB to the PCCF are not used to clear the debt owed to the Bank by beneficiary post-conflict countries.

(iii) Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as HIPCs. Under this initiative, creditors provide debt relief for eligible countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. Under the original HIPC framework, selected loans to eligible beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the lower of the net present value of the loans or their nominal values, as calculated using the methodology agreed under the initiatives.

Following the signature of a HIPC debt relief agreement, the relevant loans were paid off at the lower of their net present value or their carrying value. On average, loans in the ADB's portfolio carry higher interest rates than the present value discount rates applied and therefore the net present value of the loans exceeds the book value. Consequently, affected ADB loans were paid off by the HIPC Trust Fund at book values.

The HIPC initiative was enhanced in 1999 to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are eligible, the debt relief is delivered through annual debt service reductions, as well as the release of up to 80 percent of annual debt service obligations as they come due until the total debt relief is provided. In addition, interim financing between the decision and completion points of up to 40 percent of total debt relief is provided whenever possible within a 15-year horizon. At December 31, 2007, the Board of Directors had approved relief for 26 ADB borrowing countries, of which 19 had reached the completion point.

(iv) Multilateral Debt Relief Initiative (MDRI)

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors have committed to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. As of that date, the ADF wrote down its balance of disbursed and outstanding loans net of HIPC relief by an amount of UA 3.84 billion, with a corresponding decrease as of that date in the ADF's net assets. Reduction in ADF net assets results in a decrease in the value of the Bank's investment in the Fund. Subsequent write-down of loan balances is effected as and when other countries reach their HIPC completion point and are declared beneficiaries of MDRI loan cancellation. The reduction in the net asset value of the ADF does not include loans outstanding to MDRI countries that have not reached their HIPC completion points at the end of the year.

NOTE V-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, 2007 and 2006, the following funds were held separately from those of the ordinary capital resources of the Bank:

(i) The NTF was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank and the Federal Republic of Nigeria. The Agreement stipulates that the NTF shall be in effect for a period of 30 years from the date the Agreement became effective and that the resources of the NTF shall be transferred to Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and Nigeria. The terms of the current agreement which terminated on April 25, 2006 have been extended twice with the latest one-year extension up to April 25, 2008. Following an independent review of the operations of the Fund over the current Agreement period, both the Government of Nigeria and the Bank have agreed in principle to renew the NTF Agreement for a period of ten years starting from April 26, 2008. The initial capital of the NTF was Naira 50 million payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and payment of the second installment, equivalent to US$ 39.61 million, was made on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the NTF with Naira 50 million. The first installment of Naira 35 million (US$ 52.29 million) was paid on October 7, 1981. The second installment of Naira 8 million (US$ 10.87 million) was received on May 4, 1984. The payment of the third installment of Naira 7 million (US$ 7.38 million) was made on September 13, 1985. Following a request by the Government of Nigeria on June 14, 2006, a payment of US$ 200 million (UA 135.74 million) was made to the Government of Nigeria from the resources of the Fund.

The resources of the NTF at December 31, 2007 and 2006 are summarized below:

(UA thousands)	**2007**	2006
Contribution received	128,586	128,586
Funds generated (net)	269,657	251,201
Adjustment for translation of currencies	(124,777)	(111,666)
	273,466	**268,121**
Represented by:		
Due from banks	6,331	2,404
Investments	190,346	191,760
Accrued income and charges receivable on loans	16,708	9,685
Accrued interest on investments	520	960
Other amounts receivable	177	89
Loans outstanding	64,383	64,274
	278,465	269,172
Less: Current accounts payable	(4,999)	(1,051)
	273,466	**268,121**

(ii) The Special Relief Fund (for African countries affected by drought) was established by Board of Governors' Resolution 20-74 to assist African countries affected by unpredictable disasters. The purpose of this fund was subsequently expanded in 1991 to include the provision of assistance, on a grant basis, to research institutions whose research objectives in specified fields are likely to facilitate the Bank's objective of meeting the needs of regional member countries in those fields. The resources of this Fund consist of contributions by the Bank, the ADF and various member states.

The summary statement of the resources and assets of the Special Relief Fund (for African countries affected by drought) as at December 31, 2007 and 2006 follows:

(UA thousands)	**2007**	2006
Fund balance	62,448	62,448
Funds generated	3,876	3,808
Funds allocated to SDA	1	1
Less: Relief disbursed	(48,931)	(46,996)
	17,394	**19,261**
Represented by:		
Due from bank	799	757
Investments	16,550	18,466
Interest receivable	45	38
	17,394	**19,261**

At December 31, 2007, a total of UA 3.86 million (2006: UA 4.67 million) had been committed but not yet disbursed under the Special Relief Fund.

NOTE V-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, 2007, a total of US$ 13.45 million (2006: 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, 2007 and 2006 are summarized below:

(UA thousands)		2007	2006
i)	**Mamoun Beheiry Fund**		
	Contribution	152	152
	Income from investments	242	233
		394	385
	Less: Prize awarded	(30)	(30)
	Gift	(25)	(25)
		339	330
	Represented by:		
	Short-term deposits	316	310
	Due from banks	17	17
	Accrued interest	6	3
		339	330
ii)	**Arab Oil Fund (contribution of Algeria)**		
	Net contribution	632	665
	Represented by:		
	Loans disbursed net of repayments	632	665
iii)	**Special Emergency Assistance Fund for Drought and Famine in Africa**		
	Contributions	19,923	20,927
	Funds generated	5,290	5,331
		25,213	26,258
	Relief granted	(20,940)	(21,995)
		4,273	4,263
	Represented by:		
	Due from banks	71	68
	Investments	4,193	4,193
	Accrued interest	9	2
		4,273	4,263
	Total Resources & Assets of Trust Funds	**5,244**	**5,258**

NOTE V-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, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Africa Water Facility Fund	19,159	16,359
AMINA	1,389	1,475
AMTA/NAMTA	140	172
Austria	993	906
Belgium	1,100	2,204
Canada	518	278
China	45	229
Denmark	1,472	1,578
Finland	1,648	1,248
France	2,957	2,907
ICA-Infrastructure Consortium for Africa	222	-
ICP -Africa	894	221
India	668	945
Italy	16,030	4,694
Japan (FAPA)	13,376	6,921
Korea	792	1,068
Multi-donor Water Partnership Program	2,305	1,828
Nepad Infrastructure	4,745	2,596
Nordic	1,086	1,108
Norway	756	1,000
The Netherlands	1,877	2,398
The Nigeria Technical Cooperation Fund	16,862	16,980
The United Kingdom	1,123	1,322
RWSSI	47,848	21,145
Spain	392	354
Sweden	669	988
Switzerland	280	272
Others	250	158
Total	**139,596**	**91,354**

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Temporary Relocation Agency
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Independent Auditors' Report to the Board of Governors of the African Development Bank
Year ended 31 December 2007

We have audited the accompanying financial statements of the African Development Bank ("the Bank") which comprise the balance sheet as at 31 December 2007 and the income statement, the statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to V.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Article 32(d) of the Agreement establishing the Bank. This report is made solely to the Bank's Board of Governors, as a body, in accordance with Article 32(d) of the Agreement Establishing the Bank. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements,

African Development Bank
Independent Auditors' Report to the Board of Governors of the African Development Bank

whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note C which highlights the effect of new and revised international financial reporting standards. For the years ended 31 December 2005 and 2006 the independent auditor issued a qualified opinion for the financial statements because International Financial Reporting Standard IAS 32, "Financial Instruments: Disclosure and Presentation", required that the Bank's, member countries' capital subscriptions be reclassified in the Bank's financial statements as financial liabilities instead of equity.

On 14 February 2008 the International Accounting Standards Board (IASB), issued amendments to IAS1 and IAS32. The Bank's member countries' capital subscriptions are puttable financial instruments that meet the requirements for equity classification under the amended standards. Prior to the amendments, the Bank also classified these financial instruments as equity. The amendments were issued after the balance sheet date, but before the approval of the financial statements. The Bank has opted to early adopt the amended standards which had no effects on the Bank's financial statements.

Paris La Défense, 2nd April 2008

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2008

(UA thousands)

Description	
Personnel Expenses	
Salaries	83,961
Benefits	54,784
Other Employee Expenses	9,179
Short Term and Technical Assistance Staff	1,063
Consultants	16,169
Staff Training	3,523
	168,679
General Expenses	
Official Missions	15,970
Accommodation	9,765
Equipment Rental, Repairs and Maintenance	5,218
Communication Expenses	6,085
Printing, Publishing & Reproduction	1,486
Office Supplies and Stationery	636
Library	719
Other Institutional Expenses	10,658
	50,537
Total Administrative Expenses	219,216
Depreciation	5,200
Total	224,416
Less: Management Fees	(158,160)
Net Administrative Budget	**66,256**

Operational Risk

The Bank defines operational risks to include all aspects of risk-related exposure other than those falling within the scope of credit, market and liquidity risks including specifically the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and reputational risk.

Like all financial institutions, the Bank is also exposed to controls and operational risks arising from its systems, functions and interdependencies among its departments, which could impact broadly its activities with a possible consequence of operational losses. There are also many interdependencies among risk factors that may result in an operational risk loss.

In the past, the Bank Group has relied almost exclusively upon internal controls within departments, although not necessarily identified as managing operational risk, for its internal controls and operational risk management. The evolving best practice is for specific structures and methods to be dedicated for managing and coordinating operational risks. Following approval by the Board of Directors in 2004, the Bank established an Internal Control Unit (ICU) to develop assessments and measure areas of operational risk in the Bank in line with the evolving best practices. The Bank also adopted and commenced in 2005, the implementation of the COSO control framework to regularly evaluate the effectiveness of its internal controls in all significant business operations.

The implementation of Operational Risk Management is being done in phases: the first phase focused on the documentation and testing of controls around financial reporting. Management attestation on the adequacy of internal controls was published in the annual reports for the first time in 2006. Phase two of the implementation commenced in 2007 and is extending the COSO framework to other areas of operational risk management.

There are other initiatives or activities in the other areas of the Bank Group that are complementing the work on operational risk management and controls including:

- Review of Code of Conduct and Staff Rules
- Fraud and Investigation Unit
- Whistleblower Protection Policy
- Document Retention Policy
- Business Continuity Planning and Preparedness

Effects of Recent Developments in the Financial Markets

As a result of its prudent risk management policies and practices, the impact on the Bank of the recent turbulence in the world financial markets related in large part to losses on sub-prime mortgage loans and related derivatives have been insignificant. With regard to the funding activities, there has been no adverse effect on the Bank's ability to borrow at very attractive rates, consistent with the Bank's solid financial position as evidenced by the continued uniform top rating by all the major rating agencies. Consequently, the Bank continues to be well placed to play its intermediation role in support of the development financing needs of its member countries. With regard to investing activities, the Bank's investment guidelines and practices have helped to ensure a very limited exposure to financial instruments backed by sub-prime mortgages and other risky asset classes. At December 31, 2007, the Bank held an asset-backed commercial paper issued by a SIV-lite with exposure to sub-prime mortgages. This investment amounted to USD 50 million or UA 31.64 million, representing 0.26% of the Bank's total assets or 0.67% of total equity. The estimated loss to the Bank on such asset-backed commercial paper has been provided for in these financial statements.

NOTE E – FINANCIAL ASSETS AND LIABILITIES

The tables below set out the Bank's classification of each class of financial assets and liabilities, and their respective fair values:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

December 31, 2007	Financial Assets and Liabilities through Profit or Loss		Held-to-Maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
	Held-for-Trading	Designated at Fair Value						
Cash	-	-	-	-	-	95,528	95,528	95,528
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	2,659,994	-	2,643,546	-	-	-	5,303,540	5,296,591
Derivative assets	425,338	-	-	-	-	-	425,338	425,338
Non-negotiable instruments on account of capital	-	-	-	-	-	15,385	15,385	15,385
Accounts receivable	-	-	-	-	595,875	-	595,875	595,875
Loans	-	-	-	-	5,344,073	-	5,344,073	5,637,708
Equity participations	-	-	-	189,248	-	-	189,248	189,248
Other debt securities	-	-	-	94,622	-	-	94,622	94,622
Total financial assets	**3,085,332**	**-**	**2,643,546**	**283,870**	**5,939,948**	**114,714**	**12,067,410**	**12,354,096**
Accounts payable	-	-	-	-	-	584,339	584,339	584,339
Securities sold under agreements to repurchase and payable for cash collateral received	-	-	-	-	-	-	-	-
Derivative liabilities	591,047	-	-	-	-	-	591,047	591,047
Borrowings	-	5,226,279	-	-	-	972,594	6,198,874	6,396,478
Total financial liabilities	**591,047**	**5,226,279**	**-**	**-**	**-**	**1,556,933**	**7,374,259**	**7,571,864**

(UA thousands)

December 31, 2006	Financial Assets and Liabilities through Profit or Loss		Held-to-maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
	Held-for-Trading	Designated at Fair Value						
Cash	-	-	-	-	-	129,329	129,329	129,329
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	3,451,886	-	2,641,475	-	-	-	6,093,361	6,085,626
Derivative assets	273,310	-	-	-	-	-	273,310	273,310
Non-negotiable instruments on account of capital	-	-	-	-	-	20,383	20,383	20,383
Accounts receivable	-	-	-	-	600,972	-	600,972	600,972
Loans	-	-	-	-	5,076,771	-	5,076,771	5,354,861
Equity participations	-	-	-	119,119	-	-	119,119	119,119
Other debt securities	-	-	-	-	-	-	-	-
Total financial assets	**3,725,196**	**-**	**2,641,475**	**119,119**	**5,677,743**	**153,513**	**12,317,046**	**12,587,401**
Accounts payable	-	-	-	-	-	648,960	648,960	648,960
Securities sold under agreements to repurchase and payable for cash collateral received	877,833	-	-	-	-	-	877,833	877,833
Derivative liabilities	481,937	-	-	-	-	-	481,937	481,937
Borrowings	-	4,823,648	-	-	-	1,046,821	5,870,469	6,058,453
Total financial liabilities	**1,359,770**	**4,823,648**	**-**	**-**	**-**	**1,695,781**	**7,879,199**	**8,067,183**

NOTE F – TREASURY INVESTMENTS

As part of its overall portfolio management strategy, the Bank invests in government and agency obligations, time deposits, asset-backed securities, secured lending transactions, resale agreements and related derivative instruments including futures, forward contracts, cross-currency swaps, interest rate swaps, options and short sales.

For government and agency obligations with final maturity longer than 1 year and less than 15 years, the Bank may only invest in obligations with counterparties having a minimum credit rating of AA- or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Bank may only invest in securities with a AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum credit rating of A. Over-the-counter (OTC) options on government securities and interest rate products are purchased only if the life of the option contract does not exceed 1 year, and such transactions are only executed with counterparties with credit ratings of AA- or above. Cross-currency and interest rate swaps including asset swap transactions are only permitted with approved counterparties or guaranteed by entities with minimum credit ratings of AA-/Aa3 at the time of the transaction.

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, 2007, investments under external management were UA 154.85 million (2006: UA 120.39 million). These amounts were included in the held-for-trading portfolio below.

At December 31, 2007, the Bank had no securities sold under repurchase agreements (Repos). At December 31, 2006, Repos with a nominal value of UA 877.83 million and a market value including accrued interest of UA 879.41 million were outstanding on the balance sheet date. Securities pledged as collateral outstanding at December 31, 2006 had a carrying value of UA 757.49 million. The nominal value of securities sold under repurchase agreements, but not yet settled and therefore not requiring collateral to be pledged at December 31, 2006 was UA 117.64 million. These securities included held-for-trading and held-to-maturity instruments and were reported in their respective captions below.

The composition of treasury investments as at December 31, 2007 and 2006 was as follows:

(UA thousands)	**2007**	2006
Held-for-trading	2,659,994	3,451,886
Held-to-maturity	2,643,546	2,641,475
Total	**5,303,540**	**6,093,361**

Held-for-Trading Investments

A summary of the Bank's held-for-trading investments at December 31, 2007 and 2006 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Time deposits	444.23	535.08	246.69	43.62	20.26	464.70	215.22	168.58	926.40	1,211.98
Asset-backed securities	158.17	509.56	134.35	355.32	-	-	-	-	292.52	864.88
Government and agency obligations	41.24	-	-	17.99	-	-	-	9.04	41.24	27.03
Corporate bonds and commercial paper	964.24	784.16	411.22	519.21	-	-	24.37	44.63	1,399.83	1,348.00
Total held-for-trading investments	**1,607.88**	**1,828.80**	**792.26**	**936.14**	**20.26**	**464.70**	**239.59**	**222.25**	**2,659.99**	**3,451.89**
Repos	-	**(284.48)**	-	**(110.06)**	-	**(454.48)**	-	**(28.81)**	-	**(877.83)**

The nominal balance of the Bank's held-for-trading investments as at December 31, 2007 was UA 2,650.03 million (2006: UA 3,449.01 million). The average yield of held-for-trading investments in 2007 was 4.54% (2006: 4.28%).

The contractual maturity structure of held-for-trading investments as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	1,260.08	1,588.07
More than one year but less than two years	576.19	272.92
More than two years but less than three years	349.37	584.19
More than three years but less than four years	106.07	331.13
More than four years but less than five years	16.59	66.36
More than five years	351.69	609.22
Total	**2,659.99**	**3,451.89**

The maturity structure of repos as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	-	**(877.83)**

Held-to-Maturity Investments

A summary of the Bank's held-to-maturity investments at December 31, 2007 and 2006 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Time deposits	3.71	14.74	-	-	-	65.33	20.41	-	24.12	80.07
Asset-backed securities	181.11	156.67	31.91	10.34	-	-	-	-	213.02	167.01
Government and agency obligations	329.85	484.56	120.28	188.33	82.09	225.24	96.96	126.29	629.18	1,024.42
Corporate bonds and others	673.41	503.41	572.49	508.52	424.91	268.23	106.42	89.82	1,777.23	1,369.98
Total held-to-maturity investments	**1,188.08**	**1,159.38**	**724.68**	**707.19**	**507.00**	**558.80**	**223.79**	**216.11**	**2,643.55**	**2,641.48**

The nominal balance of the Bank's held-to-maturity investments as at December 31, 2007, was UA 2,661.08 million (2006: UA 2,639.68 million). The average yield of held-to-maturity investments in 2007 was 4.21% (2006: 4.16%).

The contractual maturity structure of held-to-maturity investments as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007	2006
One year or less	274.05	313.15
More than one year but less than two years	380.01	238.22
More than two years but less than three years	363.48	340.64
More than three years but less than four years	458.56	368.94
More than four years but less than five years	303.80	380.37
More than five years	863.65	1,000.16
Total	**2,643.55**	**2,641.48**

The fair value of held-to-maturity investments at December 31, 2007 was UA 2,636.60 million (2006: UA 2,633.74 million).

NOTE G – DERIVATIVE ASSETS AND LIABILITIES

The fair values of derivative financial assets and financial liabilities at December 31, 2007 and 2006 were as follows:

	2007		2006	
(UA thousands)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Borrowings-related:				
Cross-currency swaps	318,039	560,594	198,550	394,460
Interest rate swaps	74,365	16,697	49,960	54,080
Loan swaps	23,635	10,546	23,203	24,834
Embedded derivatives	302	962	319	1,189
	416,341	588,799	272,032	474,563
Investments-related:				
Asset swaps	42	2,233	1,071	775
Macro-hedge swaps	8,955	15	207	6,599
	8,997	2,248	1,278	7,374
Total	**425,338**	**591,047**	**273,310**	**481,937**

The notional amounts of derivative financial assets and financial liabilities at December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Borrowings-related:		
Cross-currency swaps	4,403,494	4,139,026
Interest rate swaps	3,542,754	3,772,252
Loan swaps	952,633	880,152
Embedded derivatives	18,339	18,441
	8,917,220	8,809,871
Investments-related:		
Asset swaps	108,456	126,176
Macro-hedge swaps	228,911	289,817
	337,367	415,993
Total	**9,254,587**	**9,225,864**

Loan Swaps

The Bank has entered into interest rate swaps to effectively convert fixed rate income on loans in certain currencies into variable rate income.

Administrative Expenses Hedge

To insulate the Bank from possible significant increases in administrative expenses that could arise from an appreciation of the principal currencies of administrative expenditure i.e. EUR, GBP and USD vis-à-vis the UA, the Bank executed forward exchange transactions to economically hedge its administrative expenses. As at December 31, 2007 and 2006, there were no open positions with respect to the forward exchange transactions.

NOTE H – NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL

Prior to May 1981, all payments in respect of paid-up capital had been made in convertible currencies. However, for the capital increases authorized in May 1979 (but effective December 1982) and May 1981, regional members had the following two options for making their payments:

1) Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in local currency; or
2) Five (5) equal annual installments, of which 20 percent is payable in convertible currency and 80 percent in non-negotiable, non-interest bearing notes. Such notes are redeemable by the Bank solely in convertible currency in installments commencing on the fifth anniversary of the first subscription payment date.

Non-regional members were required to make their payments solely in convertible currencies.

The paid-up portion of subscriptions, authorized in accordance with Board of Governors' Resolution B/BG/87/11 relating to the Fourth General Capital Increase (GCI-IV), is to be paid as follows:

1) **Regional Members** – 50 percent in five (5) equal annual installments in cash in freely convertible currency or freely convertible currencies selected by the member state, and 50 percent by the deposit of five non-negotiable, non-interest bearing notes of equal value denominated in Units of Account. Such notes are redeemable by the Bank solely in convertible currency in five (5) equal annual installments commencing on the fifth anniversary of the first subscription payment date.
2) **Non-Regional members** – five (5) equal annual installments in their national currencies, where such currencies are freely convertible or in notes denominated in freely convertible currencies encashable on demand.

Under the Fifth General Capital Increase (GCI-V), there is no distinction in payment arrangements between regional and non-regional members. Each member is required to pay for the paid-up portion of its subscribed shares in eight (8) equal and consecutive annual installments. The first installments shall be paid in cash and in a freely convertible currency. The second to the eighth installments shall be paid in cash or notes encashable on demand in a freely convertible currency.

At December 31, 2007 and 2006, the non-negotiable notes balances were as follows:

(UA thousands)	2007	2006
Balance at January 1	20,383	25,897
Net movement for the year	(4,998)	(5,514)
Balance at December 31	**15,385**	**20,383**

NOTE I – LOANS

The Bank's loan portfolio comprises loans granted to, or guaranteed by borrowing member countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programs, and are not intended for sale. Furthermore, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

The types of loans currently held by the Bank and the rates charged are described below:

Multi-Currency Fixed Rate Loans: For all loans negotiated prior to July 1, 1990, the Bank charges interest at fixed rates.

Multi-Currency Variable Rate Loans: Between July 1, 1990 and September 30, 1997, the Bank offered variable rate loans to its borrowers. The variable interest rate is reset twice a year and is based on the Bank's own cost of qualified borrowing plus 50 basis points, resulting in a pass-through of average borrowing costs to borrowers.

Conversion of Multi-Currency Pool-Based Variable Rate Loans: Borrowers were offered the choice to convert the disbursed and undisbursed amounts of their multi-currency pool-based variable rate to single currency variable terms or retain the terms of their existing multi-currency pool-based variable rate loans. The conversion dates were October 1, 1997 and March 1, 1998. The other terms and conditions of converted loans remained the same as in the original loan agreements. Since October 1, 1997, the Bank has provided several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely, the chosen base rate plus a lending margin.

Single Currency Variable Rate Loans: Since October 1, 1997, the Bank has offered single currency variable rate loans. The variable base rate is the average cost of funding a designated pool of borrowings in each currency and is adjusted semi-annually on January 1 and July 1.

Single Currency Floating Rate Loans: Since October 1, 1997, the Bank has offered LIBOR-based single currency floating rate loans. The floating base rate is determined for each currency and reset frequency is based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6)-month reference rate (USD LIBOR, JPY LIBOR, EURIBOR and JIBAR) which is reset semi-annually on February 1 and August 1 and is applicable for the six-month period following the reset date.

Single Currency Fixed Rate Loans: Fixed rate loans were reintroduced with effect from October 1997 in the form of single currency fixed rate loans. The fixed rate is computed as the inter-bank swap market rate corresponding to the principal amortization schedule.

Lending Margin: The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin determined by the Bank is independent of the base rate chosen, and remains unchanged throughout the life of the loan. The lending margin for sovereign guaranteed loans is fixed at 40 to 50 basis points. For non-sovereign guaranteed loans, the lending margin is based on the Bank's assessment of the risks inherent in each project.

At December 31, 2007 and 2006, outstanding loans were as follows:

(UA thousands)	**2007**	2006
Disbursed and outstanding loans	5,540,089	5,290,951
Less: accumulated provision for impairment	(196,016)	(214,180)
Balance at December 31	**5,344,073**	**5,076,771**

Fair Value of Loans

At December 31, 2007 and 2006, the carrying and estimated fair values of loans were as follows:

(UA thousands)	2007		2006	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Fixed rate loans	2,889,112	3,176,494	2,701,177	2,948,806
Floating rate loans	1,764,346	1,708,687	1,389,586	1,342,702
Variable rate loans	886,631	752,527	1,200,188	1,063,353
	5,540,089	5,637,708	5,290,951	5,354,861
Accumulated provision for impairment	(196,016)	-	(214,180)	-
Net loans	**5,344,073**	**5,637,708**	**5,076,771**	**5,354,861**

Maturity and Currency Composition of Outstanding Loans

The contractual maturity structure of loans as at December 31, 2007 and 2006 was as follows:

(UA millions)	2007				2006
Periods	**Fixed Rate**	**Floating Rate**	**Variable Rate**	**Total**	**Total**
One year or less	392.92	171.89	360.98	925.79	929.31
More than one year but less than two years	180.83	157.86	139.71	478.40	502.71
More than two years but less than three years	171.59	163.38	134.32	469.29	474.86
More than three years but less than four years	171.75	143.92	116.05	431.72	448.34
More than four years but less than five years	181.59	147.55	63.74	392.88	415.63
More than five years	1,790.43	979.75	71.83	2,842.01	2,520.10
Total	**2,889.11**	**1,764.35**	**886.63**	**5,540.09**	**5,290.95**

Borrowers may repay loans before their contractual maturity, subject to the terms specified in the loan agreements.

The currency composition and types of loans as at December 31, 2007 and 2006 were as follows:

(Amounts in UA millions)			2007		2006	
			Amount	**%**	**Amount**	**%**
Fixed Rate:	Multi-Currency	Euro	155.83		100.93	
		Japanese Yen	381.32		143.72	
		Pound Sterling	3.09		0.67	
		Swiss Franc	156.38		36.17	
		US Dollar	320.96		192.83	
		Others	0.96		1.54	
			1,018.54	18.38	475.86	8.99
	Single Currency	Euro	1,690.28		1,433.01	
		Japanese Yen	12.67		311.34	
		Pound Sterling	-		2.55	
		South African Rand	69.30		54.35	
		Swiss Franc	-		129.72	
		US Dollar	98.32		294.00	
		Others	-		0.33	
			1,870.57	33.76	2,225.30	42.07
Floating Rate:	Single Currency	Euro	517.34		457.46	
		Japanese Yen	12.27		11.26	
		South African Rand	137.48		153.30	
		US Dollar	1,097.26		767.57	
			1,764.35	31.85	1,389.59	26.26
Variable Rate:	Multi-Currency	Euro	175.58		190.88	
		Japanese Yen	33.99		42.22	
		Swiss Franc	0.95		1.15	
		US Dollar	158.17		181.88	
		Others	0.18		0.24	
			368.87	6.66	416.37	7.87
	Single Currency	Euro	214.67		336.53	
		Japanese Yen	111.92		132.19	
		Swiss Franc	16.22		17.16	
		US Dollar	174.92		297.91	
		Others	0.03		0.04	
			517.76	9.35	783.83	14.81
Total			**5,540.09**	**100.00**	**5,290.95**	**100.00**

The weighted-average yield on outstanding loans for the year ended December 31, 2007 was 6.21% (2006: 6.20%).

A comparative summary of the currency composition of loans at December 31, 2007 and 2006 follows:

(Amounts in UA millions)	2007		2006	
	Amount	**%**	Amount	%
Euro	2,753.69	49.70	2,518.81	47.61
Japanese Yen	552.17	9.97	640.72	12.11
Pound Sterling	3.09	0.06	3.22	0.06
South African Rand	206.78	3.73	207.65	3.92
Swiss Franc	173.55	3.13	184.20	3.48
US Dollar	1,849.64	33.39	1,734.19	32.78
Others	1.17	0.02	2.16	0.04
Total	**5,540.09**	**100.00**	**5,290.95**	**100.00**

Accrued Income and Charges Receivables on Loans

The accrued income and charges receivable on loans as at December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Accrued income and charges receivable on loans	435,850	455,523
Less: accumulated provision for impairment	(168,701)	(222,588)
Balance at December 31	**267,149**	**232,935**

Provision for Impairment on Loan Principal and Charges Receivable

At December 31, 2007, loans with an aggregate principal balance of UA 603.44 million (2006: UA 670.11 million), of which UA 418.22 million (2006: UA 418.59 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, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Outstanding balance on impaired loans	603,437	670,111
Less: accumulated provision for impairment	(196,016)	(214,180)
Net balance on impaired loans	**407,421**	**455,931**
Charges receivable and accrued income on impaired loans	261,895	330,103
Less: accumulated provision for impairment	(168,701)	(222,588)
Net charges receivable and accrued income on impaired loans	**93,194**	**107,515**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Balance at January 1	214,180	194,613
Provision for impairment on loan principal for the year	(17,453)	22,566
Translation effects	(711)	(2,999)
Balance at December 31	**196,016**	**214,180**

Provision for loan impairment included those relating to private sector loans. During the year ended December 31, 2007, a write-back of provision on private sector loans of UA 2.66 million (2006: charge of UA 0.13 million) were made. The accumulated provisions on private sector loans at December 31, 2007 amounted to UA 12.13 million (2006: UA 15.40 million).

The movements in the accumulated provision for impairment on loan interest and charges receivable for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Balance at January 1	222,588	197,764
Provision for impairment on loan interest and charges for the year	(52,503)	29,120
Translation effects	(1,384)	(4,296)
Balance at December 31	**168,701**	**222,588**

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, 2007, irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans amounted to UA 1.27 million (2006: UA 8.09 million).

Also, the Bank may provide guarantees for securities issued by an entity eligible for the Bank's loans. Guarantees are regarded as outstanding when the borrower incurs the underlying financial obligation and are called when a guaranteed party demands payment under the guarantee. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. At December 31, 2007 and 2006, the Bank had no outstanding guarantee to any entity.

NOTE J – EQUITY PARTICIPATIONS

Investment in Associate: ADF

The ADF was established in 1972 as an international institution to assist the Bank in contributing to the economic and social development of African countries, to promote co-operation and increased international trade particularly among the African countries, and to provide financing on highly concessional terms for such purposes. The Fund's original subscriptions were provided by the Bank and the original State Participants to the ADF Agreement, and State Participants acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of Special General Increases and General Replenishments.

