2011
ANNUAL REPORT

AFRICAN DEVELOPMENT BANK · AFRICAN DEVELOPMENT FUND

REGIONAL AND NON-REGIONAL MEMBER COUNTRIES

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

ARGENTINA
AUSTRIA
BELGIUM
BRAZIL
CANADA
CHINA
DENMARK
FINLAND
FRANCE
GERMANY
INDIA
ITALY
JAPAN
KUWAIT
NETHERLANDS
NORWAY
PORTUGAL
SAUDI ARABIA
SOUTH KOREA
SPAIN
SWEDEN
SWITZERLAND
UNITED ARAB EMIRATES (member of the ADF only)
UNITED KINGDOM
UNITED STATES OF AMERICA

AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB
Forty-Seventh
Annual Meeting

ADF
Thirty-Eighth
Annual Meeting

Arusha, Tanzania
May 31 – June 1, 2012

REPORT

by the
Boards of Directors

of the
African Development Bank

and the
African Development Fund

Covering the period
January 1 to December 31, 2011

ADB-ADF/BG/AR/2011

Acknowledgments

This Annual Report was prepared by the Statistics Department of the Chief Economist Complex, under the overall guidance of the Boards of Directors, and the direct supervision of the Board Committee, comprising: P.M.F. Tombwele (Chairman), M. Dhoorundhur, M.S. Khan, C. Kohlmeyer, and V. Zezza.

Annual Report Working Team: M. Ncube, Chief Economist and Vice President; C. Lufumpa, Director, Statistics Department; B. Kokil, Manager, Economic and Social Statistics Division; F. Lawson; P. Lartey; N. Letsara; and L. Kouakou, Statistics Department; R. Ubogu (Lead Consultant); P. Quarcoo (Consultant); M. Msuya (Consultant); and A. Portella (Consultant).

French Translation and Editing Team: J. Edjangue, Manager, French Translation Division; M. Ndagijimana and B. Mbessa Engoudou, Language Services Department (CLSD).

Finance Team: A. Odukomaiya, Director, Financial Control Department; N. Ngwenya, Manager, Accounts and Special Funds Division; M. Derbel and S. Oppong, Financial Control Department; M. Ouattara, M. Damak, and E. Wiss, Financial Management Department.

Senior Management Coordinating Committee: The Annual Report Team acknowledges the contribution and regular support from the Senior Management Coordinating Committee (SMCC) for their oversight and guidance at various stages during preparation of the Report.

All Departments and Organizational Units: The Annual Report Team acknowledges the contributions and comments received from all Departments and Organizational Units in the various Complexes during the preparation of the Report.

Photographs: External Relations and Communications Unit.

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

Cover illustration: Vocational training at Arusha Technical College in Tanzania.

Design/layout by Phoenix Design Aid AS/Denmark. ISO 14001/ISO 900
Certified and approved CO_2 Company.
The Annual Report is printed on environmentally-friendly recycled paper with vegetable inks.
The printed matter is further recyclable.
ISO 14001 certified and EMAS-approved.

ISSN – 1737-8990

Contents

List of Tables, Figures, and Boxes

Tables

Figures

Boxes

Fast Facts
African Development Bank Group

Constituent Institutions	The African Development Bank (ADB) The African Development Fund (ADF) The Nigeria Trust Fund (NTF)
Shareholders	53 African countries (regional member countries) 25 non-African countries (non-regional member countries)
Mission	To contribute to the sustainable economic development and social progress of African countries.
Authorized Capital at December 31, 2011	UA 66.05 billion
Subscribed Capital at December 31, 2011	UA 37.32 billion
Paid-up Capital at December 31, 2011	UA 3.29 billion
Approved Operations, 2011	184 operations totaling UA 5.72 billion, financed as follows: ADB: UA 3.69 billion ADF: UA 1.83 billion NTF: UA 10.9 million Special Funds*: UA 188.1 million
Of which:	
Loans	UA 3.55 billion (60 operations)
Grants	UA 578.7 million (75 operations)
HIPC	UA 1.35 billion (7 transactions)
Equity Participations	UA 53.4 million (7 investments)
Special Funds*	UA 188.1 million (35 operations)
Sector Approvals, 2011	**Infrastructure:** UA 1.57 billion (38.1 percent of total loans and grants) **Multisector:** UA 853.2 million (20.7 percent) **Finance:** UA 802.3 million (19.4 percent) **Social:** UA 451.3 million (10.9 percent) **Industry, Mining and Quarrying:** UA 293.7 million (7.1 percent) **Agriculture and Rural Development:** UA 145.6 million (3.5 percent) **Environment:** UA 9.6 million (0.2 percent)
Total Cumulative Loan and Grant Approvals, 1967–2011	3,661 loans and grants totaling UA 60.06 billion

* *Special Funds: These are the approvals for the operations of the African Water Facility, the Rural Water Supply and Sanitation Initiative, the Global Environment Facility, the Global Agriculture and Food Security program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African Private Sector Assistance, the Zimbabwe Multidonor Trust Fund, and the Migration and Development Trust Fund.*

The African Development Bank Group

The Bank Group has strengthened its "One Bank" approach to enhance its client responsiveness, in contrast to a more limited, product-driven strategy. Through this approach, the Bank Group offers a holistic response to the exigencies of its regional member countries (RMCs), by maximizing the use of Bank Group resources, instruments, and competencies across financing windows, and by engaging both its headquarters and field offices. As a result, the Bank ensures the efficient implementation of operations in a sustainable and inclusive manner. The Bank Group delivers its development assistance through two main channels, the public sector and private sector, which actively reinforce each other for enhanced sustainable economic development and social progress in its RMCs. The Bank Group achieves this objective by (i) mobilizing and allocating resources toward investment in its RMCs; and (ii) providing policy advice and technical assistance to add value to its development efforts.

One way in which the African Development Bank operationalizes its "One Bank" approach has been through scaling up dialogue with RMCs at the country level. This has been assisted in recent years through institutional reforms, particularly the Bank's decentralization program, which has been enhanced through the establishment of regional resource centers, empowerment of field offices, and closer engagement at the grass roots. As One Bank, the institution is better positioned to work with its partners in the international development community, regional economic communities, RMCs, and civil society. This approach also helps to consolidate its legitimacy as the premier development finance institution and knowledge bank for the continent. Speaking as One Bank also strengthens its capacity to support good governance in its RMCs, through strong policy dialogue led by experts based in the regional resource centers and field offices, working closely with other partners.

The Bank's interventions in its RMCs are delivered through various financial instruments, including: project lending, program-based operations (PBOs), grants, lines of credit, equity participations, guarantees, and institutional capacity-building support. The Bank's financing conditions for support to its RMCs are based on a debt sustainability classification of each regional member country. The three resource windows offer different terms and conditions, tailored to the needs of regional member countries, as outlined below.

African Development Bank (ADB) resources, which are generally obtained through capital market borrowings, are used to provide loans to its RMCs on non-concessional terms. Furthermore, resources from this window are also used to support private sector projects in all RMCs through direct loans, lines of credit (LOCs), equity participations, and guarantees to financially sound and viable private enterprises, and multinational projects that support regional integration. In 1997, the Bank introduced three new loan products to meet the needs of its clients, namely: 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 ADB resources are as follows:

- A repayment period of up to 20 years, including a grace period not exceeding 5 years for public sector (sovereign guaranteed) loans;
- A repayment period of up to 14 years, including a grace period not exceeding 4 years for sovereign guaranteed lines of credit (LOCs); and
- A repayment period of 5 to 20 years, including a grace period of 1 to 3 years for private sector (non-sovereign guaranteed) loans;

The African Development Fund (ADF) resources emanate from contributions and periodic replenishments by ADF-State Participants, usually on a 3-year basis. No interest is charged on ADF loans. The loans, however, 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 span a 50-year repayment period, including a 10-year grace period. Lines of credit (LOCs) have a 20-year repayment period, which also includes a 5-year grace period. The Fund also provides grants to RMCs, and these do not carry any interest charges. For blend countries (see Appendix IV), however, the lending terms have been made more stringent during the ADF-12 (2011–2013) period, as follows: 30 years' maturity, a grace period of 8 years, and an interest rate of 1 percent on project loans. The other terms remain the same, namely: 0.75 percent service charge on outstanding balances and 0.5 percent commitment fee on undisbursed commitments.

The Nigeria Trust Fund (NTF) resources are provided entirely by the Federal Republic of Nigeria under an Agreement signed with the Bank in 1976 for an initial period of 30 years. Following its revision in April 2008, the Agreement provides that the resources of the Fund shall be used in accordance with the terms of the following three options:

- *First option:* (a) no interest charges on NTF loans; (b) a service charge of 0.75 percent per annum on outstanding balances; (c) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (d) a 20-year repayment period, including a 7-year grace period.

- *Second option:* (a) no interest charges on NTF loans; (b) a service charge of 0.75 percent per annum on outstanding balances; (c) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (d) a 15-year repayment period including a 5-year grace period.

- *Third option:* Same terms as for the ADB private sector loans, taking into consideration the provisions of the Guidelines for the Bank's private sector financing as well as the risk analysis of the project.

Loans granted prior to the revision of the Agreement carried interest at rates that ranged between 2 percent and 4 percent, with a commission of 0.75 percent on undisbursed portions.

African Development Bank Group

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

April 26, 2012

The Chairperson
Boards of Governors
African Development Bank
African Development Fund

Dear Mr. Chairperson:

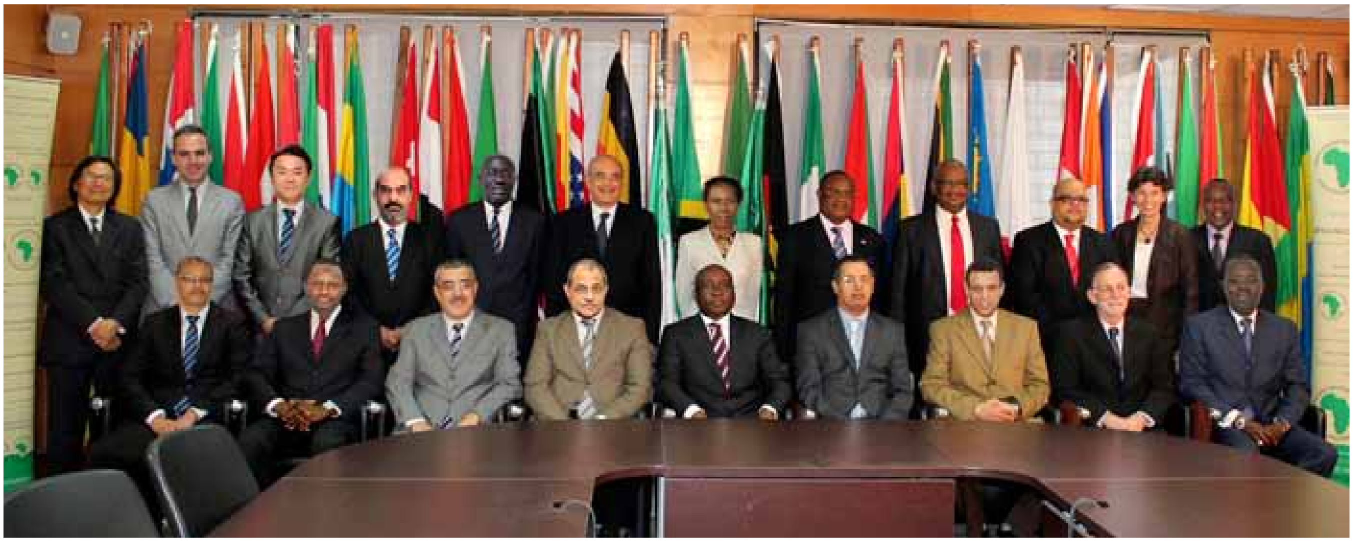
In accordance with Article 32 of the Agreement Establishing the African Development Bank and Articles 8, 11 and 12 of the General Regulations made thereunder, and pursuant to Article 26 of the Agreement Establishing the African Development Fund and Articles 8, 11 and 12 of the General Regulations made thereunder, I have the honor, on behalf of the Boards of Directors of the Bank and of the Fund, to submit the audited financial statements of the two institutions for the financial year ended December 31, 2011.

This joint report includes the administrative budgets for the period commencing January 1, 2012 and ending December 31, 2012, as approved by the Boards of Directors, as well as a review of developments in the African economy and in the operational activities of the Bank Group during 2011.

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

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

The President and the Executive Directors
African Development Bank Group



Sitting (from left to right): Walter Crawford JONES (USA), Shehu YAHAYA (Nigeria), Abdelhak BENALLEGUE (Algeria), Hassan Ali Ali KHEDR (Dean of the Board – Egypt), Donald KABERUKA (President of the Bank Group & Chairman of the Boards of Directors – Rwanda), Mohamed MAHROUG (Morocco), Abdul-Magid GADAD (Libya), Christoph KOHLMEYER (Germany), and André NZAPAYEKE (Central African Republic).

Standing (from left to right): Hau Sing TSE (Canada), François KRUGER (France), Masahiro KAN (Japan), Mohit DHOORUNDHUR (Mauritius), Mamadou Abdoulaye SOW (Senegal), Vincenzo ZEZZA (Italy), Mary Consolate MUDUULI (Uganda), Mampuya Pedro TOMBWELE (Angola), Elfatih Mohamed KHALID (Sudan), Moegamat Shahid KHAN (South Africa), Margit THOMSEN (Denmark), and Amadou KONE (Côte d'Ivoire).

Composition of the Boards of Directors
at December 31, 2011

The Board of Directors of the African Development Bank	
Chairman: Donald KABERUKA	
Executive Directors	**Alternate Executive Directors**
Abdelhak BENALLEGUE (Algeria)	Augusto I. EMBALO (Guinea Bissau)
Mohit DHOORUNDHUR (Mauritius)	Petronella M.N. MWANGALA (Zambia)
Abdul-Magid GADAD (Libya)	Mohamed O.H. KHATTAR (Mauritania)
Walter Crawford JONES (U.S.A.)	Vacant
Masahiro KAN (Japan)	Carlos R. BOLO BOLANO (Argentina)
Elfatih M. KHALID (Sudan)	Alieu Momoudou NGUM (The Gambia)
Moegamat Shahid KHAN (South Africa)	Motena Ernestine TSOLO (Lesotho)
Hassan Ali Ali. KHEDR (Egypt)	Almis MOHAMED ABDILLAHI (Djibouti)
Christoph KOHLMEYER (Germany)	Vacant
Amadou KONE (Côte d'Ivoire)	Bernardo ABAGA N. MAYIE (Equatorial Guinea)
François KRUGER (France)	José NUNO (Spain)
Mohamed MAHROUG (Morocco)	Moufida Jaballah SRARFI (Tunisia)
Mary Consolate MUDUULI (Uganda)	Mulu KETSELA (Ethiopia)
André NZAPAYEKE (Central African Republic)	Sele YALAGHULI (Dem. Rep. of Congo)
Mamadou Abdoulaye SOW (Senegal)	Nani Martin GBEDEY (Benin)
Margit THOMSEN (Denmark)	Per Erik TRULSSON (Sweden)
Mampuya F. Pedro TOMBWELE (Angola)	Rafique M. JUSOB MAHOMED (Mozambique)
Hau Sing TSE (Canada)	Thamer HUSAIN (Kuwait)
Shehu YAHAYA (Nigeria)	Maria N. C. BATISTA de SOUSA (São Tomé & Príncipe)
Vincenzo ZEZZA (Italy)	Pieter De KEIZER (The Netherlands)

The Board of Directors of the African Development Fund	
Chairman: Donald KABERUKA	
Executive Directors	**Alternate Executive Directors**
Abdelhak BENALLEGUE (ADB)	Augusto I. EMBALO (Guinea Bissau)
Mohit DHOORUNDHUR (ADB)	Petronella M.N. MWANGALA (Zambia)
Abdul-Magid GADAD (ADB)	Mohamed O.H. KHATTAR (Mauritania)
Walter Crawford JONES (U.S.A.)	Alexander SEVERENS (U.S.A.)
Masahiro KAN (Japan)	Abdulrahman ABUBAKR (Saudi Arabia)
Christoph KOHLMEYER (Germany)	Vacant
Amadou KONE (ADB)	Bernardo ABAGA N. MAYIE (Equatorial Guinea)
François KRUGER (France)	José NUNO (Spain)
Mohamed MAHROUG (ADB)	Moufida Jaballah SRARFI (Tunisia)
Mary Consolate MUDUULI (ADB)	Mulu KETSELA (Ethiopia)
Margit THOMSEN (Denmark)	Per Erik TRULSSON (Sweden)
Mampuya F. Pedro TOMBWELE (ADB)	Rafique M. JUSOB MAHOMED (Mozambique)
Hau Sing TSE (Canada)	Thamer HUSAIN (Kuwait)
Vincenzo ZEZZA (Italy)	Pieter De KEIZER (The Netherlands)

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

Donald KABERUKA
President of the African Development Bank Group

I am pleased to submit the Bank Group's Annual Report for 2011, by all accounts, an eventful year for Africa and the Bank. At this time, most of Africa continues to demonstrate remarkable resilience as the second-fastest growing region of the globe.

This is no mean achievement given the global economic slowdown. But this is no time for hubris either. Africa's capacity to resist external shocks is now much reduced compared to the previous three years. Those buffers which enabled the resilience need to be rebuilt. Secondly, ensuring that economic growth is broad-based, inclusive, and job-creating is fundamental for sustainability.

To attenuate the risks emanating from the global economy and manage Africa's growth drivers, such as natural resources, the continent will need to leverage its demographic dynamics. As we come to the end of our Medium-Term Strategy 2008-2012 and begin to craft the Bank's ten-year Long-Term Strategy, the issue of maintaining Africa's momentum, and ensuring that it is inclusive and transformational, will be at the center.

I am pleased to report that over the years, the African Development Bank has demonstrated its solid finances, strategic choices, and crisis response capacity. It has continued to post very good results, and has shown a strong countercyclical capability in helping member countries respond to successive crises, including support for the ongoing transitions in North Africa.