The ADF has a 12-member Board of Directors, made up of 6 members selected by the African Development Bank and 6 members selected by State Participants. The Fund's Board of Directors reports to the Board of Governors made up of representatives of the State Participants and the ADB. The President of the Bank is the ex-officio President of the Fund.

To carry out its functions, the Fund utilizes the offices, staff, organization, services and facilities of the Bank, for which it pays a share of the administrative expenses. The share of administrative expenses paid by the Fund to the Bank is calculated annually on the basis of a cost-sharing formula, approved by the Board of Directors, which is driven in large part by the number of programs and projects executed during the year. Based on the cost-sharing formula, the share of administrative expenses incurred by ADF for the year ended December 31, 2007 amounted to UA 135.85 million (2006: UA 114.56 million), representing 73.06 percent (2006: 71.39 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, 2007, the Bank's pro-rata or economic share in ADF was 0.86% (2006: 0.93%).

As a result of the implementation in 2006 of the Multilateral Debt Relief Initiative described in note V-2, the net asset value of ADF which is the basis for determining the value of the Banks investment in the Fund continue to decline resulting in impairment loss on the Bank's investment. The net assets of ADF is made up of its net development resources less outstanding demand obligations plus disbursed and outstanding loans excluding balances due from countries that have reached their HIPC completion points and are therefore due for MDRI loan cancellation at the balance sheet date.

Other Equity Participations

The Bank may take equity positions in privately owned productive enterprises and financial intermediaries, public sector companies that are in the process of being privatized or regional and sub-regional institutions. The Bank's objective in such equity investments is to promote the economic development of its regional member countries and in particular the development of their private sectors. The Bank's equity participation is also intended to promote efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flow of domestic and external resources to financially viable projects, which also have significant economic merit.

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 at the end of 2007 and 2006 are summarized below:

(Amounts in UA thousands)

Institutions	Year Established	% Shareholding	Callable Capital	Carrying Value 2007	Carrying Value 2006
African Development Fund	1972	0.86	-	111,741	111,741
Accumulated share of loss & impairment on January 1				(48,743)	(14,377)
Share of profit for the year				479	379
Impairment for the year				360	(34,745)
				63,837	62,998
Regional Development Banks (Carried at Cost)					
Afreximbank	1993	6.70	9,492	6,328	6,647
BDEAC	1975	3.19	2,556	1,704	1,601
BDEGL	1980	-	-	1,946	1,946
BOAD	1973	0.31	2,130	710	667
East African Development Bank	1967	11.30	-	4,272	5,000
PTA Bank	1985	5.76	8,606	4,303	5,000
			22,784	19,263	20,861
Other Development Institutions (Carried at Cost)					
Africa - Re	1977	8.00	-	5,512	5,790
K-REP Bank Limited	1997	15.14	-	714	718
National Development Bank of Sierra Leone *		-	-	-	-
Shelter Afrique	1982	10.00	-	3,164	3,323
Zimbabwe Development Bank	1984	-	-	8	9
			-	9,398	9,840
Investment Funds (Carried at Fair value)**					
Acacia Fund Limited	1996	10.40	-	733	808
Access Bank Tanzania Limited	2007	15.80	-	525	-
AIG Africa Infrastructure Fund	1999	12.27	462	11,140	14,405
EMP Africa Fund II LLC	2005	13.06	13,385	23,280	5,979
Indian Ocean Regional Fund Limited	1999	16.83	-	79	92
Pan African Infrastructure Development Fund	2007	8.00	31,170	5	-
South Africa Infrastructure Fund	1996	14.10	-	17,518	7,049
United Bank for Africa	1961	1.57	-	45,661	-
Zambia Venture Capital Fund	1996	16.11	-	144	592
			45,017	99,085	28,925
Total			67,801	191,583	122,624
Less: Accumulated provision for impairment			-	(2,335)	(3,505)
Net			**67,801**	**189,248**	**119,119**

* *Amounts fully disbursed, but the value is less than UA 100, at the applicable exchange rates.*

** *The cost of equity investment carried at fair value at December 31, 2007 amounted to UA 74.16 million (2006: UA 29.37 million).*

An analysis of the movement in accumulated provision for impairment on equity participations other than ADF was as follows:

(UA thousands)	2007	2006
Balance at January 1	3,505	3,496
Provision for the year	(417)	-
Translation adjustment	(753)	9
Balance at December 31	**2,335**	**3,505**

NOTE K – OTHER DEBT SECURITIES

The Bank may invest in certain debt instruments issued by entities in its Regional Member Countries (RMC) for the purpose of financing development projects and programs. Such investments are classified as available-for-sale.

The fair value of "Other debt securities" at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Investment in debt instruments issued in RMC	**94,622**	-

The nominal value of the securities outstanding as at December 31, 2007, was UA 92.92 million.

NOTE L – PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2007	**Land**	**Building and Improvements**	**Furniture, Fixtures & Fittings**	**Equipment & Motor Vehicles**	**Total Property & Equipment**	**Computer Software**	**Property, Equipment & Intangible Assets**
Cost:							
Balance at January 1	141	22,779	7,256	38,575	**68,751**	17,982	**86,733**
Additions during the year	-	64	1,783	2,769	**4,616**	887	**5,503**
Disposals during the year	-	-	(41)	(1,822)	**(1,863)**	-	**(1,863)**
Balance at December 31	141	22,843	8,998	39,522	**71,504**	18,869	**90,373**
Accumulated Depreciation:							
Balance at January 1	-	21,284	4,927	30,302	**56,513**	15,979	**72,492**
Depreciation during the year	-	102	1,187	2,887	**4,176**	1,199	**5,375**
Disposals during the year	-	-	(41)	(1,815)	**(1,856)**	-	**(1,856)**
Balance at December 31	-	21,386	6,073	31,374	**58,833**	17,178	**76,011**
Net Book Values: December 31, 2007	**141**	**1,457**	**2,925**	**8,148**	**12,671**	**1,691**	**14,362**

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2006	**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	7,337	36,703	**66,933**	16,517	**83,450**
Additions during the year	-	27	656	1,990	**2,673**	1,465	**4,138**
Disposals during the year	-	-	(737)	(118)	**(855)**	-	**(855)**
Balance at December 31	141	22,779	7,256	38,575	**68,751**	17,982	**86,733**
Accumulated Depreciation:							
Balance at January 1	-	21,182	4,678	26,579	**52,439**	14,660	**67,099**
Depreciation during the year	-	102	982	3,830	**4,914**	1,319	**6,233**
Disposals during the year	-	-	(733)	(107)	**(840)**	-	**(840)**
Balance at December 31	-	21,284	4,927	30,302	**56,513**	15,979	**72,492**
Net Book Values: December 31, 2006	**141**	**1,495**	**2,329**	**8,273**	**12,238**	**2,003**	**14,241**

Under the Headquarters' Agreement with the host country, the Bank's owned buildings in the host country are intended to be used for the purposes of the business of the Bank Group only. The rights on the lands and buildings therefore cannot be transferred to a third party. If the Bank elected to give up the use of the lands and buildings, the properties would have to be surrendered to the host country. At December 31, 2007, the book value of such assets is not significant.

NOTE M – BORROWINGS

It is the Bank's policy to limit senior borrowing and guarantees chargeable to the Bank's ordinary capital resources to 80 percent of the callable capital of its non-borrowing members and also to limit the total borrowing represented by both senior and subordinated debt to 80 percent of the total callable capital of all its member countries. At December 31, 2007, total borrowings amounted to UA 6,198.87 million (2006: UA 5,870.47 million) comprising senior debt and subordinated debt amounting to UA 5,530.59 million (2006: UA 5,178.74 million) and UA 668.28 million (2006: UA 691.73 million), respectively. As of the same date, the ratio of senior debt to the non-borrowing members' callable capital of UA 8,503.17 million (2006: UA 8,533.51 million) was 65.04 percent (2006: 60.69 percent). Also at December 31, 2007, the ratio of total outstanding borrowings to the total callable capital of UA 19,341.63 million (2006: UA 19,436.76 million) was 32.05 percent (2006: 30.20 percent). At December 31, 2007, borrowings with embedded callable options amounted to UA 316.50 million (2006: UA 381.05 million). 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 cross-currency swap agreements with major international banks through which proceeds from borrowings are converted into a different currency and include a forward exchange contract providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice-versa.

A summary of the Bank's borrowings portfolio at December 31, 2007 and 2006 was as follows:

Borrowings and Swaps at December 31, 2007:

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements[a]			Interest Rate Swaps		
Currency	Rate Type	Carried at Fair Value	Carried at Amortized Cost	Wgtd. Avg. Cost[b] (%)	Wgtd. Average Maturity (Years)	Amount Payable/ (Receivable)	Wgtd. Avg. Cost[b] (%)	Average Maturity (Years)	Notional Amount Payable/ (Receivable)	Wgtd. Avg. Cost[b] (%)	Average Maturity (Years)
Euro	Fixed	-	-	-	-	158.97	8.71	11.7	120.84	5.32	1.2
	Adjustable	-	-	-	-	2,524.86	4.50	4.1	-	-	-
		-	-	-	-	(149.05)	4.11	6.2	(120.84)	4.73	1.2
Sterling	Fixed	70.64	-	11.13	2.0	-	-	-	-	-	-
		-	-	-	-	-	-	-	(63.39)	11.13	2.0
	Adjustable	-	-	-	-	25.36	5.94	1.0	63.39	11.80	2.0
		-	-	-	-	(63.39)	11.80	2.0	-	-	-
Japanese Yen	Fixed	642.63	277.86	2.94	6.5	-	-	-	222.29	4.64	0.3
		-	-	-	-	(254.57)	2.25	15.0	(658.85)	2.21	1.4
	Adjustable	563.06	18.34	3.58	6.0	-	-	-	720.53	0.86	1.7
		-	-	-	-	(841.88)	2.68	4.7	(283.97)	1.47	1.3
US Dollars	Fixed	2,186.44	575.86	4.59	4.8	-	-	-	-	-	-
		-	-	-	-	(284.77)	7.57	10.7	(2,032.91)	3.58	2.6
	Adjustable	18.97	-	5.75	0.1	1,559.99	4.94	4.9	1,945.32	5.25	2.4
		-	-	-	-	(1,171.60)	5.13	2.1	(18.98)	5.75	2.4
Others	Fixed	1,744.54	104.67	4.80	3.6	8.65	3.67	2.4	-	-	-
		-	-	-	-	(1,638.24)	2.78	2.8	(363.81)	5.12	2.2
	Adjustable	-	-	-	-	204.27	10.04	4.8	363.81	6.93	2.2
Total	Fixed	4,644.25	958.39	4.47	4.2	167.62	8.45	11.2	343.13	4.88	0.6
		-	-	-	-	(2,177.58)	3.34	5.2	(3,118.96)	3.62	2.3
	Adjustable	582.03	18.34	3.65	5.8	4,314.48	4.93	4.4	3,093.05	4.56	2.2
		-	-	-	-	(2,225.92)	4.33	3.3	(423.79)	2.59	1.3
Principal at face value		5,226.28	976.73	4.39	4.4	78.60	-	-	(106.57)	-	-
Net unamortized premium/(discount)		-	(4.14)	-	-	201.51	-	-	105.75	-	-
		5,226.28	972.59	4.39	4.4	280.11	-	-	(0.82)	-	-
Fair valuation adjustment		-	-	-	-	(37.55)[c]	-	-	(69.28)[c]	-	-
Total		**5,226.28**	**972.59**	**4.39**	**4.4**	**242.56**	**-**	**-**	**(70.10)**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2007 was UA 6,388.81 million and the estimated fair value was UA 6,396.48 million.

a. Currency swap agreements include cross-currency interest rate swaps.

b. The average repricing period of the net currency obligations for adjustable rate borrowings was six months. The rates indicated are those prevailing at December 31, 2007.

c. These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2006:

(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	-	-	-	-	149.39	8.71	12.9	205.13	5.16	1.4
	Adjustable	66.59	-	3.79	0.3	2,453.29	3.48	4.6	66.73	3.13	0.3
		-	-	-	-	(182.48)	3.09	5.7	(271.86)	3.36	1.1
Sterling	Fixed	75.41	-	11.13	3.1	-	-	-	-	-	-
		-	-	-	-	-	-	-	(65.24)	11.13	3.1
	Adjustable	-	-	-	-	26.10	4.68	2.6	65.24	10.48	3.1
		-	-	-	-	(65.24)	10.48	3.1	-	-	-
Japanese Yen	Fixed	755.65	355.69	3.23	4.7	-	-	-	223.53	4.64	1.3
		-	-	-	-	(289.47)	2.69	6.5	(718.41)	2.29	2.3
	Adjustable	601.10	18.44	4.08	6.5	86.55	0.35	0.8	780.44	0.38	2.6
		-	-	-	-	(1,021.49)	2.49	4.6	(285.56)	1.16	2.3
US Dollars	Fixed	2,226.72	604.89	4.77	7.7	-	-	-	-	-	-
		-	-	-	-	(299.12)	7.57	11.9	(2,135.40)	3.58	3.7
	Adjustable	39.67	6.65	5.21	0.3	1,254.24	5.23	4.1	2,069.99	5.45	3.4
		-	-	-	-	(1,273.79)	5.32	2.8	(46.53)	6.61	0.2
Others	Fixed	1,058.51	66.71	3.77	4.6	8.38	3.67	3.4	-	-	-
		-	-	-	-	(1,007.44)	3.80	5.2	(249.25)	3.47	2.0
	Adjustable	-	-	-	-	194.13	8.08	6.2	249.25	3.87	2.0
Total	Fixed	4,116.29	1,027.29	4.31	5.5	157.77	8.44	12.3	428.66	4.89	1.4
		-	-	-	-	(1,596.03)	4.31	6.7	(3,168.30)	3.43	3.2
	Adjustable	707.36	25.09	4.13	5.5	4,014.31	4.19	4.4	3,231.65	4.16	3.0
		-	-	-	-	(2,543.00)	4.16	3.7	(603.95)	2.57	1.6
Principal at face value		4,823.65	1,052.38	4.29	5.5	33.05	-	-	(111.94)	-	-
Net unamortized premium/(discount)		-	(5.56)	-	-	175.82	-	-	111.10	-	-
		4,823.65	1,046.82	4.29	5.5	208.87	-	-	(0.84)	-	-
Fair valuation adjustment			-	-	-	(12.96)[c]	-	-	7.46[c]	-	-
Total		**4,823.65**	**1,046.82**	**4.29**	**5.5**	**195.91**	**-**	**-**	**6.62**	**-**	**-**

Supplementary disclosure (direct borrowings):

The notional amount of borrowings at December 31, 2006 was UA 6,088.55 million and the estimated fair value was UA 6,058.45 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, 2006.

c. These amounts are included in derivative assets and liabilities on the balance sheet.

Slight differences may occur in totals due to rounding.

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2007 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	1,052.72	231.25	1,283.97
More than one year but less than two years	940.90	1.36	942.26
More than two years but less than three years	1,073.99	8.31	1,082.30
More than three years but less than four years	171.59	-	171.59
More than four years but less than five years	375.82	1.67	377.49
More than five years	1,368.67	-	1,368.67
Total	**4,983.69**	**242.59**	**5,226.28**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	100.87	73.91	174.78
More than one year but less than two years	-	-	-
More than two years but less than three years	-	-	-
More than three years but less than four years	-	-	-
More than four years but less than five years	-	-	-
More than five years	801.95	-	801.95
Sub-total	**902.82**	**73.91**	**976.73**
Net unamortized premium and discount	(4.14)	-	(4.14)
Total	**898.68**	**73.91**	**972.59**

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2006 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	207.34	300.41	507.75
More than one year but less than two years	1,050.54	4.90	1,055.44
More than two years but less than three years	929.55	1.42	930.97
More than three years but less than four years	883.88	-	883.88
More than four years but less than five years	166.73	-	166.73
More than five years	1,278.88	-	1,278.88
Total	**4,516.92**	**306.73**	**4,823.65**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	115.93	74.32	190.25
More than one year but less than two years	29.82	-	29.82
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	832.31	-	832.31
Sub-total	**978.06**	**74.32**	**1,052.38**
Net unamortized premium and discount	(5.56)	-	(5.56)
Total	**972.50**	**74.32**	**1,046.82**

The fair value of borrowings carried at fair value through profit or loss at December 31, 2007 was UA 5,226.28 million (2006: UA 4,823.65 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at December 31, 2007 was UA 5,106.32 million (2006: UA 4,748.81 million). The surrender value of callable borrowings is equivalent to the notional amount plus accrued finance charges.

As per Note P, there was a net gain of UA 21.24 million on fair-valued borrowings and related derivatives for the year ended December 31, 2007 (2006: UA 10.67 million). This included a gain of UA 3.00 million which was attributable to changes in the Bank's credit risk during the year ended December 31, 2007. Fair value changes attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings designated at fair value through profit or loss using the Bank's credit spread versus LIBOR both at the beginning and end of the relevant period.

For borrowings designated at fair value through profit or loss at December 31, 2007, the cumulative unrealized fair value losses to date were UA 119.96 million (2006: losses of UA 74.64 million).

NOTE N – EQUITY

Equity is composed of capital and reserves. These are further detailed as follows:

Capital

Capital includes subscriptions paid-in by member countries and cumulative exchange adjustments on subscriptions (CEAS). The Bank is not exposed to any externally imposed capital requirements.

Subscriptions Paid In

Subscriptions to the capital stock of the Bank are made up of the subscription to the initial capital, a voluntary capital increase and five General Capital Increases (GCI). The Fifth General Capital Increase (GCI-V) was approved by the Board of Governors of the Bank on May 29, 1998 and became effective on September 30, 1999 upon ratification by member states and entry into force of the related amendments to the Agreements establishing the Bank. The GCI-V increased the authorized capital of the Bank by 35 percent from 1.62 million shares to 2.187 million shares with a par value of UA 10,000 per share. The GCI-V shares, a total of 567,000 shares, are divided into paid-up and callable shares in proportion of six percent (6%) paid-up and ninety-four percent (94%) callable. The GCI-V shares were allocated to the regional and non-regional members such that, when fully subscribed, the regional members shall hold 60 percent of the total stock of the Bank and non-regional members shall hold the balance of 40 percent.

Prior to the GCI-V, subscribed capital was divided into paid-up capital and callable capital in the proportion of 1 to 7. With the GCI-V, the authorized capital stock of the Bank consists of 10.81 percent paid-up shares and 89.19 percent callable shares.

The Bank's capital as at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Capital Authorized (in shares of UA 10 000 each)	21,870,000	21,870,000
Less: Unsubscribed	(176,839)	(75,463)
Subscribed Capital	21,693,161	21,794,537
Less: Callable Capital	(19,341,627)	(19,436,756)
Paid-up Capital	2,351,534	2,357,781
Shares to be issued upon payment of future installments	(12,960)	(51,879)
Add: Amounts paid in advance	118	328
	2,338,692	2,306,230
Less: Amounts in arrears	(2,235)	(3,168)
Capital at December 31	**2,336,457**	**2,303,062**

Included in the total unsubscribed shares of UA 176.84 million at December 31, 2007, was an amount of UA 38.83 million representing the balance of the shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia).

Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 41.93 million callable, and UA 5.99 million paid-up shares) were 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 accepted the offer.

Subscriptions by member countries and their voting power at December 31, 2007 were as follows:

(Amounts in UA thousands)

	MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
1	ALGERIA	83,169	3.836	94,089	737,600	83,793	3.786
2	ANGOLA	25,405	1.172	28,837	225,212	26,030	1.176
3	BENIN	4,246	0.196	4,817	37,633	4,870	0.220
4	BOTSWANA	46,633	2.151	52,925	413,405	47,258	2.135
5	BURKINA FASO	9,307	0.429	10,920	82,155	9,932	0.449
6	BURUNDI	5,173	0.239	6,465	45,256	5,798	0.262
7	CAMEROON	22,588	1.042	25,439	200,371	23,143	1.046
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	2,266	0.102
11	COMOROS	483	0.022	588	4,250	1,093	0.049
12	CONGO	9,861	0.455	11,450	87,170	10,266	0.464
13	COTE D'IVOIRE	81,008	3.737	101,260	708,820	81,633	3.689
14	DEMOCRATIC REPUBLIC OF CONGO	22,740	1.049	28,426	198,975	23,365	1.056
15	DJIBOUTI	1,213	0.056	1,517	10,618	1,838	0.083
16	EGYPT	111,829	5.158	126,920	991,370	112,454	5.081
17	EQUATORIAL GUINEA	3,491	0.161	3,930	30,615	3,807	0.172
18	ERITREA	2,003	0.092	2,506	17,522	2,628	0.119
19	ETHIOPIA	34,778	1.604	39,470	308,310	35,403	1.600
20	GABON	27,229	1.256	32,684	238,255	26,765	1.209
21	GAMBIA	3,341	0.154	3,891	29,523	3,966	0.179
22	GHANA	49,593	2.287	54,185	441,752	50,217	2.269
23	GUINEA	8,868	0.409	10,658	78,031	9,494	0.429
24	GUINEA BISSAU	600	0.028	750	5,250	1,225	0.055
25	KENYA	31,707	1.462	35,990	281,080	32,332	1.461
26	LESOTHO	3,324	0.153	3,773	29,470	3,949	0.178
27	LIBERIA	4,230	0.195	5,287	37,017	4,855	0.219
28	LIBYA	79,862	3.684	90,643	707,978	80,487	3.637
29	MADAGASCAR	14,162	0.653	16,070	125,550	14,787	0.668
30	MALAWI	6,472	0.299	8,090	56,630	7,097	0.321
31	MALI	9,535	0.440	10,937	84,411	10,161	0.459
32	MAURITANIA	3,543	0.163	4,015	31,000	3,838	0.173
33	MAURITIUS	14,094	0.650	16,000	124,940	14,719	0.665
34	MOROCCO	72,268	3.333	82,020	640,660	72,893	3.294
35	MOZAMBIQUE	13,767	0.635	15,636	122,038	14,391	0.650
36	NAMIBIA	7,397	0.341	8,400	65,570	8,022	0.362
37	NIGER	5,526	0.255	6,908	48,353	6,151	0.278
38	NIGERIA	193,131	8.908	221,382	1,709,933	193,756	8.755
39	RWANDA	2,965	0.137	3,333	26,310	3,527	0.159
40	SAO TOME & PRINCIPE	1,488	0.069	1,864	13,024	2,114	0.096
41	SENEGAL	22,344	1.031	25,318	198,132	22,459	1.015
42	SEYCHELLES	1,224	0.056	1,501	10,739	1,849	0.084
43	SIERRA LEONE	5,298	0.244	6,623	46,362	5,923	0.268
44	SOMALIA	1,941	0.090	2,427	16,986	2,566	0.116
45	SOUTH AFRICA	98,808	4.558	78,930	909,160	99,433	4.493
46	SUDAN	8,830	0.407	11,036	77,257	9,455	0.427
47	SWAZILAND	7,241	0.334	8,134	64,280	7,715	0.349
48	TANZANIA	17,860	0.824	20,685	157,927	18,486	0.835
49	TOGO	3,451	0.158	4,314	30,201	4,077	0.184
50	TUNISIA	30,492	1.406	34,610	270,310	31,117	1.406
51	UGANDA	11,012	0.508	13,331	96,787	11,637	0.526
52	ZAMBIA	26,960	1.244	31,059	238,554	27,211	1.230
53	ZIMBABWE	45,028	2.077	54,094	396,188	45,653	2.063
Total Regionals		**1,301,802**	**60.046**	**1,469,496**	**11,546,436**	**1,331,799**	**60.180**

Slight differences may occur in totals due to rounding.

(Amounts in UA thousands)

	MEMBER STATES	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
Total Regionals		**1,301,802**	**60.046**	**1,469,496**	**11,546,436**	**1,331,799**	**60.180**
54	ARGENTINA	5,846	0.270	6,108	52,364	6,472	0.292
55	AUSTRIA	9,707	0.448	9,720	87,350	10,332	0.467
56	BELGIUM	13,288	0.613	13,579	119,314	13,914	0.629
57	BRAZIL	9,674	0.446	9,700	87,036	10,299	0.465
58	CANADA	81,648	3.766	81,750	734,730	82,273	3.718
59	CHINA	24,300	1.121	24,330	218,670	24,925	1.126
60	DENMARK	25,168	1.161	25,200	226,480	25,793	1.166
61	FINLAND	10,627	0.490	10,640	95,630	11,252	0.508
62	FRANCE	81,648	3.766	81,750	734,730	82,273	3.718
63	GERMANY	89,631	4.134	89,740	806,570	90,256	4.078
64	INDIA	4,860	0.224	4,870	43,730	5,485	0.248
65	ITALY	52,644	2.428	52,710	473,730	53,269	2.407
66	JAPAN	119,400	5.507	119,550	1,074,450	120,025	5.424
67	KOREA	9,707	0.448	9,720	87,350	10,332	0.467
68	KUWAIT	9,707	0.448	9,720	87,350	10,332	0.467
69	NETHERLANDS	18,555	0.856	17,116	168,450	19,180	0.867
70	NORWAY	25,168	1.161	25,200	226,480	25,793	1.166
71	PORTUGAL	5,205	0.240	5,074	46,980	5,830	0.263
72	SAUDI ARABIA	4,212	0.194	4,220	37,900	4,837	0.219
73	SPAIN	23,034	1.062	21,870	208,470	23,659	1.069
74	SWEDEN	33,592	1.549	33,630	302,290	34,217	1.546
75	SWITZERLAND	31,882	1.471	31,920	286,900	32,507	1.469
76	UNITED KINGDOM	36,554	1.686	36,600	328,940	37,179	1.680
77	UNITED STATES OF AMERICA	140,154	6.465	142,245	1,259,298	140,779	6.361
Total Non-Regionals		**866,210**	**39.954**	**866,961**	**7,795,191**	**881,213**	**39.820**
Grand Total		**2,168,012**	**100.000**	**2,336,457**	**19,341,627**	**2,213,012**	**100.000**

Slight differences may occur in totals due to rounding.

Cumulative Exchange Adjustment on Subscriptions (CEAS)

Prior to the fourth General Capital Increase (GCI-IV), payments on the share capital subscribed by the non-regional member countries were fixed in terms of their national currencies. Under GCI-IV, payments by regional and non-regional members in US dollars were fixed at an exchange rate of 1 UA = US$ 1.20635. As a result of these practices, losses or gains could arise from converting these currencies to UA when received. Such conversion differences are reported in the Cumulative Exchange Adjustment on Subscriptions account.

At December 31, 2007 and 2006, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)	**2007**	2006
Balance at January 1	155,742	151,759
Net conversion losses on subscriptions	4,333	3,983
Balance at December 31	**160,075**	**155,742**

Reserves

Reserves consist of retained earnings and fair value gains on available-for-sale investments.

Retained Earnings

Retained earnings included the net income for the year, after taking into account transfers approved by the Board of Governors, and net expenses recognized directly in equity. Retained earnings as at December 31, 2007 and 2006 were as follows:

(UA thousands)	
Balance at January 1, 2006	2,257,678
Net income for the year	54,832
Net expenses recognized directly in equity	(7,165)
Balance at December 31, 2006	**2,305,345**
Net income for the current year	203,766
Net expenses recognized directly in equity	(10,823)
Balance at December 31, 2007	**2,498,288**

In May 2007, the Board of Governors of the Bank approved the transfer of UA 21.59 million and UA 119.90 million from the income earned for the year ended December 31, 2006 to surplus account and to certain entities for development purposes, respectively. In December 2007, the Board of Governors also approved the transfer of UA 9.49 million from the surplus account to an entity for development purposes. With effect from 2006, Board of Governors' approved transfers to entities for development purposes are reported as expenses in the Income Statement in the year such transfers are approved.

Transfers to entities for development purposes in the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Post Conflict Assistance - DRC	65,070	67,300
African Development Fund (ADF)	13,700	21,300
Heavily Indebted Poor Countries	21,640	10,600
Special Relief Fund	-	15,000
Post Conflict Countries Facility	-	25,000
Middle Income Country Technical Assistance Fund	10,000	-
Investment Climate Facility for Africa	9,492	-
Balance at December 31	**119,902**	**139,200**

Fair Value Gains on Available-for-Sale Investments
At December 31, 2007 and 2006, the fair value gains on available-for-sale investments were as follows:

(UA thousands)	2007	2006
Balance at January 1	136	8,710
Net gain/(loss) for the year	33,374	(8,574)
Balance at December 31	**33,510**	**136**

NOTE O – INCOME FROM LOANS AND INVESTMENTS AND RELATED DERIVATIVES

Income from Loans
Income from loans for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest income on loans not impaired	300,678	284,769
Interest income on impaired loans	36,511	38,687
Commitment charges	3,432	3,848
Statutory commission	1,324	1,723
Total	**341,945**	**329,027**

Income from Investments and Related Derivatives
Income from investments for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest income	238,951	214,989
Realized and unrealized fair value losses	(554)	(1,165)
Total	**238,397**	**213,824**

Total interest income on investment at amortized cost for the year ended December 31, 2007 was UA 123.51 million (2006: UA 106.22 million).

NOTE P – BORROWING EXPENSES

Interest and Amortized Issuance Costs
Interest and amortized issuance costs on borrowings for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Interest cost	264,690	242,477
Amortization of issuance costs	3,333	2,936
Total	**268,023**	**245,413**

Total interest expense for financial liabilities not at fair value through profit or loss for the year ended December 31, 2007 was UA 65.13 million (2006: UA 76.38 million).

Net Interest on Borrowing-Related Derivatives

Net interest on borrowing-related derivatives for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest on derivatives payable	410,714	322,500
Interest on derivatives receivable	(348,008)	(287,363)
Total	**62,706**	**35,137**

Unrealized Gain on Fair-Valued Borrowings and Related Derivatives

Unrealized gain on fair-valued borrowings and related derivatives for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Fair-valued borrowings	(45,315)	48,799
Cross-currency swaps	10,628	(25,780)
Interest rate swaps	55,926	(12,347)
Total	**21,239**	**10,672**

Unrealized Gain on Derivatives on Non-Fair Valued Borrowings and Others

Unrealized net gain on derivative on non-fair valued borrowings and others for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Interest rate swaps	21,876	22,283
Cross-currency swaps	13,958	6,464
Macro hedge swaps	(1,269)	(8,061)
Embedded derivatives	209	381
Total	**34,774**	**21,067**

NOTE Q – ADMINISTRATIVE EXPENSES

Total administrative expenses relate to expenses incurred on behalf of the ADF, the NTF and for the operations of the Bank itself. The ADF and NTF reimburse the Bank for their share of the total administrative expenses, based on an agreed-upon cost-sharing formula, which is driven by certain selected indicators of operational activity for operational expenses and relative balance sheet sizes for non-operational expenses. However, the expenses allocated to the NTF shall not exceed 20 percent of the NTF's gross income.

Administrative expenses comprised the following:

(UA thousands)	2007	2006
Personnel expenses	141,086	123,234
Other general expenses	39,567	31,106
Total	**180,653**	**154,340**
Reimbursable by ADF	(135,848)	(114,561)
Reimbursable by NTF	(2,587)	(2,920)
Net	**42,218**	**36,859**

Included in general administrative expenses is an amount of UA 4.65 million (2006: UA 3.91 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)	2007	2006
Within one year	3,945	3,941
In the second to fifth years inclusive	1,155	2,285
Total	**5,100**	**6,226**

Leases are generally negotiated for an average term of one (1) to three (3) years and rentals are fixed for an average of one (1) year. Leases may be extended for periods that are no longer than the original term of the leases.

NOTE R – EMPLOYEE BENEFITS

Staff Retirement Plan

The Staff Retirement Plan (SRP), a defined benefit plan established under Board of Governors' Resolution 05-89 of May 30, 1989, became effective on December 31, 1989, following the termination of the Staff Provident Fund. Every person employed by the Bank on a full-time basis, as defined in the Bank's employment policies, is eligible to participate in the SRP, upon completion of 6 months service without interruption of more than 30 days.

The SRP is administered as a separate fund by a committee of trustees appointed by the Bank on behalf of its employees. In November 2004, the Board of Directors of the Bank approved certain revisions to the SRP, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the SRP sponsor, changes in survivor child benefits and an increase in the pension accumulation rate from 2 percent to 2.5 percent for each year of service. The past service cost associated with these changes amounted to UA 1.64 million and has been recorded in 2004. Also, new members from the local field offices of the Bank joined the Plan in 2007 and the associated past service cost of UA 1.07 million were reported in the 2007 financial statements. Under the revised SRP, employees contribute at a rate of 9 percent of regular salary. A tax factor included in the basis for the determination of contribution in the previous SRP has been eliminated. The Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

All contributions to the SRP are irrevocable and are held by the Bank separately in a retirement fund to be used in accordance with the provisions of the SRP. Neither the contributions nor any income thereon shall be used for or diverted to purposes other than the exclusive benefit of active and retired participants or their beneficiaries or estates, or to the satisfaction of the SRP's liabilities. At December 31, 2007, virtually all of the SRP's investments were under external management and these were invested in indexed funds, with the following objectives: a) Equity portfolio – to track as closely as possible, the returns of the Morgan Stanley Capital International World

Index as well as hedging the currency exposure of the SRP's anticipated future liabilities; b) Bond portfolio – to track as closely as possible, the returns of the Citigroup World Government Bond Index as well as hedge the currency exposure of the SRP's anticipated future liabilities.

Medical Benefit Plan

The Medical Benefit Plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of July 17, 2002 and became effective on January 1, 2003. Under the MBP, all plan members including existing staff or retirees contribute a percentage of their salary or pension while the Bank also contributes twice the total staff contribution towards the financing of the MBP. Contribution rates by staff members and retirees, which are based on marital status and number of eligible children, range between 0.70 percent to a maximum of 3.10 percent of salary or pension. An MBP board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the MBP. The contributions from the Bank, staff and retirees are deposited in a trust account. In accordance with the directive establishing the Plan, all Plan members including staff and retirees are eligible as beneficiaries for making claims for medical services provided to them and their recognized dependants.

In accordance with IAS 19, and based on actuarial valuations, the pension and post employment medical benefit expenses for 2007 and 2006 for the Bank, the ADF and the NTF combined (the Bank Group) comprised the following:

	Staff Retirement Plan		Medical Benefit Plan	
(UA millions)	**2007**	2006	**2007**	2006
Current service cost – gross	17.57	16.56	4.03	3.87
Less: estimated employee contributions	(5.66)	(5.05)	(1.02)	(0.97)
Net current service cost	**11.91**	**11.51**	**3.01**	**2.90**
Interest cost	11.53	9.39	2.12	2.07
Expected return on plan assets	(12.65)	(10.44)	(0.40)	(0.27)
Past service cost	1.07	-	-	-
Expense for the year	**11.86**	**10.46**	**4.73**	**4.70**

At December 31, 2007, the Bank group's liability to the SRP and the post-employment aspect of the MBP amounted to UA 7.37 million and UA 40.76 million respectively (2006: UA 34.40 million and UA 35.86 million respectively).

At December 31, 2007 and 2006 the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet is set out below:

	Staff Retirement Plan		Medical Benefit Plan	
(UA millions)	**2007**	2006	**2007**	2006
Fair value of plan assets:				
Market value of plan assets at beginning of year	199.48	166.76	7.00	4.76
Actual return on assets	10.11	10.92	0.52	0.26
Employer's contribution	47.44	23.14	2.06	1.99
Plan participants' contribution	5.66	5.05	1.02	0.99
Benefits paid	(7.71)	(6.39)	(1.56)	(1.00)
Market value of plan assets at end of year	**254.98**	**199.48**	**9.04**	**7.00**
Present value of defined benefit obligation:				
Benefit obligation at beginning of year	233.88	200.57	42.86	44.08
Current service cost	11.91	11.51	3.01	2.90
Employee contributions	5.66	5.05	1.02	0.99
Interest cost	11.53	9.39	2.12	2.07
Actuarial loss/(gain)	7.08	13.75	2.35	(6.18)
Benefits paid	(7.71)	(6.39)	(1.56)	(1.00)
Benefit obligation at end of year	**262.35**	**233.88**	**49.80**	**42.86**
Funded status:				
Liability recognized on the balance sheet at December 31, representing excess of benefit over plan asset	**(7.37)**	**(34.40)**	**(40.76)**	**(35.86)**

There were no unrecognized past service costs at December 31, 2007 and 2006. The cumulative amounts of actuarial gains and losses recognized in the statement of recognized income and expenses up to December 31, 2007 for the SRP and MBP were a net loss of UA 23.05 million and UA 1.32 million respectively (2006: SRP – UA 14.50 million; MBP – UA 3.55 million).

The following summarizes the funding status of the SRP at the end of the last five fiscal years:

(UA millions)	**2007**	2006	2005	2004	2003
Staff Retirement Plan					
Fair value of Plan assets	254.98	199.48	166.76	140.89	119.81
Present value of defined benefit obligation	(262.35)	(233.88)	(200.57)	(177.83)	(156.74)
Plan deficit	(7.37)	(34.40)	(33.81)	(36.94)	(36.93)
Experience adjustments on plan assets	0.90	3.45	2.97	1.56	(1.26)
Experience adjustments on plan liabilities	(23.95)	(17.95)	(4.20)	(1.53)	(5.37)
Net	**(23.05)**	**(14.50)**	**(1.23)**	**0.03**	**(6.63)**

The funding status of the Medical Benefit Plan at the end of the last four fiscal years was as follows:

(UA millions)	2007	2006	2005	2004
Medical Benefit Plan				
Fair value of plan assets	9.04	7.00	4.76	3.07
Present value of defined benefit obligation	(49.80)	(42.86)	(44.08)	(37.17)
Plan deficit	(40.76)	(35.86)	(39.32)	(34.10)
Experience adjustments on plan assets	(0.13)	(0.01)	(2.55)	(0.06)
Experience adjustments on plan liabilities	(1.19)	3.56	-	-
Net	**(1.32)**	**3.55**	**(2.55)**	**(0.06)**

Assumptions used in the latest available actuarial valuations at December 31, 2007 and 2006 were as follows:

	Staff Retirement Plan		Medical Benefit Plan	
(Percentages)	2007	2006	2007	2006
Discount rate	5.625	5.000	5.625	5.000
Expected return on plan assets	6.000	6.000	4.250	5.000
Rate of salary increase	4.000	4.000	4.000	4.000
Future pension increase	2.500	2.500		
Health care cost growth rate				
-at end of fiscal year			8.000	8.000
-ultimate health care cost growth rate			5.000	5.000
Year ultimate health cost growth rate reached			2010	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 2010, with the growth rate assumed to remain at that level thereafter.

No plan assets are invested in any of the Bank's own financial instruments, nor any property occupied by, or other assets used by the Bank.

The following table presents the weighted-average asset allocation at December 31, 2007 and 2006 for the Staff Retirement Plan:

(UA thousands)	2007	2006
Debt securities	101,993	79,794
Equity securities	127,491	99,742
Others	25,498	19,948
Total	**254,982**	**199,484**

At December 31, 2007 and 2006, the assets of the MBP were invested primarily in time deposits.

The Bank's estimate of contributions it expects to make to the SRP and the MBP for the year ended December 31, 2008, are UA 13.56 million and UA 2.58 million respectively.

The health care cost growth rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the MBP.

The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

	1% Increase		1% Decrease	
(UA millions)	2007	2006	2007	2006
Effect on total service and interest cost	1.283	1.065	(0.839)	(0.900)
Effect on post-retirement benefit obligation	10.794	10.242	(8.363)	(8.271)

NOTE S – RELATED PARTIES

The following related parties have been identified:
The Bank makes or guarantees loans to some of its members who are also its shareholders, and borrows funds from the capital markets in the territories of some of its shareholders. As a multilateral development institution with membership comprising 53 African states and 24 non-African states (the "regional members" and "non-regional members" respectively), subscriptions to the capital of the Bank are made by all its members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each member of the Bank, who exercise the voting power of the appointing member country. Member country subscriptions and voting powers are disclosed in Note N. The Board of Directors, which is composed of eighteen (18) Directors elected by the member countries, is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank also makes or guarantees loans to certain of the agencies of its regional member countries and to public and private enterprises operating within such countries. Such loans are approved by the Board of Directors.

In addition to its ordinary resources, the Bank administers the resources of other entities under special arrangements. In this regard, the Bank administers the resources of the ADF. Furthermore, the Bank administers various special funds and trust funds, which have purposes that are consistent with its objectives of promoting the economic development and social progress of its regional member countries. In this connection, the Bank administers the NTF as well as certain multilateral and bilateral donor funds in the form of grants.

The ADF was established pursuant to an agreement between the Bank and certain countries. The general operation of the ADF is conducted by a 12-member Board of Directors of which 6 members are selected by the Bank. The Bank exercises 50 percent of the voting power in the ADF and the President of the Bank is the ex-officio President of the Fund. To carry out its functions, the ADF utilizes the offices, staff, organization, services and facilities of the Bank, for which it reimburses the Bank based on an agreed cost-sharing formula, driven in large part by the number of programs and projects executed during the year.

The Bank's investment in the ADF is included in Equity Participations and disclosed in Note J. In addition to the amount reported as equity participation, the Bank periodically makes allocations to the Fund, to further its objectives. Net income allocations by the Bank to ADF are reported as Other Resources in the Fund's financial statements. Net income allocation to the Fund in 2007 amounted to UA 13.70 million (2006: UA 21.30 million).

The NTF is a special fund administered by the Bank with resources contributed by Nigeria. The ADB Board of Directors conducts the general operations of NTF on the basis of the terms of the NTF Agreement and in this connection, the Bank consults with the Government of Nigeria. The NTF also utilizes the offices, staff, organization, services and facilities of the Bank for which it reimburses to the Bank its share of administrative expenses for such utilization. The share of administrative expenses reimbursed to the Bank by both the ADF and NTF are disclosed in Note Q.

Grant resources administered by the Bank on behalf of other donors, including its member countries, agencies and other entities are generally restricted for specific uses, which include the co-financing of Bank's lending projects, debt reduction operations and technical assistance for borrowers including feasibility studies. Details of the outstanding balance on such grant funds at December 31, 2007 and 2006 are disclosed in Note V-5.

The Bank also administers the SRP and MBP. The activities of the SRP and MBP are disclosed in Note R.

Management Personnel Compensation

Compensation paid to the Bank's management personnel and executive directors during the years ended December 31, 2007, and 2006 was made up as follows:

(UA thousands)	**2007**	2006
Salaries	14,164	12,211
Termination and other benefits	5,961	3,929
Contribution to retirement and medical plan	2,927	2,420
Total	**23,052**	**18,560**

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, 2007 outstanding balances on loans and advances to management staff amounted to UA 3.23 million (2006: UA 1.93 million). No expense was recognized during the year in respect of impairment on debts due from related parties.

NOTE T – SEGMENT REPORTING

The Bank is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers. In the opinion of management, the Bank operates in a single operating segment.

NOTE U – APPROVAL OF FINANCIAL STATEMENTS

On April 2, 2008, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2008.

NOTE V – SUPPLEMENTARY DISCLOSURES

NOTE V-1: EXCHANGE RATES

The rates used for translating currencies into Units of Account at December 31, 2007 and 2006 were as follows:

		2007	2006
1 UA = SDR =	Algerian Dinar	106.161000	107.190000
	Angolan Kwanza	119.287000	120.940000
	Botswana Pula	9.502360	9.090080
	Brazilian Real	2.797830	3.215210
	Canadian Dollar	1.561440	1.753080
	Chinese Yuan	11.530200	11.747400
	CFA Franc	704.144000	749.293000
	Danish Kroner	8.020210	8.517020
	Egyptian Pound	8.649740	8.474270
	Ethiopian Birr	13.304000	13.127200
	Euro	1.073460	1.142290
	Gambian Dalasi	33.937600	41.391100
	Ghanaian Cedi *	1.424030	13,915.500000
	Guinean Franc	8,283.200000	8,283.200000
	Indian Rupee	62.277700	66.539800
	Japanese Yen	179.947000	178.948000
	Kenyan Shilling	105.994 000	105.462000
	Korean Won	1,482.590000	1,398.490000
	Kuwaiti Dinar	0.431408	0.434622
	Libyan Dinar	1.932370	1.932370
	Mauritian Rupee	44.588500	51.656400
	Moroccan Dirham	12.235300	12.728400
	Nigerian Naira	195.584000	191.482000
	Norwegian Krone	8.550740	9.410170
	Pound Sterling	0.788780	0.766377
	Sao Tomé Dobra	19,668.400000	17,360.200000
	Saudi Arabian Riyal	5.925930	5.641490
	South African Rand	10.761500	10.485700
	Swedish Krona	10.208800	10.339000
	Swiss Franc	1.778570	1.835820
	Tunisian Dinar	1.936680	1.960350
	Ugandan Shilling	2,727.920000	2,726.760000
	US Dollar	1.580250	1.504400
	Zimbabwean Dollar	391.005000	372.130000

* *The Ghanaian Cedi was redenominated during 2007.*

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 V-2: OTHER DEVELOPMENT ASSISTANCE ACTIVITIES

(i) Democratic Republic of Congo (DRC)

In connection with an internationally co-coordinated effort between the Bank, the International Monetary Fund (the IMF), the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002, approved an arrears clearance plan for the DRC. Under the arrears clearance plan, contributions received from the donor community were used immediately for partial clearance of the arrears owed by the DRC. The residual amount of DRC's arrears to the Bank and loan amounts not yet due were consolidated into new contractual receivables, such that the present value of the new loans was equal to the present value of the amounts that were owed under the previous contractual terms. The new loans carry the weighted average interest rate of the old loans. In approving the arrears clearance plan, the Board of Directors considered the following factors: a) the arrears clearance plan is part of an internationally coordinated arrangement for the DRC; b) the magnitude of DRC's arrears to the Bank ruled out conventional solutions; c) the prolonged armed conflict in the DRC created extensive destruction of physical assets, such that the DRC had almost no capacity for servicing its debt; and d) the proposed package would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. Furthermore, there was no automatic linkage between the arrears clearance mechanism and the debt relief that may be subsequently provided on the consolidated facility. In June 2004, the DRC reached its decision point under the Heavily Indebted Poor Countries (HIPC) initiative. Consequently, the consolidated facility has since that date benefited from partial debt service relief under HIPC.

A special account, separate from the assets of the Bank, was established for all contributions towards the DRC arrears clearance plan. Such contributions may include allocations of the net income of the Bank that the Board of Governors may from time to time make to the special account, representing the Bank's contribution to the arrears clearance plan. The amount of such net income allocation is subject to the approval of the Boards of Governors of the Bank, typically occurring during the annual general meeting of the Bank. Consequently, income received on the consolidated DRC loans is recognized in current earnings and is transferred out of reserves to the special account only after the formal approval of such transfer, in whole or in part, by the Board of Governors of the Bank.

(ii) Post-Conflict Countries Assistance

The Post Conflict Countries' Fund was established as a framework to assist countries emerging from conflict in their efforts towards re- engagement with the donor community in order to reactivate development assistance and help these countries reach the Heavily Indebted Poor Countries (HIPC) decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with allocations from the ADB's net income, and contributions from the ADF and other private donors. Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. In this connection, the Board of Governors by its Resolution B/BG/2004/07 of May 25, 2004, established the Post-Conflict Countries Facility (PCCF) under the administration of the ADF and approved an allocation of UA 45 million from the 2003 net income of the Bank. The Board of Governors also, by its resolution B/BG/2005/05 of May 18, 2005, approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility and by its resolution B/BG/2006/04 of May 17, 2006, the Board of Governors also approved the third and final installment of the Bank's allocation of UA 25 million from the 2005 net income. By policy, contributions made by ADB to the PCCF are not used to clear the debt owed to the Bank by beneficiary post-conflict countries.

(iii) Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as HIPCs. Under this initiative, creditors provide debt relief for eligible countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. Under the original HIPC framework, selected loans to eligible beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the lower of the net present value of the loans or their nominal values, as calculated using the methodology agreed under the initiatives.

Following the signature of a HIPC debt relief agreement, the relevant loans were paid off at the lower of their net present value or their carrying value. On average, loans in the ADB's portfolio carry higher interest rates than the present value discount rates applied and therefore the net present value of the loans exceeds the book value. Consequently, affected ADB loans were paid off by the HIPC Trust Fund at book values.

The HIPC initiative was enhanced in 1999 to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are eligible, the debt relief is delivered through annual debt service reductions, as well as the release of up to 80 percent of annual debt service obligations as they come due until the total debt relief is provided. In addition, interim financing between the decision and completion points of up to 40 percent of total debt relief is provided whenever possible within a 15-year horizon. At December 31, 2007, the Board of Directors had approved relief for 26 ADB borrowing countries, of which 19 had reached the completion point.

(iv) Multilateral Debt Relief Initiative (MDRI)

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors have committed to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. As of that date, the ADF wrote down its balance of disbursed and outstanding loans net of HIPC relief by an amount of UA 3.84 billion, with a corresponding decrease as of that date in the ADF's net assets. Reduction in ADF net assets results in a decrease in the value of the Bank's investment in the Fund. Subsequent write-down of loan balances is effected as and when other countries reach their HIPC completion point and are declared beneficiaries of MDRI loan cancellation. The reduction in the net asset value of the ADF does not include loans outstanding to MDRI countries that have not reached their HIPC completion points at the end of the year.

NOTE V-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, 2007 and 2006, the following funds were held separately from those of the ordinary capital resources of the Bank:

(i) The NTF was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank and the Federal Republic of Nigeria. The Agreement stipulates that the NTF shall be in effect for a period of 30 years from the date the Agreement became effective and that the resources of the NTF shall be transferred to Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and Nigeria. The terms of the current agreement which terminated on April 25, 2006 have been extended twice with the latest one-year extension up to April 25, 2008. Following an independent review of the operations of the Fund over the current Agreement period, both the Government of Nigeria and the Bank have agreed in principle to renew the NTF Agreement for a period of ten years starting from April 26, 2008. The initial capital of the NTF was Naira 50 million payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and payment of the second installment, equivalent to US$ 39.61 million, was made on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the NTF with Naira 50 million. The first installment of Naira 35 million (US$ 52.29 million) was paid on October 7, 1981. The second installment of Naira 8 million (US$ 10.87 million) was received on May 4, 1984. The payment of the third installment of Naira 7 million (US$ 7.38 million) was made on September 13, 1985. Following a request by the Government of Nigeria on June 14, 2006, a payment of US$ 200 million (UA 135.74 million) was made to the Government of Nigeria from the resources of the Fund.

The resources of the NTF at December 31, 2007 and 2006 are summarized below:

(UA thousands)	**2007**	2006
Contribution received	128,586	128,586
Funds generated (net)	269,657	251,201
Adjustment for translation of currencies	(124,777)	(111,666)
	273,466	**268,121**
Represented by:		
Due from banks	6,331	2,404
Investments	190,346	191,760
Accrued income and charges receivable on loans	16,708	9,685
Accrued interest on investments	520	960
Other amounts receivable	177	89
Loans outstanding	64,383	64,274
	278,465	269,172
Less: Current accounts payable	(4,999)	(1,051)
	273,466	**268,121**

(ii) **The Special Relief Fund (for African countries affected by drought)** was established by Board of Governors' Resolution 20-74 to assist African countries affected by unpredictable disasters. The purpose of this fund was subsequently expanded in 1991 to include the provision of assistance, on a grant basis, to research institutions whose research objectives in specified fields are likely to facilitate the Bank's objective of meeting the needs of regional member countries in those fields. The resources of this Fund consist of contributions by the Bank, the ADF and various member states.

The summary statement of the resources and assets of the Special Relief Fund (for African countries affected by drought) as at December 31, 2007 and 2006 follows:

(UA thousands)	**2007**	2006
Fund balance	62,448	62,448
Funds generated	3,876	3,808
Funds allocated to SDA	1	1
Less: Relief disbursed	(48,931)	(46,996)
	17,394	**19,261**
Represented by:		
Due from bank	799	757
Investments	16,550	18,466
Interest receivable	45	38
	17,394	**19,261**

At December 31, 2007, a total of UA 3.86 million (2006: UA 4.67 million) had been committed but not yet disbursed under the Special Relief Fund.

NOTE V-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, 2007, a total of US$ 13.45 million (2006: 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, 2007 and 2006 are summarized below:

(UA thousands)		2007	2006
i)	**Mamoun Beheiry Fund**		
	Contribution	152	152
	Income from investments	242	233
		394	385
	Less: Prize awarded	(30)	(30)
	Gift	(25)	(25)
		339	330
	Represented by:		
	Short-term deposits	316	310
	Due from banks	17	17
	Accrued interest	6	3
		339	330
ii)	**Arab Oil Fund (contribution of Algeria)**		
	Net contribution	632	665
	Represented by:		
	Loans disbursed net of repayments	632	665
iii)	**Special Emergency Assistance Fund for Drought and Famine in Africa**		
	Contributions	19,923	20,927
	Funds generated	5,290	5,331
		25,213	26,258
	Relief granted	(20,940)	(21,995)
		4,273	4,263
	Represented by:		
	Due from banks	71	68
	Investments	4,193	4,193
	Accrued interest	9	2
		4,273	4,263
	Total Resources & Assets of Trust Funds	**5,244**	**5,258**

NOTE V-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, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Africa Water Facility Fund	19,159	16,359
AMINA	1,389	1,475
AMTA/NAMTA	140	172
Austria	993	906
Belgium	1,100	2,204
Canada	518	278
China	45	229
Denmark	1,472	1,578
Finland	1,648	1,248
France	2,957	2,907
ICA-Infrastructure Consortium for Africa	222	-
ICP -Africa	894	221
India	668	945
Italy	16,030	4,694
Japan (FAPA)	13,376	6,921
Korea	792	1,068
Multi-donor Water Partnership Program	2,305	1,828
Nepad Infrastructure	4,745	2,596
Nordic	1,086	1,108
Norway	756	1,000
The Netherlands	1,877	2,398
The Nigeria Technical Cooperation Fund	16,862	16,980
The United Kingdom	1,123	1,322
RWSSI	47,848	21,145
Spain	392	354
Sweden	669	988
Switzerland	280	272
Others	250	158
Total	**139,596**	**91,354**

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Independent Auditors' Report to the Board of Governors of the African Development Bank
Year ended 31 December 2007

We have audited the accompanying financial statements of the African Development Bank ("the Bank") which comprise the balance sheet as at 31 December 2007 and the income statement, the statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to V.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Article 32(d) of the Agreement establishing the Bank. This report is made solely to the Bank's Board of Governors, as a body, in accordance with Article 32(d) of the Agreement Establishing the Bank. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements,

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Société anonyme d'expertise comptable - commissariat aux comptes à directoire et conseil de surveillance.
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African Development Bank
Independent Auditors' Report to the Board of Governors
of the African Development Bank

whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note C which highlights the effect of new and revised international financial reporting standards. For the years ended 31 December 2005 and 2006 the independent auditor issued a qualified opinion for the financial statements because International Financial Reporting Standard IAS 32, "Financial Instruments: Disclosure and Presentation", required that the Bank's, member countries' capital subscriptions be reclassified in the Bank's financial statements as financial liabilities instead of equity.

On 14 February 2008 the International Accounting Standards Board (IASB), issued amendments to IAS1 and IAS32. The Bank's member countries' capital subscriptions are puttable financial instruments that meet the requirements for equity classification under the amended standards. Prior to the amendments, the Bank also classified these financial instruments as equity. The amendments were issued after the balance sheet date, but before the approval of the financial statements. The Bank has opted to early adopt the amended standards which had no effects on the Bank's financial statements.

Paris La Défense, 2nd April 2008

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2008

(UA thousands)

Description	
Personnel Expenses	
Salaries	83,961
Benefits	54,784
Other Employee Expenses	9,179
Short Term and Technical Assistance Staff	1,063
Consultants	16,169
Staff Training	3,523
	168,679
General Expenses	
Official Missions	15,970
Accommodation	9,765
Equipment Rental, Repairs and Maintenance	5,218
Communication Expenses	6,085
Printing, Publishing & Reproduction	1,486
Office Supplies and Stationery	636
Library	719
Other Institutional Expenses	10,658
	50,537
Total Administrative Expenses	219,216
Depreciation	5,200
Total	224,416
Less: Management Fees	(158,160)
Net Administrative Budget	**66,256**

THE AFRICAN DEVELOPMENT FUND

Financial Management

Subscriptions

ADF Replenishments

The resources of ADF mainly consist of subscriptions by the Bank and State Participants, as well as other resources received by the Fund. The cumulative subscription to ADF increased from UA 15.26 billion in 2006 to UA 15.32 billion in 2007.

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 2005-2007 operational period. ADF-X became effective in September 2005, and, as of December 31, 2007, State Participants subscribed to an amount of UA 2.35 billion, representing 69 percent of the ADF-X target replenishment level.

Negotiations for the eleventh replenishment of the Fund (ADF-XI), which covers the three-year operational period 2008 – 2010, were concluded on December 11, 2007 when ADF deputies agreed to a UA 5.76 billion level of resources, of which UA 3.70 billion represents contributions from donors, and UA 2.06 billion represents internally generated resources.

Commitments under the Multilateral Debt Relief Initiative

The Multilateral Debt Relief Initiative (MDRI or Initiative) became effective on September 1, 2006[1], and covers the period 2006-2054. To preserve the financial integrity and the financing capacity of the African Development Fund, the terms of the MDRI require donors to fully compensate the Fund for debts cancelled.

As of December 31, 2007, the Fund had received from donors aggregate commitments of UA 4.24 billion, representing 76 percent of the MDRI cost for the period 2006-2054 (UA 5.59 billion).

Investments

ADF cash and liquid investments amounted to UA 3.39 billion at December 31, 2007, compared to UA 2.94 billion in 2006. Investment income for the year amounted to UA 147.25 million, representing a return of 4.55 percent, on an average liquidity level of UA 3.24 billion, compared with an income of UA 102.50 million in 2006, representing a return of 4.37 percent on an average liquidity of UA 2.35 billion.

Loan Portfolio

Cumulative loans and grants signed, net of cancellations, at December 31, 2007, amounted to UA 15.47 billion compared with UA 14.17 billion at the end of 2006. Total outstanding loans, as at December 31, 2007 were UA 4.16 billion, UA 329 million higher than the UA 3.83 billion outstanding as at the end of 2006. This increase was in spite of debt cancellation under the Multilateral Debt Relief Initiative for 2 additional completion-point countries during the year amounting to UA 195 million. At the end of 2007, there were 1,624 active signed loans and grants amounting to UA 4.16 billion. Also at December 31, 2007, a total of 511 loans amounting to UA 4,376 million had been fully repaid.

Disbursements

Disbursements of loans and grants increased from UA 685.16 million in 2006 to UA 725 million in 2007, representing an increase of 5.80 percent. As at December 31, 2007, cumulative disbursements on loans and grants amounted to UA 10.68 billion. A total of 1,429 loans and grants were fully disbursed for an amount of UA 8.64 billion, representing 80.90 percent of cumulative disbursements.

Financial Results

The Fund earned a surplus of UA 31.61 million in 2007, compared to UA 40.42 million in 2006. The decrease in the Fund's surplus was mainly due to an increase in administrative expenses and the absence in 2007 of a one-time recovery from liquidation proceeds received in 2006.

Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB Group, increased by UA 21.29 million, from UA 114.56 million in 2006 to UA 135.85 million in 2007. The Fund's share of the total shareable expenses of the ADB group is based on a predetermined cost-sharing formula, which is driven primarily by the relative levels of certain operational volume indicators. The increase in administrative expenses largely offset the increase in net investment income.

The Fund enjoyed higher levels of liquidity in 2007 largely due to accelerated encashment of demand obligations. Accordingly, the increase in 2007 of UA 44.75 million in investment income was accompanied by a substantial increase in the discount on accelerated encashment of demand obligations, resulting in an increase of UA 24.68 million in net investment income over 2006.

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[1] The effectiveness of the MDRI was triggered when the Fund received Instrument of Commitments representing at least 70% of the total cost of debt relief for 14 post-completion countries, of which not less than amounts equivalent to at least 75% of the cost of debt relief incurred during the ADF-X period, were unqualified commitments for payments due in 2007.

According to the Fund's non-accrual policy, service charges on loans made to, or guaranteed by borrowers are excluded from loan income if principal repayment and service charges are in arrears for 6 months or more. As a result of this policy, UA 3.57 million of non-accrued loan income was excluded from 2007 income compared to UA 4.53 million in 2006. In addition, UA 4.71 million of loan income previously not accrued was recovered and recognized in income in 2007 compared to UA 8.17 million in 2006. As a result of the arrears clearance mechanism approved by the Board of Directors during 2007, the number of borrowers in non-accrual status decreased from 7 at December 31, 2006 to 5 at December 31, 2007.

The Fund continues to cancel qualifying debts under MDRI as the relevant countries reach their HIPC completion points. In 2007, Sierra Leone and Sao-Tome & Principe reached their HIPC completion points. A summary of the cumulative loan cancellations under MDRI and HIPC is presented in Note E to the Special Purpose Financial Statements.