The Bank has maintained a strong financial position, despite the unfavorable global financial environment, over the past year. The four major rating agencies once again reaffirmed their AAA and AA+ ratings of the Bank's senior and subordinated debts respectively, with a stable outlook. These ratings confirm the Bank's capital adequacy, prudent financial management and risk management policies, solid shareholder support, and its preferred creditor status.

In 2011, the Bank committed close to US$ 9 billion – a 40 percent increase over 2010. Our portfolio quality has been enhanced and strategic focus maintained in core areas such as infrastructure, regional integration, and support to fragile states. The key commitments made under the Sixth General Capital Increase (GCI-VI) and the ADF-12 replenishment are on course. I note, in particular, the enhanced decentralization, a new income model and results measurement framework. Thanks to the support of shareholders, the African Development Bank is now a mature, much more complex organization, which knows how to deliver effectively on its mandate.

I take this opportunity to express my appreciation to the members of the Bank and to State Participants of the African Development Fund for their firm support over the last few years, in particular for the GCI-VI and ADF-12 replenishment. This has gone a long way toward building a solid institution, responsive to Africa's needs, and well positioned to take advantage of the opportunities and manage the risks in the emerging global landscape. As we look forward, we shall consolidate the Bank's achievements, always aiming for strategic fit, quality and effectiveness in the course of fulfilling our mandate and meeting Africa's expectations.

Donald Kaberuka
President, African Development Bank Group
Chairperson of the Boards of Directors

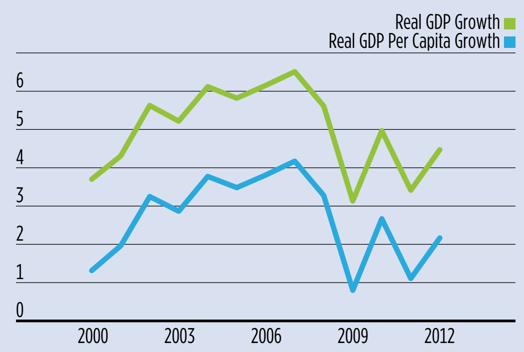
Executive Summary

How Africa Performed in 2011

Africa's economic performance over the past year shows GDP growth falling from 5.0 percent in 2010 to 3.4 percent in 2011. However, this was still a significant achievement compared to the GDP growth in OECD and other developed countries. Africa's performance was all the more remarkable when one considers the challenges that beset the continent during the year, including the sociopolitical crises (the "Arab Spring") in North Africa, which resulted in revolutions in Tunisia, Egypt, and Libya, and political instability in Côte d'Ivoire, with ripple effects on neighboring countries. As a result, Africa and Sub-Saharan Africa (SSA) performed quite differently in terms of GDP growth during the year. While growth in SSA reached 5.1 percent, North Africa experienced near stagnation in 2011 (0.7 percent growth). Countries in the northern subregion are still adjusting to the sociopolitical shifts ushered in by the Arab Spring. On the other hand, the political situation in Côte d'Ivoire has now stabilized and the economy is expected to rebound in 2012. As a result, it is estimated that Africa's growth rate could reach 4.5 percent in 2012 (see Figure 0.1).

With regard to other macroeconomic indicators, although rising commodity prices may initially have benefited several major African exporting nations, the increase in food and energy prices in 2011 reinforced inflationary pressures overall. Consequently, inflation for the continent rose from 7.4 percent in 2010 to 8.5 percent in 2011, and is expected to remain at around that level in 2012. Despite signs of economic recovery and prudent fiscal policies being pursued in several regional member countries (RMCs), the sociopolitical unrest in North and West Africa exacted its toll. This resulted in a marginal worsening of the fiscal deficit in the continent, from 3.5 percent in 2010 to 3.6 percent in 2011, but with an improving forecast of 2.9 percent for 2012. Africa's current account deficit remained at 0.6 percent of GDP in both 2010 and 2011. The expectation is that it will decline marginally to 0.4 percent in 2012.

Figure 0.1
Africa's Growth: The Big Picture (%)



Source: AfDB Statistics Department.

While Africa is expected to continue on an upward growth trajectory, there are a number of risks and challenges which may impact its performance.

The Bank Group's Strategic Focus and Response to Africa's Development Challenges

For the Bank, the priorities remain the core areas set out in its Medium-Term Strategy (2008–2012), namely addressing the infrastructure deficit; ensuring good governance and social inclusion; promoting private sector development; and investing in higher education and vocational training. It also places emphasis on the challenges of regional integration; support for fragile states; deeper involvement in middle-income countries; agriculture and rural development; climate change mitigation and adaptation; gender mainstreaming; as well as knowledge generation. Addressing these risks and challenges will ensure that Bank Group interventions in RMCs achieve sustainable development results.

Bank Group operations in 2011 continued to address the pressing development challenges facing RMCs so that they might achieve sustainable and inclusive growth and development. In 2011 the Bank committed UA 5.72 billion toward its operations in all sectors. The largest share of Bank Group interventions was targeted at building infrastructure, which comprises transportation, water supply and sanitation, energy, and information and communication technology. This amounted to UA 1.57 billion, representing 38.1 percent of total Bank Group loan and grant approvals for the year. Of this total, 13.9 percent supported private sector-led operations in RMCs.

In response to the sociopolitical unrest of the "Arab Spring," which began in Tunisia, the Bank in 2011 approved the Social Inclusion and Transition Support Program (SITSP). This is a multidonor emergency budget support operation to restore socioeconomic stability to the country. The Bank contributed UA 308.5 million toward this program, which was cofinanced with other development partners, including the World Bank, the European Union (EU), and the Agence française de développement (AFD). The program is in direct response to the popular demands voiced during the revolution for more jobs, greater equity between the subregions, fuller democratic participation by citizens, and increased transparency in the governance of the country. Addressing all these issues will contribute to a restoration of socioeconomic stability and to a smooth democratic transition in Tunisia. Another key Bank operation geared to respond to Tunisia's needs is the Gabés–Médenine–Ras Jedir Highway Construction Project, which was approved for Bank financing of UA 123.4 million in 2011. This corridor will form part of the Trans-

Maghreb Highway, which aims to integrate the North African subregion. This project will not only reduce overall transportation costs and travel time, but also unlock remote rural areas, create job opportunities for the youth, and spur inclusive growth.

In the aftermath of Côte d'Ivoire's sociopolitical unrest, the Bank acted swiftly to extend emergency support to the country, to the tune of UA 100.5 million. The objectives were to: promote access to basic social services and water supply and sanitation networks; support capacity building for public financial management; promote social cohesion and reconciliation; and thereby help to restore the country to a path of stability.

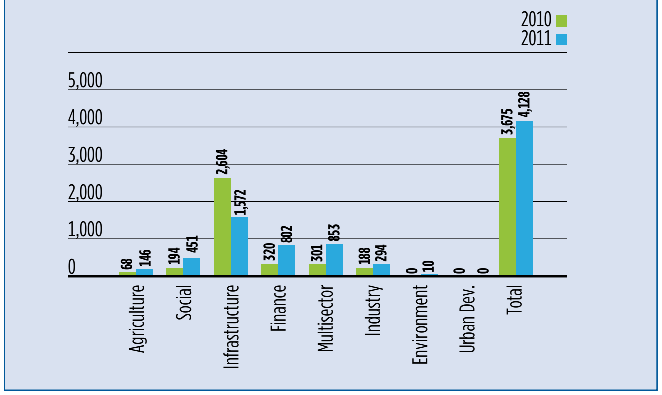
During the year, the Bank extended its support to the emerging democracy of South Sudan, mainly in the form of capacity-building. The Bank also provided emergency support amounting to UA 2.5 million to address the effects of the severe drought experienced in Ethiopia, Djibouti, Kenya, and Somalia.

One of the ways in which the Bank helps to address challenges facing the RMCs is by collaborating with other pan-African partners and regional economic communities to generate and disseminate deeper knowledge about the development issues facing the continent. The Bank also works closely with its regional partners to help forge a unified and collective voice for Africa on key issues that are uppermost in the minds of regional policymakers and leaders. In 2011, this was manifested in the Bank's active participation in key events of great importance to Africa's development agenda. These included participation in the meetings of Ministers and Experts to prepare recommendations for the G20 Leaders' Summit, as well as knowledge products to inform the debate on development issues of interest to Africa.

As the Bank enters the final year of its Medium-Term Strategy (MTS), it has been examining its performance over the period 2008–2012. The evidence indicates its success in achieving selectivity and focus in the choice of operations; in scaling up its development effectiveness; and in instilling a "One Bank" culture throughout the institution. The Mid-Term Review of the MTS noted that during the period 2008–2010, the level of approvals totaled UA 15.5 billion, surpassing the UA 11.3 billion initially projected in the MTS. Of this total, UA 13.7 billion (88.4 percent) was directed to the core priority areas designated by the Bank.

In 2011, the Bank Group approved UA 5.72 billion for new operations. This is an increase of 39.9 percent over the 2010 approvals level of UA 4.09 billion, although it is still much lower than the 2009 level. The approvals for 2011 and 2010 signaled a return to a more regular pattern of lending after the peak in 2009. That was an exceptional year in terms of funding demands by the Bank's RMCs in the wake of the global economic crisis.

Figure 0.2
Bank Group Loan and Grant Approvals by Sector, 2010-2011* (UA millions)



Source: AfDB Statistics Department.
* *Total loan and grant approvals exclude equity participations, HIPC debt relief, and Special Funds.*

Of the institution's three financing windows, the African Development Bank (ADB) accounted for the largest share of the 2011 approvals, namely UA 3.69 billion (64.5 percent). The African Development Fund's (ADF) tranche totaled UA 1.83 billion (32.0 percent), while approvals from the Nigeria Trust Fund (NTF) amounted to UA 10.9 million (0.2 percent). Other instruments, namely the Special Funds, accounted for the remaining UA 188.1 million (3.3 percent).

The range of the approved operations reflects RMCs' national priorities and development agendas, as well as the objectives outlined in the Bank's MTS. Figure 0.2 presents the sectoral distribution of Bank Group approvals for 2010 and 2011, with infrastructure emerging as the principal beneficiary sector (38.1 percent in 2011), followed by multisector (20.7 percent), then finance (19.4 percent). This pattern of lending conforms to the priorities enshrined in the MTS, with infrastructure and multisector predominating. Multisector operations foster improvements in public financial management and institutional reforms, thereby promoting good governance, which is a strategic focus of the Bank.

During the year, Bank Group loan and grant approvals for all five subregions (including multinational projects and programs) amounted to UA 4.13 billion, which is an increase of 12.3 percent over the 2010 level. West Africa attracted the largest share of approvals (24.8 percent), followed by North Africa (21.9 percent), East Africa (14.8 percent), Central Africa (11.0 percent), and Southern Africa (9.8 percent). Loan and grant approvals for multinational projects and programs attracted 17.8 percent of funding.

While Bank Group interventions in 2011 continued to target the core strategic priorities of infrastructure, private sector development, governance, and higher education and vocational training, in addition innovative budget support operations were introduced to promote inclusive growth. As part of this agenda, the Bank committed UA 344.3 million to support five social inclusion projects and programs in Guinea, Liberia, Malawi, Tanzania, and Tunisia, as well as a study in Djibouti. The Arab Spring and the spread of social unrest in other African countries have underscored the need to tackle problems posed by social exclusion, inequality, unemployment, and lack of voice, particularly for the youth.

Disbursement performance: The Bank Group's total disbursements for project loans and grants in 2011 excluding special funds was UA 3.17 billion. Of this total, UA 1.87 billion was for ADB, UA 1.29 billion was for ADF, and UA 8.67 million for the NTF window. Disbursements in 2011 were higher than the total amount of UA 2.51 billion recorded in 2010. This improvement was partly due to the continuous effort to streamline the disbursement process; it also reflected the Bank's rapid response in the form of budget support operations in certain RMCs.

Despite the increased disbursement amount recorded in 2011, the disbursement ratio – which represents the pace of disbursements – remains relatively slow. This is due in general to: (i) signature delays; (ii) weak country capacity, in particular, weak record-keeping capacities of project implementation units in some RMCs; (iii) the impact of political events in some RMCs, which has delayed the original disbursement plans; and (iv) rapid changes brought about by the changes in domestic, regional and global economic situations which affected the readiness of cofinanciers to provide additional funds. Disbursement performance will continue to be monitored as the Bank aims at improvements through portfolio clean-ups, procedural enhancements, and other measures. Fiduciary clinics have also recently been introduced, whereby Country Teams and Project Implementation Units (PIUs) are being trained in project management (including procurement, financial management, and disbursement). It is also expected that the on-going decentralization process and the recent opening of the Regional Resource Centers will further enhance disbursement efforts.

Institutional Reforms to Foster Development Effectiveness

In 2011, the Bank's performance in terms of its institutional effectiveness was measured through an analysis of its key performance indicators (KPIs). This revealed that: (i) the decentralization program is making steady progress; (ii) portfolio management is showing a positive trend; (iii) economic and sector work (ESW) and publication of related papers exceeded their targets; (iv) there is continuous improvement in the delivery of Operational Strategy Papers (CSPs, RISPs, CPPRs, and related documents); and (v) the pace of disbursements is slow, but internal processes are being reviewed to improve this indicator. The Bank also adopted the Roadmap on Development Effectiveness in 2011 (see Box 0.1). Overall, the Bank continues to scale up the efficient utilization of resources and to improve the delivery of its work program.

During the year, the Bank consolidated its institutional reforms through the adoption of a number of key policies, including: (i) the Decentralization Roadmap; and (ii) the Establishment of External Representation Offices.

Decentralization of Bank Operations

A Permanent Committee on the Review and Implementation of the Decentralization (PECOD) process was established in January 2011 to coordinate and monitor the implementation of the Roadmap. The Roadmap on Decentralization guides the Bank in the transfer of decision-making authority to the field offices (FOs). This will help to improve the quality of the Bank's portfolio, strengthen its analytical work, and provide its diverse clients with tailored assistance.

Decentralization milestones in 2011 included: (i) the opening of four new FOs in fragile states (Togo, Liberia, Central African Republic, and Burundi); (ii) completion of preparatory work for the opening of the fifth FO in South Sudan in 2012; and (iii) the establishment of two pilot Regional Resource Centers

Box 0.1
Roadmap on Development Effectiveness

The Roadmap was adopted in March 2011 to support the Bank's development effectiveness agenda in the run-up to the 4th High-Level Forum on Aid Effectiveness, which took place in Busan, Korea, in November/December 2011. Building on the Bank's commitments under the Paris Declaration and the Accra Agenda for Action, the Roadmap proposes that the institution should concentrate on the three areas most likely to bring about transformational change. These are: strengthening transparency and accountability for development results; expanding the use of country systems; and enhancing field-level engagement by accelerating decentralization.

in Nairobi and Pretoria, which will become operational during 2012. In September 2011, the Bank also approved the opening of three External Representation Offices (EROs) in the Americas, Europe, and Asia. The three EROs will be launched in a phased manner, starting with Tokyo and Washington, D.C. in 2012 and with the third ERO opening in Europe in 2013.

Sound Financial Management

Despite the unfavorable global financial environment during 2011, all four major rating agencies – Standard & Poor's, Moody's, Fitch Ratings, and the Japan Credit Rating Agency – have reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debts respectively, with a stable outlook. Their ratings confirm the Bank's strong financial position, based on sound capital adequacy, prudent financial management and risk management policies, solid shareholder support, and its preferred creditor status.

During the 2011 Annual Meetings, the Board of Governors approved the allocation of: (i) UA 23.13 million from the Bank's 2010 allocable income of UA 236.13 million to the Surplus Account. They also agreed to distribute from the allocable income (a) UA 35.0 million as a contribution to the ADF-12 and (b) UA 68.0 million to a Special Account dedicated to the debt service of part of the consolidated loans of the Democratic Republic of Congo (DRC). In addition, the Governors approved UA 110.0 million from the 2010 allocable income for retention in reserves. The Governors also agreed to distribute from the Surplus Account: (a) UA 5.0 million for the Technical Assistance Fund for Middle-Income Countries and (b) UA 5.0 million for the Special Relief Fund. In addition, for the Nigeria Trust Fund (NTF), the Board of Governors approved the retention of UA 1.52 million of its income in reserves and the allocation of UA 183,200 for the HIPC Initiative .

The Sixth General Capital Increase (GCI VI) of the Bank, which became effective in 2010, increased the authorized capital of the Bank to UA 66.05 billion as at December 31, 2011. At that date, the number of authorized shares of the Bank stood at 6,605,450 shares valued at UA 10,000 per share. The new shares created by the capital increase were allocated to the regional and non-regional groups in such proportions that, when fully subscribed, the regional group would hold sixty (60) percent of the total capital stock of the Bank and the non-regional group, forty (40) percent.

The capital stock of the Bank is composed of paid-up and callable capital. As at December 31, 2011, the Bank's paid-up capital amounted to UA 3.29 billion compared with UA 2.38 billion in 2010. The Bank's callable capital at year-end stood at UA 34.03 billion, including UA 18.63 billion from non-borrowing member countries rated A- and above.

The twelfth replenishment of the African Development Fund (ADF 12), which was adopted in January 2011, was concluded for a total resources level of UA 6.10 billion, of which UA 2.01 billion represented internally generated resources. As of December 31, 2011, a total of UA 3.18 billion of the ADF 12 replenishment had been subscribed by State Participants, representing 84 percent of the total pledged amounts.

To support its lending activities, the Bank strives to raise funds from the capital markets at the lowest possible cost. The Bank's borrowing activities are guided largely by clients' needs and cash flow requirements, its asset and liability management goals, and risk management policies.

A maximum UA 4.3 billion funding program in the capital markets was approved for 2011, with up to UA 150 million expected under the Enhanced Private Sector Assistance for Africa (EPSA) initiative. During the year, the Bank raised a total of UA 2.46 billion, and an additional UA 70 million under the EPSA initiative, in line with project disbursement needs.

The Bank's borrowings during the year included two US$ 1 billion global benchmark bond transactions contracted in February and August. Other borrowing transactions undertaken by the Bank during the year included private placements, deep-discount bonds, Uridashi transactions, and Euro-commercial paper borrowings.