African Development Fund

Special Purpose Financial Statements and Report of the Independent Auditors for the Years ended December 31, 2007 and 2006

STATEMENT OF NET DEVELOPMENT RESOURCES AS AT DECEMBER 31, 2007 AND 2006

(UA thousands - Note B)

		2007	2006
DEVELOPMENT RESOURCES			
DUE FROM BANKS		22,904	5,200
INVESTMENTS (Notes C & H)			
Held-for-trading	1,918,042		1,998,185
Held-to-maturity	1,444,994		935,888
Total investments		3,363,036	2,934,073
DEMAND OBLIGATIONS (Note D)		2,176,513	2,319,593
RECEIVABLES			
Accrued income on loans and investments	51,614		43,190
Other receivables	16,215		26,614
		67,829	69,804
LIABILITIES		(54,479)	(76,993)
NET DEVELOPMENT RESOURCES		**5,575,803**	**5,251,677**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS AND CONTRIBUTIONS (Notes F & O)			
Amount subscribed including contributions through accelerated encashment of subscriptions	15,277,255		15,225,957
Less: Portion of accelerated encashment not yet effected	(9,690)		(79,844)
	15,267,565		15,146,113
Less: Installments not yet payable	(151,162)		(867,842)
	15,116,403		14,278,271
Less: Installments due	(7,018)		(7,018)
	15,109,385		14,271,253
Contributions paid on Multilateral Debt Relief Initiative	109,370		43,253
	15,218,755		14,314,506
Less: Unamortized discounts on subscriptions and contributions (Note B)	(68,855)		(25,195)
	15,149,900		14,289,311
Cumulative exchange adjustment on subscriptions and contributions (Note B)	(229,391)		(256,934)
Total subscriptions and contributions		14,920,509	14,032,377
OTHER RESOURCES (Note G)		171,270	157,570
RESERVES (Note I)		168,262	136,655
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(432,978)	(414,908)
		14,827,063	13,911,694
ALLOCATION OF DEVELOPMENT RESOURCES			
GRANTS AND TECHNICAL ASSISTANCE ACTIVITIES (Note E)		(916,836)	(733,219)
HIPC GRANTS DISBURSED (Note E)		(184,000)	(184,000)
NET DEBT RELIEF (Note E)		(3,991,371)	(3,912,400)
LOANS DISBURSED AND OUTSTANDING (Notes E, M & N)		(4,159,053)	(3,830,398)
NET DEVELOPMENT RESOURCES		**5,575,803**	**5,251,677**

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, 2007 AND 2006

(UA thousands - Note B)

	2007	2006
INCOME AND EXPENSES		
Service charges on loans	29,729	30,246
Commitment charges on loans	15,401	14,086
Income on investments	147,246	102,498
Other income	270	13,981
Administrative expenses (Note K)	(135,848)	(114,561)
Discount on accelerated encashment of participants' demand obligations	(26,290)	(6,222)
Financial charges	(131)	(270)
Gain on exchange	1,230	660
Surplus	**31,607**	**40,418**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	838,132	1,009,493
Contributions received on account of Multilateral Debt Relief Initiative	66,117	43,253
Increase in other resources	13,700	21,300
Changes in accumulated exchange adjustment on subscriptions and contributions	27,543	47,966
Changes in unamortized discounts on subscriptions and contributions	(43,660)	(6,777)
Changes in accumulated translation adjustment	(18,070)	(82,360)
	883,762	**1,032,875**
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of grants	(183,739)	(152,692)
Disbursement of loans	(541,256)	(532,472)
Repayment of loans	66,109	96,383
Recoveries on account of Multilateral Debt Relief Initiative	116,600	478,586
Translation adjustment on loans and grants	(48,957)	81,345
	(591,243)	**(28,850)**
Change in Net Development Resources	324,126	1,044,443
Net Development Resources at beginning of the year	5,251,677	4,207,234
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**5,575,803**	**5,251,677**

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands - Note B)

	2007	2006
SURPLUS	31,607	40,418
OTHER COMPREHENSIVE LOSS		
Changes in accumulated translation adjustment	(18,070)	(82,360)
COMPREHENSIVE INCOME/(LOSS)	**13,537**	**(41,942)**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UA thousands – Note B)

	2007	2006
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Surplus	31,607	40,418
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premium and discount on held-to-maturity investments	(2,416)	2,682
Discount on accelerated encashment of participants' demand obligations	26,290	6,222
Changes in accrued income on loans and investments	(8,424)	2,878
Changes in net current assets	(26,536)	12,603
Net cash provided by operating activities	20,521	64,803
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursement of grants	(183,739)	(152,692)
Disbursement of loans	(541,256)	(532,472)
Repayment of loans	66,109	96,383
Recoveries on account of Multilateral Debt Relief Initiative	116,600	478,586
Investments maturing after 3 months of acquisition:		
Held-to-maturity	(505,946)	(2,273)
Held-for-trading	190,634	(853,501)
Net cash used in investment, lending and development activities	(857,598)	(965,969)
FINANCING ACTIVITIES:		
Subscriptions and contributions received in cash	260,513	172,135
Participants' demand obligations encashed	775,955	865,760
Increase in other resources	13,700	21,300
Net cash provided by financing activities	1,050,168	1,059,195
Effect of exchange rate changes on cash and cash equivalents	(15,586)	(2,594)
Net increase in cash and cash equivalents	197,505	155,435
Cash and cash equivalents at beginning of the year	254,820	99,385
Cash and cash equivalents at end of the year	**452,325**	**254,820**
COMPOSED OF:		
Cash	22,904	5,200
Investments maturing within 3 months of acquisition:		
Held-to-maturity	33,728	-
Held-for-trading	395,693	249,620
Cash and cash equivalents at end of the year	**452,325**	**254,820**
SUPPLEMENTARY DISCLOSURE:		
Movements resulting from exchange rate fluctuations on:		
Loans and grants	48,957	(81,345)
Subscriptions and contributions	27,543	47,966

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – PURPOSE, ORGANIZATION AND RESOURCES

Purpose and Organization

The African Development Fund (ADF or the Fund) was established in 1972 as an international institution to assist the African Development Bank (ADB or the Bank) in contributing to the economic and social development of the Bank's regional members, promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

The ADF's Board of Directors has twelve (12) members, made up of six (6) members selected by the Bank and six (6) members selected by State Participants. The Board of Directors reports to the Board of Governors, which is made up of representatives of the State Participants and the ADB. The ADB exercises fifty percent (50%) of the voting powers in the ADF and the President of the Bank is the ex-officio President of the Fund.

The ADB, the Nigeria Trust Fund (NTF), which is a special fund administered by the ADB, and the ADF are collectively referred to as the Bank Group. The assets and liabilities of the ADB and of the NTF are separate and independent of those of the ADF. Furthermore, the ADF is not liable for their respective obligations. Transactions with these affiliates are disclosed in the notes that follow. The principal purpose of the ADB is to promote economic and social development in its regional member countries. The ADB finances development projects and programs in its regional member states. The ADB also participates in the selection, study and preparation of projects contributing to the development of its member countries and where necessary provides technical assistance. The NTF was established under an agreement between the Bank and the Federal Republic of Nigeria to further support the development efforts of ADB regional member countries, particularly the lesser-developed countries.

Resources

The resources of the Fund consist of subscriptions by the Bank, subscriptions and contributions by State Participants, other resources received by the Fund and funds derived from operations or otherwise accruing to the Fund. The initial resources of the Fund consisted of subscriptions by the Bank and the original State Participants to the Agreement Establishing the Fund (the Agreement). Thereafter, the resources have been replenished through Special and General increases of subscriptions and contributions.

NOTE B – BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Due to its nature and organization, the Fund presents its financial statements on a special purpose basis. The Special Purpose Financial Statements are prepared for the specific purpose of reflecting the net development resources of the Fund and are not intended to be a presentation in accordance with International Financial Reporting Standards. Net development resources represent resources available to fund loan and grant commitments and comprise primarily cash, marketable investments and demand obligations of State Participants. These special purpose financial statements have been prepared to comply with Article 35(1) of the Agreement establishing the Fund, which requires that the Fund circulates, at appropriate intervals, a summary of its financial position and income and expenditure statement showing the results of its operations.

The significant accounting policies used in the preparation of the Fund's special purpose financial statements are as follows:

Monetary Basis of the Special Purpose Financial Statements

The special purpose financial statements are expressed in Units of Account (UA). Article 1 of the Agreement defined a Unit of Account as having a value of 0.81851265 grams of fine gold.

On April 1, 1978, when the second amendment to the Articles of the Agreement of the International Monetary Fund (IMF) came into effect, gold was abolished as a common denominator of the international monetary system. Computations relating to the currencies of

IMF members were thereafter made on the basis of the Special Drawing Right (SDR) for purposes of applying the provisions of the Articles of the IMF. The Fund's Unit of Account was therefore based on its relationship to the SDR at the time of establishment of the Fund. This was 1 Unit of Account equal to SDR 0.921052.

Subsequently, on November 16, 1992, the Board of Governors decided by Resolution F/BG/92/10 to redefine the Fund's Unit of Account to be equivalent to the UA of the ADB, which is defined as equivalent to the Special Drawing Right of the IMF. In compliance with this Resolution, the Board of Directors, on June 22, 1993, adopted January 1, 1993, as the date for the entry into effect of the Resolution, and the Fund's UA has since then been defined as equal to the Bank's UA.

The Fund conducts its operations in the currencies of its State Participants. Income and expenses are converted into UA at the rate prevailing on the date of the transaction. Assets and liabilities are translated into UA at rates prevailing at the date of the Statement of Net Development Resources. Translation differences are debited or credited to the Cumulative Currency Translation Adjustment. Translation gains and losses on subscriptions received are credited or debited to the Cumulative Exchange Adjustment on Subscriptions and contributions. Where currencies are converted into any other currency, the resulting gains or losses are included in income.

The rates used for translating currencies into UA at December 31, 2007 and 2006 are as follows:

	2007	2006
1 Unit of Account equals:		
Argentinian Peso	4.454380	4.454380
Brazilian Real	2.797830	3.215210
Canadian Dollar	1.561440	1.753080
Danish Krone	8.020210	8.517020
Euro	1.073460	1.142290
Indian Rupee	62.277700	66.539800
Japanese Yen	179.947000	178.948000
Korean Won	1,482.590000	1,398.490000
Kuwaiti Dinar	0.431408	0.434622
Norwegian Krone	8.550740	9.410170
Pound Sterling	0.788780	0.766377
South African Rand	10.761500	10.485700
Swedish Krona	10.208800	10.339000
Swiss Franc	1.778570	1.835820
United States Dollar	1.580250	1.504400

No representation is made that any currency held by the Fund can be or could be converted into any other currency at the cross-rates resulting from the rates indicated above.

Participants' Subscriptions and Contributions

Subscriptions committed by State Participants for each replenishment are recorded in full as subscriptions receivable from participants upon submission of an instrument of subscription by the participants. A replenishment becomes effective when the ADF receives instruments of subscription from participants for a portion of the intended replenishment level as specified in the replenishment resolution. The portion of subscribed amounts for which payments are not yet due from State Participants are recorded as installments on subscriptions not yet payable, and are not included in the net development resources of the Fund. The subscriptions not yet payable become due throughout the replenishment period (generally three years) in accordance with an agreed payment schedule. The actual payment of subscriptions when they become due from certain participants is conditional upon the respective participant's budgetary appropriation process.

The subscriptions receivable are settled through payment of cash or deposit of non-negotiable, non-interest-bearing demand notes. The notes are encashed by the Fund as provided in an encashment program agreed to at the time of the replenishment.

For the ADF-IX and ADF-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 subscriptions and contributions. Upon receipt of such cash payments, participants are credited with the full face value of their entire subscriptions, and in agreement with the Fund, such cash amounts received are invested and the income generated thereon is retained by the Fund. A discount, calculated as the difference between the face value of the subscriptions and the cash amount received, is initially recorded to represent the interest expected to be earned on the cash received from State Participants who opted for the accelerated encashment program. Such discount is amortized over the projected encashment period, to recognize the effective contributions to equity by the relevant participant over and above the initial cash advanced.

By its resolutions F/BG/2006/12 and F/BG/2006/13 of May 18, 2006 and August 31, 2006 respectively, the Board of Governors of the Fund authorized the Board of Directors to approve the participation of the ADF in the Multilateral Debt Relief Initiative (MDRI) and in that regard the Board of Governors also authorized an increase in the resources of the ADF to provide full and timely compensation for the debt cancellation under the MDRI subject to the attainment of the following effectiveness thresholds:

1) Receipt of Instruments of Commitment from donors covering an aggregate amount equivalent to at least seventy percent (70%) of the total cost of debt relief for the first group of 14 post-completion point Heavily Indebted Poor Countries (HIPCs); and

2) Receipt of unqualified Instruments of Commitments from donors for an amount not less than the equivalent of at least seventy five percent (75%) of the total cost of debt relief incurred during the remainder of ADF-X period.

Upon satisfaction of the above two thresholds, the Board of Directors of the Fund approved the effectiveness of the MDRI with effect from September 1, 2006. To ensure full compensation for foregone reflows as a result of the upfront debt cancellation, the ADF governing bodies endorsed Management's proposal for a compensation scheme over the 50-year period of the Initiative. Donors will contribute additional resources to ADF, equivalent to the foregone debt service (service charges and principal) for each replenishment period, by submitting pledges over the life of the initiative. The compensatory financing arrangements will take the form of a general increase in the contribution of State Participants pursuant to Article 7 of the Agreement Establishing ADF. The contributions received from State Participants under the compensatory financing arrangements shall not be counted as part of the burden share for the replenishment period in which such resources are received, but shall carry voting rights in the same manner as normal subscriptions. Such contributions are separately disclosed within the total of subscriptions and contributions in the Statement of Net Development Resources.

Maintenance of Value of Currency Holdings

Prior to the second general replenishment, subscriptions were denominated in UA and were subject to Article 13 of the Agreement which provided that, whenever the par value in the IMF of the currency of a State Participant is reduced in terms of the UA or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its currency required to maintain the value, as of the time of subscription, of the amount of such currency paid into the Fund by that participant and which has not been disbursed or exchanged for another currency.

Conversely, if the currency of a State Participant has increased in par value or appreciated in its foreign exchange value within that participant's territory, the Fund shall return to that participant an amount of such currency equal to the increase in the value of the Fund's holding of that currency which was received by it in payment of subscriptions, to the extent that these amounts have not been disbursed or exchanged for another currency.

In accordance with Board of Governors' Resolutions 9-78, 9-82, 4-84, 01-88, 91-05, 96-04, 99-09, 2002-09 and 2005-01, which in turn 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

UA are applied against subscriptions, with the offsetting debits or credits recorded as Cumulative Exchange Adjustment on Subscriptions (CEAS).

Investments

The Fund's investment securities are classified based on the Fund's intention on the date of purchase. Securities which the Fund has the intention and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. All other investment securities are classified as held-for-trading and measured 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 an AAA credit rating. Money market instruments include time deposits, certificates of deposit and other obligations with a maturity period of less than 1 year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum rating of A.

Income on investments includes interest earned and unrealized gains and losses on held-for-trading portfolio. Purchases and sales of investments are recognized on a trade-date basis, which is the date on which the Fund commits to purchase or sell the investments.

Loans

The Fund provides concessional funding for development purposes to the least developed countries in Africa. Outstanding loans are not included in Net Development Resources. Accordingly, no provision for possible loan losses is required. The Fund places all loans to a borrower country in non-accrual status if the principal installments or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date, warrant such action. On the date a borrower's loans are placed in non-accrual status, unpaid charges that had previously been accrued on loans to the borrower are deducted from income on loans for that period. Charges on loans in non-accrual status are included in income only to the extent that payment of such charges has been received by the Fund.

Grants

In addition to loans, the Fund is authorized to provide development financing in the form of grants. Prior to the ninth replenishment of the resources of the Fund, grant funds were granted for technical assistance activities only. With effect from the ninth replenishment, grants may be used for technical assistance as well as project financing. Grants, like loans, represent allocations of development resources and are accordingly treated as such in the Statement of Net Development Resources of the Fund.

The Fund participates in a multilateral debt relief initiative for addressing the debt problems of countries identified as Heavily Indebted Poor Countries (HIPCs) to help ensure that their reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund, (the Trust Fund) constituted by funds from donors, including the Bank Group, was established to help beneficiaries reduce their overall debt, including those debts owing to the Fund.

Under the original framework of the debt relief initiative, upon signature of a HIPC Debt Relief Agreement by the Fund, the beneficiary country and the Trust Fund, loans or repayment installments identified for sale to the Trust Fund are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the loans sold.

Under the enhanced HIPC framework, the implementation mechanism comprises a partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

Under the MDRI, loans due from eligible HIPCs are cancelled when the countries attain the completion point under the HIPC framework. The Fund is expected to be fully compensated for loans cancelled under MDRI by additional contributions to be made by donors over the previously scheduled repayment periods of the cancelled loans. When MDRI becomes effective for a country, certain amounts previously disbursed to that country as loans are no longer repayable by the country and effectively take on the character of grants made by the Fund. Accordingly, loans cancelled under the MDRI are included in "Net Debt Relief" and reported in the Statement of Net Development Resources as allocation of development resources, with a corresponding offset to loans outstanding.

Reclassification

Certain reclassifications of prior year amounts have been made to conform with the current period's presentation.

NOTE C – INVESTMENTS

Held-for-trading investments at December 31, 2007 and 2006 were made up as follows:

(UA thousands)	2007	2006
Time deposits	395,693	249,619
Asset-backed securities	315,482	535,389
Government and agency obligations	107,813	36,339
Corporate bonds	1,099,054	1,176,838
Total	**1,918,042**	**1,998,185**

The contractual maturity profile of held-for-trading investments at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
One year or less	617,762	335,608
More than one year but less than two years	552,061	253,784
More than two years but less than three years	330,283	655,679
More than three years but less than four years	14,094	192,431
More than four years but less than five years	52,814	39,210
More than five years	351,028	521,473
Total	**1,918,042**	**1,998,185**

Held-to-maturity investments at December 31, 2007 and 2006 were made up as follows:

(UA thousands)	2007	2006
Time deposits	33,731	-
Asset-backed securities	12,142	-
Government and agency obligations	274,663	531,439
Corporate bonds	1,124,458	404,449
Total	**1,444,994**	**935,888**

The contractual maturity profile of held-to-maturity investments at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
One year or less	157,161	100,140
More than one year but less than two years	145,033	100,005
More than two years but less than three years	172,412	98,809
More than three years but less than four years	148,184	95,550
More than four years but less than five years	207,262	90,721
More than five years	614,942	450,663
Total	**1,444,994**	**935,888**

The currency composition of total investments at December 31, 2007 and 2006 was as follows:

(UA thousands)	2007			2006
Currency	**Held-for-Trading**	**Held-to-Maturity**	**Total**	Total
Euro	745,836	-	745,836	448,820
Pound Sterling	43,589	486,935	530,524	454,595
Swedish Krona	-	-	-	5,036
United States Dollar	1,128,617	958,059	2,086,676	2,025,622
Total	**1,918,042**	**1,444,994**	**3,363,036**	**2,934,073**

NOTE D – DEMAND OBLIGATIONS

Demand obligations represent subscription payments made by participants, in accordance with Article 9 of the Agreement, in the form of non-negotiable, non-interest-bearing notes payable at their par value on demand. The Board of Governors has agreed that the encashment of these notes will be governed by the Fund's disbursement requirements.

NOTE E – DEVELOPMENT ACTIVITIES

According to the Fund's loan regulations, loans are expressed in UA and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment over 40 years after a 10-year grace period commencing from the date of the loan agreement. Loan principal is generally repayable from years 11 through 20 at a rate of 1 percent per annum and from years 21 through 50 at a rate of 3 percent per annum. A service charge at a rate of 0.75 percent per annum on the principal amount disbursed and outstanding is payable by the borrower semi-annually. Loans and lines of credit approved after June 1996 carry a 0.5 percent per annum commitment charge on the undisbursed portion. Such a commitment charge commences to accrue 90 days from the date of signature of the loan agreement.

Prior to the establishment of the Technical Assistance Account, loans for pre-investment studies were normally granted for a period of 10 years, including a grace period of 3 years, with repayments in seven equal installments from years 4 through 10.

Of the undisbursed balances of loans signed, the Fund may enter into special irrevocable commitments to pay amounts to borrowers or others in respect of the cost of goods and services to be financed under loan agreements. As at December 31, 2007, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 1.90 million (2006: UA 2.26 million).

As at December 31, 2007, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 534.46 million (2006: UA 568.02 million) of which UA 68.89 million (2006: UA 70.29 million) that 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, 2007, would have been higher by UA 3.57 million (2006: UA 4.53 million). At December 31, 2007, the cumulative charges not recognized on the non-accrual loans amounted to UA 38.28 million, compared to UA 39.52 million at December 31, 2006.

Lines of credit to national development banks and similar national finance institutions are generally granted for a maximum of 20 years, including a 5-year grace period.

Grants and Technical Assistance Activities

Under the Fund's lending policy, 5.00 percent of the resources available under the third and fourth general replenishments, 10.00 percent under the fifth and sixth general replenishments, and 7.50 percent under the seventh and eighth general replenishments were allocated as grants and grant-based technical assistance for the identification and preparation of development projects or programs in specified member countries. In addition, amounts in the range of 18 to 21 percent of the total resources under the ninth replenishment were set aside in the form of grants for permitted uses, including technical assistance and project financing. Grants do not bear charges. The share of grants under the tenth general replenishment is based on a country-by-country analysis of debt sustainability. Under the seventh, eighth and ninth general replenishments, technical assistance may also be provided on a reimbursable basis.

Technical assistance loans are granted under conditions that allow for repayment in 50 years, including a 10-year grace period, from the date of the loan agreement. However, the following categories of loans have different terms:

(i) where the loan is granted for the preparation of a pre-investment study and the study proves that the project is not 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' cooperation or for the improvement of the operations of existing institutions and is not related to specific projects or programs, the grace period is 45 years with a repayment period of 5 years thereafter.

Technical assistance loans do not carry charges.

HIPC Debt Relief Initiative

Under the original framework of HIPC, selected loans to beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the net present value of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified for payment were written down to their estimated net present value. The amount of the write-down, representing the difference between the book value and net present value of the loans, was shown as an allocation of development resources. The amount of UA 71.08 million which was the write-down in respect of the debt relief granted to Mozambique in 1999 under the original HIPC framework is included in the amount stated as net debt relief in the Statement of Net Development Resources. The outstanding balance and net present value of the loans owed by Mozambique and sold to the HIPC Trust Fund in 1999 were UA 132.04 million and UA 60.96 million, respectively.

In 1999, the HIPC initiative was enhanced to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 32 African countries are currently eligible, debt relief is delivered through annual debt service reductions which allow the release of up to 80 percent of annual debt service obligations as they come due until the total net present value (NPV) of debt relief, determined by the debt sustainability analysis (DSA), is provided. Interim financing of up to 40 percent of total debt relief is granted between the decision and completion points. Total contributions by the Fund to the HIPC initiative at December 31, 2007 amounted to UA 184.00 million and are shown as allocation of development resources in the Statement of Net Development Resources.

Multilateral Debt Relief Initiative

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC initiative. Through the Development Committee Communiqué of September 25, 2005, the donor community expressed its support for this MDRI, and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation is delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors are expected to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006, following the attainment of the intended thresholds. Since disbursed and outstanding loans are already excluded from net development resources, the debt cancellation did not have an impact on the Fund's balance of net development resources. Further cancellation of debts will be effected when other eligible countries reach the HIPC completion point.

At December 31, 2007, a gross amount of UA 4.51 billion (2006: UA 4.32 billion) of outstanding loans had been cancelled under MDRI for 18 (2006: 16) HIPC completion point countries. Of this amount, UA 905.77 million (2006: UA 806.27 million) in nominal terms were converted by the HIPC Trust Fund. The present value of the converted loans was UA 595.19 million (2006: UA 478.59 million). As of December 31, 2007, the present value amounts have been transferred from the HIPC Trust Fund to ADF. A summary of debt relief granted under HIPC and MDRI as at December 31, 2007 and 2006 follows:

(UA thousands)	2007			2006		
	HIPC	**MDRI**	**Total**	**HIPC**	**MDRI**	**Total**
Balance at January 1	398,766	3,513,634	3,912,400	71,079	-	71,079
Loans cancelled*	99,493	96,078	195,571	806,273	3,513,634	4,319,907
Cash received*	(116,600)	-	(116,600)	(478,586)	-	(478,586)
Balance at December 31	**381,659**	**3,609,712**	**3,991,371**	**398,766**	**3,513,634**	**3,912,400**

** Upon implementation of MDRI*

Special Arrears Clearance Mechanism

In connection with an internationally coordinated effort including the ADB Group, the IMF, the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002 approved an arrears clearance mechanism for the DRC. Under the arrears clearance mechanism, representatives of ADF State Participants (the Deputies) authorized an allocation of approximately UA 36.50 million of grant resources from the ninth replenishment of the ADF (ADF-IX) to clear the entire stock of the DRC's arrears to the Fund. The Deputies also authorized the use of approximately UA 11.77 million of the residual Supplementary Financing Mechanism (SFM) resources from ADF-VIII as a partial payment against the DRC's arrears on charges to the ADB.

Post-Conflict Countries Assistance

The Post Conflict Countries Facility (PCCF) was established as a framework to assist countries emerging from conflicts in clearing their arrears and prepare them for re-engagement with the donor communities in order to reactivate development assistance and help these countries reach the HIPC decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with contributions from the ADF and other private donors and allocations from the ADB's net income. Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. Contributions made by ADF to the PCCF are not used to clear the debt owed to the Fund by beneficiary post-conflict countries. Contributions by the Fund to PCCF are included in the amount reported for "Grants and Technical Assistance Activities" in the Statement of Net Development Resources.

NOTE F – SUBSCRIPTIONS AND CONTRIBUTIONS

The Fund's initial subscriptions were provided by the Bank and the original State Participants to the Agreement, and states acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of a special general increase and ten general replenishments. Details of these movements are shown in the Statement of Subscriptions and Voting Power in Note O.

The tenth replenishment, approved by the Board of Governors resolution F/BG/2005/01 adopted on May 4, 2005, covered the 3-year operational period to 2007.

Negotiations for the eleventh replenishment of the Fund were concluded on December 11, 2007 when the deputies agreed to a replenishment level of UA 5.76 billion, of which UA 2.06 billion represents internally generated resources, for the 3-year operational period 2008 to 2010. The eleventh replenishment shall come into effect on the date when State Participants shall have deposited with the Fund, instruments of subscription amounting to at least thirty percent (30%) of the total intended subscriptions. This date shall not be later than March 31, 2008 or such later date as the Board of Directors may determine.

At December 31, 2007 cumulative contributions pledged on account of the MDRI amounted to UA 4.37 billion of which UA 109.37 million had been paid and included in total subscriptions. Consistent with the resolution approving MDRI, the contributions paid entitle the State Participants to voting rights, as reflected in Note O.

Gains or losses arising from translation of subscriptions and contributions received into UA are recorded in the Cumulative Exchange Adjustment on Subscriptions account in the Statement of Net Development Resources.

NOTE G – OTHER RESOURCES

In conformity with the findings of the UN General Assembly, the Board of Directors accepted that the former Socialist Federal Republic of Yugoslavia no longer exists as a state under international law and hence is no longer a State Participant in the Fund or a member of the Bank. Pursuant to a decision of the Board of Directors of the Fund in 1993, the subscriptions of the former Socialist Federal Republic of Yugoslavia in the Fund less the unpaid portion (UA 12.97 million), are deemed to have become part of the permanent patrimony of the Fund and are not returnable to any entity. Accordingly, the amounts of the paid subscriptions are reported as part of other resources in the Statement of Net Development Resources.

Also included in other resources is a total of UA 158.30 million representing contributions by the Bank of UA 156.30 million, and by the Government of Botswana of UA 2.00 million towards the Fund's activities, in accordance with Article 8 of the Agreement.

NOTE H – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since the Fund carries its held-for-trading investments at market value, the carrying amount represents the fair value of the portfolio. Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: All loans of the Fund are intended to provide concessional assistance to low-income regional member countries of the Bank. While the principal amount is fully repayable, no interest is charged to the borrowers. However, a service fee of 0.75 percent of the disbursed and outstanding balance and a commitment charge of 0.5 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

Reserves as at December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Reserves at January 1	136,655	96,237
Surplus for the year	31,607	40,418
Reserves at December 31	**168,262**	**136,655**

NOTE J – TRUST FUNDS

The Fund has available resources arising from contributions entrusted to it under Article 8 of the Agreement, which empowers the Fund to receive other resources including grants from state participants, non-participating countries, and from any public or private body or bodies.

At December 31, 2007, the undisbursed balance of trust fund resources was UA 4.31 million (2006: UA 3.86 million), representing the balance of a grant received from Japan for the development of human resources in Africa.

Resources of the trust funds are kept separate from those of the ADF.

NOTE K – ADMINISTRATIVE EXPENSES

Pursuant to Article 31 of the Agreement, the Fund reimburses the ADB for the estimated fair value of its use of the latter's offices, staff, organization, services and facilities. The amount of such administrative expenses reimbursed is based on a predetermined cost-sharing formula, which is driven, in large part, by the Fund's relative share of the number of programs and projects executed during the year by the Bank Group. The administrative expenses incurred by the Fund for the year amounted to UA 135.85 million (2006: UA 114.56 million).

NOTE L – RELATED PARTIES

The general operation of the Fund is conducted by a 12-member Board of Directors, of which 6 members are selected by the Bank. The Bank exercises 50 percent of the ADF's voting power and the President of the Bank is the ex-officio President of the Fund. In accordance with the Agreement, the Fund utilizes the officers, staff, organization, services and facilities of the ADB (the Bank) to carry out its functions, for which it reimburses the Bank as disclosed in Note K. In this regard, the Bank administers the resources of the Fund. The Fund also administers trust funds entrusted to it by some of its State Participants.

NOTE M – SUMMARY OF LOANS AS AT DECEMBER 31, 2007

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Algeria	1	314	-	-	314	0.01
Angola	11	59,340	17,900	18,842	22,598	0.54
Benin	22	177,462	-	116,988	60,474	1.45
Botswana	12	58,222	-	-	58,222	1.40
Burkina Faso	28	294,671	-	178,903	115,769	2.78
Burundi	32	152,805	-	15,324	137,481	3.31
Cameroon	18	176,399	-	136,913	39,485	0.95
Cape Verde	25	80,899	-	4,922	75,977	1.83
Central African Republic	19	84,742	-	-	84,742	2.04
Chad	37	280,253	-	35,403	244,850	5.89
Comoros **	8	29,300	-	-	29,300	0.70
Congo	3	14,401	-	31	14,370	0.35
Côte D'Ivoire **	14	227,188	-	50,242	176,946	4.25
Democratic Republic of Congo	29	227,118	-	63,627	163,491	3.93
Djibouti	16	89,190	-	26,261	62,929	1.51
Egypt	17	154,980	-	9,336	145,644	3.50
Equatorial Guinea	11	28,512	-	-	28,512	0.69
Eritrea	6	68,485	-	15,399	53,086	1.28
Ethiopia	16	492,966	-	340,166	152,800	3.67
Gabon	3	1,659	-	-	1,659	0.04
Gambia	31	135,876	-	14,047	121,829	2.93
Ghana	31	434,225	67,600	279,463	87,162	2.10
Guinea	37	254,989	-	43,215	211,773	5.09
Guinea-Bissau	27	108,916	-	16,062	92,854	2.23
Kenya	36	630,619	52,190	339,157	239,272	5.75
Lesotho	31	142,505	-	15,540	126,966	3.05
Liberia **	3	11,888	-	-	11,888	0.29
Madagascar	16	196,819	9,204	109,531	78,084	1.88
Malawi	17	101,647	-	48,118	53,529	1.29
Mali	35	275,987	-	153,388	122,599	2.95
Mauritania	16	56,569	-	40,747	15,822	0.38
Mauritius	3	2,306	-	-	2,306	0.06
Morocco	6	34,790	-	-	34,790	0.84
Mozambique	25	348,496	-	178,589	169,907	4.09
Namibia	2	12,215	-	-	12,215	0.29
Niger	15	102,246	-	53,884	48,362	1.16
Nigeria	19	354,398	86,271	114,759	153,368	3.69
Rwanda	14	127,214	-	64,040	63,174	1.52
Sao Tome & Principe	4	4,793	-	3,228	1,565	0.04
Senegal	25	192,037	-	123,069	68,968	1.66
Seychelles	3	7,183	-	-	7,183	0.17
Sierra Leone	9	55,296	-	38,010	17,286	0.42
Somalia **	17	63,545	-	-	63,545	1.53
Sudan **	15	173,279	-	-	173,279	4.17
Swaziland	8	35,127	-	-	35,127	0.84
Tanzania	25	590,174	88,680	316,094	185,400	4.46
Togo **	12	90,513	-	3,983	86,531	2.08
Uganda	20	368,761	58,584	199,088	111,088	2.67
Zambia	12	105,623	-	58,257	47,366	1.14
Zimbabwe **	10	34,159	-	-	34,159	0.82
Multinational	23	288,052	75,151	199,891	13,010	0.31
Total	**875**	**8,039,151**	**455,580**	**3,424,518**	**4,159,053**	**100.00**

* *Excludes fully repaid loans and cancelled loans.*

** *Countries in arrears as at December 31, 2007. The Board of Directors approved an arrears clearance mechanism for Comoros and Liberia in December 2007.*

Slight differences may occur in totals due to rounding.

NOTE N – MATURITY AND CURRENCY COMPOSITION OF OUTSTANDING LOANS AS AT DECEMBER 31, 2007 AND 2006

The maturity distribution of outstanding loans as at December 31, 2007 and 2006 was as follows:

(Amounts in UA millions)

	2007		2006	
Period	**Amount**	**%**	**Amount**	**%**
One year or less	127.09	3.06	138.99	3.63
More than one year but less than two years	58.37	1.40	55.65	1.45
More than two years but less than three years	64.70	1.56	61.42	1.60
More than three years but less than four years	69.88	1.68	67.21	1.75
More than four years but less than five years	76.65	1.84	72.62	1.90
More than five years	3,762.36	90.46	3,434.51	89.67
Total	**4,159.05**	**100.00**	**3,830.40**	**100.00**

The currency composition of outstanding loans as at December 31, 2007 and 2006 was as follows:

(Amounts in UA millions)

	2007		2006	
Currency	**Amount**	**%**	**Amount**	**%**
Canadian Dollar	21.85	0.53	21.21	0.55
Danish Kroner	27.22	0.66	26.77	0.70
Euro	1,828.72	43.97	1,497.60	39.10
Japanese Yen	720.83	17.33	696.00	18.17
Norwegian Krone	53.63	1.29	54.40	1.42
Pound Sterling	14.65	0.35	16.29	0.43
Swedish Krona	28.46	0.68	30.01	0.78
Swiss Franc	116.09	2.79	120.96	3.16
United States Dollar	1,347.12	32.39	1,366.78	35.68
Others	0.48	0.01	0.38	0.01
Total	**4,159.05**	**100.00**	**3,830.40**	**100.00**

NOTE O – STATEMENT OF SUBSCRIPTIONS, CONTRIBUTIONS AND VOTING POWER AS AT DECEMBER 31, 2007

(Amounts in UA thousands)

	SUBSCRIPTIONS				PAYMENT POSITIONS			MDRI	VOTING POWER	
PARTICIPANTS	Initial	Special Increase	ADF-I to ADF-X Installments	Total Subscriptions	Total Installments Paid	Installments Due*	Installments not yet Payable	Payments Received	Number of votes	%
1 ADB	4,605	1,382	105,754	111,741	111,741	-	-	-	1,000.00	50.00
2 ARGENTINA	1,842	-	7,018	8,861	1,842	7,018	-	-	0.12	0.01
3 AUSTRIA	13,816	-	197,067	210,883	208,210	-	-	1,400	13.99	0.70
4 BELGIUM	2,763	-	281,319	284,082	284,083	-	-	1,827	19.08	0.95
5 BRAZIL	1,842	921	124,700	127,464	127,056	-	-	-	8.48	0.42
6 CANADA	13,816	6,908	1,168,159	1,188,883	1,188,883	-	-	5,304	79.70	3.98
7 CHINA	13,816	-	258,102	271,918	271,918	-	-	1,935	18.28	0.91
8 DENMARK	4,605	1,842	452,684	459,131	459,132	-	-	1,282	30.73	1.54
9 FINLAND	1,842	-	249,863	251,705	250,747	-	-	1,768	16.85	0.84
10 FRANCE	8,809	-	1,511,712	1,520,521	1,520,521	-	-	10,844	102.20	5.11
11 GERMANY	6,860	6,956	1,477,300	1,491,116	1,491,116	-	-	7,791	100.03	5.00
12 INDIA	5,526	-	57,910	63,436	63,436	-	-	205	4.25	0.21
13 ITALY *	9,211	-	950,561	959,772	959,771	-	-	4,715	61.91	3.10
14 JAPAN	13,816	-	1,921,953	1,935,769	1,935,769	-	-	7,876	129.71	6.49
15 KOREA	9,211	-	113,331	122,541	122,541	-	-	750	8.23	0.41
16 KUWAIT	4,974	-	152,828	157,802	157,802	-	-	13,540	11.43	0.57
17 NETHERLANDS	3,684	1,842	534,668	540,194	539,846	-	-	3,890	35.49	1.77
18 NORWAY	4,605	2,303	653,626	660,534	660,534	-	-	4,173	42.80	2.14
19 PORTUGAL	7,368	-	107,006	114,375	114,375	-	-	666	7.68	0.38
20 SAUDI ARABIA	8,290	-	216,270	224,560	223,628	-	-	355	14.95	0.75
21 SOUTH AFRICA	1,794	-	11,922	13,716	13,716	-	-	9,562	-	-
22 SPAIN	1,842	921	324,302	327,065	289,480	-	33,214	11,598	20.09	1.00
23 SWEDEN	4,605	3,684	786,925	795,214	795,214	-	-	4,715	52.05	2.60
24 SWITZERLAND	2,763	2,938	597,351	603,052	603,052	-	-	3,026	40.45	2.02
25 UNITED ARAB EMIRATES	4,145	-	4,145	8,289	8,289	-	-	-	0.55	0.03
26 UNITED KINGDOM	4,800	3,073	880,273	888,146	888,146	-	-	8,840	59.38	2.97
27 UNITED STATES OF AMERICA	12,434	8,290	1,915,761	1,936,486	1,818,537	-	117,948	3,308	121.58	6.08
TOTAL	**173,684**	**41,060**	**15,062,511**	**15,277,255**	**15,109,385**	**7,018**	**151,162**	**109,370**	**2,000.00**	**100.00**
Supplementary information: Supplementary contributions through accelerated encashment to reduce the gap	-	-	38,565	38,565	26,458	-	-	-	-	-

* *Installments due excludes accelerated encashment of UA 2.75 million due from Italy.*

Slight differences may occur in totals due to rounding.

NOTE P – APPROVAL OF FINANCIAL STATEMENTS

On April 2, 2008, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2008.

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Independent Auditors' Report on the Special Purpose Financial Statements of the African Development Fund to the Board of Governors of the African Development Fund
Year ended 31 December 2007

We have audited the accompanying Special Purpose Financial Statements of the African Development Fund ("the Fund") prepared in compliance with the accounting and financial reporting matters as set out in the accounting policies in Note B of the Special Purpose Financial Statements for the year ended 31 December 2007.

These Special Purpose Financial Statements have been prepared for the purposes of submitting approved and audited Special Purpose Financial Statements to the Board of Governors as required by Article 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund, and are not intended to be a presentation in conformity with a recognised accounting framework, such as, International Financial Reporting Standards.

This report is made solely to the Fund's Board of Governors, as a body, in accordance with Article 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund. Our audit work has been undertaken so that we might state to the Fund's Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Annual Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with Articles 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund and the accounting policies set out in Note B to the Special Purpose Financial Statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these Special Purpose Financial Statements based on our audit. We conducted our audit in compliance with International Standards on Auditing applicable to compliance auditing. Those standards require that we comply with

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African Development Fund
Independent Auditors' Report on the Special Purpose
Financial Statements of the African Development Fund
to the Board of Governors of the African Development Fund

ethical requirements and plan and perform the audit to obtain reasonable assurance that the Special Purpose Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the Special Purpose Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall Special Purpose Financial Statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Special Purpose Financial Statements of the Fund have been prepared, in all material respects, in accordance with the accounting and financial reporting matters as set out in the accounting policies in Note B of the Special Purpose Financial Statements for the year ended 31 December 2007.

Paris La Défense, 2nd April 2008

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2008

(UA thousands)

Description	
Management Fees*	158,020
Direct Expenses	140
Total	**158,160**

* *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 liquid investments, which are denominated in US Dollars, amounted to UA 196.68 million at December 31, 2007, compared to UA 194.16 million in 2006. Investment income for 2007 amounted to UA 10.34 million, representing a return of 5.36 percent, on an average liquidity level of UA 192.97 million, compared with an income of UA 12.02 million in 2006, representing a return of 5.80 percent on an average liquidity of UA 207.37 million.

Loan Portfolio

Loans signed, net of cancellations, as at December 31, 2007, remained unchanged at UA 240.88 million, the level recorded as at December 31, 2006. As at end 2007, there were 39 active signed loans amounting to UA 64.54 million. There were 31 fully repaid loans for a total amount of UA 75.02 million.

Disbursements

Disbursements increased from UA 5.43 million in 2006, to UA 5.94 million representing an increase of 9.4 percent. As at December 31, 2007, cumulative disbursements amounted to UA 194.41 million. A total of 58 loans were fully disbursed for a total amount of UA 188.84 million, representing 97.1 percent of cumulative disbursements.

Risk Management Policies and Processes

Similar to the African Development Bank, the Nigeria Trust Fund seeks to reduce its exposure to risks that are not essential to its core business of providing development assistance, such as liquidity, currency and interest rate risks. Note D to the Financial Statements describes the Risk Management policies and processes used to manage these risks.

Financial Results

The Fund continued to apply the accounting policy which it introduced in 2006 for the treatment of transfers from income approved by the Board of Governors of the Bank. These transfers, which are authorized by the Government of Nigeria and made to HIPC, were previously presented as direct reductions of equity. Under the new accounting treatment, these transfers are reported as expenses in the income statement.

The NTF's income before transfers approved by the Board of Governors increased from UA 13.80 million in 2006 to UA 19.84 million in 2007, due mainly to a net write-back of provision for impairment on loans and related charges receivable. The net write-back of provisions for losses on loans and interest and charges receivable increased by UA 9.40 million, from UA 0.10 million in 2006 to UA 9.50 million in 2007. Investment and loan income in 2007 decreased by UA 1.68 million and UA 0.77 million, respectively, mainly as a result of the fall during the year, in the exchange rate of the dollar against the Unit of Account. Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB group, decreased by UA 0.33 million from UA 2.92 million in 2006 to UA 2.59 million in 2007. The Fund's share of the total shareable expenses of the ADB group is based on a predetermined cost-sharing formula, which is driven primarily by the relative levels of certain operational volume indicators. The Fund's reserves net of cumulative currency translation adjustments increased from UA 139.54 million at December 31, 2006 to UA 144.88 million in 2007.

Nigeria Trust Fund

Financial Statements and Report of the Independent Auditors

Years ended December 31, 2007 and 2006

BALANCE SHEET
AS AT DECEMBER 31, 2007 AND 2006

(UA thousands – Note B)

ASSETS	2007	2006
DUE FROM BANKS	6,331	2,404
INVESTMENTS (Note E)	190,346	191,760
ACCOUNTS RECEIVABLE		
Accrued income and receivables on loans	16,708	9,685
Accrued income on investments	520	960
Other receivables	177	89
	17,405	10,734
LOANS (Notes D & F)		
Disbursed and outstanding	64,536	67,226
Less: Accumulated provision for impairment	(153)	(2,952)
	64,383	64,274
TOTAL ASSETS	**278,465**	**269,172**

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

LIABILITIES & EQUITY	**2007**	2006
ACCOUNTS PAYABLE	4,999	1,051
EQUITY (Note G)		
Fund capital	128,586	128,586
Reserves		
Retained earnings	269,657	251,201
Cumulative Currency Translation Adjustment (Note B)	(124,777)	(111,666)
Total reserves	144,880	139,535
Total equity	273,466	268,121
TOTAL LIABILITIES & EQUITY	**278,465**	**269,172**

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands – Note B)

	2007	2006
INCOME (Note H)		
Interest and charges on loans	2,594	3,362
Income from investments	10,343	12,021
Other income	39	1,329
Total income	12,976	16,712
EXPENSES		
Administrative expenses (Note I)	2,587	2,920
Bank charges	53	94
Total expenses	2,640	3,014
Provision for impairment on loans (Note F)	(2,656)	(332)
Provision for impairment on loan interest and charges (Note F)	(6,844)	231
Total expenses and provision for impairment	(6,860)	2,913
Income before transfers approved by the Board of Governors	19,836	13,799
Transfers of income approved by the Board of Governors (Note G)	(1,380)	(1,073)
NET INCOME	**18,456**	**12,726**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands – Note B)

	Fund Capital	Retained Earnings	Cumulative Currency Translation Adjustment	Total Equity
Balance at January 1, 2006	128,586	374,183	(93,693)	409,076
Net income for the year	-	12,726	-	12,726
Withdrawal of funds by the Government of Nigeria	-	(135,708)	-	(135,708)
Currency translation adjustment	-	-	(17,973)	(17,973)
Balance at December 31, 2006 and January 1, 2007	**128,586**	**251,201**	**(111,666)**	**268,121**
Net income for the current year	-	18,456	-	18,456
Currency translation adjustment	-	-	(13,111)	(13,111)
Balance at December 31, 2007	**128,586**	**269,657**	**(124,777)**	**273,466**

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(UA thousands – Note B)

	2007	2006
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	18,456	12,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of held-to-maturity investments	-	865
Provision for impairment on loan principal and charges	(9,500)	(101)
Unrealized losses/(gains) on investments	122	(39)
Changes in accrued income and receivables on loans	(2,723)	3,416
Changes in net current assets	6,349	397
Net cash provided by operating activities	12,704	17,264
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(5,938)	(5,427)
Repayment of loans	5,472	9,142
Investments maturing after 3 months of acquisition:		
Held-to-maturity portfolio	-	223,780
Trading portfolio	119,081	(100,653)
Withdrawal of funds by the Government of Nigeria	-	(135,708)
Net cash provided by/(used in) investing, lending and development activities	118,615	(8,866)
Effect of exchange rate changes on cash and liquid investments	(6,859)	(1,834)
Net increase in cash and liquid investments	124,460	6,564
Cash and cash equivalents at the beginning of the year	9,431	2,867
Cash and cash equivalents at the end of the year	**133,891**	**9,431**
COMPOSED OF:		
Investments maturing within 3 months of acquisition	127,560	7,027
Cash	6,331	2,404
Cash and cash equivalents at the end of the year	**133,891**	**9,431**
SUPPLEMENTARY DISCLOSURE:		
Movement resulting from exchange rate fluctuation on loans	2,446	2,772

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

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – NATURE OF OPERATIONS

The Nigeria Trust Fund (the Fund or NTF) was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank (ADB or the Bank) and the Federal Republic of Nigeria. The African Development Bank, which is headquartered in Abidjan, Côte d'Ivoire, manages the resources of the Fund on behalf of the Government of Nigeria. The purpose of the Fund is to assist in the development efforts of the poorer ADB regional member countries. The Agreement stipulates that the Fund shall be in effect for a period of 30 years from the date the Agreement became effective and that such a sunset date may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. The Agreement expired on April 25, 2006 and has been extended twice for 1-year periods, to allow for the completion of an independent review of the operation of the Fund. Following the completion of the independent review, both the Government of Nigeria and the Bank have agreed in principle to a renewal of the NTF Agreement for a period of ten years starting from April 26, 2008.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention except for certain financial assets that are carried at fair value. The significant accounting policies of the Fund are summarized below.

Revenue Recognition
Interest income is accrued on a time basis and recognized based on the effective interest method during the time an investment or loan is outstanding and held by the Fund. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount. Commitment fees are accrued in arrears for unutilized loan facilities.

Income from investments includes realized and unrealized gains and losses on held-for-trading investments.

Functional and Presentation Currencies
The Fund conducts its operations in U.S. dollars, and has determined that its functional currency is the U.S. dollar. In accordance with Article VII, section 7.3, of the Agreement, the financial statements are presented in Units of Account (UA).

The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the Bank as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF. At December 31, 2007, 1 UA was equivalent to 1.58025 United States dollars (2006: 1.50440 United States dollars).

Currency Translation

Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated from U.S. dollars to UA at rates prevailing at the balance sheet date. Translation differences are included in reserves under cumulative currency translation adjustment (CCTA). Changes in CCTA are reported in the statement of changes in equity. Capital replenishments are recorded in UA at the exchange rates prevailing at the time of receipt. Translation gains and losses on conversion of currencies into UA are included in the determination of net income.

Financial Instruments

Financial assets and financial liabilities are recognized when the Fund assumes related contractual rights or obligations.

1) Financial Assets

The Fund classifies its financial assets in the following categories: held-for-trading financial assets, loans and receivables, and held-to-maturity investments. Management determines the classification of its investments upon initial recognition.

(i) Held-for-Trading Financial Assets

All held-for-trading assets are carried at fair value through the income statement. Investments in the held-for-trading portfolio are acquired principally for the purpose of selling in the short term. Held-for-trading financial assets are measured at fair value, with gains and losses arising from changes in fair value included in the income statement in the period in which they arise.

(ii) Loans and Receivables

Loans include outstanding balances receivable from borrowers in respect of amounts disbursed. The Fund has also classified accrued income and receivables from loans and investments and other sundry amounts as receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a borrower with no intention of trading the receivable. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

(iii) Held-to-Maturity Investments

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

Purchases and sales of held-for-trading and held-to-maturity investments are recognized on a trade-date basis, which is the date the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Cash and cash equivalents include amounts due from banks, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value and have a time to maturity upon acquisition of 3 months or less.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

2) Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancellation or expiration.

Impairment of Financial Assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss has been incurred on a loan, receivable or held-to-maturity investment carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The estimated impairment loss may arise from delays that may be experienced in receiving amounts due, and the impairment calculations reflect management's best estimate of the effect of such delays.

The impairment loss is reported as a reduction to the carrying amount of the asset through the use of an allowance account and recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Interest and charges are accrued on all loans, including those in arrears.

Offsetting Financial Instruments

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

Fair Value Disclosure

The fair values of investments that are quoted in active markets are based on current bid prices. Fair values of financial assets listed in inactive markets or unlisted securities, are determined by using valuation techniques that incorporate the maximum use of market data inputs. These valuation techniques include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair values for financial instruments for which market quotations are not readily available have been determined using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction, or whether they are exchangeable at all, is not readily determinable. Management believes that these methodologies and assumptions are reasonable; however, the values actually realizable in a sale might differ from the fair values disclosed.

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

Cash and cash equivalents: The carrying amount is the fair value.

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

Loans: The Fund does not sell its loans, nor does it believe there is a comparable market for its loans. The fair value of loans reported in these financial statements represents management's best estimates of the present value of the loans' expected cash flows. Fair values are estimated using a discounted cash flow model based on the year-end market equivalent lending rate in that currency, adjusted for estimated credit risk.

Retained Earnings

Retained earnings of the Fund consist of amounts allocated to reserves from prior years' income and unallocated current year net income.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

(i) Impairment Losses on Assets Carried at Amortized Cost

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

If the Fund determines that there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

(ii) Fair Values of Financial Instruments

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

(iii) Held-to-Maturity Investments

The Fund follows the guidance of IAS 39 on classifying certain financial assets as held-to-maturity. This classification requires significant judgment. In making the judgment to designate an asset as held-to-maturity, the Fund makes a positive determination as to its intention and ability to hold such investments to maturity.

NOTE C – NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2007, the Fund adopted International Financial Reporting Standard (IFRS) 7, *Financial Instruments: Disclosures* and related amendments to International Accounting Standard (IAS) 1, *Presentation of Financial Statements – Capital Disclosures*. IFRS 7 supersedes IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institution* and IAS 32, *Financial Instruments: Presentation*, and introduces new and enhanced qualitative and quantitative disclosures about exposures to risks arising from financial instruments and how the Bank manages those risks. The amendments to IAS 1 require new disclosures about the Fund's objectives, policies and processes for managing capital. The new disclosures are presented in Note D.

At the date of authorization of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations have been issued but become effective for periods after December 31, 2007 and for which the Fund has elected not to early adopt. IFRS 8, *Operating Segments*, which becomes effective for financial statements for the period beginning January 1, 2009 replaces the segmental reporting requirements of IAS 14, *Segment Reporting*, and requires alignment of the segments in the financial statements with those used internally by management in the allocation of resources and assessing performance. IFRS 8 is not expected to have a significant impact on the Fund's financial statements. The amendments to IAS 1 require the Fund to present in separate statements, changes in equity related to its shareholders and those related to comprehensive income (i.e., non-shareholder related components), including related reclassification adjustments of those components. It also requires the presentation of a balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when the Fund applies an accounting policy retrospectively or makes a retrospective restatement. None of these new standards and amendments is expected to have a significant impact on the Fund's financial statements.

NOTE D – RISK MANAGEMENT POLICIES AND PROCEDURES

As described in Note A, the African Development Bank (the Bank) manages the resources of the Fund on behalf of the Government of Nigeria. The resources of the Fund comprise funds provided by the Government of Nigeria as described in Note G. The Fund is not exposed to any externally imposed capital requirement. In the course of exercising its fiduciary duties, the Bank applies specific risk management policies designed to protect the resources of the Fund through the Bank's General Authority on Asset and Liability Management (the ALM Authority). The ALM Authority sets out the guiding principles for managing the Fund's risks, including interest rate risk, currency risk, liquidity risk, counterparty credit risk and operational risk.

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

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

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

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

Credit Risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Fund arising from its lending and treasury operations, essentially, and it includes sovereign credit risk from lending operations, and counterparty credit risk. These risks are managed within an integrated framework of credit policies, guidelines and processes, which are described in more detail in the following sections.

1) Sovereign Credit Risk

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

Country Exposure

The Fund's loans outstanding at December 31, 2007 were to the following countries:

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Benin	3	9,147	-	2,798	6,349	9.84
Burundi	1	88	-	-	88	0.14
Cape Verde	1	2,287	-	-	2,287	3.54
Djibouti	1	2,326	-	-	2,326	3.60
Gambia	2	7,597	-	4,579	3,018	4.68
Ghana	1	3,000	-	3,000	-	-
Guinea	2	6,132	-	1,109	5,023	7.78
Guinea-Bissau	1	3,510	-	3,510	-	-
Lesotho	2	987	-	-	987	1.53
Liberia**	4	21,360	-	-	21,360	33.10
Madagascar	1	4,556	-	63	4,493	6.96
Mali	1	662	-	-	662	1.03
Mauritania	3	10,089	-	6,417	3,672	5.69
Namibia	1	1,677	-	-	1,677	2.60
Rwanda	3	7,424	-	6,000	1,424	2.21
Senegal	2	3,420	-	-	3,420	5.30
Seychelles	3	1,956	-	-	1,956	3.03
Somalia**	1	736	-	-	736	1.14
Swaziland	2	5,052	-	4,950	102	0.16
Tanzania	2	2,473	-	-	2,473	3.83
Togo**	1	360	-	-	360	0.56
Uganda	1	2,123	-	-	2,123	3.29
Total	**39**	**96,962**	**-**	**32,426**	**64,536**	**100.00**

* *Excludes fully repaid loans and cancelled loans.*

** *Countries in arrears as at December 31, 2007. The Board of Directors approved an arrears clearance mechanism for Liberia in December 2007.*

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment
The Fund currently lends only to public sector borrowers, and its loans generally carry full sovereign guarantee or the equivalent from the borrowing member state.

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

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

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

Portfolio Risk Monitoring
It is the Fund's policy that if the payment of principal, interest or other charges becomes 30 days overdue, no new loans to that country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore, for such countries, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid.

2) Counterparty Credit Risk
Counterparty credit risk is the potential for loss due to failure of a counterparty to honor its obligation. The Fund utilizes various financial instruments to manage its exposure to fluctuations in market interest and currency rates, and to invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Fund.

Given the nature of the Fund's business, it is not possible to completely eliminate counterparty credit risk, however, the Fund minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures. Counterparties must meet the Fund's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For counterparties that are rated below the minimum rating requirements, approval is required by ALCO.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	**1 year**	**5 years**	**10 years**	**15 years**	**30 years**
Government		A/A2			AA-/Aa3	AAA/Aaa
Government Agencies and Supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS /ABS	No maturity limit, but repayment projections mandatory					

The Fund invests in mortgage-backed and asset-backed securities with a minimum rating of AAA/Aaa; and money market mutual funds with a minimum rating of AA-/Aa3.

In addition to these minimum rating requirements, the Fund operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 10% of the Fund's total liquidity for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Fund's credit limits after considering the benefits of any collateral.

As shown in the following table, the estimated potential counterparty credit exposure of the investment portfolio continues to be predominantly AA or higher rated.

Credit Risk Profile of the Investment and Derivative Portfolios			
	AAA	**AA**	**A**
2007	14%	85%	1%
2006	42%	54%	4%
2005	77%	19%	4%
2004	71%	25%	4%
2003	60%	34%	6%

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. In order to mitigate liquidity risk, the Fund's investment management policy ensures it has sufficient liquid assets to meet its disbursement obligations.

Currency Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. The Fund manages its currency risk by holding all of its investments and loans in U.S. dollars, the currency in which the Fund's resources are denominated.

Interest Rate Risk

The Fund is exposed to fair value interest rate risk on its portfolio of loans and investments. All of the Fund's loans have fixed interest rates. Investments are managed against the monthly average of three-months LIBOR in order to manage prudently the available resources. Repricing risk is not considered significant in comparison to the Fund's equity resources, and is accordingly not hedged.

At December 31, 2007, the Fund had UA 32.43 million of loans which were committed but not yet disbursed (2006: UA 38.36 million). The interest rate on these undisbursed loans has been fixed at between 2% to 4% per annum.

Interest rate risk positions as at December 31, 2007 and 2006 were as follows:

(i) Interest Rate Risk Position at December 31, 2007

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	6,331	-	-	-	-	-	-	6,331
Investments	190,346	-	-	-	-	-	-	190,346
Accounts receivable	17,885	-	-	-	-	-	(480)	17,405
Loans	20,630	5,560	5,350	5,069	4,858	23,069	(153)	64,383
	235,192	5,560	5,350	5,069	4,858	23,069	(633)	278,465
Liabilities								
Accounts payable	(4,999)	-	-	-	-	-	-	(4,999)
	(4,999)	-	-	-	-	-	-	(4,999)
Interest rate risk position as at December 31, 2007*	**230,193**	**5,560**	**5,350**	**5,069**	**4,858**	**23,069**	**(633)**	**273,466**

* *Interest rate risk position represents equity.*

(ii) Interest Rate Risk Position at December 31, 2006

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	2,404	-	-	-	-	-	-	2,404
Investments	191,760	-	-	-	-	-	-	191,760
Accounts receivable	18,438	-	-	-	-	-	(7,704)	10,734
Loans	21,110	5,760	5,510	5,230	4,940	24,676	(2,952)	64,274
	233,712	5,760	5,510	5,230	4,940	24,676	(10,656)	269,172
Liabilities								
Accounts payable	(1,051)	-	-	-	-	-	-	(1,051)
	(1,051)	-	-	-	-	-	-	(1,051)
Interest rate risk position as at December 31, 2006*	**232,661**	**5,760**	**5,510**	**5,230**	**4,940**	**24,676**	**(10,656)**	**268,121**

* *Interest rate risk position represents equity.*

Currency and Interest Rate Sensitivity Analysis

The Fund holds all of its investments and loans in U.S. dollars and therefore is exposed only to translation adjustment as the Fund's assets are reported in UA for financial statements purposes. Any change in the UA/USD exchange rate would have an impact of approximately 40% on these reported values.

Movements in interest rates have an impact on the reported fair value of the trading investment portfolio. The table below shows the effect of a parallel yield curve movement of +/-100bps on the portfolio as of December 31, 2007 and 2006, respectively.

(UA thousands)

	+100 Basis Points		-100 Basis Points	
	2007	2006	**2007**	2006
(Loss)/gain on held-for-trading investments	(150)	(468)	150	466

The loan portfolio comprises fixed rate loans only and is carried at amortized cost, thus not affected by movements in interest rates.

NOTE E – INVESTMENTS

As part of its portfolio management strategy, the Fund invests in government and agency obligations, time deposits, and asset-backed securities.

For government and agency obligations with final maturities longer than 1 year, the Fund may only invest in obligations with counterparties having a minimum credit rating of AA- issued or unconditionally guaranteed by governments of member countries or other official entities. For asset-backed securities, the Fund may only invest in securities with AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum rating of A.

As at December 31, 2007 and 2006, all the Fund's investments are held-for-trading and are summarized below:

(UA thousands)	2007	2006
Time deposits	121,300	7,027
Asset-backed securities	4,950	67,623
Government and agency obligations	40,976	-
Corporate bonds	23,120	117,110
Total	**190,346**	**191,760**

The contractual maturity structure of held-for-trading investments as at December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
One year or less	172,840	9,690
More than one year but less than two years	-	8,310
More than two years but less than three years	630	78,260
More than three years but less than four years	-	3,340
More than four years but less than five years	-	19,940
More than five years	16,876	72,220
Total	**190,346**	**191,760**

The notional balance of investments as at December 31, 2007 was UA 190.46 million (2006: UA 191.61 million), while the average yield was 5.81% (2006: 5.55%).

NOTE F – LOANS

Loans originated prior to September 22, 2003, carry an interest rate of four percent (4%) on the outstanding balance. With effect from September 22, 2003, pursuant to the Board of Governors' resolution B/BG/2003/11 of June 3, 2003 and the protocol agreement between the Government of Nigeria and the Bank, dated September 22, 2003, the interest rate on loans was changed from a flat four percent (4%) per annum to a range of 2% to 4% (inclusive) per annum on the outstanding balance and future undisbursed loans. Furthermore, a 0.75% commission is payable on undisbursed balances commencing 120 days after the effective date of the loan. Loans are granted for a maximum period of 25 years including grace periods of up to 5 years.

The Fund's loan regulations require that loans be expressed in UA and repaid in the currency disbursed. At December 31, 2007, all loans disbursed were repayable in U.S. dollars.