As at December 31, 2011, the Bank's outstanding borrowing portfolio stood at UA 12.90 billion compared with UA 11.98 billion in 2010.

Furthermore, in December 2011, the Board of Directors of the African Development Bank approved an Administrative Expenses and Capital Expenditure Budget for 2012 comprising: (i) UA 292.55 million allocated to Administrative Expenses, (ii) UA 20.59 million for the Capital Budget, and (iii) UA 2.92 million to contingency. The Board of Directors of the African Development Fund approved an indicative Administrative Budget of UA 197.5 million for the Fund for 2012.

Bank Group Sector Definitions

Sector	Type of Project
Agriculture and Rural Development	Food crops, cash crops, livestock, fisheries, agro-industry, forestry, rural infrastructure (e.g. irrigation, drainage, and rural roads).
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.
Finance	Development banking, commercial banking, non-bank financial intermediation, re-insurance, and microfinance funds.
Industry, Mining, and Quarrying	Manufacturing, tourism, mining, quarrying and small- and medium-size industrial enterprises.
Infrastructure	Comprises the four subsectors of *transportation, information communications and technology, water supply and sanitation, and energy* (see below)
Transportation	Highways and road corridors, airports, seaports, railroads, pipe transportation.
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.
Energy	Production and distribution of electricity from fossil fuels and renewable energy sources.
Multisector	Public sector management, including structural adjustment programs and debt relief operations, support to private sector development, good governance and anticorruption programs, industrial import facilitation, export promotion, institutional support.
Social	Education, health, population, gender equity, stand-alone poverty alleviation projects.
Urban Development	Projects related to strategic urban planning activities.

Table 0.1

Summary of Bank Group Operations, Resources and Finance, 2002-2011
(UA millions)

	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011	Cumulative Total (a)
Operations											
Bank Group Approvals b/											
Number	118	145	124	102	137	100	133	181	139	**184**	**3,985**
Amount	2,038.95	1,766.31	2,786.70	2,293.63	2,596.88	3,097.64	3,528.73	8,064.49	4,099.75	**5,720.29**	**67,949.00**
of which HIPC	451.52	1.85	1,009.13	508.68	257.49	153.17	159.87	372.56	202.95	**1,350.85**	**5,841.00**
Disbursements	1,048.14	1,022.83	1,315.54	1,289.81	1,239.03	1,615.68	1,860.91	4,083.59	2,510.70	**3,174.11**	**38,744.62**
ADB Approvals b/											
Number	31	28	23	34	38	29	58	84	59	**59**	**1,318**
Amount	1,068.06	745.84	1,519.54	868.73	1,045.37	1,670.06	1,807.01	5,604.07	2,581.13	**3,689.43**	**39,697.50**
of which HIPC	187.98		707.77	75.99	102.21	-	113.75	112.77	144.14	**1,178.04**	**3,013.99**
Disbursements	499.77	652.32	630.23	595.35	548.44	884.75	727.53	2,352.29	1,339.85	**1,868.79**	**22,410.38**
ADF Approvals b/											
Number	84	112	99	65	84	54	62	77	65	**87**	**2,474**
Amount	960.74	997.96	1,257.91	1,421.71	1,544.57	1,381.75	1,665.34	2,426.96	1,456.72	**1,831.86**	**27,540.06**
of which HIPC	263.34	1.85	301.37	429.49	155.28	153.17	17.95	259.09	29.99	**171.93**	**2,765.06**
Disbursements	545.02	368.07	680.50	691.06	685.16	725.00	1,124.92	1,726.43	1,165.84	**1,296.65**	**16,098.51**
NTF Approvals											
Number	3	5	2	3	-	-	2	3	2	**3**	**85**
Amount	10.14	22.51	9.25	3.19	-	-	28.16	5.70	29.53	**10.88**	**382.21**
of which HIPC	0.26	-	-	3.19	-	-	28.16	0.70	28.83	**0.88**	**61.95**
Disbursements	3.35	2.44	4.81	3.39	5.43	5.94	8.45	4.87	5.02	**8.67**	**235.74**
Special Funds Approvals c/											
Number	-	-	-	-	15	17	11	17	13	**35**	**108**
Amount	-	-	-	-	6.94	45.83	28.21	27.76	32.38	**188.12**	**329.23**
Resources and Finance (at year end)											
ADB											
Authorized Capital	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	22,120.00	67,687.46	**66,054.50**	
Subscribed Capital d/	21,509.88	21,563.71	21,597.90	21,717.67	21,794.00	21,693.16	21,765.14	21,817.58	23,924.62	**37,322.00**	
Paid-up Portion d/	2,134.36	2,180.94	2,223.26	2,269.06	2,357.78	2,351.53	2,356.01	2,359.32	2,375.63	**3,289.06**	
Callable Portion	19,375.52	19,382.77	19,374.63	19,367.00	19,436.76	19,341.63	19,409.14	19,458.25	21,548.99	**34,032.95**	
Borrowing (gross)	4,617.29	6,058.95	6,057.52	6,560.11	6,088.75	6,803.17	7,160.81	10,703.22	12,231.34	**12,231.39**	
Outstanding Debt e/	4,455.04	5,778.39	5,638.89	5,940.40	5,870.47	6,198.87	6,707.28	10,580.64	11,980.57	**12,902.96**	
Cumulative Exchange Adjustment on Subscriptions f/	(141.99)	(145.33)	(147.20)	(151.76)	(155.74)	(160.08)	(161.03)	(161.97)	(162.57)	**(160.63)**	
Reserves g/	1,464.63	1,507.50	1,486.44	2,266.39	2,305.48	2,531.80	2,475.47	2,552.96	2,627.28	**2,536.18**	
Cumulative Currency Translation Adjustment	(454.84)	(451.71)	(467.97)	-	-	-	-	-	-	**-**	
Gross Income	488.83	425.22	446.67	479.61	542.85	585.31	564.45	518.88	519.32	**489.18**	
Net Income h/	188.85	178.33	143.53	221.32	194.03	323.67	304.66	231.16	213.66	**164.51**	
ADF											
Subscriptions i/	11,421.12	11,989.14	12,654.44	13,261.76	14,314.51	15,218.76	16,566.02	17,854.02	19,030.32	**20,428.32**	
Other Resources j/	(617.48)	(540.57)	(571.34)	(476.02)	(776.38)	(703.50)	(656.59)	(493.44)	(437.23)	**(375.27)**	
NTF											
Resources (gross) g/	399.78	375.46	366.93	409.08	286.12	273.47	286.78	156.73	160.86	**162.74**	

Sources: AfDB Statistics Department for data on operations; AfDB Financial Control Department for data on Resources and Finance.
Notes :
** A year of exceptional demand for Bank Group resources due to the global financial crisis.*
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, the Global Environment Facility, the Global Agriculture and Food Security program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African private sector Assistance, and the Zimbabwe Multi-Donor trust Fund, and Migration and Development Trust Fund.
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 and 2006 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.

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

2002 1 UA = 1.35952 US dollars	*2007 1 UA = 1.58025 US dollars*
2003 1 UA = 1.48597 US dollars	*2008 1 UA = 1.54027 US dollars*
2004 1 UA = 1.55301 US dollars	*2009 1 UA = 1.56769 US dollars*
2005 1 UA = 1.42927 US dollars	*2010 1 UA = 1.54003 US dollars*
2006 1 UA = 1.50440 US dollars	*2011 1 UA = 1.53527 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, 2011

Bank Group Approvals by Sector

	ADB		ADF		NTF		Bank Group	
Sector	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Agriculture and Rural Development	3	6.09	8	139.55	-	-	11	145.64
Social	13	315.21	13	126.06	1	10.00	27	451.27
Education	*1*	*0.45*	*5*	*38.53*	-	-	*6*	*38.98*
Health	-	-	*1*	*46.00*	*1*	*10.00*	*2*	*56.00*
Other	*12*	*314.76*	*7*	*41.53*	-	-	*19*	*356.29*
Infrastructure	17	859.78	19	712.49	-	-	36	1,572.27
Water Supply and Sanitation	*3*	*83.19*	*2*	*56.00*	-	-	*5*	*139.19*
Energy Supply	*6*	*269.33*	*6*	*150.81*	-	-	*12*	*420.14*
Communication	*1*	*7.57*	-	-	-	-	*1*	*7.57*
Transport	*7*	*499.69*	*11*	*505.68*	-	-	*18*	*1,005.37*
Finance	10	762.29	1	40.00	-	-	11	802.29
Multisector	5	220.95	42	632.26	-	-	47	853.22
Industry, mining and quarrying	2	293.69	-	-	-	-	2	293.69
Urban Development	-	-	-	-	-	-	-	-
Environment	-	-	1	9.57	-	-	1	9.57
A. Total Loans and Grants	**50**	**2,458.02**	**84**	**1,659.93**	**1**	**10.00**	**135**	**4,127.95**
B. Other Approvals	**9**	**1,231.41**	**3**	**171.93**	**2**	**0.88**	**49**	**1,592.34**
HIPC Debt Relief	2	1,178.04	3	171.93	2	0.88	7	1,350.85
Post Conflict Country Facility	-	-	-	-			-	-
Equity Participation	7	53.37	-	-	-	-	7	53.37
Guarantees	-	-	-	-	-	-	-	-
Loan Reallocation	-	-	-	-	-	-	-	-
Special Funds*	-	-	-	-	-	-	35	188.12
Total Approvals (A + B)	**59**	**3,689.43**	**87**	**1,831.86**	**3**	**10.88**	**184**	**5,720.29**

Bank Group Approvals by Financing Instrument

	ADB		ADF		NTF		Bank Group	
Financing Instrument	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Project Lending	**24**	**1,874.01**	**21**	**711.70**	**1**	**10.00**	**46**	**2,595.72**
Public and Publicly Guaranteed:	*6*	*1,058.44*	*21*	*711.70*	*1*	*10.00*	*28*	*1,780.15*
Project Loans	3	595.36	21	711.70	1	10.00	25	1,317.06
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-
Lines of Credit	3	463.08	-	-	-	-	3	463.08
Private Non-Publicly Guaranteed:	*18*	*815.57*	-	-	-	-	*18*	*815.57*
Project Loans	13	544.79	-	-	-	-	13	544.79
Lines of Credit	5	270.78	-	-	-	-	5	270.78
Policy-Based Lending	**5**	**572.71**	**9**	**380.81**	**-**	**-**	**14**	**953.52**
Sector Adjustment	1	228.68	2	80.00	-	-	3	308.68
Structural Adjustment	1	197.76	1	60.00	-	-	2	257.76
Budget Support	3	146.27	6	240.81	-	-	9	387.08
Grants	**21**	**11.29**	**54**	**567.42**	**-**	**-**	**75**	**578.71**
Technical Assistance	*11*	*5.44*	*9*	*39.58*	-	-	*20*	*45.02*
Project Cycle Activities	-	-	3	7.55	-	-	3	7.55
of which Private Sector	-	-	-	-	-	-	-	-
Institutional Support	-	-	6	32.03	-	-	6	32.03
Middle Income Countries Grant	11	5.44	-	-	-	-	11	5.44
Project Grant	-	-	*10*	*224.46*	-	-	*10*	*224.46*
Structural Adjustment Grant	-	-	-	-	-	-	-	-
Budget Support Grant	-	-	*4*	*119.19*	-	-	*4*	*119.19*
African Food Crisis Response Grant	-	-	-	-	-	-	-	-
Fragile States Facility Grant	-	-	*31*	*184.19*	-	-	*31*	*184.19*
Special Relief Fund	*10*	*5.85*	-	-	-	-	*10*	*5.85*
Emergency Assistance	10	5.85	-	-	-	-	10	5.85
Emergency Postconflict	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	-	-	-	-	-	-	-	-
Project Preparation Facility	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt and Debt Service Reduction	**2**	**1,178.04**	**3**	**171.93**	**2**	**0.88**	**7**	**1,350.85**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	2	1,178.04	3	171.93	2	0.88	7	1,350.85
Post Conflict Country Facility	-	-	-	-	-	-	-	-
Equity Participation	**7**	**53.37**	**-**	**-**	**-**	**-**	**7**	**53.37**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	7	53.37	-	-	-	-	7	53.37
Guarantees	-	-	-	-	-	-	-	-
Public Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-
Loan Reallocations	-	-	-	-	-	-	-	-
Special Funds*	**-**	**-**	**-**	**-**	**-**	**-**	**35**	**188.12**
Total Approvals	**59**	**3,689.42**	**87**	**1,831.86**	**3**	**10.88**	**184**	**5,720.29**

Source : AfDB Statistics Department, Economic and Social Statistics Division.
Note:
* *Special Funds: These are the approvals for the operations of the African Water Facility, the Rural Water Supply and Sanitation Initiative, the Global Environment Facility, the Global Agriculture and Food Security program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African private sector Assistance, the Zimbabwe Multi-Donor trust Fund, and Migration and Development Trust Fund.*

Figure 0.3
Bank Group Loan and Grant Approvals and Disbursements, 2002-2011 (UA millions)

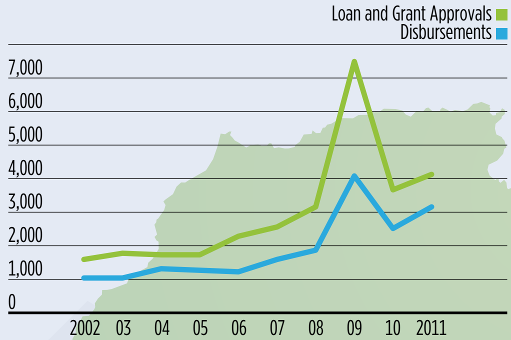


Figure 0.4
Cumulative Bank Group Loan and Grant Approvals by Institution, 1967-2011

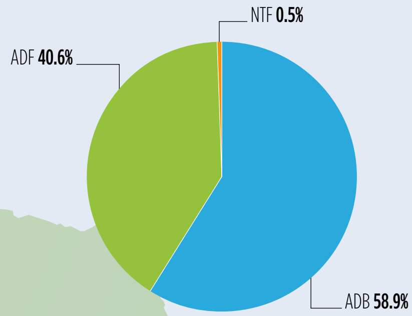


Figure 0.5
Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2011 (%)

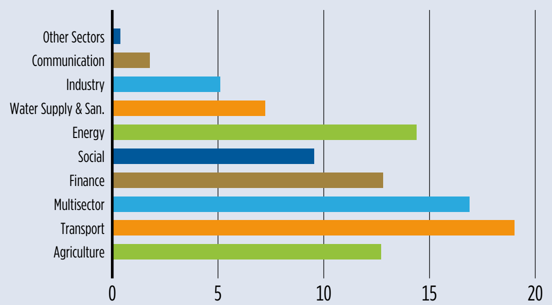
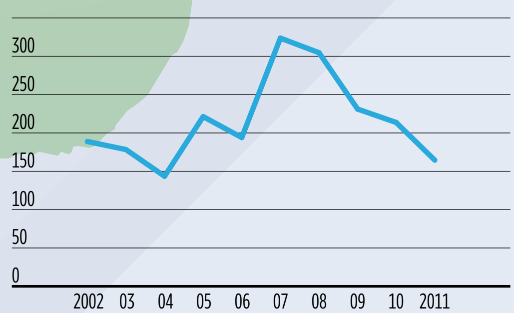
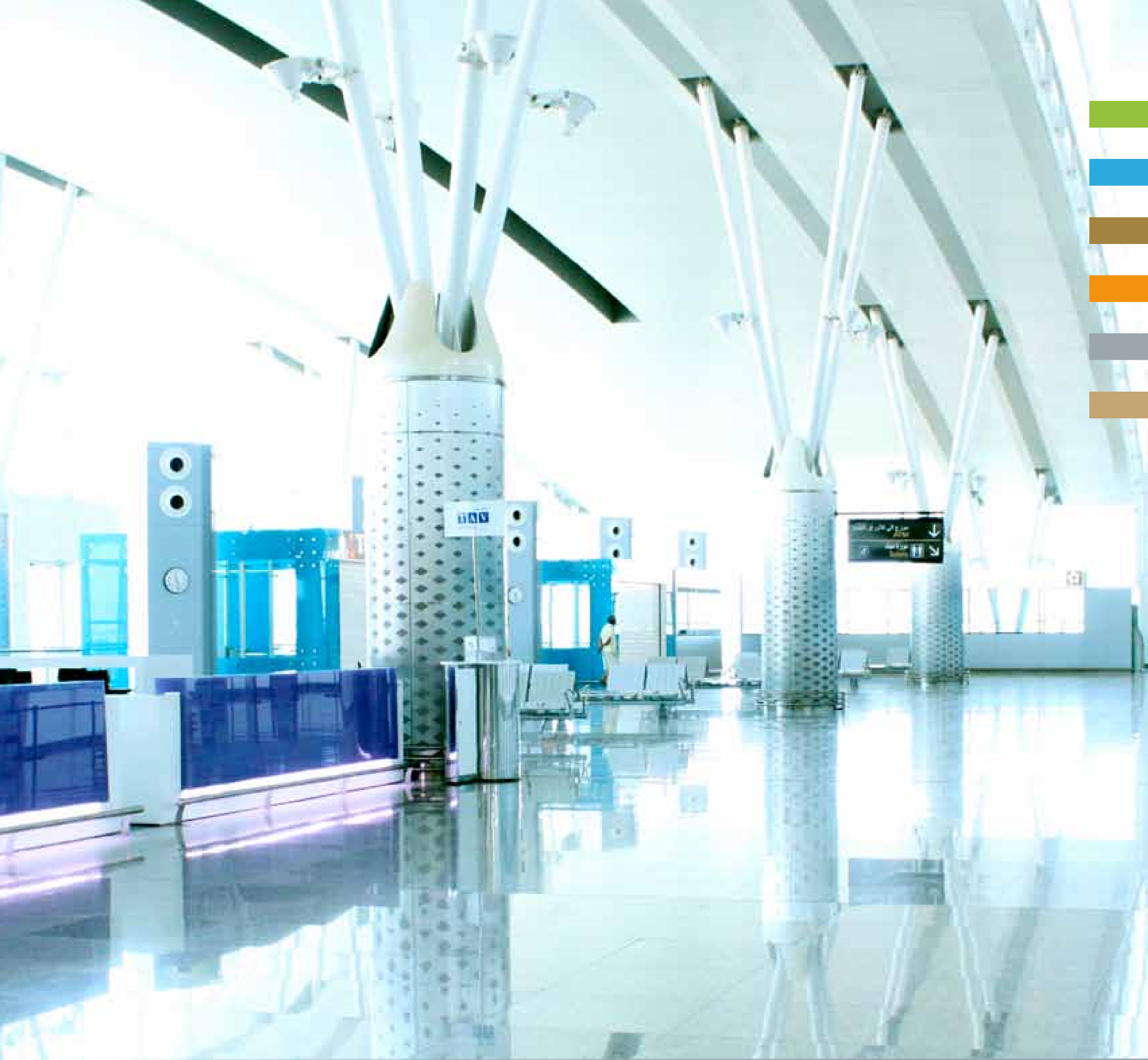


Figure 0.6
ADB Net Income, 2002-2011 (UA millions)

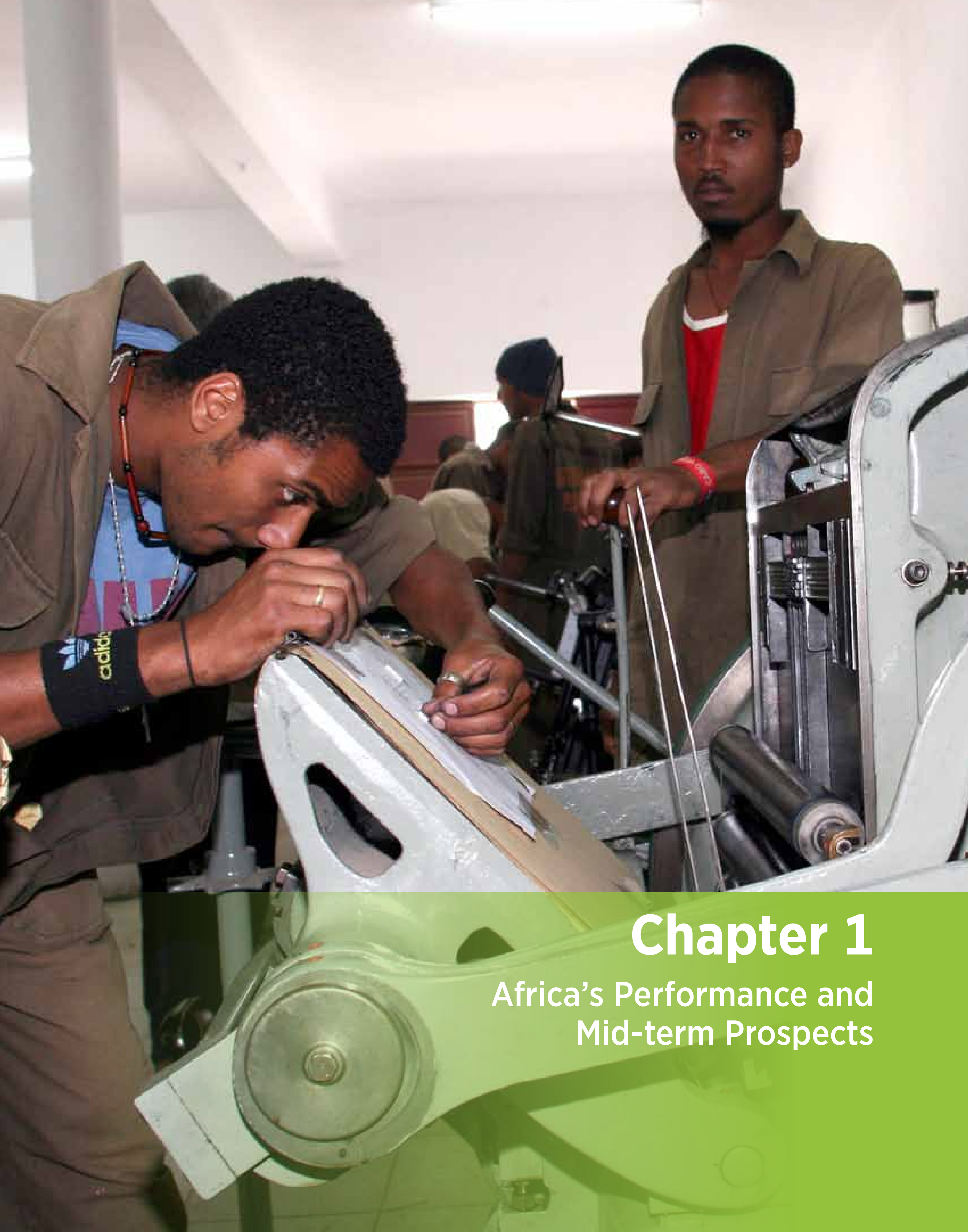


Source: AfDB Statistics Department.



Part I

Africa's Performance and Bank Group Activities



Chapter 1

Africa's Performance and Mid-term Prospects

1.0 Introduction

The year 2011 was characterized by a volatile operational environment owing to the sociopolitical events and transitions taking place in the continent. These events directly impacted the lending environment by increasing the risk profiles of the member countries, which created new challenges for the Bank.

While Africa is expected to continue on its path of recovery in 2012, there are a number of internal and external factors which could adversely affect its performance. Prominent among the internal factors is the risk of disruption arising from social unrest, as seen in North Africa and in other parts of the continent. External challenges include the global financial crisis and its associated economic downturn, which could affect the continent through trade and FDI channels. Furthermore, many of Africa's traditional trading partners, particularly in the eurozone, have resorted to fiscal consolidation and austerity measures as a result of the crisis, which is likely to result in a decline in aid flows. Moreover, high fuel and food prices could damage the external accounts of most African countries, in particular non-resource rich ones. This situation is further compounded by the high social demands, which if not met, could exacerbate the social tensions, slow down the implementation of the needed reforms to achieve sustainable growth, and reduce investors' confidence as well as private sector investments.

In the face of such internal and external risks, African countries will face the difficult task of maintaining or restoring political, economic, and social stability, and promoting inclusive development, with in all likelihood fewer resources. However, one opportunity is the increased engagement of African countries with China and India as this could help to cushion adverse effects arising from a downturn in OECD countries.

1.1 Macroeconomic Performance in 2011 and Prospects for 2012

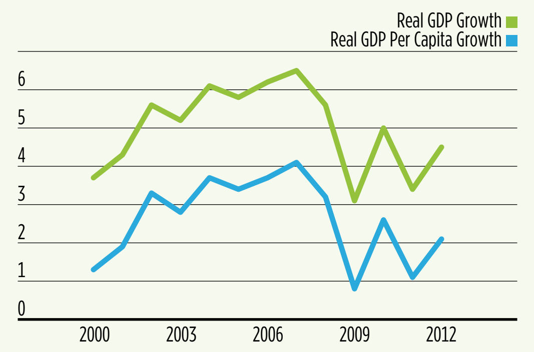
Real GDP growth: As illustrated by Figure 1.1, the continent recorded significant growth up to 2009 but has experienced volatility since then, as a result of the various crises. Prospects remain favorable and in most parts of Africa, growth is expected to accelerate further in 2012 to around 4.5 percent.

However, as a result of the political events in Tunisia and Egypt, and civil war in Libya, the two regions of North Africa and Sub-Saharan Africa (SSA) are performing quite differently (see Figure 1.2). In 2011, while SSA growth was about 5.1 percent, Africa's growth was only 3.4 percent, due to the near stagnation (0.7 percent) in North Africa.

Countries in North Africa continue to undergo the political transition ushered in by the Arab Spring. However, reform remains limited and a number of challenges, both political and economic, are hindering the subregion's return to stability. Public disillusionment with the handling of political reform is reflected in renewed demonstrations, albeit sporadic, in Tunisia and Egypt. Tourism was hit hard by the unrest in 2011 but there are signs that visitors may now be returning to these countries in greater numbers. In Libya, the transitional leaders continue to wrestle with attempts to assert full authority over the whole country.

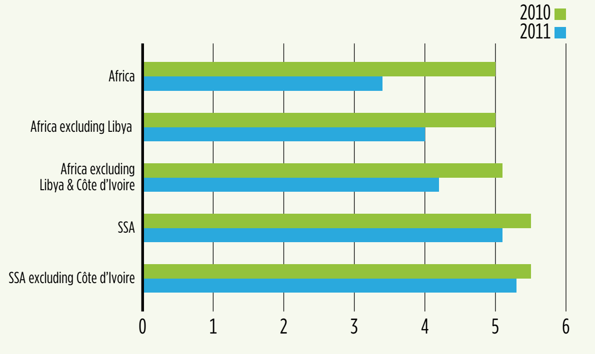
The political situation has stabilized in Côte d'Ivoire and economic recovery is expected in 2012, with a real GDP growth rate of around 8 percent. A Truth and Reconciliation Commission has been established to heal the wounds inflicted by more than four months of continuous fighting.

Figure 1.1
Africa's Growth: The Big Picture (%)



Source: AfDB Statistics Department

Figure 1.2
Africa's Growth Rates (%) in 2010 & 2011: Côte d'Ivoire and Libya Effects



Source: AfDB Statistics Department.

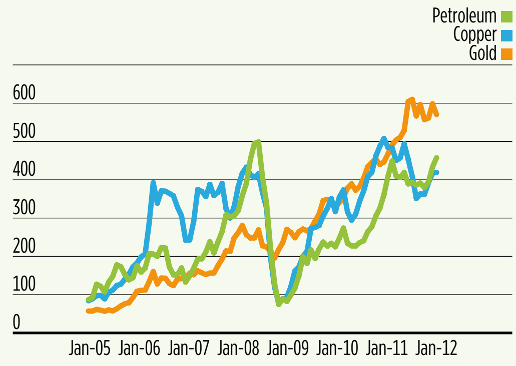
If the situation in the troubled countries stabilizes, Africa's growth is expected to pick up to around 4.5 percent in 2012, moving closer to the growth path attained prior to the global financial crisis of 2008/9. High commodity and agricultural export prices are expected to be the main growth drivers in 2011. In addition, strong domestic consumer demand as well as sound macroeconomic policies are expected to boost real growth.

External position: Trade and current accounts have improved in resource-rich countries owing to high commodity prices and rising export volumes. At the same time, high oil and food import bills are contributing to a worsening of external balances in resource-poor countries and threatening food security. On average, while oil-exporting countries are expected to run current account surpluses to the tune of 3.6 percent of GDP in 2011, oil-importing countries are expected to run into a deficit of 5.7 percent of GDP. In addition, the soaring gold price benefits Africa's main gold producers such as South Africa, Ghana, Zimbabwe, Tanzania, Guinea, and Mali. Africa accounts for around 30 percent of global gold production. On a year-to-year basis, the price of gold increased significantly in 2011 compared to 2010. The price of gold continued its steep rise during 2011, partly driven by global demand to hedge against financial market and exchange rate risks (see Figure 1.3).

Fiscal deficit: Due to the economic recovery and prudent fiscal policies, African countries recorded a moderate fiscal deficit of 3.5 percent of GDP in 2010. It is estimated that this will increase marginally to 3.6 percent in 2011 but then improve to slightly below 3 percent in 2012. The 2011 increase is mainly due to the deterioration of fiscal balances in North Africa in the wake of political upheavals. However, fiscal consolidation may be uneven across the continent if governments respond to higher food and oil prices by increasing subsidies or if disbursements of ODA fall short of expectations.

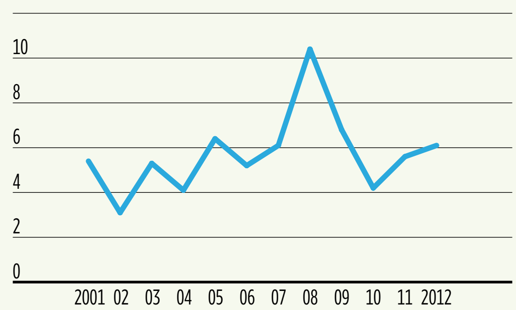
Inflation: The median inflation rate was 4.2 percent in 2010, but this accelerated to 5.6 percent in 2011 (see Figure 1.4), owing mainly to rises in energy and food prices. Sustained increases in food prices have driven inflation in some East African countries to historic highs. In Uganda, headline inflation in August 2011 climbed to 21.4 percent, the highest since February 1993. Inflation in Ethiopia, Tanzania, and Rwanda shot up by 26.7 percent, 12.7 percent, and 5.6 percent, on a year-to-year basis, respectively. Food items have relatively higher weights in the basket of goods and services of these countries. Although the trend in food prices is largely reliant on regional outlooks of agricultural production, forecasts of global food indices indicate that the upward pressure on food prices will remain throughout 2012 (see Figure 1.5). The rise in food prices following severe droughts and spikes in fertilizer and energy prices have resulted in inflation levels that are much higher than earlier forecasts.

Figure 1.3
Trends in Commodity Prices
(Base = January 2000)



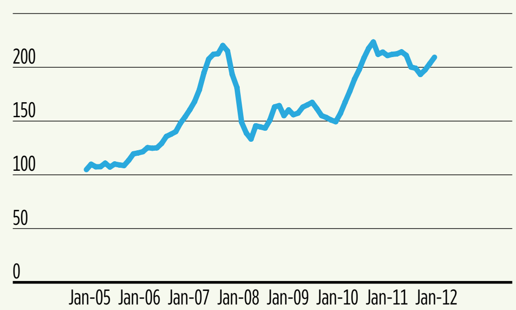
Source: AfDB Data Portal.

Figure 1.4
Median Inflation in Africa (%)



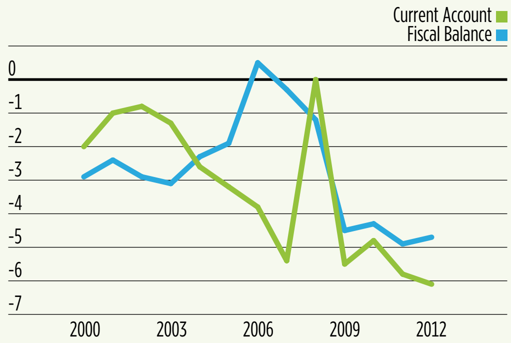
Source: AfDB Statistics Department.

Figure 1.5
Trend of the Food Price Index (2005 = 100)



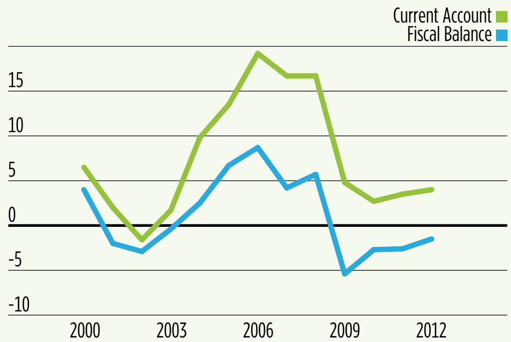
Source: AfDB Data Portal.

Figure 1.6
Oil-importing Countries: Twin Deficits (% of GDP)



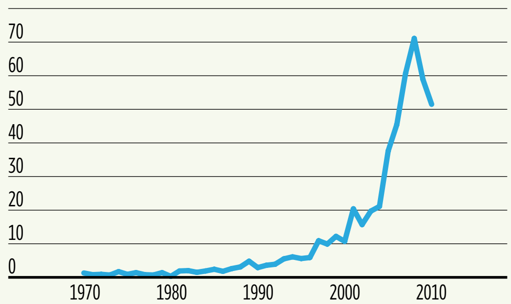
Source: AfDB Statistics Department.

Figure 1.7
Oil-exporting Countries: Surplus Current Accounts and Small Budget Deficits (% of GDP)



Source: AfDB Statistics Department.

Figure 1.8
Foreign Direct Investment Inflows to African Countries (US$ Billions)



Source: AfDB Data Portal.

Economic expansion is expected to be stronger in resource-rich countries that could benefit from the increased demand for primary commodities. Countries enjoying a robust economic expansion with GDP growth of above 7 percent in 2011 include Ghana, Ethiopia, Rwanda, Eritrea, and Mozambique. Partly driven by new oil production, Ghana is a star performer on the continent, with an expected real GDP growth of 13.7 percent in 2011. The fiscal and current account balances reflect these differences in natural resource endowments (see Figures 1.6 and 1.7).

1.2 Exogenous Risks

On the external front, the sovereign debt crisis in Europe and the fiscal problems in the US have geared up market sentiment against a rapid recovery. A fully-fledged Euro debt crisis could have serious consequences on African trade and financial flows. Estimates show that a 1 percent decline in OECD GDP growth is associated with a 9 percent fall in Africa's export earnings. The impact could be worse for Africa's oil and mineral producers, and exporters of agricultural products such as cotton and cocoa.

External financial flows: The slow pace of the global economic recovery poses a serious threat to the flow of foreign direct investment to Africa (see Figure 1.8). The economic currents in developed and emerging market economies would seem to mitigate against increases in foreign direct investment to the continent. Indeed, with regard to ODA, donors may not meet their Gleneagles commitments. Net ODA stagnated at around US$ 47.2 billion in 2010, which is US$ 7.8 billion (or 14.2 percent) short of the target. The current weak performance in Europe and the US does not tilt the balance in favor of ODA expansion.

International food and commodity prices: There has been upward pressure on food prices since 2010 (see Figure 1.5). As a result, many countries, especially in East Africa, that are net food importers are experiencing increasing import bills, deepening inflation, and a worsening of their external positions. About eleven million people are now at risk of severe food insecurity and in need of emergency assistance. Holding strategic food reserves would help to mitigate the effects of food price volatility.

1.3 Remaining Challenges

Although Africa continues to perform well, it faces a number of major challenges. In the long term, these include: the infrastructure deficit; ensuring good governance and social inclusion, private sector promotion; and investing in higher education and vocational training. There are also the risks and challenges associated with regional integration, support for fragile states; deeper involvement in middle-income countries; agriculture and food security, environment and climate change mitigation and adaptation; gender mainstreaming, as well as knowledge generation to ensure that Bank Group interventions in RMCs achieve development results.