The contractual maturity structure of outstanding loans as at December 31, 2007 and 2006 was as follows:

(Amounts in UA millions)

	2007		2006	
Periods	**Amount**	**%**	**Amount**	**%**
One year or less	20.63	31.96	21.11	31.40
More than one year but less than two years	5.56	8.61	5.76	8.57
More than two years but less than three years	5.35	8.29	5.51	8.19
More than three years but less than four years	5.07	7.86	5.23	7.78
More than four years but less than five years	4.86	7.53	4.94	7.35
More than five years	23.07	35.75	24.68	36.71
Total	**64.54**	**100.00**	**67.23**	**100.00**

The weighted-average interest yield on outstanding loans for the year ended December 31, 2007 was 3.78% (2006: 3.91%).

Borrowers may prepay loans, subject to the terms specified in the loan agreement.

Provision for Impairment on Loan Principal and Charges Receivable

As at December 31, 2007, loans made to or guaranteed by certain borrowing countries with an aggregate principal balance of UA 1.10 million, of which UA 0.89 million was overdue, were considered to be impaired.

The gross amounts of impaired loans and charges receivable and their corresponding impairment provisions at December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Outstanding balance on impaired loans	893	23,588
Less: Accumulated provision for impairment	(153)	(2,952)
Net balance on impaired loans	**740**	**20,636**
Charges receivable and accrued income on impaired loans	1,382	16,203
Less: Accumulated provision for impairment	(481)	(7,704)
Net charges receivable and accrued income on impaired loans	**901**	**8,499**

The movement in the accumulated provision for impairment on loan principal for the years ended December 31, 2007 and 2006 was as follows:

(UA thousands)	2007	2006
Balance at January 1	2,952	3,452
Provision for impairment on loans for the year	(2,656)	(332)
Translation effects	(143)	(168)
Balance at December 31	**153**	**2,952**

The movements in the accumulated provision for impairment on interest and charges receivable on loans for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Balance at January 1	7,704	7,865
Provision for impairment on loan charges for the year	(6,844)	231
Translation effects	(379)	(392)
Balance at December 31	**481**	**7,704**

Fair Value of Loans

At December 31, 2007 and 2006, the estimated fair values of loans were as follows:

(UA thousands)

	2007		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan balance at December 31	64,536	65,375	67,226	64,553
Accumulated provision for impairment on loans	(153)	-	(2,952)	-
Net balance	**64,383**	**65,375**	**64,274**	**64,553**

NOTE G – EQUITY

Equity is composed of Fund capital, retained earnings, and cumulative currency translation adjustments. These are further detailed as follows:

Fund Capital

The initial capital of the Fund was Naira 50 million which was payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and the second installment, equivalent to US$ 39.61 million, was received on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the Fund with Naira 50 million. The first installment of Naira 35 million, equivalent to US$ 52.29 million, was received on October 7, 1981. The second installment of Naira 8 million, equivalent to US$ 10.87 million, was received on May 4, 1984. The third installment of Naira 7 million, equivalent to US$ 7.38 million, was received on September 13, 1985.

Following a request by the Government of Nigeria, on June 14, 2006, a withdrawal of US$ 200 million (UA 135.71 million) was made by the Government of Nigeria from the resources of the Fund.

Retained Earnings

Retained earnings as at December 31, 2007 and 2006 were as follows:

(UA thousands)	
Balance at January 1, 2006	374,183
Net income for the year	12,726
Withdrawal of funds by the Government of Nigeria	(135,708)
Balance at December 31, 2006 and January 1, 2007	**251,201**
Net income for the current year	18,456
Balance at December 31, 2007	**269,657**

In May 2007, the Board of Governors of the Bank approved the transfer of part of the income for the year ended December 31, 2006 to HIPC. Transfers approved by the Board of Governors of the Bank are reported within the income statement as expenses in the year the transfer is approved. Prior to 2006, Board of Governors´ approved transfer from income was reported as a reduction in retained earnings. The approvals in the years ended December 31, 2007 and 2006 were UA 1.38 million and 1.07 million, respectively.

Cumulative Currency Translation Adjustments (CCTA)

Cumulative currency translation adjustments as at December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Balance at January 1	111,666	93,693
Movements during the year	13,111	17,973
Balance at December 31	**124,777**	**111,666**

NOTE H – INCOME

Interest and Charges on Loans

Interest and charges on loans for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	**2007**	2006
Interest income on loans not impaired	1,421	1,820
Interest income on impaired loans	908	1,212
Commitment charges	265	330
Total	**2,594**	**3,362**

Income from investments

Income from investments for the years ended December 31, 2007 and 2006 were as follows:

(UA thousands)	2007	2006
Interest income	9,760	11,719
Realized and unrealized fair value gains	583	302
Total	**10,343**	**12,021**

NOTE I – ADMINISTRATIVE EXPENSES

According to the Agreement, the Fund shall pay to the Bank the expenses incurred in the management of the Fund as follows:

a) Separately identifiable costs incurred by the Bank for the Fund; and

b) Indirect costs incurred by the Bank in the management of the Fund.

However, the annual payment for the aforementioned expenses incurred by the Bank shall not exceed 20% of the Fund's gross income during the course of each year.

The administrative cost-sharing formula may be reviewed from time-to-time by mutual agreement. The amount of UA 2.59 million charged for the year ended December 31, 2007 (2006: UA 2.92 million) represents the Fund's share of the Bank group expenses reimbursed by the Fund.

NOTE J – RELATED PARTIES

The Nigeria Trust Fund is administered by the African Development Bank. The ADB conducts the general operations of the NTF on the basis of the terms of the Agreement and in consultation with the Government of Nigeria. The NTF utilizes the offices, staff, organization, services and facilities of the Bank and reimburses the Bank for its share of the costs of such facilities, based on an agreed-upon cost-sharing formula (see Note I). The amount outstanding at December 31, 2007 in respect of Fund's share of administrative expenses was UA 0.19 million (2006: UA 0.05 million) and is included in Accounts Payable on the balance sheet.

NOTE K – APPROVAL OF FINANCIAL STATEMENTS

On April 2, 2008, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors of the African Development Bank at its annual meeting in May 2008.

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France

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Site internet: www.kpmg.fr

Nigeria Trust Fund
Temporary Relocation Agency
15, Avenue du Ghana
1002 Tunis Belvédère
Tunisie

Independent Auditors' Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund
Year ended 31 December 2007

We have audited the accompanying financial statements of the Nigeria Trust Fund ("the Fund") which comprise the balance sheet as at 31 December 2007 and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to K.

The financial statements have been prepared under the accounting policies set out therein, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Section 8.2 of the Agreement Establishing the Fund. This report is made solely to the Board of Governors of the Bank, as a body, in accordance with Section 8.2 of the Agreement establishing the Fund. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Governors of the Bank as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement Establishing the Fund. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

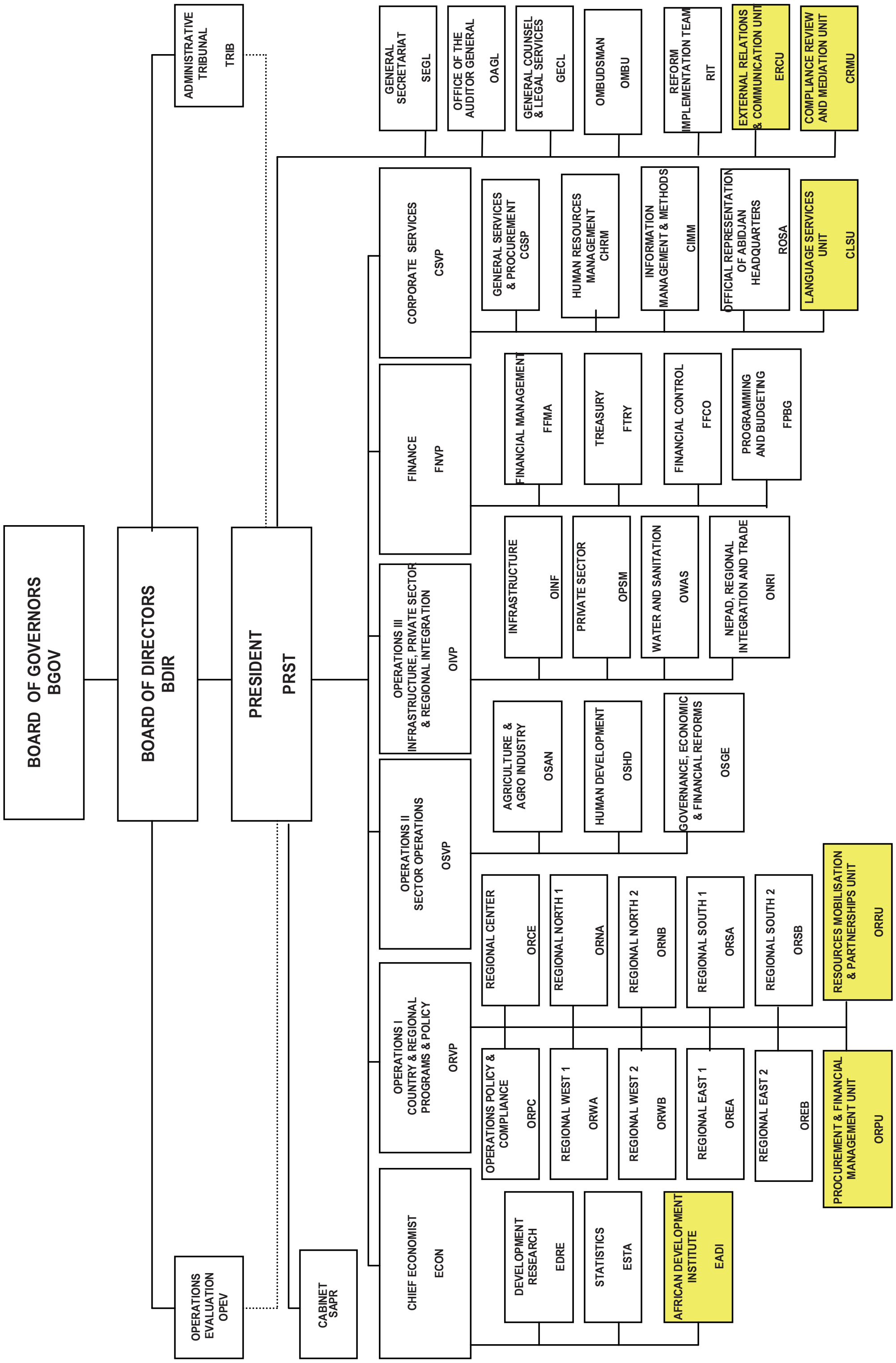
Paris La Défense, 2nd April 2008

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

Appendices

Appendix I
African Development Bank Group Organizational Chart



Principal Officers of the Bank Group, as at December 31, 2007

PRESIDENCY			
President	Donald	Kaberuka	PRST
Special Advisor to the President	Graham Murray	Stegmann	OSM
Special Advisor to the President	Youssouf	Ouedraogo	OSM
Director, Compliance Review and Mediation Unit	Per Eldar	Sovik	CRMU
Secretary General	Modibo Ibrahim	Toure	SEGL
General Counsel and Director	Adesegun Akinjuwon	Akin-Olugbade	GECL
Director, Office of the Auditor General	Edward Rakwar Otieno	Ouko	OAGL
Acting Director, Reform Implementation Team	Zate	Zoukpo	RIT
Director, Operations Evaluation Department	Colin	Kirk	OPEV
Head of Unit, External Relations and Communications Unit	Eric	Chinje	ERCU
Ombudsman	James Raymond	Nabina	OMB
OFFICE OF THE CHIEF ECONOMIST			
Chief Economist	Louis Austin	Kasekende	ECON
Director, Development Research Department	Waheed Temitope	Oshikoya	EDRE
Director, Statistics Department	Charles Leyeka	Lufumpa	ESTA
CORPORATE SERVICES			
Vice-President	Arunma Onyejiuwa	Oteh	CSVP
Director, Human Resources Management Department	Daniel Jorge	Tytiun	CHRM
Director, General Services and Procurement Department	Jean-Paul Aka	Ehounou	CGSP
Director, Information Management and Methods Department	Ibrahima	N'diaye	CIMM
Head, Language Services Unit	Valentin	Mbarga Ndi	CLSU
Official Representative, Abidjan	Ngardinga	Sangbe	ROSA
FINANCE			
Vice-President	Thierry	De Longuemar	FNVP
Director, Financial Control Department	Charles Owusu	Boamah	FFCO
Director, Financial Management Department	Kodeidja Malle (Mrs.)	Diallo	FFMA
Director, Treasury Department	Pierre	Van Peteghem	FTRY
Director, Programming and Budgeting Department	Zondo Thomas	Sakala	FPBG
OPERATIONS I: COUNTY & REGIONAL PROGRAMS AND POLICY			
Vice-President	Joseph B.	Eichenberger	ORVP
Director, Regional Department Center	Mohammed Jaouad	Gharbi	ORCE
Director, Regional Department East 1	Aloysius Uche	Ordu	OREA
Director, Regional Department East 2	Diarietou (Ms.)	Gaye	OREB
Director, Regional Department North 1	Kalidou	Gadio	ORNA
Director, Regional Department North 2	Lotfi	Chakroun	ORNB
Director, Operations Policy and Compliance Department	Philibert	Afrika	ORPC
Director, Regional Department South 1	Razanakoto	Rakotobe Andrianarison	ORSA
Director, Regional Department South 2	Frank	Black	ORSB
Director, Regional Department West 1	Kpourou Janvier	Litse	ORWA
Director, Regional Department West 2	Ellen	Goldstein	ORWB
Head, Procurement and Financial Management Unit	Ahmed Mohamed	Benbarka	ORPU
Head, Resources Mobilization and Partnerships Unit	Kazumi (Ms.)	Ikeda-Larhed	ORRU
OPERATIONS II: SECTOR OPERATIONS			
Vice-President	Zeinab Bashir (Ms.)	El-Bakri	OSVP
Director, Agriculture and Agro Industry Department	Aly Abdel-Hamed	Abou-Sabaa	OSAN
Director, Human Development Department	Thomas Francis	Hurley	OSHD
Director, Governance, Economic and Financial Management Department	Gabriel	Negatu	OSGE
OPERATIONS III: INFRASTRUCTURE, PRIVATE SECTOR & REGIONAL INTEGRATION			
Vice-President	Mandla Sizwe Vulindlela	Gantsho	OIVP
Director, Infrastructure Department	Gilbert	Mbesherubusa	OINF
Director, Private Sector Department	Timothy	Turner	OPSM
Director, Water and Sanitation Department	Kordje	Bedoumra	OWAS
Director, NEPAD, Regional Integration and Trade Department	Rosalind Hylda (Ms.)	Thomas	ONRI

Appendix II-1
Resolutions Adopted by the Board of Governors in 2007 for the Bank

B/BG/2007/01:	Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2006
B/BG/2007/02:	Distribution of Part of the Net Income of the African Development Bank for the Financial Year Ended 31 December 2006 Using Allocable Income as the Basis of Distribution
B/BG/2007/03:	Distribution of Part of the Net Income of the Nigeria Trust Fund for the Financial Year Ended 31 December 2006
B/BG/2007/04:	Appointment of External Auditors for the Financial Years 2007 through 2011
B/BG/2007/05:	Dates and Venue of the Forty-Third Annual Meeting of the Board of Governors of the Bank and the Thirty-Fourth Annual Meeting of the Board of Governors of the Fund (2008).
B/BG/2007/06:	The General Election of the Executive Directors of African Development Bank
B/BG/2007/07:	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/2007/08:	Vote of Thanks of the Boards of Governors to His Excellency, WEN JIABAO, Premier of the People's Republic of China
B/BG/2007/09:	Vote of Thanks of the Boards of Governors to His Excellency, PEDRO PIRES, President of the Republic of Cape Verde
B/BG/2007/10:	Vote of Thanks of the Boards of Governors to His Excellency, MARC RAVALOMANANA, President of the Republic of Madagascar
B/BG/2007/11:	Vote of Thanks of the Boards of Governors to His Excellency, PAUL KAGAME, President of the Republic of Rwanda
B/BG/2007/12:	Vote of Thanks of the Boards of Governors to the Outgoing Chairperson, the Bureau, the Joint Steering Committee and the Governors Consultative Committee
B/BG/2007/13:	Vote of Thanks of the Boards of Governors to National Organizing Committee of the 2007 Annual Meetings
B/BG/2007/14:	Vote of Thanks of the Boards of Governors to the Outgoing External Auditors
B/BG/2007/15:	Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff
B/BG/2007/16:	African Development Bank Assistance to the Investment Climate Facility for Africa

Appendix II-2
Board of Governors and Voting Powers of Member Countries on December 31, 2007

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Algeria	Karim Djoudi	Miloud Boutabba	83,793	3.786
2	Angola	José Pedro de Morais	Amadeu Mauricio	26,030	1.176
3	Benin	Pascal I. Koupaki	Gregoire Akofodji	4,870	0.220
4	Botswana	Duncan Mlazie	Taufila Nyamadzabo	47,258	2.135
5	Burkina Faso	Jean-Baptiste M.P. Compaore	Lene Segbo	9,932	0.449
6	Burundi	Clotilde Nizigama	Manirakiza Tabu Abdallah	5,798	0.262
7	Cameroon	Motaze Louis Paul	Essomba Ngoula Blaise	23,143	1.046
8	Cape Verde	Cristina Duarte	Lima Fortes	2,297	0.104
9	Central Afr. Rep.	Sylvain Maliko	Theodore Dabanga	1,598	0.072
10	Chad	Ousmane Matar Breme	Abbas Mahamat Tolli	2,266	0.102
11	Comoros	Mohamed Ali Soilihi	Said Abdilahi	1,093	0.049
12	Congo	Pacifique Issoibeka	Pierre Moussa	10,266	0.464
13	Côte d'Ivoire	Bohoun Bouabre Paul Antoine	Diby Koffi Charles	81,633	3.689
14	Dem. Rep. Congo	Athanase Matenda Kyelu	Jean Claude Masangu Mulongo	23,365	1.056
15	Djibouti	Ali Farah Assoweh	Djama Mahamoud Haid	1,838	0.083
16	Egypt	Farouk El Okdah	Mahmoud Mohey El Din	112,454	5.081
17	Equatorial Guinea	Marcelino Owono Edu	José Angel Borico Moises	3,807	0.172
18	Eritrea	Berhane Abrehe	Martha Woldegiorghis	2,628	0.119
19	Ethiopia	Sufian Ahmed	Mekonnen Manyazewal	35,403	1.600
20	Gabon	Paul Toungui	Casimir Oye Mba	26,765	1.209
21	Gambia	Moussa G. Bala Gaye	Abdou B. Touray	3,966	0.179
22	Ghana	Kwadwo Baah-Wiredu, MP	Paul A. Acquah	50,217	2.269
23	Guinea	Ousmane Dore	Eugene Camara	9,494	0.429
24	Guinea Bissau	Abubacar Demba Dahaba	Issufo Sanha	1,225	0.055
25	Kenya	Amos Kimunya, Egh, MP	Joseph K. Kinyua	32,332	1.461
26	Lesotho	Timothy Thahane	M. Majoro	3,949	0.178
27	Liberia	Antoinette M. Sayeh	Toga G. Mcintosh	4,855	0.219
28	Libya	Mohamed Ali M. El Huwej	Mohamed A.A. Ashokri	80,487	3.637
29	Madagascar	Razafinjatovo Haja Nirina	Randriantoetra Maxence	14,787	0.668
30	Malawi	Goodall Gondwe	Patrick C. Kamwendo	7,097	0.321
31	Mali	Abou–Bakar Traore	Marimantia Diarra	10,161	0.459
32	Mauritania	Abderrahmane Hama Vezaz	Isselmou Ould Sidi El Moctar	3,838	0.173
33	Mauritius	Rama Krishna Sithanen	Ali Michael Monsoor	14,719	0.665
34	Morocco	Salaheddine Mezouar	Abdelatif Loudyi	72,893	3.294
35	Mozambique	Aiuba Cuerenela	Ernesto Gouveia Gove	14,391	0.650
36	Namibia	Saara Kuugongelwa–Amadhila	Carl–Herman G. Schlettwein	8,022	0.362
37	Niger	Ali Mahaman Lamine Zeine	Yacoubou Mahaman Sani	6,151	0.278
38	Nigeria	Shamsuddeen Usman, Ofr	Akin S. Arikawe Oon	193,756	8.755
39	Rwanda	James Musoni	Monique Nsanzabaganwa	3,527	0.159
40	São Tomé & Prin.	Maria Dos Santos Tebus Torres	Maria Do Carmo Trovoada P.C. Silveira	2,114	0.096
41	Senegal	Abdoulaye Diop	Mamadou Faye	22,459	1.015
42	Seychelles	Patrick Pillay	Lehka Nair	1,849	0.084
43	Sierra Leone	David Carew	Sheku Sesay	5,923	0.268
44	Somalia	H. Mohamed Nur	A. Abdirashid Haji Mohamed	2,566	0.116
45	South Africa	Trevor A. Manuel	Lesetja Kganyago	99,433	4.493
46	Sudan	El Zubair Ahmed El Hassan	Lual A. Deng	9,455	0.427
47	Swaziland	Majozi Vincent Sithole	Absalom M.C. Dlamini	7,715	0.349
48	Tanzania	Zakia Hamdani Meghji (MP)	Charles Mutalemwa	18,486	0.835
49	Togo	Adji Oteth Ayassor	Hatadeema Nonon Saa	4,077	0.184
50	Tunisia	Mohamed Nouri Jouini	Mohamed Ali Mouelhi	31,117	1.406
51	Uganda	Ezra Suruma	M.C. Kassami	11,637	0.526
52	Zambia	Ngandu Peter Magande	Evans C. Chibiliti	27,211	1.230
53	Zimbabwe	Samuel Creignton Mumbengegwi	Willard L. Manugo	45,653	2.063
	TOTAL REGIONALS			**1,331,799**	**60.180**

Appendix II-2
Board of Governors and Voting Powers of Member Countries on December 31, 2007 (continued)

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Argentina	Miguel Gustavo Peirano	Hernan Martin Perez Redrado	6,472	0.292
2	Austria	Wilhelm Molterer	Kurt Bayer	10,332	0.467
3	Belgium	Didier Reynders	Gino Alzetta	13,914	0.629
4	Brazil	Paulo Bernardo Silva	Alexandre Maira Da Rosa	10,299	0.465
5	Canada	Maxime Bernier	*	82,273	3.718
6	China	Zhou Xiaochuan	Hu Xiaolian	24,925	1.126
7	Denmark	Ole E. Moesby	Mette Knudsen	25,793	1.166
8	Finland	Marjatta Rasi	Anneli Vuorinen	11,252	0.508
9	France	Xavier Musca	Ambroise Fayolle	82,273	3.718
10	Germany	Karin Kortmann	Rolf Wenzel	90,256	4.078
11	India	P. Chidambaram	D. Subbarao	5,485	0.248
12	Italy	Tommaso Padoa-schioppa	Ignazio Angeloni	53,269	2.407
13	Japan	Fukushiro Nukaga	Toshihiko Fukui	120,025	5.424
14	Korea	Kwon, O-Kyu	Seong-Tae, Lee	10,332	0.467
15	Kuwait	Bader Al-Humaidhi	Hesham Al–Waqayan	10,332	0.467
16	Netherlands	Wouter Bos	Bert Koenders	19,180	0.867
17	Norway	Anne Margareth Fagertun Stenhammer	Henrik Harboe	25,793	1.166
18	Portugal	Fernando Teixeira Dos Santos	Carlos Costa Pina	5,830	0.263
19	Saudi Arabia	Yousef Al–Bassam	Ahmed M. Al-Ghannam	4,837	0.219
20	Spain	Pedro Solbes Mira	David Vegara Figueras	23,659	1.069
21	Sweden	Joakim Stymne	Stefan Emblad	34,217	1.546
22	Switzerland	Jorg Al Reding	Serge Chappatte	32,507	1.469
23	United Kingdom	Douglas Alexander	Shriti Vadera	37,179	1.680
24	United States of America	Henry M. Paulson, Jr.	Reuben Jeffery III	140,779	6.361
	TOTAL NON-REGIONALS			**881,213**	**39.820**
	GRAND TOTAL			**2,213,012**	**100.000**

Appendix II-3
Board of Directors: Voting Powers and Countries Represented on December 31, 2007

Executive Director	For	Total Votes	Voting Power %
Mr. Bonongwe, Ian Charles	Malawi	7,097	
Mr. Dhoorundhur, Mohit (Alternate)	Mauritius	14,719	
	Lesotho	3,949	
	South Africa	99,433	
	Swaziland	7,715	
	Zambia	27,211	7.236
Mr. Bougara, Omar	Algeria	83,793	
Mrs. Gomes, A. F. Gabriela (Alternate)	Guinea Bissau	1,225	
	Madagascar	14,787	4.509
Mr. Bvumbe, Andrew N.	Zimbabwe	45,653	
Vacant (Alternate)	Angola	26,030	
	Botswana	47,258	
	Mozambique	14,391	
	Namibia	8,022	6.386
Mr. Karpeh II, Tuan Francis R.	Liberia	4,855	
Mr. Khalid, El Fatih Mohammed (Alternate)	Sudan	9,455	
	Gambia	3,966	
	Sierra Leone	5,923	
	Ghana	50,217	3.362
Dr. Khedr, Hassan, A.	Egypt	112,454	
Mr. Bahdon, Ali Hassan (Alternate)	Djibouti	1,838	5.164
Mr. Korsaga, Frédéric A.	Burkina Faso	9,932	
Vacant (Alternate)	Benin	4,870	
	Cape Verde	2,297	
	Chad	2,266	
	Comoros	1,093	
	Gabon	26,765	
	Mali	10,161	
	Niger	6,151	
	Senegal	22,459	3.885
Mr. Mahroug, Mohamed	Morocco	72,893	
Mr. Bouallagui, Moncef (Alternate)	Tunisia	31,117	
	Togo	4,077	4.884
Mr. Muhtar, Mansur	Nigeria	193,756	
Mr. Moniz, Manuel Filipe (Alternate)	Sao Tome & Principe	2,114	8.851
Mr. N'Guessan, Tchétché	Côte d'Ivoire	81,633	
Mr. Nchama, Lucas Abaga (Alternate)	Equatorial Guinea	3,807	
	Guinea	9,494	4.290
Mr. Sinon, Peter Andrew G.	Seychelles	1,849	
Vacant (Alternate)	Ethiopia	35,403	
	Eritrea	2,628	
	Kenya	32,332	
	Rwanda	3,527	
	Tanzania	18,486	
	Uganda	11,637	4.784

Appendix II-3
Board of Directors: Voting Powers and Countries Represented on December 31, 2007 (continued)

Executive Director	For	Total Votes	Voting Powers%
Mr. Tabib, Ahmed Taher	Libya	80,487	
Mr. Didi, Mohamed Oueld A. (Alternate)	Mauritania	3,838	
	Somalia	2,566	3.926
Mr. Zoniaba, Serge Blaise	Congo	10,266	
Mrs. Kofio, Marguerite (Alternate)	Central African Rep	1,598	
	Cameroon	23,143	
	Burundi	5,798	
	Dem.Rep.Congo	23,365	2.900
Mr. Carrere, Emmanuel	France	82,273	
Mr. Ruggiero, Gian Paolo (Alternate)	Italy	53,269	
	Belgium	13,914	6.754
Mr. Dewdney, Richard	United Kingdom	37,179	
Mrs. Talapessy, Lily Mathilde (Alternate)	Netherlands	19,180	
	Germany	90,256	
	Portugal	5,830	6.888
Mr. Guye, Laurent	Switzerland	32,507	
Mr. Gillsäter, Björn (Alternate)	Sweden	34,217	
	Denmark	25,793	
	Norway	25,793	
	Finland	11,252	
	India	5,485	6.103
Mr. Montador, Bruce	Canada	82,273	
Mr. Sohn, Byungdoo (Alternate)	Korea	10,332	
	Spain	23,659	
	China	24,925	
	Kuwait	10,332	6.847
Mr. Utamura, Tetsuya	Japan	120,025	
Mr. Al-Abdullatif, Haitham (Alternate)	Saudi Arabia	4,837	
	Austria	10,332	
	Argentina	6,472	
	Brazil	10,299	6.867
	*USA	140,779	6.361
Regional Total:			**60.180**
Non-Regional Total:			**39.820**
GRAND TOTAL:			**100.000**

* Vacant

Appendix III-1
Resolutions Adopted by the Board of Governors in 2007 for the Fund

F/BG/2007/01: Eleventh General Replenishment of the Resources of the Fund

F/BG/2007/02: Annual Report and Audited Special Purpose Financial Statements for the Financial Year ended 31 December 2006

F/BG/2007/03: Appointment of External Auditors for the Financial Years 2007 through 2011

F/BG/2007/04: Dates and Venue of the Forty-Third Annual Meeting of the Board of Governors of the Bank and the Thirty-Fourth Annual Meeting of the Board of Governors of the Fund (2008)

F/BG/2007/05: Selection of the Executive Directors of the African Development Fund

F/BG/2007/06: 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/2007/07: Vote of Thanks of the Boards of Governors to His Excellency, WEN JIABAO, Premier of the Republic of China

F/BG/2007/08: Vote of Thanks of the Boards of Governors to His Excellency, PEDRO PIRES, President of the Republic of Cape Verde

F/BG/2007/09: Vote of Thanks of the Boards of Governors to His Excellency, MARC RAVALOMANANA, President of the Republic of Madagascar

F/BG/2007/10: Vote of Thanks of the Boards of Governors to His Excellency, PAUL KAGAME, President of the Republic of Rwanda

F/BG/2007/11: Vote of Thanks of the Boards of Governors to the Outgoing Chairperson, the Bureau, the Joint Steering Committee and the Governors Consultative Committee

F/BG/2007/12: Vote of Thanks of the Boards of Governors to the National Organizing Committee of the 2007 Annual Meetings

F/BG/2007/13: Vote of Thanks of the Boards of Governors to the Outgoing External Auditors

F/BG/2007/14: Vote of Thanks of the Boards of Governors to the Boards of Directors, Management and Staff

Appendix III-2
Board of Governors and Voting Powers of State Participants and of the ADB, December 31, 2007