(i) Closing Africa's infrastructure gap: The infrastructure deficit in Africa is a major constraint to its development – and yet, if successfully addressed, this area could offer massive potential for growth. Africa's poor level of infrastructure limits trade, access to markets and basic services, and competitiveness. In Sub-Saharan Africa for example, it reduces business productivity by about 40 percent and taxes national economic growth by 2 percent annually. These constraints are not unique to Sub-Saharan Africa; in North Africa, poor infrastructure limits its accessibility to basic services and creates unequal access to information technologies. Such disadvantages hinder private sector investment, which is a key driver of job and wealth creation. Africa's infrastructure lags behind other developing countries in almost all asset classes. The largest gaps are in the energy sector and paved road density. Whatever measure is taken, the energy infrastructure in SSA delivers only a fraction of the services found elsewhere in the developing world. Equally, as a result of SSA's low road density, only one-third of the population living in rural areas is within two kilometers of an all-season road, compared with two-thirds of the population in other developing regions (see Figure 1.9).

The main constraints to infrastructure development and maintenance are:

- Deficiencies in planning, preparation, and procurement (including a lack of transparency);
- Lack of financing to meet the estimated US$ 93 billion per year required to bring Africa's infrastructure on a par with other developing regions over the next decade;
- Poor management of existing infrastructure assets, as an estimated 30 percent of African infrastructure required rehabilitation in 2010;[1] and
- Obstacles to a regional approach to infrastructure development relative to national projects, such as markedly higher transaction costs, more complex risks, and the need for cross-border cooperation and harmonization of policies.

Overcoming these constraints will require concerted efforts to address inefficiencies in resources mobilization and to improve governance capacity. Nevertheless, upgrading Africa's infrastructure stock to the level of Mauritius could boost Africa's economic growth by as much as 2.3 percent per year[2] and improve Africa's competitive position. It would also broaden economic opportunities by creating more jobs and more market interaction. In addition, it would significantly improve the business-enabling environment, thereby accelerating private sector development.

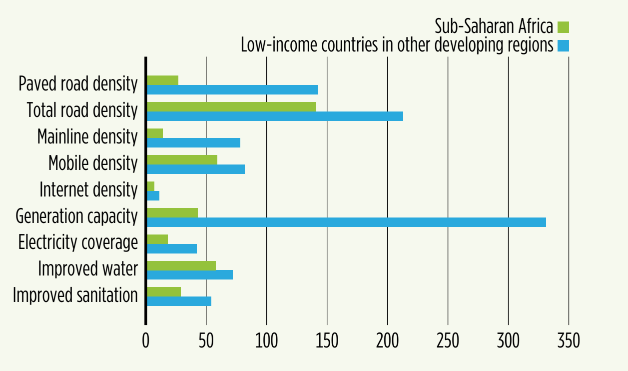
(ii) Overcoming economic fragmentation: Africa has more countries than any other continent and yet it is the least integrated of all developing regions. Its highly fragmented infrastructure network reflects the continent's lack of integration due to geographic as well as sociocultural differences, which are partly a legacy of its colonial history. Therefore, it is not surprising that Africa is also the least competitive region of the world, unable to benefit from economies of scale and increased productivity that integration would provide.

Without integration and the removal of barriers to trade, the prospects for market interaction have been severely curtailed. Indeed, if markets were integrated, the trade within Africa (which grew from US$ 48 billion in 2005 to US$ 76 billion in 2009) would have been even higher. However, growth has been limited by cumbersome regulations, inadequate fiscal and legal coordination, poor transportation infrastructure, and a lack of resource and production complementarities among many African countries.

It is clear that without a scaling-up of regional integration, most African countries will continue to depend on the global economy in their role as producers of primary commodities and importers of manufactured goods. Currently, most African goods are destined for markets in the North, with only 10–12 percent traded with other African nations (see Figure 1.10). Half of the continent's intraregional trade occurs in just one subregion, the Southern African Development Community (SADC), through which South Africa trades with its neighbors.

Africa's low population density, wide geographic spread, and low levels of urbanization make economic integration essential for building economies of scale and making the continent internationally competitive. Promoting integration would accelerate overall growth rates and allow poorer areas to benefit from

Figure 1.9
Africa's Infrastructure Coverage (Normalized Units)



Source: AfDB Data Portal.

1 Spending US$ 1 on road maintenance provides an estimated savings of USD$ 4 to the economy in avoided costs of rehabilitation (AICD, 2010).
2 "Africa's Voice on Development: Proposals for G20 Summit in Seoul", by the AfDB, UNECA, AUC, in collaboration with the Korea Institute for International Economic Policy (KIEP), 2010.

growth in the trading hubs. Equally, greater regional integration would help African countries to diversify their economies and safeguard themselves against external shocks, while increasing efficiency and productivity. It could also provide a platform for increased domestic and regional resources mobilization for investment needs, and build resilience against potential shortages in foreign direct investment.

To achieve integration though will require that the political rhetoric be translated into committed practical actions to spur the development of infrastructure linkages and create incentives for increased private sector participation.

(iii) Developing the private sector: The private sector reduces poverty in Africa by creating employment and generating income. With few exceptions, the cost of doing business in Africa is among the highest in the world – indeed 9 out of the 10 lowest-ranked countries in the World Bank 2010 "Doing Business" survey[3] are in Africa. In many African countries, businesses face arbitrary laws and regulations and opaque enforcement mechanisms. This creates incentives for informality, discourages investment, and undermines entrepreneurship. When the proper legal and regulatory conditions are put in place, informal enterprises are incentivized to enter the formal sector, where they can better access financial services and markets, resulting in increased growth and job creation.

3 "Lions on the Move: The progress and potential of African economies," McKinsey Global Institute, June 2010.

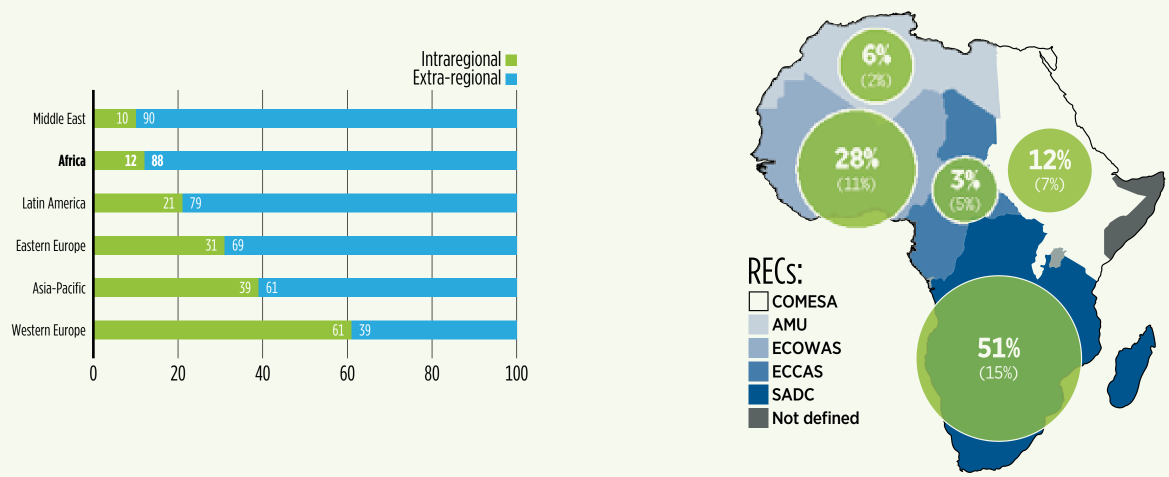
Although many African economies have grown over the past decade at impressive rates, inequality and unemployment, particularly amongst the youth, have also increased. Therefore, to achieve economic outcomes that lift greater numbers of people out of poverty requires a vibrant private sector in which micro, small, and medium-size enterprises (MSMEs) can thrive alongside large firms. This demands the removal of constraints to the business environment, improved access to finance, and the provision of adequate infrastructure to support private sector activities (see Figure 1.11). Furthermore, studies have shown that poverty falls faster where firms and households have better access to financial services. Yet, many Africans have little or no access to financial services or to financial information.

(iv) Creating economic space for a growing workforce through diversification: Africa still relies heavily on a narrow economic base of raw materials which, if not expanded to new products, will significantly limit its future growth potential. In spite of recent progress, the industry structure in most African middle-income countries is characterized by low value added. These activities tend to be geographically concentrated, leading to widespread regional disparities. Remote areas and low productivity sectors are widely neglected in government policy and expenditure. This is particularly the case for agriculture, which employs about 60 percent of the population in most African countries. Africa has abundant arable land and plentiful labor, which if put to work effectively could provide food security for the continent and better living standards for the rural population. In recent years, the terms of trade have shifted in favor of the

Figure 1.10

(a) Share of Intraregional Trade by Region (%)

(b) Africa's Intraregional Trade



Source: AfDB Statistics Department

Notes:

1 Because of some overlap in country coverage, EAC, CEN-SAD, and IGAD are not depicted.

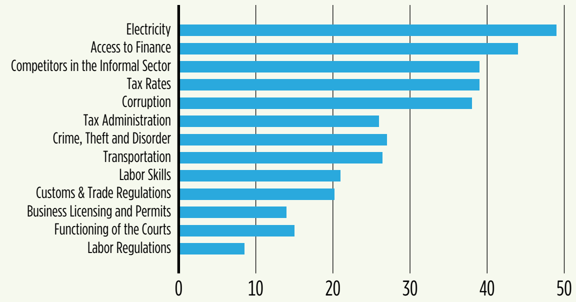
2 Percentages in bold show Regional Economic Communities' (RECs) proportion of total intra-African trade. Percentages in brackets indicate the RECs' proportion of total formal trade, both within Africa and with the rest of the world.

farmer, creating real opportunities for poverty reduction in rural areas. Yet, Africa is the only region of the world to have experienced a decline in per capita food production over the past 30 years. Agriculture contributed less than 10 percent of Africa's overall growth over the past decade, leaving per capita incomes in rural areas to stagnate or decline in most countries. This is due to chronic underinvestment in agricultural productivity.

In order to achieve sustainable growth and create new jobs, African countries must diversify into a much broader range of products and services to build their competitiveness. There is a wide range of possibilities, including traditional and new agricultural crops, horticulture, fisheries, food processing, clothing, jewelry, toys, furniture, tourism, financial services, call centers and many more. Without more diversified economic opportunities, growth and poverty reduction will almost certainly stagnate. Also, a more diversified economy offers many benefits, including reduced vulnerability to commodity shocks while at the same time creating new and better-paid jobs. A diversified economy can stimulate the productivity gains that lead to higher incomes and reduced poverty over time. To achieve this, actions will be required to support agriculture and reduce business costs, especially for trade and expanding infrastructure.

(v) Addressing climate change and energy security: By most estimates, climate change will have profound effects on developing countries, but particularly in the Africa region. Climate change will undermine agricultural productivity and food security, strain water supplies, increase the frequency of droughts and flooding, damage coastal areas, and increase conflict over scarce resources. Africa, along with many other developing countries, will need to adapt to these changing circumstances. Since agriculture is likely to be the hardest-hit sector, efforts to increase agricultural productivity and to diversify production are imperative. On the other hand, countries must manage forest resources better, since deforestation is a major contributor to CO_2 emissions. And they will need to adopt new green technologies in energy production, housing construction, and other areas that increase energy efficiency. The mitigating actions that African countries take now to stave off the effects of climate change, and the support they receive from developed countries, will have a massive impact on how the continent fares in the future. The countries that adopt sensible policies early on will be much better positioned to adapt to climate change and

Figure 1.11
Ranking of Major Business Constraints for Private Sector Development (%)



Source: AfDB Data Portal.

minimize the impacts on economic growth and poverty reduction in the long term.

(vi) Enhancing domestic resource mobilization: Africa faces substantial development needs which are normally funded from external resources, including foreign direct investment, aid and remittances. Often, in times of financial strain in the donor countries, the gap between Africa's development needs and the resources it requires amplifies. Furthermore, most countries in Africa, especially in Sub-Saharan Africa, face large resource gaps due to low domestic savings and high investment needs. Conversely, where resources may be available, they often do not reach businesses, especially start-ups and SMEs, because of perceived risk on the part of lenders. Strengthening the financial markets through facilities such as collateral registries and credit bureaux could help to improve businesses' access to finance.

To reduce these gaps, new sources will be required. Domestic resource mobilization offers a range of methods for raising tax revenues – by deepening the tax base, strengthening tax administration, and formalizing the informal sector. Private savings can be increased by banking sector reforms and through innovative methods such as securitizing future resources inflows (e.g. remittances or oil revenues). As many countries still rely on official aid to supplement their resources, the challenge will be to ensure that the donors not only provide an adequate level of aid, but also that they ensure its predictability, to assist in forward planning. A further challenge is to effect a change in attitude, whereby aid becomes a complement to private sector investment and vice versa. This can be achieved, for example, through initiatives aimed at crowding in additional private sector investment and also public–private partnerships.

» Of all the global regions, Africa is likely to be the most severely affected by climate change, even though it has contributed the least to global warming.

(vii) Managing new partners and emerging powers: The emergence of new potential powers such as the BRICS countries, namely Brazil, Russia, India, China and South Africa, presents significant opportunities for Africa's growth but also challenges. These countries are now providing an estimated US$ 8 billion a year in aid, with an increase expected.[4] They tend to adopt a more holistic approach to promoting their exports, supporting direct investments and offering development assistance. BRICS countries have become Africa's major new trading partners, with China emerging as the dominant one. Currently, China's trade with Sub-Saharan Africa exceeds US$ 100 billion, compared to US$ 174.2 billion of trade with Europe. Also, the BRICS countries are a source of foreign direct investment in Africa particularly in the mining sector and in infrastructure. As investors, the BRICS have been adding value in order to diversify African economies. China, for instance, is beginning to invest in industrial parks in various countries, which will stimulate Africa's manufacturing base. However, the BRICS' influence across the region is uneven, as the bulk of their trade and investment is concentrated in a few countries.

The BRICS' growing role creates many potential economic benefits. They provide a new market for raw materials and other exports, while being a source of low-cost capital and consumer goods. However, the rise of BRICS' influence in the continent also raises several concerns. Chief among them is the perceived lack of transparency in negotiating and implementing agreements, which might facilitate corruption, undermine good governance, and violate environmental and labor standards. This could eventuate in deals that ultimately do more harm than good. Also, their focusing of investment in a few countries, most of which are resource–rich, could accentuate disparities across the subregions, making Africa's growth less inclusive. Whether the benefits to Africa of increasing engagement with BRICS countries will ultimately outweigh the risks remains to be seen. This will largely be determined by how effectively governments and leaders in Africa manage the relationships.

» The steady rise in the role of South–South cooperation is based on sharing development experience, transferring knowledge and skills, and strengthening horizontal partnerships.

4 World Bank 2008.

Alternative Learning & Skills Development project in Mkokotoni, Zanzibar.

The Bank also leverages strategic relationships with multinational private corporations, which are increasingly supporting development in Africa through their corporate social responsibility or philanthropic programs.

(viii) Skills development: Inclusive growth is impossible without skills. Education empowers people to participate in and benefit from both economic and social opportunities. It not only helps to improve the quality of skills but also enables local youth to take up emerging jobs as a result of increased capital. The unrest in North Africa illustrates starkly how Africa's education systems are poorly matched with the needs of the labor market and are failing to provide young people with economic opportunities. Emphasis should therefore be placed on inclusion, through the establishment of links between technical vocational training/apprenticeship and the corporate sector, and on reforms focusing on employability and entrepreneurship. More investment should be channeled to vocational training, with a focus on science and technology, to address chronic unemployment. It is also important to help bridge the digital gap between rural and urban areas, as well as addressing differences in the educational opportunities available to boys and girls.

(ix) Political stability and governance: The quality of a country's institutions – including the quality of political representation and policy-making processes, the competence and integrity of the bureaucracy, and the enforcement of contracts and property rights – is a major factor in its overall economic performance and its ability to tackle poverty. Around the world, countries with better governance tend to have greater equality. Yet, governance remains Africa's major weakness. The region has consistently underperformed on standard governance indicators, scoring 30 percent lower than the Asian average and 60 percent lower than the average among industrialized countries. National elections in African countries (20 in 2011) are often accompanied by the risks of (i) large government spending that undermines fiscal discipline and (ii) political instability. It is not surprising then, that many governance indicators in Africa are currently worse than they were in 2000. In terms of economic governance, however, Africa is performing quite well. Among the top 30 reformers listed in Doing Business 2011, one-third of them are in SSA (Rwanda, Cape Verde, and Zambia are in the top ten). However, the ratings for political governance are much worse, as most African countries show a deterioration across a number of indicators.

Poor governance significantly compromises Africa's ability to lift its populations out of poverty. Corruption costs Africa a significant share of its GDP every year, with the burden falling heavily on the poorest. It is estimated that if Africa had the quality of institutions that most Asian countries achieved in the early phase of their industrialization, its collective GDP would be 80 percent higher than it is today. Capable states and good governance will give more voice to the people and will empower them to actively participate in wealth creation. Good governance will also ensure that natural resources and the environment on which the current and future growth depend are managed in a transparent and responsible manner and provide benefits to all.

Chapter 2

Bank Group Response to Development Challenges

2.0 Introduction

In line with its Medium-Term Strategy (2008–2012), the Bank Group operations in 2011 continued to address pressing development challenges facing RMCs, to help them to achieve sustainable and inclusive growth and development. The focus was on the four core priority areas of infrastructure, governance, private sector development, and higher education and vocational training. The Bank also scaled up its support for fragile states, middle-income countries (MICs), agricultural and rural development, gender, environment, and climate change, regional integration and trade as well as knowledge development and management.

2.1 Overall Approvals

The Bank Group approval of UA 5.72 billion for new operations in 2011 represents an increase of 39.9 percent over the 2010 amount of UA 4.09 billion (see Figure 2.1). The approvals for 2011 signaled a return to a more regular pattern of lending after the significant increase in 2009, when the Bank Group stepped in to play a countercyclical role in response to the global economic crisis. Of the total amount approved in 2011, UA 4.13 billion was in the form of loans and grants, while UA 1.59 billion was directed toward debt relief, private equity participations, and Special Fund allocations.