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	African Development Bank			1,000.000	50.000
2	Argentina	Miguel Gustavo Peirano	Hernan Martin Perez Redrado	0.123	0.006
3	Austria	Wilhelm Molterer	Kurt Bayer	13.989	0.699
4	Belgium	Didier Reynders	Gino Alzetta	19.080	0.954
5	Brazil	Paulo Bernardo Silva	Alexandre Maira Da Rosa	8.479	0.424
6	Canada	Maxime Bernier		79.695	3.985
7	China	Zhou Xiaochuan	Hu Xiaolian	18.276	0.914
8	Denmark	Ole E. Moesby	Mette Knudsen	30.726	1.536
9	Finland	Marjatta Rasi	Anneli Vuorinen	16.852	0.843
10	France	Xavier Musca	Benoit Coeure	102.197	5.110
11	Germany	Karin Kortmann	Rolf Wenzel	100.031	5.002
12	India	P. Chidambaram	D. Subbarao	4.247	0.212
13	Italy	Tommaso Padoa-Schioppa	Ignazio Angeloni	61.907	3.095
14	Japan	Fukushiro Nukaga	Toshihiko Fukui	129.711	6.486
15	Korea	Kwon, O-Kyu	Seong-Tae, Lee	8.228	0.411
16	Kuwait	Mustafa Al-Shamali	Hesham Al–Waqayan	11.435	0.572
17	Netherlands	Bert Koenders	Ruud Treffers	35.488	1.774
18	Norway	Anne Margareth Fagertun Stenhammer	Henrik Harboe	42.801	2.140
19	Portugal	Fernando Teixeira Dos Santos	Carlos Costa Pina	7.677	0.384
20	Saudi Arabia	Yousef Al–Bassam	Ahmed M. Al-ghannam	14.948	0.747
21	Spain	Pedro Solbes Mira	David Vegara Figueras	20.093	1.005
22	Sweden	Joakim Stymne	Stefan Emblad	52.049	2.602
23	Switzerland	Jorg Alois Reding		40.447	2.022
24	United Arab Emirates	Mohamed Khalifa Bin Yousef Al Suweidi	Abdullah Hussain Dawood	0.553	0.028
25	United Kingdom	Douglas Alexander	Shriti Vadera	59.384	2.969
26	United States of America	Henry M. Paulson, Jr.	Reuben Jeffery III	121.583	6.079
	TOTAL			**2,000.000**	**100.000**

Appendix III-3
ADF Board of Directors: Voting Powers and Countries Represented at the December 31, 2007

Executive Directors / Alternates	Participants	Voting Powers* In %	
Mr. Ian Charles Bonongwe **	ADB	8.333	
Mr. Andrew N. Bvumbe**	ADB	8.333	
Dr. Hassan Ali Khedr **	ADB	8.333	
Mr. Mohamed Mahroug **	ADB	8.333	
Dr. Mansur Muthar**	ADB	8.333	
Mr. Peter Andrew G. Sinon **	ADB	8.333	
			50.000
Vacant	United States of America	6.079	
Mrs. Robin Ritterhoff	United States of America		
			6.079
Mr. Tetsuya Utamura	Japan	6.486	
Mr. Carlos R. Bolo Bolano	Argentina	0.006	
	Brazil	0.424	
	Austria	0.699	
	Saudi Arabia	0.747	
			8.362
Mr. Laurent Guye	Switzerland	2.022	
Mr. Björn Gillsäter	Sweden	2.602	
	Denmark	1.536	
	Finland	0.843	
	India	0.212	
	Norway	2.140	
			9.356
Mr. Richard Dewdney	United Kingdom	2.969	
Mrs. Lily Mathilde Talapessy	The Netherlands	1.774	
	Germany	5.002	
	Portugal	0.384	
			10.129
Mr. Bruce Montador	Canada	3.985	
Mr. Byungdoo Sohn	China	0.914	
	Korea	0.411	
	Kuwait	0.572	
	Spain	1.005	
			6.886
Mr. Emmanuel Carrere	France	5.110	
Mr. Gian Paolo Ruggiero	Italy	3.095	
	Belgium	0.954	
			9.159
Vacant	United Arab Emirates	0.028	
			0.028
GRAND TOTAL			**100.000**

* *Slight differences may occur in totals due to rounding.*

** *For the period beginning 1st July 2007 through 31st March 2008.*

Appendix III-4
Subscription of State Participants and of the ADB, December 31, 2007

(In UA)

	Participants	Contribution in UA
1	ADB	111,740,678
2	Argentina	8,860,520
3	Austria	210,882,574
4	Belgium	284,082,343
5	Brazil	127,463,642
6	Canada	1,188,882,968
7	China	271,918,275
8	Denmark	459,131,460
9	Finland	251,705,129
10	France	1,520,521,058
11	Germany	1,491,116,185
12	India	63,436,236
13	Italy	962,522,641
14	Japan	1,935,768,756
15	Korea	122,541,311
16	Kuwait	157,801,743
17	Netherlands	540,194,386
18	Norway	660,533,974
19	Portugal	114,374,593
20	Saudi Arabia	224,560,128
21	South Africa	13,716,316
22	Spain	327,065,245
23	Sweden	795,214,038
24	Switzerland	603,052,187
25	United Arab Emirates	8,289,468
26	United Kingdom	888,146,092
27	United States of America	1,936,484,551
	Subtotal	**15,280,006,497**
	Supplementary Contributions Through Accelerated Encashment to Reduce the Gap	**38,565,198**
	GRAND TOTAL	**15,318,571,695**

Annexes

Annex I
Classification of Regional Member Countries

Category A – Countries Eligible for ADF Resources only*			
1	Angola	20	Kenya
2	Benin	21	Lesotho
3	Burkina Faso	22	Liberia
4	Burundi	23	Madagascar
5	Cameroon	24	Malawi
6	Cape Verde	25	Mali
7	Central African Republic	26	Mauritania
8	Chad	27	Mozambique
9	Comoros	28	Niger
10	Congo	29	Rwanda
11	Congo, Democratic Republic of	30	Sao Tome & Principe
12	Côte d'Ivoire	31	Senegal
13	Djibouti	32	Sierra Leone
14	Eritrea	33	Somalia
15	Ethiopia	34	Sudan
16	Gambia	35	Tanzania
17	Ghana	36	Togo
18	Guinea	37	Uganda
19	Guinea Bissau	38	Zambia
Category B – Countries Eligible for a Blend of ADB and ADF Resources			
1	Nigeria		
2	Zimbabwe		
Category C – Countries Eligible for ADB Resources only			
1	Algeria		
2	Botswana		
3	Egypt		
4	Equatorial Guinea		
5	Gabon		
6	Libya**		
7	Mauritius		
8	Morocco		
9	Namibia		
10	Seychelles		
11	South Africa		
12	Swaziland		
13	Tunisia		

* Except for limited ADB lending for enclave and private sector projects
** Libya is not a Borrowing Member Country

Annex II-1
Africa : Selected Social Indicators

	HDI* Value (0 to 1)	Total Life Expect-ancy (years)	Infant Mortality (per 1,000)	Maternal Mortality (per 100,000)	Access to Water (% of pop.)	Access to Sanitation (% of pop.)	Daily Calories supply per capita	Primary School Enrollment (%)		Adult Illiteracy Rates (%)	
								Female	Male	Female	Male
Country	**2005**	**2007**	**2007**	**2005-07**	**2004-06**	**2004-06**	**2005**	**2006/07**	**2006/07**	**2007**	**2007**
Developed Countries	**0.946**	**76.2**	**7.4**	**13.0**	**100**	**100**	**3,314**	**101**	**102**	**2**	**1**
Developing Countries	**0.679**	**64.6**	**57.3**	**440.0**	**80**	**50**	**2,666**	**105**	**112**	**28**	**15**
Africa	**0.514**	**54.2**	**85.3**	**723.6**	**62**	**46**	**2,434**	**92**	**102**	**41**	**26**
Central Africa	**0.440**	**48.0**	**107.5**	**956.1**	**51**	**33**	**2,125**	**83**	**103**	**38**	**21**
Cameroon	0.532	50.4	87.5	669.0	66	51	2,212	99	112	27	15
Central African Republic	0.384	44.7	96.8	980.0	64	53	2,004	49	72	54	32
Chad	0.388	50.7	119.2	1,099.0	42	9	2,137	61	90	54	39
Congo	0.548	55.3	70.3	781.0	58	27	2,130	102	113	17	8
Congo Dem. Rep	0.411	46.5	113.5	1,100.0	46	30	1,560	53	68	39	20
Equatorial Guinea	0.642	51.6	92.3	680.0	43	53	...	119	125	17	5
Gabon	0.677	56.7	53.8	520.0	88	36	2,707	152	153	...	...
Eastern Africa	**0.467**	**53.3**	**79.0**	**608.9**	**51**	**31**	**2,040**	**94**	**99**	**40**	**27**
Burundi	0.413	49.6	99.4	480.0	79	36	1,682	98	108	49	39
Comoros	0.561	65.2	48.4	400.0	86	33	1,787	80	91	50	36
Djibouti	0.516	54.8	85.3	650.0	73	82	2,350	37	46	36	19
Eritrea	0.483	58.0	55.3	450.0	60	9	1,465	59	73	48	27
Ethiopia	0.406	52.9	86.9	673.0	22	13	1,840	92	104	59	46
Kenya	0.521	54.1	64.4	560.0	61	43	2,149	113	117	16	8
Rwanda	0.452	46.2	112.4	750.0	74	42	1,750	142	137	30	21
Seychelles	0.843	...	...	...	88	98	2,426	116	110	...	...
Somalia	0.000	48.2	116.3	1,400.0	29	25	...	6	11	...	...
Sudan	0.526	58.6	64.9	450.0	70	34	2,311	53	61	44	25
Tanzania	0.467	52.5	72.6	578.0	62	47	1,963	109	112	24	12
Uganda	0.505	51.5	76.9	435.0	67	43	2,348	115	120	35	18
Northern Africa	**0.706**	**71.6**	**29.9**	**243.2**	**91**	**69**	**3,223**	**101**	**108**	**46**	**26**
Algeria	0.733	72.3	31.1	180.0	85	93	3,114	105	105	34	18
Egypt	0.708	71.3	29.3	130.0	98	70	3,286	98	105	49	30
Libyan Arab Jamahiriya	0.818	74.0	18.0	97.0	72	97	3,476	103	104	24	6
Mauritania	0.550	64.2	63.0	820.0	53	34	2,640	102	96	66	47
Morocco	0.646	71.2	30.6	227.0	81	73	3,158	101	113	56	33
Tunisia	0.766	73.9	19.8	43.0	98	85	3,344	97	97	31	13

Annex II-1
Africa: Selected Social Indicators (continued)

	HDI* Value (0 to 1)	Total Life Expectancy (years)	Infant Mortality (per 1,000)	Maternal Mortality (per 100,000)	Access to Water (% of pop.)	Access to Sanitation (% of pop.)	Daily Calories supply per capita	Primary School Enrollment (%)		Adult Illiteracy Rates (%)	
								Female	Male	Female	Male
Country	**2005**	**2007**	**2007**	**2005-07**	**2004-06**	**2004-06**	**2005**	**2006/07**	**2006/07**	**2007**	**2007**
Southern Africa	**0.536**	**47.9**	**78.9**	**655.9**	**69**	**52**	**2,382**	**114**	**121**	**27**	**17**
Angola	0.446	42.7	131.9	1,400.0	53	31	2,178	69	78	...	...
Botswana	0.654	50.7	46.5	380.0	95	42	2,084	112	113	15	20
Lesotho	0.549	42.6	64.6	762.0	79	37	2,495	114	114	4	23
Madagascar	0.533	59.4	65.5	469.0	50	34	2,070	137	142	33	22
Malawi	0.437	48.3	89.4	984.0	74	88	2,077	122	118	46	22
Mauritius	0.804	72.8	14.0	23.1	100	94	2,999	102	102	15	10
Mozambique	0.384	42.1	95.9	520.0	43	32	2,057	3	111	61	32
Namibia	0.650	52.9	42.3	268.0	87	25	2,174	106	106	13	14
South Africa	0.674	49.3	44.8	110.0	85	71	3,004	103	108	13	12
Swaziland	0.547	39.6	71.0	390.0	62	48	2,224	99	106	17	15
Zambia	0.434	42.4	92.7	830.0	58	56	1,947	111	118	21	11
Zimbabwe	0.513	43.5	58.0	555.0	81	53	1,978	95	97	10	4
Western Africa	**0.459**	**50.8**	**105.3**	**946.2**	**56**	**37**	**2,582**	**80**	**96**	**46**	**30**
Benin	0.437	56.7	98.0	397.0	67	33	2,652	85	106	70	39
Burkina Faso	0.370	52.3	104.4	700.0	61	13	2,529	61	72	80	59
Cape Verde	0.736	71.7	24.6	36.2	80	43	3,058	103	108	27	12
Cote d'Ivoire	0.432	48.3	116.9	543.0	84	37	2,637	62	79	55	35
Gambia	0.502	59.4	74.2	690.0	82	53	2,178	80	75	62	48
Ghana	0.553	60.0	56.6	560.0	75	18	2,723	91	92	28	14
Guinea	0.456	56.0	102.5	980.0	50	18	2,426	81	96	...	...
Guinea-Bissau	0.374	46.4	112.7	1,100.0	59	35	2,001	56	84	67	38
Liberia	0.000	45.7	132.5	1,200.0	62	26	1,923	84	122	55	23
Mali	0.380	54.5	128.5	970.0	50	46	2,163	71	90	79	58
Niger	0.374	56.9	110.8	648.0	46	13	2,121	43	58	88	71
Nigeria	0.470	46.9	109.5	1,100.0	51	58	2,720	89	96	33	21
Sao Tome and Principe	0.654	65.5	72.3	120.3	79	25	2,525	127	128	...	...
Senegal	0.499	63.1	65.7	401.0	76	57	2,414	79	81	65	47
Sierra Leone	0.336	42.6	160.3	2,100.0	57	39	1,849	122	169	...	...
Togo	0.512	58.4	88.6	510.0	52	35	2,334	95	108	47	21

Source : UN Population Division, The 2006 Revision; and ADB Statistics Department;
HDR, 2007/08 ; December 2007, SOWC 2008

Notes :

… Data not available

\- Magnitude zeros

0 or 0.0 Magnitude less than 5% of the unit employed

Annex II-2
Africa: Selected Macroeconomic Indicators

Country	GNI per Capita (US$) 2006	GDP Growth Rate (%) Annual Average 2000-2006	GDP Growth Rate (%) 2007	Investment (% of GDP) 2007	Consumer Inflation (%) 2007	Fiscal Balance (% of GDP) 2007	Debt Service (% of exports) 2007
Algeria	3,030	4.0	3.2	32.0	3.8	11.4	3.0
Angola	1,980	10.6	19.8	9.3	11.8	10.0	8.3
Benin	540	4.2	4.2	22.4	1.5	-2.0	5.0
Botswana	5,900	5.6	6.0	30.6	7.1	7.1	15.5
Burkina Faso	460	5.7	4.3	23.5	2.0	-6.0	5.3
Burundi	100	2.2	3.6	18.1	7.1	0.7	51.3
Cameroon	1,080	3.7	3.6	17.4	1.7	4.5	11.8
Cape Verde	2,130	6.3	6.6	40.9	4.5	-2.3	10.7
Central African Republic	3 60	0.2	4.0	9.6	3.1	2.5	-
Chad	4 80	10.8	-0.3	17.6	-4.2	0.8	2.1
Comoros	660	2.4	1.0	13.7	3.0	-2.0	20.8
Congo	...	4.9	-0.7	29.0	-0.2	15.1	10.9
Congo, Democratic Republic	130	2.6	6.2	13.1	9.5	2.2	11.9
Côte d'Ivoire	870	-0.4	1.6	10.0	2.3	0.3	16.1
Djibouti	1,060	2.8	4.8	37.1	3.5	-1.6	6.0
Egypt	1,350	4.4	7.1	21.2	10.9	-5.7	6.6
Equatorial Guinea	8,250	23.2	9.8	42.3	4.9	22.8	0.4
Eritrea	200	1.3	1.3	20.0	22.7	-18.1	41.4
Ethiopia	180	5.4	8.2	20.8	17.1	-3.1	6.5
Gabon	5,000	1.1	5.5	25.9	4.8	9.6	11.0
Gambia	310	4.5	7.0	28.0	5.0	1.8	31.4
Ghana	520	5.1	6.0	33.7	9.4	-8.2	3.8
Guinea	410	2.9	1.5	15.0	23.4	1.0	13.3
Guinea Bissau	190	1.2	2.5	15.6	3.0	-17.3	11.5
Kenya	5 80	3.6	6.6	19.4	9.8	-1.7	6.8
Lesotho	1,030	3.4	4.9	26.2	6.6	7.7	4.9
Liberia	140	2.4	8.0	43.6	8.0	1.5	...
Libya	7,380	4.7	6.8	13.8	7.0	40.2	...
Madagascar	280	3.2	6.3	27.5	9.8	-3.5	1.9
Malawi	170	2.6	6.8	10.6	8.5	-1.5	5.9
Mali	4 40	4.9	4.2	23.0	2.1	-1.0	3.6
Mauritania	740	4.8	2.0	21.4	7.6	-2.8	2.4
Mauritius	5,450	4.1	5.6	23.3	8.8	-4.3	5.6
Morocco	1,900	4.9	2.2	34.3	2.5	-3.4	11.9
Mozambique	340	7.9	7.2	29.2	7.9	-5.1	16.5
Namibia	3,230	4.5	3.8	29.7	6.7	1.9	2.6
Niger	260	4.1	5.0	22.3	0.7	-0.8	1.4
Nigeria	640	5.6	3.2	25.0	6.7	5.6	3.1
Rwanda	250	5.5	4.9	24.2	8.9	-0.4	1.4
Sao Tome & Principe	780	4.7	7.0	..	16.6	124.9	12.4
Senegal	750	4.1	2.8	25.9	5.9	-5.5	8.0
Seychelles	8,650	0.1	6.1	44.3	4.4	-5.8	7.5
Sierra Leone	240	11.6	7.4	17.2	9.5	23.7	3.6
Somalia	...	...	...	...	...	...	3.6
South Africa	5,390	4.1	4.9	22.5	6.5	0.8	9.0
Sudan	810	7.5	11.2	24.1	8.0	-3.8	5.1
Swaziland	2,430	2.4	2.1	17.2	6.8	-2.0	1.2
Tanzania	3 50	6.7	6.6	30.2	7.1	-4.5	1.7
Togo	350	1.0	2.3	13.1	3.2	-2.5	0.0
Tunisia	2,970	4.6	6.3	24.3	3.1	-3.1	13.1
Uganda	3 00	5.5	6.0	25.2	6.4	-2.8	4.0
Zambia	630	4.8	5.8	29.2	10.8	-1.8	1.0
Zimbabwe	...	-5.5	-6.2	17.5	6,723.7	-24.6	9.0
Africa	**1,071**	**4.8**	**5.7**	**23.1**	**8.2**	**2.8**	**6.3**

Sources: DDP ADB Statistics Department, IMF World Economic Outlook, October 2007.
Notes:
... Data not available
- Magnitude zeros
0 or 0.0 Magnitude less than 5% of the unit employed
na Not applicable

Annex II-3
Bank Group Transfer of Resources to Regional Member Countries
(US$ millions)

Year	Gross Disbursements	Repayments of Principal	Net Disbursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Disbursements
1967	-	-	-	-	-	-
1968	0.1	-	0.1	-	0.1	100.0
1969	0.6	-	0.6	-	0.6	100.0
1970	2.4	-	2.4	0.2	2.2	91.7
1971	6.3	-	6.3	0.4	5.9	93.7
1972	13.5	0.1	13.4	1.3	12.1	89.6
1973	20.2	0.4	19.8	2.8	17.0	84.2
1974	24.0	0.6	23.4	4.5	18.9	78.8
1975	51.9	2.8	49.1	7.3	41.8	80.5
1976	62.0	7.6	54.4	10.7	43.7	70.5
1977	99.5	7.3	92.2	14.7	77.5	77.9
1978	141.9	14.0	127.9	23.3	104.6	73.7
1979	172.0	17.4	154.6	31.3	123.3	71.7
1980	220.1	20.3	199.8	40.0	159.8	72.6
1981	200.1	31.6	168.5	45.2	123.3	61.6
1982	280.2	34.1	246.1	53.5	192.6	68.7
1983	353.0	46.5	306.5	64.8	241.7	68.5
1984	288.6	59.8	228.8	75.8	153.0	53.0
1985	531.1	72.8	458.3	107.9	350.4	66.0
1986	672.3	106.6	565.7	150.7	415.0	61.7
1987	945.1	135.5	809.6	220.6	589.0	62.3
1988	1,166.9	171.3	995.6	245.7	749.9	64.3
1989	1,503.4	195.8	1,307.6	338.5	969.1	64.5
1990	1,874.4	265.6	1,608.8	414.0	1,194.8	63.7
1991	2,127.3	277.6	1,849.7	466.1	1,383.6	65.0
1992	2,171.6	315.8	1,855.8	586.4	1,269.5	58.5
1993	2,149.5	392.8	1,756.8	639.4	1,117.3	52.0
1994	2,089.6	583.2	1,506.5	836.3	670.2	32.1
1995	1,678.0	637.2	1,040.8	795.4	245.4	14.6
1996	1,641.6	760.1	881.5	843.1	38.4	2.3
1997	1,578.1	1,013.2	564.9	795.6	(230.7)	(14.6)
1998	1,249.6	868.0	381.6	714.0	(332.4)	(26.6)
1999	1,215.8	1,017.9	197.9	704.8	(506.8)	(41.7)
2000	896.7	881.2	15.5	629.2	(613.7)	(68.4)
2001	1,079.4	682.4	397.0	366.0	31.0	2.9
2002	1,425.0	1,489.5	(64.5)	786.3	(850.8)	(59.7)
2003	1,519.8	1,611.2	(91.4)	643.6	(735.0)	(48.4)
2004	2,043.1	1,713.4	329.6	580.3	(250.7)	(12.3)
2005	1,843.5	1,162.8	680.7	523.8	156.8	8.5
2006	1,864.0	1,221.5	642.5	554.8	87.8	4.7
2007	2,553.2	1,225.7	1,327.5	654.5	673.0	26.4
TOTAL	**37,755.4**	**17,043.6**	**20,711.8**	**12,972.7**	**7,739.1**	**20.5**

Source: ADB Financial Control Department.

Notes:

ADF and NTF transfers are included for the periods starting from 1974 and 1976, respectively.

- *Magnitude zeros*

Annex II-4
Bank Group Transfer of Concessional Resources to Regional Member Countries
(US$ millions)

Year	Gross Disbursements	Repayments of Principal	Net Disbursements	Interest and Charges	Net Transfers	Net Transfers as % of Gross Disbursements
1974	-	-	-	-	-	-
1975	3.9	-	3.9	-	3.9	100.0
1976	10.6	-	10.6	0.1	10.5	99.1
1977	26.4	0.1	26.3	0.2	26.1	98.9
1978	49.1	4.5	44.6	0.7	43.9	89.4
1979	64.4	1.9	62.5	1.5	61.0	94.7
1980	103.1	0.7	102.4	2.4	100.0	97.0
1981	100.7	2.3	98.4	3.1	95.3	94.6
1982	133.8	2.6	131.2	4.1	127.1	95.0
1983	163.4	2.2	161.2	5.2	156.0	95.5
1984	120.9	2.3	118.6	6.0	112.6	93.1
1985	229.1	5.9	223.2	8.4	214.8	93.8
1986	291.6	7.6	284.0	11.5	272.5	93.4
1987	404.8	11.1	393.7	16.4	377.3	93.2
1988	382.8	11.9	370.9	18.1	352.8	92.2
1989	506.7	14.1	492.6	21.3	471.3	93.0
1990	624.7	17.3	607.4	28.0	579.4	92.7
1991	653.4	24.7	628.7	25.1	603.6	92.4
1992	704.1	26.0	678.1	28.4	649.7	92.3
1993	715.2	32.4	682.8	37.5	645.3	90.2
1994	629.4	39.9	589.4	32.2	557.3	88.5
1995	619.6	50.0	569.6	49.8	519.7	83.9
1996	633.6	43.2	590.5	45.6	544.9	86.0
1997	650.9	55.5	595.4	53.3	542.2	83.3
1998	630.6	56.6	574.0	55.7	518.3	82.2
1999	516.3	57.5	458.8	54.2	404.6	78.4
2000	361.3	64.5	296.8	61.5	235.3	65.1
2001	470.2	63.4	406.8	17.9	388.9	82.7
2002	745.5	134.5	611.0	100.5	510.4	68.5
2003	550.6	112.3	438.3	79.9	358.4	65.1
2004	1,064.3	145.9	918.4	98.7	819.7	77.0
2005	992.6	142.3	850.2	94.2	756.0	76.2
2006	1,038.9	158.8	880.2	107.9	772.3	74.3
2007	1,155.1	113.1	1041.9	80.9	961.0	83.2
TOTAL	**15,347.5**	**1,405.1**	**13,942.4**	**1,150.4**	**12,792.0**	**83.3**

Source: ADB Financial Control Department.

Notes :

Bank Group concessional resource transfers refer to ADF and NTF resources.

- *Magnitude zeros*

Annex II-5
Bank Group Payments to Supplying Countries
For Procurement of Goods and Services, by Origin of Supply*
(UA thousands)

Country	2006		2007	
	Amount	%	Amount	%
Regionals				
Algeria	-	-	5	0.00
Angola	553	0.04	1,161	0.07
Benin	1,101	0.09	5,802	0.36
Botswana	109	0.01	103	0.01
Burkina Faso	10,530	0.85	15,302	0.95
Burundi	528	0.04	855	0.05
Cameroon	5,210	0.42	5,164	0.32
Cape Verde	625	0.05	93	0.01
Central African Republic	-	-	39	0.00
Chad	4,959	0.40	4,653	0.29
Comoros	-	-	-	-
Congo	506	0.04	87	0.01
Congo, Democratic Republic	1,835	0.15	3,185	0.20
Côte d'Ivoire	588	0.05	1,269	0.08
Djibouti	334	0.03	930	0.06
Egypt	1,208	0.10	1,531	0.09
Equatorial Guinea	404	0.03	134	0.01
Eritrea	2,010	0.16	644	0.04
Ethiopia	685	0.06	897	0.06
Gabon	1,835	0.15	1,396	0.09
Gambia	1,813	0.15	2,510	0.16
Ghana	3,493	0.28	5,590	0.35
Guinea	3,593	0.29	5,378	0.33
Guinea Bissau	1,895	0.15	2,208	0.14
Kenya	7,941	0.64	10,606	0.66
Lesotho	554	0.04	290	0.02
Liberia	-	-	-	-
Madagascar	6,135	0.50	7,441	0.46
Malawi	5,795	0.47	7,401	0.46
Mali	6,469	0.52	7,235	0.45
Mauritania	740	0.06	1,866	0.12
Mauritius	345	0.03	428	0.03
Morocco	19,140	1.54	20,064	1.24
Mozambique	15,335	1.24	5,049	0.31
Namibia	10,583	0.85	13,219	0.82
Niger	2,654	0.21	3,135	0.19
Nigeria	1,580	0.13	5,471	0.34
Rwanda	2,668	0.22	5,776	0.36
Sao Tome & Principe	35	0.00	358	0.02
Senegal	7,826	0.63	9,587	0.59
Seychelles	-	-	-	-
Sierra Leone	5,490	0.44	175	0.01
Somalia	-	-	-	-
South Africa	29,322	2.37	15,315	0.95
Sudan	-	-	-	-
Swaziland	63	0.01	1,368	0.08
Tanzania	6,489	0.52	5,880	0.36
Togo	59	-	164	0.01
Tunisia	20,598	1.66	21,460	1.33
Uganda	15,524	1.25	4,582	0.28
Zambia	3,543	0.29	15,182	0.94
Zimbabwe	556	0.04	1,041	0.06
Multinational	6,116	0.49	7,706	0.48
Subtotal Regionals	**219,376**	**17.71**	**229,731**	**14.22**

Annex II-5
Bank Group Payments to Supplying Countries
For Procurement of Goods and Services, by Origin of Supply* (continued)
(UA thousands)

Country	2006		2007	
	Amount	%	Amount	%
Non-Regionals				
Argentina	-	-	-	-
Austria	-	-	210	0.01
Belgium	1,421	0.11	7,259	0.45
Brazil	3,434	0.28	933	0.06
Canada	6,557	0.53	7,922	0.49
China	70,167	5.66	51,512	3.19
Croatia	-	-	-	-
Denmark	1,588	0.13	2,358	0.15
Finland	1,029	0.08	891	0.06
France	47,446	3.83	58,074	3.59
Germany	17,505	1.41	26,367	1.63
India	13,251	1.07	7,039	0.44
Ireland	-	-	-	-
Italy	11,867	0.96	12,891	0.80
Japan	4,892	0.39	4,691	0.29
Korea	3,237	0.26	3,515	0.22
Kuwait	-	-	-	-
Netherlands	3,788	0.31	2,126	0.13
Norway	269	0.02	639	0.04
Portugal	1,620	0.13	2,304	0.14
Saudi Arabia	1,265	0.10	-	-
Spain	5,712	0.46	18,938	1.17
Sweden	73	0.01	443	0.03
Switzerland	3,147	0.25	22,766	1.41
United Arab Emirates	-	-	-	-
United Kingdom	9,943	0.80	9,839	0.61
USA	3,721	0.30	27,036	1.67
Subtotal Non-Regionals	**211,929**	**17.10**	**267,752**	**16.57**
Net Advance Disbursements**	**392,656**	**31.69**	**447,232**	**27.68**
Disbursement for Policy-based Loans**	**415,070**	**33.50**	**670,965**	**41.53**
TOTAL	**1,239,031**	**100.00**	**1,615,681**	**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 :

\- *Magnitude zeros*

0.00 Magnitude less than 5 per thousand of the unit employed

Annex II-6
Bank Group Payments to Supplying Countries
For Procurement of Goods and Services, by Source of Supply*

(UA thousands)

Country	2006		2007	
	Amount	%	Amount	%
Regionals				
Algeria	-	-	5	0.00
Angola	553	0.04	1,161	0.07
Benin	1,863	0.15	9,142	0.57
Botswana	1,123	0.09	-	-
Burkina Faso	10,805	0.87	15,794	0.98
Burundi	702	0.06	1,322	0.08
Cameroon	4,100	0.33	5,118	0.32
Cape Verde	716	0.06	123	0.01
Central African Republic	23	0.00	49	0.00
Chad	5,261	0.42	4,259	0.26
Comoros	-	-	-	-
Congo	75.39	0.01	87	0.01
Congo, Democratic Republic	1,908	0.15	3,277	0.20
Côte d'Ivoire	705	0.06	2,504	0.15
Djibouti	334	0.03	841	0.05
Egypt	1,514	0.12	1,626	0.10
Equatorial Guinea	404	0.03	134	0.01
Eritrea	1,595	0.13	1,202	0.07
Ethiopia	555	0.04	1,362	0.08
Gabon	1,698	0.14	1,449	0.09
Gambia	2,406	0.19	3,235	0.20
Ghana	4,138	0.33	6,334	0.39
Guinea	6,855	0.55	6,418	0.40
Guinea Bissau	1,855	0.15	1,651	0.10
Kenya	10,357	0.84	11,164	0.69
Lesotho	593	0.05	385	0.02
Madagascar	13,729	1.11	6,963	0.43
Malawi	6,073	0.49	8,561	0.53
Mali	8,947	0.72	8,240	0.51
Mauritania	849	0.07	2,072	0.13
Mauritius	11,040	0.89	4,390	0.27
Morocco	21,529	1.74	20,095	1.24
Mozambique	10,358	0.84	10,042	0.62
Namibia	6,100	0.49	5,955	0.37
Niger	4,282	0.35	4,115	0.25
Nigeria	5,259	0.42	5,756	0.36
Rwanda	7,341	0.59	6,719	0.42
Sao Tome & Principe	35	0.00	140	0.01
Senegal	8,605	0.69	9,253	0.57
Seychelles	-	-	-	-
Sierra Leone	5,490	0.44	244	0.02
Somalia	-	-	-	-
South Africa	30,740	2.48	19,151	1.19
Sudan	-	-	-	-
Swaziland	1,034	0.08	1,614	0.10
Tanzania	11,704	0.94	8,169	0.51
Togo	59	0.00	542	0.03
Tunisia	23,012	1.86	26,312	1.63
Uganda	13,284	1.07	6,025	0.37
Zambia	9,855	0.80	22,530	1.39
Zimbabwe	556	0.04	1,015	0.06
Multinational	6,175	0.50	2,482	0.15
Subtotal Regionals	**266,197**	**21.48**	**259,022**	**16.03**

Annex II-6
Bank Group Payments to Supplying Countries
For Procurement of Goods and Services, by Source of Supply* (continued)
(UA thousands)

Country	2006		2007	
	Amount	%	Amount	%
Non-Regionals				
Argentina	-	-	-	-
Austria	-	-	264	0.02
Belgium	1,597	0.13	9,189	0.57
Brazil	2,906	0.23	739	0.05
Canada	6,305	0.51	8,332	0.52
China	46,157	3.73	40,824	2.53
Denmark	2,298	0.19	2,464	0.15
Finland	1,029	0.08	684	0.04
France	38,682	3.12	49,152	3.04
Germany	16,827	1.36	32,184	1.99
India	12,527	1.01	6,716	0.42
Italy	7,092	0.57	3,614	0.22
Japan	101	0.01	66	0.00
Korea	2,850	0.23	3,478	0.22
Kuwait	-	-	-	-
Netherlands	4,262	0.34	2,058	0.13
Norway	269	0.02	396	0.02
Portugal	809	0.07	1,088	0.07
Saudi Arabia	1,265	0.10	-	-
Spain	3,720	0.30	12,070	0.75
Sweden	73	0.01	314	0.02
Switzerland	3,355	0.27	22,908	1.42
United Arab Emirates	-	-	-	-
United Kingdom	8,835	0.71	11,681	0.72
USA	4,150	0.33	30,242	1.87
Subtotal Non-Regionals	**165,109**	**13.33**	**238,462**	**14.76**
Net Advance Disbursements**	**392,656**	**31.69**	**447,232**	**27.68**
Disbursement for Policy-based Loans**	**415,070**	**33.50**	**670,965**	**41.53**
TOTAL	**1,239,031**	**100.00**	**1,615,681**	**100.00**

Source: ADB Financial Control Department.