2.2 Engagement in Subregions

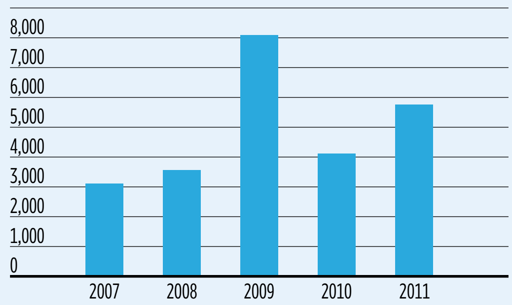
In 2011, Bank Group project and program approvals for all five subregions (including multinational projects and programs) amounted to UA 4.13 billion. This was an increase of 12.5 percent over the 2010 level of UA 3.67 billion. In terms of distribution, West Africa attracted 24.8 percent of approvals funding; North Africa, 21.9 percent; East Africa, 14.8 percent; Central Africa, 11.0 percent; and Southern Africa, 9.8 percent. Loan and grant approvals for multinational projects and programs gained 17.8 percent of funding (see Figure 2.2).

The key Bank Group's interventions in all the subregions include the following: Domestic-Oriented SME Financing Program in Nigeria; Financial Sector Development Support Program in Morocco; Governance and Economic Competitiveness Support Program in Tanzania; Rural Infrastructure Development Support Project in Democratic Republic of Congo; and Eskom Renewable Energy Project in South Africa.

2.3 Engagement in Various Economic Sectors

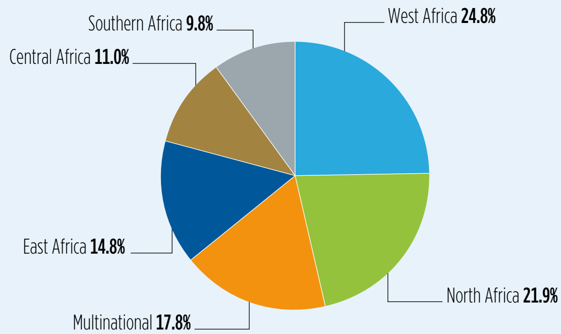
Figure 2.3 and Table 2.1 present the sectoral distribution of Bank Group approvals for the year, with infrastructure emerging as the largest beneficiary sector, followed by multisector

Figure 2.1
Bank Group Total Approvals, 2007–2011
(UA millions)



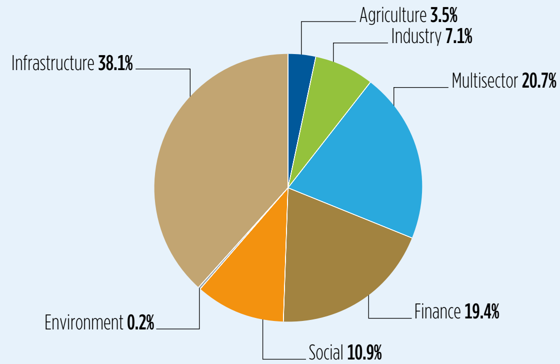
Source: AfDB Statistics Department.

Figure 2.2
Bank Group Loan and Grant Approvals by Subregion, 2011



Source: AfDB Statistics Department.

Figure 2.3
Bank Group Loan and Grant Approvals by Sector, 2011



Source: AfDB Statistics Department.

» By supporting small and medium-size enterprises (SMEs) through financial intermediaries such as commercial banks, the AfDB helps to safeguard livelihoods, create jobs, and reduce poverty.

and then finance. Multisector operations foster improvements in public financial management and institutional reforms, thereby promoting sound financial governance and robust and transparent public institutions. The finance approvals largely took the form of senior loans, lines of credit (LOCs) to financial intermediaries for onlending to small and medium-size enterprises (SMEs), as well as equity participations.

The projects approved during the year reflect the Bank's commitment to spur inclusive economic growth. Small and medium-size enterprises form the backbone of most African economies, but they often have difficulty in accessing credit to expand, particularly in the current economic climate. By supporting SMEs through financial intermediaries such as commercial banks, the AfDB helps to safeguard livelihoods, create jobs, and reduce poverty. Among the largest approvals in 2011 were for the Domestic-Oriented SME Financing Program in Nigeria and Office Chérifien des Phosphates (OCP) S.A. Investment Program 2008–2018 in Morocco (see Box 2.1).

2.4 Selectivity and Focus on the Core Strategic Areas

By channeling the bulk of its approved financing to the MTS priority areas (infrastructure, private sector development, governance; and higher education; and vocational training), the Bank continues to deliver on its commitment to selectivity and focus.

Improving Africa's Infrastructure

The largest share of Bank Group financing approvals in 2011 was targeted to the infrastructure sector, comprising transportation, water supply and sanitation, energy, and information and

Table 2.1
Bank Group Approvals by Sector, 2011
(UA millions)

	Loans			Grants			Total Approvals		
Sector	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	6	89.87	2.5	5	55.77	9.6	11	145.64	3.5
Social	5	389.46	11.0	22	61.82	10.7	27	451.27	10.9
Education	*1*	*15.00*	*0.4*	*5*	*23.98*	*4.1*	*6*	*38.98*	*0.9*
Health	*2*	*56.00*	*1.6*	–	–	–	*2*	*56.00*	*1.4*
Other	*2*	*318.46*	*9.0*	*17*	*37.83*	*6.5*	*19*	*356.29*	*8.6*
Infrastructure	25	1,407.55	39.7	11	164.72	28.5	36	1,572.27	38.1
Water Supply and Sanitation	*3*	*137.99*	*3.9*	*2*	*1.20*	*0.2*	*5*	*139.19*	*3.4*
Energy Supply	*10*	*403.51*	*11.4*	*2*	*16.63*	*2.9*	*12*	*420.14*	*10.2*
Communication	*1*	*7.57*	*0.2*	–	–	–	*1*	*7.57*	*0.2*
Transportation	*11*	*858.48*	*24.2*	*7*	*146.90*	*25.4*	*18*	*1,005.37*	*24.4*
Finance	10	801.82	22.6	1	0.46	0.1	11	802.29	19.4
Multisector	11	557.28	15.7	36	295.94	51.1	47	853.22	20.7
Industry, mining and quarrying	2	293.69	8.3	–	–	–	2	293.69	7.1
Urban Development	–	–	–	–	–	–	–	–	–
Environment	1	9.57	0.3	–	–	–	1	9.57	0.2
A. Total Loans and Grants	**60**	**3,549.24**	**100.0**	**75**	**578.71**	**100.0**	**135**	**4,127.95**	**100.0**
B. Other Approvals	–	–	–	–	–	–	**49**	**1,592.62**	**n.a.**
HIPC Debt Relief	–	–	–	–	–	–	7	1,350.85	n.a.
Equity Participations	–	–	–	–	–	–	7	53.37	n.a.
Guarantees	–	–	–	–	–	–	-	–	-
Special Funds*	–	–	–	–	–	–	35	188.12	n.a.
Total Approvals (A + B)	**60**	**3,549.24**	**n.a.**	**75**	**578.71**	**n.a.**	**184**	**5,720.29**	**n.a.**

Source: AfDB Statistics Department.
Notes:
* *Special Funds: These are the approvals for the operations of the African Water Facility, the Rural Water Supply and Sanitation Initiative, the Global Environment Facility, the Global Agriculture and Food Security program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African Private Sector Assistance, the Zimbabwe Multidonor Trust Fund, and The Migration and Development Trust Fund.*
\- Magnitude zero
n.a. Not applicable

Box 2.1
Morocco: Office Chérifien des Phosphates (OCP) S.A.

The objective of this project is to increase and sustain OCP's contribution to the Moroccan national economy and enhance its position as international leader in the phosphates sector. The expected outcomes are: OCP's phosphate production capacity increases by 65 percent (from 28 to 47 million tonnes p.a.); government revenues are augmented; Foreign Direct Investment in Morocco's phosphates industry increases; greenhouse gas emissions are reduced; and employment is boosted with the creation of 9,000 direct jobs.

Box 2.2
Tunisia: Gabés–Médenine–Ras Jedir Highway Construction Project

The objective of this project is to improve the efficiency of Tunisia's transportation system in order to boost the country's domestic and international trade. This will enhance regional integration within the five countries forming the Arab Maghreb Union (AMU). The project will facilitate the movement of goods and people between Gabés (Tunisia) and the Tunisia–Libya border and increase accessibility to key development centers located in the southeastern region of the country. The project will also help to create direct jobs (2,000 jobs during the construction phase and 160 during the operational phase) with potentially 30,000 further indirect jobs generated in the tourism and services sector.

Box 2.3
Zambia–Botswana Kazungula Bridge Project

The objective of this project is to facilitate trade and regional integration by reducing transit time, streamlining traffic throughput, and lowering transportation costs. The direct beneficiaries will be the mining, agricultural and service sectors, which contribute 60–80 percent of the subregion's GDP. The project will also facilitate job creation within the identified sectors. The expected outcomes include: a significant increase in trade volume and traffic through Kazungula between Botswana and Zambia; reduced border transit-time (reduced transportation cost for trucks); and employment creation (direct and indirect jobs of at least 200 persons recruited from local communities) during the project implementation and operational phases.

communication technology (ICT). This amounted to UA 1.57 billion, representing 38.1 percent of total Bank Group loan and grant approvals for the year.

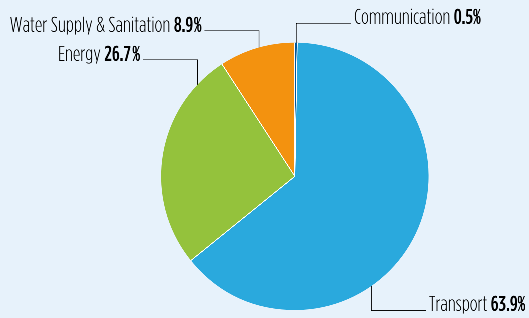
Of the total loan and grant approvals for infrastructure in 2011, 13.9 percent supported private sector-led operations in RMCs. As Figure 2.4 shows, transportation attracted the largest allocation (63.9 percent), followed by energy (26.7 percent), and water supply and sanitation (8.9 percent). Among the key transportation projects approved in 2011 was the Gabés–Médenine–Ras Jedir Highway Construction Project (UA 123.4 million) in Tunisia (see Box 2.2). The objective of this project is to improve the efficiency of Tunisia's transportation system in order to boost the country's domestic and international trade. This will enhance regional integration within the five countries forming the Arab Maghreb Union (AMU). The project will facilitate the movement of goods and people between Gabés (Tunisia) and the Tunisia–Libya border and increase accessibility to key development centers located in the southeastern region of the country.

» The Bank continued in 2011 to invest heavily in road transportation networks, to the tune of UA 1.01 billion for 18 operations.

The Bank also approved the financing of two major bridges, which will serve as regional links. These are the Gambia Bridge, linking The Gambia and Senegal in West Africa, and the Kazungula Bridge, linking Botswana and Zambia in Southern Africa (see Box 2.3).

The Bank's approvals to the transportation sector in 2011 were not restricted to roads but included other projects that foster regional integration, boost trade and communication among African countries, and open up international markets. For example, in the maritime subsector, a loan was approved in 2011 for the construction and operation of the Lomé Container Terminal in Togo to accommodate new supersize container ships. The port is a gateway to the landlocked countries of Mali, Niger, and Burkina Faso. Improving its capacity will facilitate overseas exports and imports for these countries, as well as for Togo.

Figure 2.4
Bank Group Subsectoral Distribution for Infrastructure, 2011



Source: AfDB Statistics Department.

Information and Communications Technology (ICT): Two ICT projects were approved during the year for a total amount of UA 21.6 million. These projects align to the Bank Group's Medium-Term Strategy as well as its ICT Strategy, as they promote infrastructure, technological and vocational training, and regional integration. The Bamako Digital Complex Support Project in Mali (see Box 2.7 below) resonates with the new imperative to build the capacity of African youth, to fully equip them with the specialist skills needed in today's labor market.

Energy: During the year, the Bank approved UA 420.1 million for 12 operations in the energy subsector, representing 26.7 percent of total approvals for infrastructure projects. The Bank's green agenda not only addresses energy deficits in an environmentally friendly way, but also creates jobs and improves living standards. Among the key approvals were three clean energy operations, including a geothermal energy project in Kenya, a solar and wind energy project in South Africa, and a hydropower project in Cameroon. Together, these projects will help to avoid significant greenhouse gas emissions, diversify the energy mix, and address power deficits in the countries, which are currently hampering socioeconomic development.

Water and Sanitation: Africa faces a problem of increasing water scarcity, exacerbated by climate change, environmental degradation, rapid population growth, and urbanization. The Bank Group's interventions focus on sustainable water resource development and management across the continent. Loan and

Water tower in Senegal – part of the Drinking Water & Sanitation Program for the Millennium initiative.

A solar power plant in Morocco, cofinanced by the AfDB, in line with its strategy to support renewable, clean energy.

grant approvals for water and sanitation operations, together with allocations from the Special Funds, totaled UA 147.1 million in 2011. The Bank's operations in the water and sanitation subsector focus on rural and peri-urban areas, where the poorest members of society live; the objective being to improve social wellbeing and access to basic amenities in these deprived areas. Three new urban and peri-urban water supply and sanitation projects were approved by the Bank Group in 2011 for Uganda, Egypt, and Zimbabwe, for a total amount of UA 38.0 million. In addition to projects and programs financed via its regular ADB and ADF windows, the Bank continues to host three complementary initiatives: namely, the Rural Water Supply and Sanitation Initiative (RWSSI), the African Water Facility (AWF), and the Multi-Donor Water Partnership Program (MDWPP). In 2011, the Bank approved two RWSSI operations, while under the AWF three projects were approved for a total of UA 4.4 million.

Supporting the Private Sector

Private sector development is key to sustainable inclusive growth. The Bank's vision for private sector development is operationalized through a number of approaches, namely: improving the business-enabling environment; supporting private enterprises; strengthening financial systems and institutions; promoting regional integration and trade; and creating a demonstration effect that will help to catalyze resources from other financiers.

During the year, the Bank allocated UA 868.9 million to support 25 new private sector operations. The 2011 allocation comprises UA 815.6 million in project loans and lines of credit (LOCs) and UA 53.4 million in private equity participations. In addition, UA 4.5 million was approved from Special Funds to enhance private sector development. The private sector operations represent 15.3 percent of the Bank Group's total approvals for the year. Three publicly guaranteed LOCs were approved for Tunisia and Nigeria, to benefit private SMEs.

Box 2.4
Cameroon: Kribi Power Project

The objective of this project is to finance the construction and operation of a 216 MW gas-fired power plant, located to the north of the coastal city of Kribi, with a 100 km 225 kV transmission line to be connected to the country's Southern Interconnected Grid. The expected outcomes include: increased and more reliable electricity supply: an additional 216 MW capacity installed by 2013; support to the aluminum industry: 50 additional MW capacity available by 2013 for Alucam; employment generation: 500 jobs created during construction by 2013 with a further 70 jobs during the operational phase; and CO_2 emissions reduced by replacing inefficient thermal power.

Figure 2.5 presents a breakdown of private sector operations for 2011 according to the country classification. Regional and multinational projects received the largest share (40.9 percent), followed by middle-income countries (MICs) (35.1 percent) and then low-income countries (LICs) (24.0 percent). The 2011 allocation to LICs exceeded the 2010 level of 19.0 percent and included approvals for fragile states such as Zimbabwe, Togo, and Sierra Leone. Although the share of approved operations directly targeting LICs seems relatively low, when regional/multinational operations that benefit LICs are factored in, the figure rises to over 50 percent of approvals. In terms of sectoral allocations, in 2011 finance attracted the most private sector approvals, followed by industries and services, and infrastructure (see Figure 2.6).

Financial services: In 2011, UA 324.1 million of private sector approvals were allocated to financial institutions, including LOCs to the Development Bank of Southern Africa (DBSA) and the West African Development Bank (BOAD). Two African insurance institutions were supported by equity investments, namely ZEP-Re and Africa Re. This will help to strengthen the insurance sector in Africa, which is generally underdeveloped, and to boost its share of the global insurance market. Local financial institutions in Mali, Namibia, Nigeria, and Uganda were provided with LOCs, primarily for onlending to domestic MSMEs.

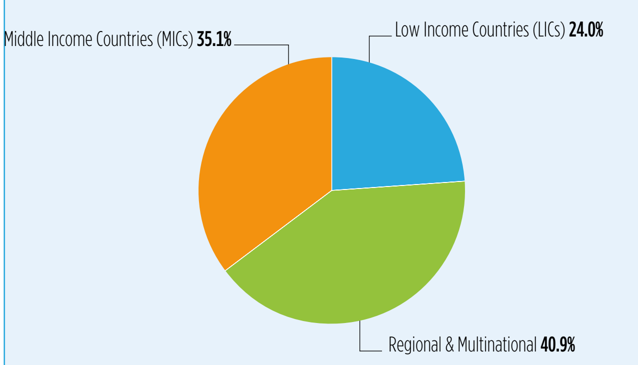
Industries and Services: The private sector approvals for industries and services in 2011 comprised four projects totaling UA 327.4 million, including the Office Chérifien des Phosphates (OCP) S.A. Project in Morocco (UA 156.2 million) (see Box 2.1).

Infrastructure finance: The Bank approved UA 226.0 million for non-sovereign infrastructure finance to support nine private sector operations in 2011. It leveraged an additional UA 774.0 million from private sponsors, commercial entities, and development partners. Three key multinational infrastructure projects were approved in 2011. Box 2.4 details a key non-sovereign infrastructure project approved in 2011 for Cameroon, which will address the country's energy deficit, boost employment, and stimulate the economy.