* *Source of Supply (SOS) for Bank Group procurement and disbursement purposes means the country in which the supplier (the primary contractor) is located as evidenced by the contract for procurement, and by the invoice or contract supporting an application for withdrawal.*
For example, a French car purchased from a local dealer in Côte d'Ivoire would be classified under the code for Côte d'Ivoire.

** *The nature of these disbursements makes it impossible to attribute them to any specific supplying or originating country until expenditures have been reported to the Bank. However, these disbursements will be integrated into the reported country shares as soon as the relevant invoices are received and processed.*

Notes :

- *Magnitude zeros*

0.00 Magnitude less than 5 per thousand of the unit employed

Annex II-7
Bank Group Loan and Grant Approvals by Subregion, 1967-2007
(UA millions)

Subregion/Country	2003	2004	2005	2006	2007	1967-2007
Central Africa						
Cameroon	46.5	12.1	25.6	124.8	-	900.7
Central African Rep.	-	-	-	3.3	6.5	149.2
Chad	2.3	2.4	37.5	13.0	-	407.7
Congo	0.9	7.0	-	17.4	-	303.4
Congo, Dem. Rep.	47.5	55.2	87.5	1.9	184.9	1,394.4
Equatorial Guinea	-	-	-	-	-	67.2
Gabon	-	76.3	15.4	-	238.1	926.9
Central Africa Approvals	**97.2**	**153.0**	**165.9**	**160.3**	**429.5**	**4,149.5**
East Africa						
Burundi	-	20.2	12.3	16.3	7.3	332.5
Comoros	-	-	-	-	-	64.7
Djibouti	6.9	5.3	0.3	0.3	6.5	121.0
Eritrea	0.4	18.6	-	-	-	78.8
Ethiopia	102.4	62.0	43.6	231.0	0.3	1,694.5
Kenya	57.8	51.3	41.5	57.0	190.2	971.5
Rwanda	49.8	51.9	-	25.0	33.0	469.2
Seychelles	-	-	0.3	-	-	89.8
Somalia	-	-	0.3	0.3	-	151.4
Sudan	0.3	-	-	0.3	9.6	360.8
Tanzania	31.3	114.7	-	145.3	150.0	1,220.0
Uganda	0.2	74.2	88.5	53.0	179.4	1,176.8
East Africa Approvals	**249.2**	**398.2**	**187.0**	**528.7**	**576.3**	**6,731.0**
North Africa						
Algeria	0.4	-	-	-	0.6	1,889.7
Egypt	-	-	284.3	398.5	316.7	2,729.1
Libya	-	-	-	-	-	-
Mauritania	24.6	7.0	0.3	9.7	6.0	367.1
Morocco	177.0	369.3	175.7	245.9	180.8	4,317.8
Tunisia	196.3	140.2	181.7	14.7	87.8	3,604.3
North Africa Approvals	**398.3**	**516.5**	**642.1**	**668.9**	**591.9**	**12,908.1**
Southern Africa						
Angola	4.6	-	17.5	-	17.9	357.3
Botswana	-	34.3	-	-	0.6	362.6
Lesotho	10.5	0.8	-	6.8	8.9	316.3
Madagascar	25.0	45.2	57.3	35.3	113.2	726.1
Malawi	21.8	12.0	15.4	30.0	14.9	650.9
Mauritius	-	-	7.7	-	33.7	313.0
Mozambique	55.2	30.0	9.5	118.9	17.3	1,051.4
Namibia	-	59.1	-	-	-	167.8
South Africa	106.3	117.1	-	-	333.0	844.0
Swaziland	50.0	-	0.4	5.5	-	300.1
Zambia	22.0	13.7	0.4	63.9	-	721.9
Zimbabwe	-	-	0.4	-	-	726.9
Southern Africa Approvals	**295.5**	**312.2**	**108.5**	**260.4**	**539.6**	**6,538.3**

Annex II-7
Bank Group Loan and Grant Approvals by Subregion, 1967-2007 (continued)
(UA millions)

Subregion/Country	2003	2004	2005	2006	2007	1967-2007
West Africa						
Benin	51.7	21.2	59.5	15.0	-	504.8
Burkina Faso	79.0	39.6	56.8	15.0	20.0	615.2
Cape Verde	0.3	3.5	-	4.1	4.8	175.2
Cote d'Ivoire	-	-	-	-	20.0	1,163.5
Gambia	0.4	5.0	5.5	8.0	1.4	230.0
Ghana	81.4	12.8	86.0	66.0	75.9	1,096.5
Guinea	-	-	22.7	3.5	-	566.7
Guinea-Bissau	7.2	-	1.4	6.1	-	185.2
Liberia	0.3	-	-	3.0	15.2	172.2
Mali	28.1	33.9	49.9	15.0	25.0	674.5
Niger	43.2	3.0	40.7	16.0	3.0	361.4
Nigeria	35.0	1.7	108.3	111.9	86.3	2,504.5
Sao Tome & Principe	-	-	-	4.0	-	103.6
Senegal	65.3	9.6	83.2	-	-	669.5
Sierra Leone	30.5	3.6	39.7	2.0	-	281.2
Togo	14.6	-	-	2.2	-	187.4
West Africa Approvals	**437.0**	**133.9**	**553.7**	**271.8**	**251.6**	**9,491.5**
Multinational	**287.2**	**219.2**	**85.8**	**417.9**	**193.3**	**1,763.1**
TOTAL APPROVALS	**1,764.5**	**1,733.1**	**1,742.9**	**2,308.1**	**2,582.3**	**41,581.6**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-8
ADB Loan and Grant Approvals by Country, 1967-2007
(UA millions)

Country	2003	2004	2005	2006	2007	1967-2007
Algeria	0.4	-	-	-	0.6	1,887.0
Angola	-	-	0.3	-	-	204.9
Benin	-	-	-	-	-	24.4
Botswana	-	34.3	-	-	0.6	264.8
Burkina Faso	-	-	0.3	-	-	31.4
Burundi	-	-	0.3	-	-	49.3
Cameroon	-	-	-	51.1	-	535.1
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.	-	-	-	-	64.2	689.5
Cote d'Ivoire	-	-	-	-	-	871.8
Djibouti	6.9	0.3	0.3	0.3	-	8.3
Egypt	-	-	284.3	398.5	316.7	2,512.6
Equatorial Guinea	-	-	-	-	-	7.2
Eritrea	0.4	-	-	-	-	0.7
Ethiopia	0.4	-	-	0.3	0.3	241.6
Gabon	-	76.3	15.4	-	238.1	923.7
Gambia	0.4	-	-	-	-	22.1
Ghana	-	-	-	-	-	263.3
Guinea	-	-	-	-	-	224.3
Guinea-Bissau	-	-	-	0.3	-	11.7
Kenya	5.3	10.1	-	27.4	-	245.4
Lesotho	-	-	-	-	0.3	64.0
Liberia	0.3	-	-	-	-	116.8
Libya	-	-	-	-	-	-
Madagascar	-	0.3	-	-	103.7	171.9
Malawi	-	-	0.4	-	-	85.4
Mali	-	-	-	-	-	19.9
Mauritania	-	-	0.3	-	-	104.8
Mauritius	-	-	7.7	-	33.7	297.9
Morocco	177.0	369.3	175.7	245.9	180.8	4,253.4
Mozambique	28.9	-	0.4	-	0.3	129.2
Namibia	-	59.1	-	-	-	135.9
Niger	-	-	0.7	-	-	37.9
Nigeria	-	-	74.1	89.9	-	2,076.7
Rwanda	-	-	-	-	-	16.9

Annex II-8
ADB Loan and Grant Approvals by Country, 1967-2007 (continued)
(UA millions)

Country	2003	2004	2005	2006	2007	1967-2007
Sao Tome & Principe	-	-	-	-	-	-
Senegal	-	-	6.7	-	-	195.9
Seychelles	-	-	0.3	-	-	67.0
Sierra Leone	-	-	-	-	-	14.3
Somalia	-	-	0.3	0.3	-	8.5
South Africa	106.3	117.1	-	-	333.0	844.0
Sudan	0.3	-	-	0.3	-	105.4
Swaziland	50.0	-	0.4	5.5	-	240.7
Tanzania	-	-	-	0.3	-	60.3
Togo	14.6	-	-	-	-	33.0
Tunisia	196.3	140.2	181.7	14.7	87.8	3,604.3
Uganda	-	-	-	-	72.2	267.5
Zambia	-	-	0.4	28.9	-	322.1
Zimbabwe	-	-	0.4	-	-	645.0
Multinational	157.7	1.5	-	70.4	52.2	537.2
TOTAL	**745.8**	**808.6**	**750.7**	**934.4**	**1,484.7**	**23,783.3**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-9
ADF Loan and Grant Approvals by Country, 1974-2007
(UA millions)

Country	2003	2004	2005	2006	2007	1974-2007
Algeria	-	-	-	-	-	2.7
Angola	4.6	-	17.2	-	17.9	152.4
Benin	47.7	21.2	59.5	15.0	-	460.9
Botswana	-	-	-	-	-	84.8
Burkina Faso	79.0	39.6	56.5	15.0	20.0	583.8
Burundi	-	20.2	12.0	16.3	7.3	269.8
Cameroon	46.5	12.1	25.6	73.7	-	365.6
Cape Verde	-	3.5	-	4.1	4.8	149.2
Central African Rep.	-	-	-	3.3	6.5	134.0
Chad	2.3	2.4	37.2	13.0	-	404.7
Comoros	-	-	-	-	-	54.7
Congo	0.5	7.0	-	17.4	-	36.0
Congo, Dem. Rep.	47.5	55.2	87.5	1.9	120.7	704.9
Cote d'Ivoire	-	-	-	-	20.0	288.8
Djibouti	-	5.0	-	-	6.5	108.7
Egypt	-	-	-	-	-	216.5
Equatorial Guinea	-	-	-	-	-	60.0
Eritrea	-	18.6	-	-	-	78.1
Ethiopia	102.0	62.0	43.6	230.7	-	1,441.9
Gabon	-	-	-	-	-	3.2
Gambia	-	-	5.5	8.0	1.4	193.6
Ghana	78.4	12.8	86.0	66.0	75.9	827.9
Guinea	-	-	22.7	3.5	-	326.1
Guinea-Bissau	3.7	-	1.4	5.8	-	167.4
Kenya	52.6	41.2	41.5	29.7	190.2	726.0
Lesotho	10.5	0.8	-	6.8	8.6	237.7
Liberia	-	-	-	3.0	15.2	51.8
Libya	-	-	-	-	-	-
Madagascar	25.0	44.9	57.3	35.3	9.5	541.6
Malawi	21.8	12.0	15.0	30.0	14.9	565.4
Mali	28.1	33.9	49.9	15.0	25.0	649.6
Mauritania	18.6	2.7	-	9.7	6.0	252.0
Mauritius	-	-	-	-	-	4.7
Morocco	-	-	-	-	-	64.4
Mozambique	26.3	30.0	9.2	118.9	17.0	915.3
Namibia	-	-	-	-	-	23.1
Niger	43.2	3.0	40.0	16.0	3.0	318.3
Nigeria	35.0	1.7	34.2	22.0	86.3	427.8
Rwanda	43.8	51.9	-	25.0	33.0	437.8
Sao Tome & Principe	-	-	-	4.0	-	98.6

Annex II-9
ADF Loan and Grant Approvals by Country, 1974-2007 (continued)
(UA millions)

Country	2003	2004	2005	2006	2007	1974-2007
Senegal	65.3	9.6	76.5	-	-	462.6
Seychelles	-	-	-	-	-	10.8
Sierra Leone	30.5	3.6	39.7	2.0	-	260.9
Somalia	-	-	-	-	-	136.9
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	9.6	255.4
Swaziland	-	-	-	-	-	49.5
Tanzania	31.3	114.7	-	145.0	150.0	1,146.0
Togo	-	-	-	2.2	-	143.9
Tunisia	-	-	-	-	-	-
Uganda	0.2	74.2	88.5	53.0	107.2	904.3
Zambia	22.0	13.7	-	35.0	-	399.8
Zimbabwe	-	-	-	-	-	81.9
Multinational	129.4	217.7	85.8	347.6	141.1	1,211.9
TOTAL	**996.1**	**915.2**	**992.2**	**1,373.7**	**1,097.6**	**17,493.8**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-10
NTF Loan and Grant Approvals by Country, 1976-2007
(UA millions)

Country	2003	2004	2005	2006	2007	1976-2007
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	-	-	-	-	-	10.4
Morocco	-	-	-	-	-	-
Mozambique	-	-	-	-	-	6.9
Namibia	-	-	-	-	-	8.9
Niger	-	-	-	-	-	5.2
Nigeria	-	-	-	-	-	-
Rwanda	6.0	-	-	-	-	14.6
Sao Tome & Principe	-	-	-	-	-	5.0

Annex II-10
NTF Loan and Grant Approvals by Country, 1976-2007 (continued)
(UA millions)

Country	2003	2004	2005	2006	2007	1976-2007
Senegal	-	-	-	-	-	11.0
Seychelles	-	-	-	-	-	12.0
Sierra Leone	-	-	-	-	-	6.0
Somalia	-	-	-	-	-	6.0
South Africa	-	-	-	-	-	-
Sudan	-	-	-	-	-	-
Swaziland	-	-	-	-	-	10.0
Tanzania	-	-	-	-	-	13.6
Togo	-	-	-	-	-	10.5
Tunisia	-	-	-	-	-	-
Uganda	-	-	-	-	-	5.0
Zambia	-	-	-	-	-	-
Zimbabwe	-	-	-	-	-	-
Multinational	-	-	-	-	-	14.1
TOTAL	**22.5**	**9.3**	**-**	**-**	**-**	**304.6**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-11
Bank Group Loan and Grant Approvals by Sector, 1967-2007
(UA millions)

	2003	2004	2005	2006	2007	1967-2007
Agriculture and Rural Dev.	235.9	274.5	231.1	240.7	178.8	7,056.8
Social	333.0	157.1	233.7	244.3	119.7	4,656.9
Education	*158.7*	*39.8*	*114.0*	*65.0*	*28.6*	*2,442.5*
Health	*37.1*	*102.0*	*90.7*	*80.0*	*-*	*1,489.8*
Other	*137.3*	*15.4*	*29.1*	*99.3*	*91.2*	*724.6*
Water Supply & Sanitation	290.2	120.4	199.1	227.7	211.5	3,258.4
Power Supply	147.9	56.0	275.9	167.2	930.0	4,563.4
Communication	-	-	-	-	33.0	944.3
Transportation	292.7	499.3	212.1	462.8	756.9	7,255.9
Finance	301.3	174.0	218.6	495.1	87.8	5,478.0
Multisector	131.6	450.0	264.4	414.3	92.2	6,082.9
Industry, Mining and Quarrying	28.9	-	34.0	55.9	162.7	2,180.3
Urban Development	-	-	-	-	-	1.9
Environment	3.0	1.7	74.1	-	9.8	102.9
TOTAL	**1,764.5**	**1,733.1**	**1,742.9**	**2,308.1**	**2,582.3**	**41,581.6**

Source : ADB Statistics Department, Economic and Social Statistics Division

- Magnitude zero

Annex II-12
ADB Loan and Grant Approvals by Sector, 1967-2007
(UA millions)

	2003	2004	2005	2006	2007	1967-2007
Agriculture and Rural Dev.	10.0	22.9	23.1	25.4	10.3	2,631.4
Social	3.6	1.3	55.7	61.5	-	1,163.7
Water Supply & Sanitation	176.6	56.5	-	69.6	13.8	1,611.7
Power Supply	118.9	-	270.8	51.1	773.1	3,546.6
Communication	-	-	-	-	33.0	797.7
Transportation	108.1	372.8	-	102.5	373.8	3,790.2
Finance	299.7	174.0	211.8	495.1	87.8	5,108.4
Multisector	-	181.1	97.8	73.2	20.5	3,097.1
Industry, Mining and Quarrying	28.9	-	34.0	55.9	162.7	1,968.9
Urban Development	-	-	-	-	-	-
Environment	-	-	57.6	-	9.8	67.4
TOTAL	**745.8**	**808.6**	**750.7**	**934.4**	**1,484.7**	**23,783.3**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-13
ADF Loan and Grant Approvals by Sector, 1974-2007
(UA millions)

	2003	2004	2005	2006	2007	1974-2007
Agriculture and Rural Dev.	226.0	242.4	208.0	215.4	168.5	4,368.1
Social	325.9	155.8	178.0	182.8	119.7	3,437.6
Education	*155.2*	*39.8*	*64.0*	*65.0*	*28.6*	*1,556.4*
Health	*36.4*	*102.0*	*89.0*	*80.0*	-	*1,236.8*
Other	*134.4*	*14.1*	*25.0*	*37.8*	*91.2*	*644.5*
Water Supply & Sanitation	107.5	63.9	199.1	158.1	197.7	1,629.4
Power Supply	28.9	56.0	5.1	116.1	156.9	1,003.2
Communication	-	-	-	-	-	118.4
Transportation	171.6	126.5	212.1	360.3	383.1	3,366.8
Finance	1.6	-	6.8	-	-	352.0
Multisector	131.6	268.9	166.7	341.1	71.7	2,985.8
Industry, Mining and Quarrying	-	-	-	-	-	195.0
Urban Development	-	-	-	-	-	1.9
Environment	3.0	1.7	16.5	-	-	35.5
TOTAL	**996.1**	**915.2**	**992.2**	**1,373.7**	**1,097.6**	**17,493.8**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-14
NTF Loan and Grant Approvals by Sector, 1976-2007
(UA millions)

	2003	2004	2005	2006	2007	1976-2007
Agriculture and Rural Dev.	-	9.3	-	-	-	57.3
Social	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	**22.5**	**9.3**	**-**	**-**	**-**	**304.6**

Source : ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero

Annex II-15
ADF - Multilateral Debt Relief Initiative - Cost Estimates for 33 Beneficiary RMCs
(UA millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016-2054	GrandTotal
Completion Point Countries												
Benin	1.31	1.35	1.74	3.70	5.94	6.51	6.91	7.18	7.38	7.34	192.44	241.79
Burkina Faso	1.37	1.43	1.61	2.08	2.55	2.57	2.94	3.22	3.48	3.90	199.73	224.87
Cameroon	0.56	0.89	1.01	1.13	1.25	2.27	3.00	2.99	2.97	2.96	132.20	151.23
Ethiopia	3.78	4.02	4.34	4.69	4.34	5.16	5.71	5.72	5.99	5.96	450.44	500.16
Gambia	0.00	0.00	1.05	1.09	1.21	1.22	1.34	2.29	3.54	3.67	92.22	107.64
Ghana	3.78	3.97	4.03	4.22	4.23	4.49	4.81	9.30	9.88	9.10	266.66	324.46
Madagascar	1.83	1.90	1.98	2.40	2.39	2.49	2.52	5.32	7.92	7.87	209.65	246.27
Malawi	0.04	1.34	1.43	1.46	1.53	1.63	1.77	1.93	2.00	1.85	170.14	185.12
Mali	2.92	2.91	3.09	3.40	5.80	10.38	10.83	11.69	11.78	11.71	294.50	369.02
Mauritania	0.44	1.28	1.37	1.59	1.65	3.86	5.04	5.21	5.23	5.20	143.11	173.98
Mozambique	2.21	2.57	2.94	3.08	3.75	6.69	6.80	7.52	7.86	8.59	314.78	366.79
Niger	1.20	1.21	1.23	1.47	1.48	1.48	1.53	1.56	2.00	1.98	111.96	127.09
Rwanda	1.00	1.04	1.11	1.18	1.14	1.17	1.21	1.23	1.22	1.22	59.59	71.11
SaoTome & Princ.	0.00	0.13	0.25	0.25	0.24	0.27	0.28	0.28	0.29	0.30	20.76	23.05
Senegal	2.91	4.45	5.36	5.47	5.89	6.46	6.78	6.94	7.02	6.98	214.43	272.67
Sierra Leone	0.00	1.13	1.05	1.08	1.11	1.28	1.41	1.55	1.69	1.68	86.17	98.16
Tanzania	2.55	2.57	3.43	3.83	3.95	4.23	4.54	5.11	5.27	5.24	369.52	410.22
Uganda	2.45	2.70	2.71	2.95	2.94	3.33	7.26	9.51	10.20	10.14	291.68	345.87
Zambia	1.59	1.70	1.88	1.90	2.20	2.44	2.47	2.78	2.76	2.75	138.08	160.56
Subtotal	**29.93**	**36.57**	**41.60**	**46.97**	**53.60**	**67.93**	**77.15**	**91.35**	**98.49**	**98.43**	**3,758.07**	**4,400.08**
Decision Point Countries												
Burundi	0.00	0.00	0.13	0.13	0.13	0.14	0.14	0.15	0.15	0.15	2.20	3.32
Chad	0.00	0.00	2.21	2.51	2.44	2.43	4.76	6.87	6.91	7.00	183.01	218.13
Central African Republic	0.00	0.00	0.00	0.00	0.91	0.91	0.98	0.98	0.97	0.96	54.16	59.87
Congo	0.00	0.00	0.00	0.00	0.31	0.30	0.30	0.30	0.30	0.30	4.59	6.40
Dem Rep Congo	0.00	0.00	1.16	1.13	1.16	1.15	1.15	1.15	1.43	1.42	91.89	101.64
Guinea	0.00	0.00	5.11	5.44	5.87	6.06	6.28	6.24	6.37	6.33	157.48	205.17
Guinea-Bissau	0.00	0.00	0.00	0.00	0.72	0.79	0.79	0.79	0.78	0.78	48.36	53.02
Subtotal	**0.00**	**0.00**	**8.60**	**9.21**	**11.53**	**11.77**	**14.41**	**16.47**	**16.92**	**16.95**	**541.68**	**647.55**
Pre-Decision Point Countries												
Comoros	0.00	0.00	0.00	0.00	0.93	0.92	1.07	1.07	1.06	1.05	17.99	24.01
Côte D'Ivoire	0.00	0.00	0.00	2.23	2.66	2.73	3.24	3.44	3.62	3.60	177.93	199.46
Eritrea	0.00	0.00	0.00	0.00	0.00	0.00	0.65	0.65	0.64	0.64	39.59	42.16
Liberia	0.00	0.00	0.00	0.00	0.57	0.56	0.56	0.56	0.55	0.55	9.33	12.68
Somalia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29.48	29.48
Sudan	0.00	0.00	0.00	0.00	0.00	0.00	5.96	5.92	5.88	5.84	113.46	137.06
Togo	0.00	0.00	0.00	0.00	0.00	0.00	2.49	2.82	2.80	2.79	67.86	78.76
Subtotal	**0.00**	**0.00**	**0.00**	**2.23**	**4.16**	**4.21**	**13.96**	**14.44**	**14.56**	**14.48**	**455.65**	**523.70**
TOTAL	**29.93**	**36.57**	**50.20**	**58.41**	**69.29**	**83.92**	**105.53**	**122.27**	**129.97**	**129.85**	**4,755.40**	**5,571.33**

Notes:
Applied debt outstanding and disbursed (DOD), as at end-December 2004
(*) Refers to 33 eligible RMCs comprising: 19post-CPRMCs; 7post-DPRMCs and 7 pre-DPRMCs

Annex II-16
Instruments of Commitments Received for the MDRI as at December 2007
(UA millions)

MDRI Participants	MDRI Burden Shares[1]	IOC Received 2006-2007			IOC Received Subsequent Periods			Total Instruments of Commitment Received		
		Unqualified	Qualified	Total	Unqualified	Qualified	Total	Unqualified	Qualified	Total
Austria	1.650%	1.40	-	1.40	14.12	-	14.12	15.52	0.00	15.52
Belgium	2.154%	1.83	-	1.83	-	123.88	123.88	1.83	123.88	125.70
Canada	6.253%	5.30	-	5.30	-	19.63	19.63	5.30	19.63	24.94
China	2.282%	1.94	-	1.94	-	16.78	16.78	1.94	16.78	18.71
Denmark	1.512%	1.28	-	1.28	12.94	74.00	86.94	14.22	74.00	88.22
Finland	2.084%	1.77	-	1.77	-	17.84	17.84	1.77	17.84	19.61
France	12.784%	10.84	-	10.84	109.44	625.80	735.24	120.28	625.80	746.08
Germany	9.185%	7.79	-	7.79	78.03	450.21	528.24	85.82	450.21	536.03
India	0.242%	0.21	-	0.21	-	-	0.00	0.21	0.00	0.21
Italy	5.558%	4.71	-	4.71	-	319.67	319.67	4.71	319.67	324.38
Japan	9.285%	7.88	-	7.88	13.41	-	13.41	21.28	0.00	21.28
Korea	0.884%	0.75	-	0.75	-	50.83	50.83	0.75	50.83	51.58
Kuwait	0.232%	0.20	-	0.20	13.34	-	13.34	13.54	0.00	13.54
The Netherlands	4.586%	3.89	-	3.89	39.25	224.47	263.73	43.14	224.47	267.62
Norway	4.919%	4.17	-	4.17	42.11	240.80	282.91	46.28	240.80	287.08
Portugal	0.785%	0.67	-	0.67	45.17	-	45.17	45.84	0.00	45.84
Saudi Arabia	0.418%	0.35	-	0.35	-	-	0.00	0.35	0.00	0.35
South Africa	0.164%	0.14	-	0.14	9.42	-	9.42	9.56	0.00	9.56
Spain	3.057%	2.59	-	2.59	26.17	149.65	175.82	28.76	149.65	178.41
Sweden	5.558%	4.71	-	4.71	47.58	272.09	319.67	52.30	272.09	324.38
Switzerland	3.567%	3.03	-	3.03	-	-	0.00	3.03	0.00	3.03
United Kingdom	10.422%	8.84	-	8.84	89.21	510.16	599.38	98.05	510.16	608.22
USA	11.774%	3.31	6.68	9.99	-	677.13	677.13	3.31	683.81	687.12
Subtotal	**99.357%**	**77.60**	**6.68**	**84.28**	**540.20**	**3,772.93**	**4,313.12**	**617.80**	**3,779.61**	**4,397.40**
Structural Gap	**0.643%**									
TOTAL	100%									

Note:
1 Based on ADF-X normalized burden shares except for Austria

Fully Unqualifed Commitments 2006-2054

	2006-2015	Unqualified
1	Kuwait	2006-2054
2	Portugal	2006-2054
3	South Africa	2006-2054

Commitments Received 2006-2054

	2006-2054	Unqualified	Qualified
1	Belgium	2006-2007	2008-2054
2	Denmark	2006-2015	2016-2054
3	France	2006-2015	2016-2054
4	Germany	2006-2015	2016-2054
5	Italy	2006-2007	2008-2054
6	Korea	2006-2007	2008-2054
7	Netherlands	2006-2015	2016-2054
8	Norway	2006-2015	2016-2054
9	Spain	2006-2015	2016-2054
10	Sweden	2006-2015	2016-2054
11	United Kingdom	2006-2015	2016-2054
12	United States of America (*)	2006-2007	2006-2054

(*) A portion of the contributions for the 2006-2007 period are unqualified

Commitments Received 2006-2015

2006-2015	Unqualified	Qualified	No commitments
Austria	2006-2015	-	2016-2054
China	2006-2007	2008-2015	2016-2054
Finland	2006-2015	-	2016-2054

Commitments Received 2006-2011

2006-2011	Unqualified	Qualified	No commitments
Canada	2006-2007	2008-2011	2012-2054

Commitments Received 2006-2010

2006-2010	Unqualified	Qualified	No commitments
Japan	2006-2010	-	2011-2054

Commitments Received 2006-2007

2006-2007	Unqualified	Qualified	No commitments
India	2006-2007	-	2008-2054
Saudi Arabia	2006-2007	-	2008-2054
Switzerland	2006-2007	-	2008-2054

Annex II-17
Summary of Loan Arrears as at December 31, 2007
(UA millions)

Country	ADB	ADF	NTF	Total
Côte D'Ivoire	331.14	8.27	0.00	339.41
Somalia	10.62	32.17	1.29	44.08
Sudan	77.14	48.18	0.00	125.32
Togo	0.00	12.20	0.46	12.66
Zimbabwe	244.87	3.89	0.00	248.75
Others*	0.00	0.47	0.02	0.49
Subtotal	**663.77**	**105.16**	**1.77**	**770.70**
Comoros**	0.01	8.96	0.00	8.97
Liberia**	39.25	0.00	28.89	68.13
TOTAL	**703.03**	**114.12**	**30.66**	**847.81**

* *Includes arrears of multinational projects, arrears less than UA 25,000 in some countries, and arrears payments in the process of being regularized.*

Source ADB Financial Control Department

** *Under the PCCF arrears clearance arrangement, amounts due from these countries are backed by pledges from certain donors and are expected to be received during 2007*

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