Fostering Good Governance

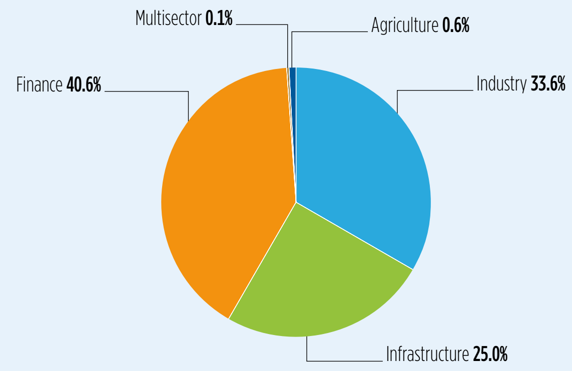
During 2011, support to governance was scaled up through policy-based operations (PBOs) and institutional support

Figure 2.5
Private Sector Operations by Country Classification, 2011



Source: AfDB Statistics Department.

Figure 2.6
Private Sector Operations by Sector, 2011



Source: AfDB Statistics Department.

Box 2.5
Governance Action Plan (GAP): Focal Areas

Level I – Country level: The focus at the first level is on strengthening country systems and institutions for better management of public resources, with an emphasis on oversight institutions and accountability systems. Special attention is paid to: (i) fragile states, to strengthen state institutions and their capacity for financial governance and natural resources management; and (ii) middle-income countries, to improve the enabling environment for private sector development and investment.

Level II – Sectoral level: Here the emphasis is on strengthening accountability and transparency in the management of public resources by promoting anti-corruption safeguards, especially in such high-risk sectors as the extractive industries and infrastructure.

Level III – Regional level: At this level, the objective is to promote best international standards and codes of sound economic and financial governance, including the fight against corruption.

Box 2.6
Côte d'Ivoire: Emergency Program to Restore Basic Social and Administrative Services (PURSSAB)

The objectives of this program are to: (i) promote access to basic social and administrative services by rehabilitating social services and water supply and sanitation networks, as well as capacity building for government services responsible for economic governance; and (ii) promote social cohesion and reconciliation and thereby restore stability. The expected outcomes are: restored population's access to health centers, schools, and social welfare centers; restored access to drinking water and sanitation to 80 percent of the population; and consolidation of peace and a return to order and security.

operations (ISOs), non-lending activities, and upstream analytical and advisory services. In accordance with the Bank's 2008–2012 Governance Strategic Priorities and Governance Action Plan (GAP), these interventions were undertaken at country, sectoral, and regional levels (see Box 2.5).

At the country level, the Bank Group approved 21 programs and projects during the year in support of good governance. This amounted to a commitment of UA 698.5 million, covering 19 countries. Top priority was given to supporting fragile states by rebuilding public financial management (PFM) systems and public administration, restoring efficient service delivery, and promoting inclusive growth. For instance, the policy-based operation for Côte d'Ivoire was considered a critical intervention to help restore basic social services and amenities to the population and to support the country's transition toward peace and stability after many years of crisis (see Box 2.6).

At the sectoral level, the Bank Group placed particular emphasis on improving governance and promoting integrity in the high-risk sectors of mining and other extractive industries. This is exemplified by the policy-based operations approved for Tanzania and Guinea in 2011. Advisory services were also provided to Mozambique and Ethiopia, to assist their validation under the Extractive Industries Transparency Initiative (EITI), which the Bank actively supports.

Also at the pan-African level, the Bank has supported the establishment of three African Regional Technical Assistance Centers (AFRITACs), which provide technical and advisory services for economic and financial governance in RMCs. Of the UA 4.9 million that was approved for AFRITACs for the period 2010–2014, the Bank disbursed UA 3.9 million in 2011. The Bank is also a strategic partner of the African Peer Review Mechanism (APRM), which is used by member countries to self-monitor all aspects of their governance and socioeconomic development.

Investing in Youth: Higher Education, Science, Technology, and Vocational Training
The MTS Mid-term Review reaffirmed Higher Education, Science, Technology (HEST) and Vocational Training as an operational priority critical to Africa's economic competitiveness and employment generation. Five operations in this area were approved during the year, amounting to UA 51.5 million. This included the Bamako Digital Complex Support Project (see Box 2.7) which will fund the establishment of Africa's second ICT Center of Excellence.

Box 2.7
Mali: Bamako Digital Complex Support Project

The objective is to support the Government of Mali's development strategy through sustainable capacity building in ICT fields, and so boost the country's competitiveness and economic growth. The expected outcomes include: sustainable ICT training and incubation capacity; training of 30 engineers and 120 technicians per year; private–public partnerships established for: development of the sector; 25 ICT SMEs established; and more women trained and involved in ICT activity.

Box 2.8
Tunisia: Social Inclusion and Transition Support Program (SITSP)

The aim of the program is to respond to the demands voiced by citizens during the revolution for more jobs, greater equity among regions, fuller participation of citizens, and transparency in governance, in order to restore socioeconomic stability and secure a smooth democratic transition in Tunisia. The expected outcomes of the three program components are given below:

Component 1: *Reducing regional disparities in access to social services*
- New weighted systems for transferring resources to local authorities are established;
- Expansion of social assistance from 131,000 to over 185,000 needy families; and
- Provision of financial assistance for 33,000 returnees from Libya.

Component 2: *Creating and preserving jobs*
- Safeguarding almost all threatened jobs in 2011 and beyond;
- Training for temporary laid-off workers to maintain their level of productivity;
- Providing personalized skills upgrading and coaching and a monthly allowance of TND 200 for one year to 200,000 unemployed graduates in support of their training expenses; and
- Nearly 5,000 graduates start their own businesses;

Component 3: *Improving citizens' voice and accountability*
- Revision of the Association Law to assist in the development of civil society and a participatory culture by promoting associations;
- Establishment of special delegations for the 36 priority municipalities (including Tunis) to help restore the political legitimacy of the local authorities; and
- Strengthening the culture of citizens' accountability in public services and improving transparency in the publication of information relating to basic services.

Social Assistance and Protection to Enhance Human Capital Development

Social Inclusion: The Arab Spring and the spread of social unrest and riots in several African countries have underscored the risks posed by social exclusion, inequalities, unemployment, and lack of voice for the masses. In response, during 2011 the Bank began to formulate a comprehensive Human Capital Development Strategy 2012–2016, which focuses on three areas critical for inclusive growth. These are: (i) increasing competitiveness and employment opportunities particularly for the youth, including scaling up productivity in the informal sector; (ii) ensuring value for money and accountability for improved service delivery; and (iii) improving social inclusion and cohesion.

In 2011, the Bank approved UA 344.3 million to support five social inclusion projects and programs in six countries. The Social Inclusion and Transition Support Program (UA 308.5 million) for Tunisia aims to reduce income poverty and create jobs, strengthen civil society, give citizens a greater voice, and boost the accountability of all national stakeholders (see Box 2.8).

Supporting the Health Subsector

The high burden of disease in Africa is a major economic and social development issue. Healthy individuals are more productive, earn more, save more, invest more, consume more, and work longer. Despite some progress on improved health outcomes, most African countries are not on track to achieve the health-related MDGs. Consequently, much needs to be done but with limited resources. The Africa health agenda in the coming decade will therefore be about value for money. It will make use of transparent, evidence-based budgeting and results-based financing; promote universal health insurance, and leverage the opportunities provided by technological innovations, such as e-healthcare systems.

Robust health systems are a precondition for sustainable and inclusive human capital development. There is also a pressing need to train and retain highly skilled health professionals within the continent. The project for the Improvement of Health Services Delivery at Mulago Hospital (UA 56.0 million) in Uganda will scale up the delivery of quality health services to the population (see Box 2.9). It targets two of the priority areas outlined in the Bank's Medium-Term Strategy, namely (i) vocational training and (ii) investing in ICT infrastructure through the establishment of a health management system.

Interagency Cooperation: The Bank is actively engaged in the Harmonization for Health in Africa (HHA) Initiative jointly with the World Bank, UNICEF, UNAIDS, UNFPA, WHO, USAID, and JICA. The overarching aim of HHA is to strengthen health systems toward achievement of the health-related MDGs. Based on outcomes from conferences and workshops on the central theme of "Aid Effectiveness in Africa's Health Sector," the Bank took a leading role during 2011 in promoting the concept of the African health value-for-money agenda.

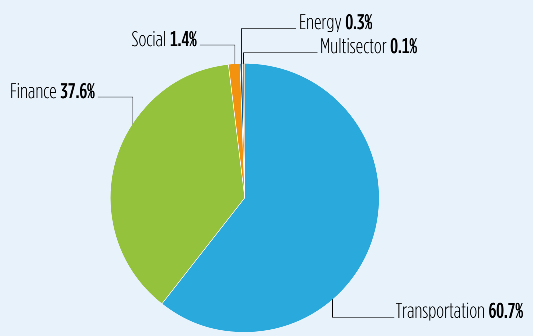
Facilitating Regional Integration in Africa

In 2011, the Bank formulated Regional Integration Strategy Papers (RISPs) for the Southern, Eastern, Central, and Western subregions for the 2011–2015 period. These are designed to bring more focus and selectivity to regional integration efforts.

In terms of Bank Group approvals in 2011 for multinational/regional operations, these totaled UA 735.2 million for 11 projects and programs. As shown in Figure 2.7, the transportation subsector attracted the largest tranche, followed by finance.

On the global front, the Bank continues to be an active participant in the global Aid for Trade (AfT) initiative, which is led by the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD). In addition, the Bank continues to support three major regional infrastructure initiatives, namely: NEPAD-Infrastructure Project Preparation Facility (IPPF); Program for Infrastructure Development in Africa (PIDA); and Infrastructure Consortium for Africa (ICA).

Figure 2.7
Sectoral Composition of Multinational Loan and Grant Approvals Financed in 2011



Source: AfDB Statistics Department

Box 2.9
Uganda: Improvement of Health Services Delivery at Mulago Hospital and in the City of Kampala

The objective of the project is to increase access to quality and affordable healthcare services for the population of Uganda. The expected outcomes are:

- Mulago National Referral and Teaching Hospital is fully renovated, equipped with advanced medical technology, and with modern operational and clinical services management systems in place;
- Construction of two new General Referral Hospitals (170 beds each);
- Over 150 senior and middle health managers trained in modern management and leadership competencies, with over 400 clinical staff trained in advanced medical techniques for quality patient care, and over 800 staff trained in ethics and customer care;
- Over 600 new direct jobs are generated in addition to a significant number of indirect jobs in the support service sector; and
- Improved health status of the Ugandan people.

Agriculture and Food Security

The performance of the agriculture sector is central to the Bank Group's mission to reduce poverty and assist its RMCs to achieve sustainable and inclusive growth. This sector has linkages to many others. For example, infrastructure is paramount in terms of irrigation systems to enhance agricultural productivity; also good road networks are needed for the rapid movement of produce from farms to wholesalers, storage facilities, and overseas markets. In terms of agriculture's links to environment and climate change, these became all too apparent in 2011 with the Horn of Africa's severe drought, failing harvests, escalating food prices, famine, and massive displacements of people. Box 2.10 presents the Bank Group's response to the crisis, which took the form of an initial emergency contribution of UA 2.5 million from the Special Relief Fund and a pledge of a further UA 195.4 million for a regional long-term resilience program.

For the agriculture sector as a whole in 2011, loans and grants for 11 operations were approved by the Bank Group, amounting to UA 145.6 million and covering nine countries. In addition, UA 49.3 million was approved under the Special Funds to support projects and programs in three Horn of Africa countries.

The Bank's Agriculture Sector Strategy (AgSS) 2010–2014 seeks to increase agricultural productivity, enhance incomes, and improve food security on a sustainable basis. It does this through two mutually reinforcing pillars: (i) improving rural infrastructure (water resources management and storage, agro-processing and trade-related capacities for accessing local and regional markets); and (ii) improving the management of renewable natural resources. This adheres to the priorities set out in the African Union's Comprehensive Africa Agriculture Development Program (CAADP).

Improving Rural Infrastructure: Pillar 1 of the AgSS focuses on rural infrastructure – including water infrastructure. In line with the Bank's strategic focus and selectivity, 83.8 percent of the 2011 approvals for the agriculture sector were allocated to rural infrastructure.

Land Policy and Management: Pillar II of the AgSS aims to improve the resilience of the natural resource base through a three-pronged approach: (i) forestry, (ii) sustainable land management, and (iii) climate change mitigation and adaptation. One project approved under this pillar in 2011 was for the Natural

Box 2.10
The Horn of Africa Drought and Famine Crisis

One of the most serious global humanitarian crises during 2011 was the Horn of Africa drought and famine, which affected large parts of Somalia, Ethiopia, Kenya, and Djibouti. The Bank responded to this crisis firstly through emergency assistance from its Special Relief Fund and, secondly, by developing a regional long-term resilience building program.

Nature of the Crisis
- Approximately 12 million people required emergency humanitarian assistance;
- This was the worst drought in 60 years in the Horn of Africa;
- High food prices and livestock mortality caused severe food insecurity;
- Famine was declared in six regions of Somalia, resulting in tens of thousands of deaths; and
- Conflict in Somalia and refugee movements aggravated the crisis;

Causes of the Crisis
- Failure of two consecutive rainy seasons and the increasing frequency and severity of the droughts – partly due to climate change;
- Inadequate governance systems and low institutional capacity to deal with natural disasters, emergencies, conflicts and displacements – particularly in Somalia; and
- Historically low investments in infrastructure, and marginalized rural communities with limited access to basic services.

Bank's Response
- The Bank has pledged UA 195.4 million for a regional long-term resilience building program. UA 60 million has already been earmarked from the Regional Operations window for the first phase of this program;
- In addition, the Bank contributed UA 2.5 million from its Special Relief Fund for emergency assistance to Djibouti, Ethiopia, Kenya, and Somalia.

Coffee plantation worker in Masaka, Uganda.

Resources Management and Development in the Sudan Region Project in Chad (UA 9.6 million).

In 2011, the Bank participated in a High-Level Forum on the theme, "Large-Scale, Land-Based Foreign Investments in Africa." This was organized in Nairobi by the Land Policy Initiative (LPI) Secretariat. The LPI comprises a consortium of the AUC, ECA, and AfDB which is engaged in developing a framework and guidelines on land policy in Africa.

Agricultural Partnerships: The Bank Group has strengthened its strategic partnerships with the AUC, ECA, World Food Program (WFP), Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), and United Nations Industrial Development Organization (UNIDO) to harmonize cooperation activities and build synergies. The AfDB also participates in other global agriculture-related initiatives, such as the Global Agriculture and Food Security Program (GAFSP), the Alliance for a Green Revolution in Africa (AGRA), the Global Environment Facility (GEF), and the Consultative Group on International Agricultural Research. In 2011, the GAFSP approved a total of UA 50.0 million for projects in Liberia and Niger, which are being supervised by the Bank.

Energy, Environment, and Climate Change

The Bank Group has expanded its role in energy, environment, and climate change since the establishment in 2010 of a department dedicated to these areas. The Bank has adopted a two-pronged approach: focusing not only on advocacy activities but also, in terms of its operations, on mainstreaming climate change into development planning. As part of this effort, during the year it continued to support sustainable and clean energy in line with its low-carbon development vision for the continent. It also ramped up efforts to combat deforestation and to support sustainable land and water resources management.

Environmental and Climate Change Special Funds: In addressing issues of environmental sustainability and climate change, the Bank mobilized not only its own resources but also finance from Special Funds for a total of UA 120.0 million. The Special Funds for the environment comprise the Climate Investment Fund (CIF); Congo Basin Forest Fund (CBFF); Global Environment Fund (GEF); and Sustainable Energy Fund for Africa (SEFA). The latter was established in 2011 and seeded with an initial disbursement from Denmark of UA 30.0 million equivalent.

Forging a Collective Voice for Africa

One of the ways in which the Bank helps to address challenges facing its RMCs is by collaborating with other pan-African partners and regional economic communities. Through this approach, it seeks to generate and disseminate deeper knowledge about the development issues facing the continent and foster policy dialogue with RMCs. The Bank also works closely with its regional partners to help forge a unified and collective voice for Africa. The aim is to articulate united positions on key issues – and concerns – that are uppermost in the minds of regional policymakers and leaders.

The Bank at International and Regional Fora

In 2011, this was manifested in the Bank's active participation in high-level international events that focused on issues of great importance to Africa's development agenda. These included participation in the meetings of Ministers and Experts to prepare recommendations for the G20 Leaders' Summit. The meetings urged the leaders to support African countries to improve trade facilitation and logistics. Another key recommendation was to enhance the productive capacity and ability of local African enterprises to compete in regional and global supply chains. Consequently, the G20 Conference of Ministers and Officials recommended for inclusion in the G20 Action Plan for Development an emphasis on: (i) private sector and infrastructure development to build a business-enabling environment and (ii) promotion of intraregional trade and integration.

Inclusive growth and sustainable development was the theme of the high-level seminars of the Bank Group's Annual Meetings in Lisbon and at the Society for International Development (SID) World Congress, in Washington DC. Both fora expressed concern that Africa's growth had been highly uneven due to weaknesses in governance, with wealth accruing to a few while the majority remained in poverty. In the context of the unfolding events in North Africa, the fora concluded that in order to foster inclusive growth, the Bank needs to scale up its dialogue with RMC governments to promote good governance and essential reforms, and strengthen accountability and transparency in public financial management.

In the run-up to the 4th High-Level Forum on Aid Effectiveness (HLF-4) held in Busan, Korea, the Bank contributed to the formulation of a unified African position by organizing in Tunis, jointly with the NEPAD Planning and Coordinating Agency, the Second Regional Meeting on Aid Effectiveness, South–South Cooperation and Capacity Development. The meeting took as its theme "From Aid Effectiveness to Development Effectiveness." The "Tunis Consensus," which was an outcome of this meeting, spearheaded the signing of the Busan Partnership for Effective Development Cooperation. This committed stakeholders to the following four principles: (i) ownership of development priorities by the developing, aid-assisted country; (ii) focus on the results of sustainable impacts, eradicating poverty and reducing inequality; (iii) inclusive development partnerships built on openness, trust, and mutual respect; and (iv) transparency and mutual accountability to the beneficiaries and providers of aid, and their respective citizens.

Furthermore, the Bank hosted the Climate Investment Funds Partnership Forum in Cape Town, co-hosted the 6th African Economic Conference in Addis Ababa, and participated in COP17 in Durban, all of which focused on the themes of green economy and climate change financing. At COP17, the Bank co-organized along with the AUC, UNECA, and the South African Government the "Africa Pavilion" --- a high-level platform for Africa-centric discussions. The COP17 in Durban concluded with several decisions, including the extension of the Kyoto Protocol, the adoption of a framework for a future climate change agreement, and the approval of the Green Climate Fund.

Knowledge Generation and Sharing

In fostering dialogue with its regional member countries, the Bank has also been active in knowledge generation and dissemination in Africa. The key knowledge publications are: the *African Economic Outlook* (AEO); the *African Competitiveness Report;* the *African Development Report*; and the *MDGs Progress Report for Africa.* Bi-annual publications include: *Telling Africa's Development Story* series and the *African Statistical Journal,* while the *African Development Review* is published quarterly.

The Bank also continues to assist RMCs to strengthen their capacity to generate and disseminate reliable and timely statistics needed for informing policy decisions and managing for development results.

Cognizant of capacity development challenges in the continent, the Bank continued in 2011 to conduct activities in support of two key pillars of its Capacity Development Strategy. Under the pillar *Enhancing the development effectiveness of Bank Group operations,* 16 workshops were delivered on the following themes: Bank Rules and Procedures; Project Performance Enhancement Tools; Results Based Monitoring and Evaluation; and Scaling up Poverty Reduction Strategies. Under the second pillar, *Strengthening RMCs' capacity for policy design and development management,* 17 workshops were conducted, 10 under the Joint African Partnership agreement between the IMF and the Bank.

Responding to Diverse Client Needs – Analytical and Advisory Services

As a result of almost five decades of operations in its RMCs to support their development, the Bank has accumulated a large stock of lessons learned and best practices. In 2011, the Bank continued to mainstream this knowledge base in its operations and long-term development strategies for RMCs.

2.5 Enhancing Relevance for All Regional Member Countries

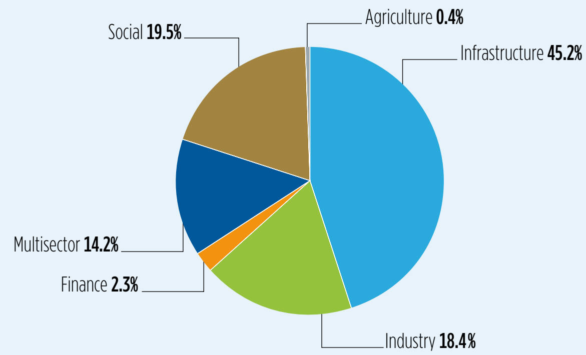
Through its various operations and instruments, the Bank seeks to assist all its RMCs – fragile states, low-income countries (LICs), and middle-income countries (MICs). Its support is tailored to the differing needs of each regional member, in line with Country Strategy Papers (CSPs) which are drawn up in close collaboration with RMC representatives. These CSPs take account of national priorities as well as the Bank's own strategic focal areas in order to maximize the development effectiveness of its operations. Under the Bank's Medium-Term Strategy 2008-2012, particular emphasis is placed on scaling up support to MICs and fragile states.

Supporting Fragile States

The Bank recognizes that fragile states face a daunting set of challenges: to reconstruct critical infrastructure (transportation, water, energy, and ICT networks); to create decent jobs; strengthen their economies; restore access to basic services (e.g. health, water and sanitation, and education); strengthen public finance administrations and ensure good governance; and rehabilitate displaced persons and disaffected youth to create an inclusive society.

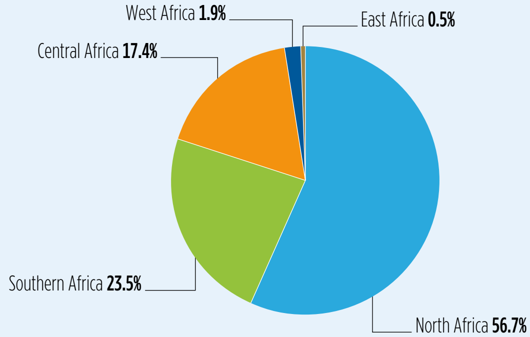
At the end of December 2011, the Bank approved UA 168.0 million of Pillar I allocations to projects and programs in six fragile states. This included a UA 65.0 million contribution to the Emergency Program to Restore Basic Social and Administrative Services (PURSSAB), to assist Côte d'Ivoire's reconstruction efforts (see Box 2.6). In addition, the Board approved Sudan's eligibility to Pillar I resources. Under Pillar III resources, UA 16.2 million was approved for various programs in five countries.

Figure 2.8
Sectoral Distribution of Bank Group Lending to MICs, 2011



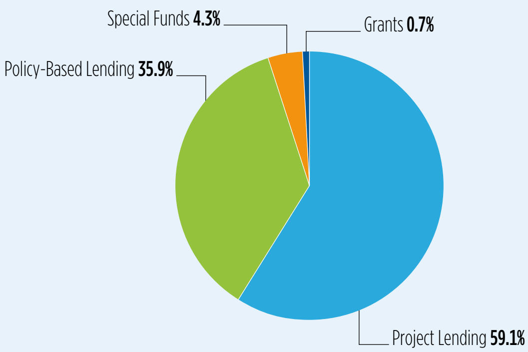
Source: AfDB Statistics Department.

Figure 2.9
Geographical Distribution of Bank Group Lending to MICs, 2011



Source: AfDB Statistics Department.

Figure 2.10
Bank Group Lending to MICs by Financing Instrument, 2011



Source: AfDB Statistics Department.

In addition, the Bank approved a capacity-building project for the University of Juba, South Sudan, financed from the Bank's Governance Trust Fund at a total cost of UA 314,200. Through this project, government officers will be trained by staff from the University in Auditing, Fiduciary Management, and Resource Mobilization. To deepen its assistance and contribute toward the new state's National Development Plan, the Bank also: (i) financed the preparation of the South Sudan Integrated Fiduciary Assessment in collaboration with the World Bank; and (ii) undertook sectoral assessments in agriculture, transportation, energy, water and sanitation, and information and communication technology (ICT).

These sectoral assessments culminated in the Infrastructure Action Plan (IAP), which the Bank is presently finalizing. The IAP will be used as an instrument both for resource mobilization and policy dialogue with the country. In addition, the Bank undertook an appraisal mission in November–December 2011 to gain an overview of the status of the national statistical system in South Sudan. The aim was to identify statistical areas and functions that need to be established and/or strengthened in order to produce accurate and reliable statistics. Capacity-building will be an essential element in creating a robust national statistical system – one that can generate vital information required for the planning and implementation of future development programs.

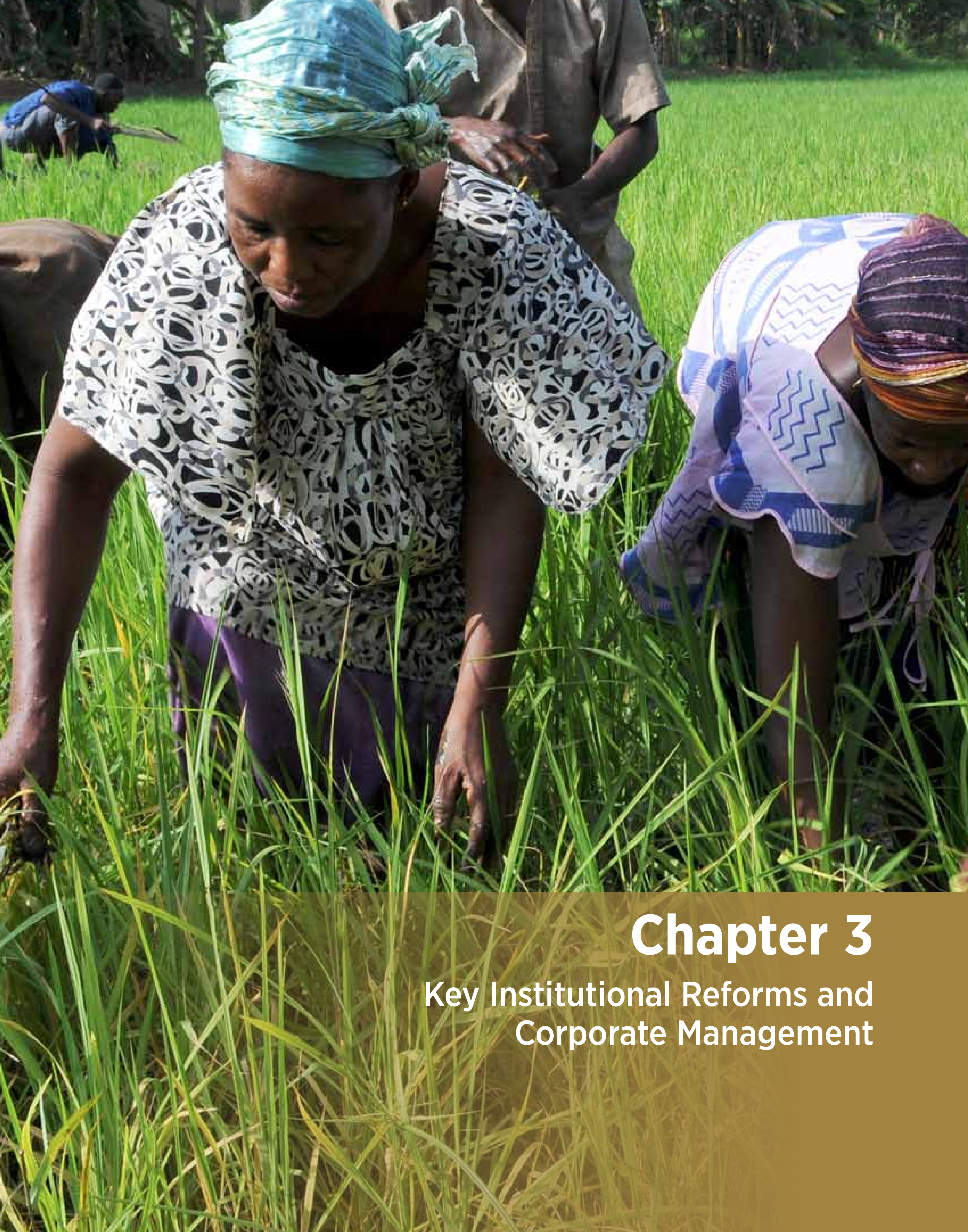
Deeper Involvement in Middle-Income Countries

The Bank Group's MTS emphasizes deeper engagement with middle-income countries (MICs), by positioning the institution as their preferred development partner. In this respect, the Bank has developed effective linkages between public/private operations, as well as competitive lending products, backed by high-value knowledge and advisory services.

Approvals in 2011 for operations in MICs (excluding multinational projects and programs) amounted to UA 1.59 billion, which is a decrease of 15.4 percent from the 2010 level. Figure 2.8 shows the sectoral distribution, with infrastructure receiving the largest share (45.2 percent).

The geographic distribution of Bank Group approvals to MICs in 2011 shows North Africa as the principal beneficiary of non-concessionary lending followed by Southern Africa, Central Africa, West Africa, and East Africa (see Figure 2.9).

In terms of financing instruments to MICs, project lending (for both public and private sectors) continued to predominate in 2011, followed by policy-based operations (see Figure 2.10). MIC grants remained at almost the same level in 2011 as in the previous year. A new feature of the financing in 2011 was the increased use of Special Funds.



Chapter 3

Key Institutional Reforms and Corporate Management

3.0 Introduction

The key objectives of the Bank's reforms are to improve its corporate performance and development effectiveness, and to instill a "One Bank" culture within the institution. The institution has also been enhancing its long-term operational and financial sustainability, in line with commitments made under the Sixth General Capital Increase (GCI-VI) and the Twelfth Replenishment of the African Development Fund (ADF-12). In addition, efforts continue to attract and retain the best talents and skills mix, within the framework of the Bank's Human Resources Strategic Framework and Action Plan (2007–2012).

3.1 Key Institutional Reforms

Good progress was made during 2011 in all areas of institutional reform launched under the 2007 reform agenda. Achievements included the adoption of the Decentralization Roadmap for Bank operations.

Decentralization of Bank Operations

Adopted in April 2011, the Roadmap on Decentralization provides guidance for the transfer of greater decision-making authority to the field offices (FOs). The objectives of the Roadmap are to enhance services to clients in RMCs, based on three pillars: (i) strengthening the existing FOs by giving them greater responsibility for portfolio management and implementation, and for scaling up their analytical work; (ii) expanding the Bank's presence in fragile states; and (iii) consolidating regional capacity through the establishment of five Regional Resource Centers. It is expected that the Decentralization Roadmap will help to improve the quality of the Bank's portfolio, strengthen its analytical work, and provide its many clients with tailored assistance.

A Permanent Committee on the Review and Implementation of the Decentralization (PECOD) was established in January 2011 to coordinate and monitor the implementation of the Decentralization of Bank operations. Milestones in 2011 include:

- The opening of four new FOs in fragile states (Togo, Liberia, Central African Republic, and Burundi);
- Preparatory work for the opening of the fifth FO in South Sudan in 2012; and
- The establishment of two pilot Regional Resource Centers in Nairobi and Pretoria, which will become operational during 2012.

» 2011 saw the opening of four new field offices for the AfDB, in the fragile states of Togo, Liberia, Central African Republic, and Burundi.

The Bank also scaled up its efforts to implement the new business model implied by the enhanced decentralization and revision of the Bank's Delegation of Authority Matrix. It was underscored that devolving authority to the field presents new institutional challenges for the Bank, as it requires seamless communication and IT facilities, in addition to an appropriate skills mix in the FOs.

Expanding and Revamping Key Policies

As part of the institutional reforms agreed during the GCI-VI and ADF-12 consultations, in 2011 the following Bank Group policies were developed or revised:

- *Policy on Program-Based Operations (PBOs):* The new Policy ushered in a name change (from "Policy-Based Operations" to "Program-Based Operations"). The new term is more reflective of the broadening scope and application of such instruments. The overarching rationale for this new Policy is to provide a comprehensive framework that will better position the Bank Group to support the development needs of its RMCs in a transparent and results-oriented manner;
- *Fiduciary Risk Management Framework for PBOs (FRMF):* The new FRMF established a comprehensive and transparent approach to the identification, mitigation, and management of fiduciary risks across the main pillars of Budget, Audit, and Corruption. It is already being implemented in the design and usage of policy-based operations (PBOs).
- *Energy Sector Policy:* The Bank Group elaborated its first Energy Policy in 1994. In light of new developments and challenges in this sector, a new Energy Sector Policy is under preparation to guide its interventions. The aim is to promote affordable and reliable energy infrastructure and services for its RMCs in an economically and environmentally sustainable manner;
- *Private Sector Development Policy:* A new policy has been formulated to refine the Bank's activities in this area. The institution's approach to private sector development is to provide not only financial investments but also technical assistance to bankable private sector-led projects and programs;
- *Policy on Disclosure and Access to Information:* This updates the institution's disclosure policy in line with best practices and the Bank's commitment to good governance;
- *Urban Development Strategy:* This is geared to assist RMC governments to transform African cities and towns into engines of economic growth and social development. The Strategy is anchored on three pillars, namely: infrastructure, governance, and private sector development;

- *Income Model for the ADB:* A key commitment under GCI-VI, the Income Model provides a framework within which loan pricing, income allocation, and administrative expenses decisions can be balanced;
- *Managing GCI Resources and Large Loans:* In a resource-constrained environment, this GCI-VI commitment seeks to ensure that capital resources are used in a balanced way for the benefit of all borrowing member countries without the need for an early return to shareholders for further capital increases;
- *Capital Adequacy and Exposure Management Framework:* This updates the ADB's capital adequacy policy, including further refinements of risk capital charges and enhancements in line with best practices and the evolving regulatory environment; and
- *Operational Risk Management Framework:* This formalizes the Bank's framework for managing operational risks in accordance with evolving practices.

Enhancing Institutional Delivery Capacity – Key Performance Indicators (KPIs) in 2011

Overall, the Bank continues to streamline its processes for efficient utilization of resources and improved delivery of the Work Program (see Table 3.1 below). The key performance indicators reveal that:

- Decentralization is making steady progress;
- Portfolio management shows positive trend;
- Continuous improvement in the delivery of Operational Strategy Papers (RISPs, ESWs, CPPRs, and related documents);
- Economic & Sector Work (ESW) and related papers exceeded targets; and
- The pace of disbursement is slow, but internal processes are being reviewed to improve this indicator.

Roadmap to Development Effectiveness

Adopted in March 2011, this Roadmap was designed to support the Bank's development effectiveness agenda in the run-up to the 4th High Level Forum, held in Busan, Korea, in November 2011. Priorities identified included: strengthening transparency and accountability for development results; expanding the use of country systems; and enhancing field-level engagement by increased decentralization.

Table 3.1
Key Performance Indicators (KPIs) for Institutional Effectiveness in 2011

Key Performance Indicators (KPIs)	Unit	2010	Dec. 2011	2011 Target	Progress	Overview
I- Human Resources						
Gender Balance Index (PL staff)	%	27	28	27	✔	Gender Balance Index continues to improve. Accelerated effort for PL staff deployment to Field Offices is needed to achieve decentralization objectives.
Field Based PL Staff *	%	26	28	30	✦	
II- Portfolio Management and Process Efficiency						
Disbursements						
Bank Group Disbursement Ratio (Investment only) **	**%**	**19**	**18**	**30**		The pace of disbursements is slow. Internal processes are being reviewed for further improvements.
ADB Public Disbursement. Ratio	%	20	15	20	✦	
ADB Private Disbursement Ratio***	%	34	33	50	✦	
ADF Disbursement Ratio	%	17	18	20	✦	
Projects at Risk	%	34	29	40	✔	Increased focus on portfolio management and supervision activities has positively impacted the quality of the portfolio.
Operations supervised twice per year	%	62	59	50	✔	
Timely PCR Coverage (exiting project with PCR in 12 months)	%	91	91	85	✔	Project Completion Reviews were covered in a timely manner.
Impaired Loan Ratio (Non-Sovereign only)	%	0.76	1.36	<5	✔	
Elapsed Time between Approval and First Disbursement	Months	12.04	13.34	11	✦	Continuous streamlining of internal processes is needed to improve this indicator.
III-Operational Deliverables						
Operational Strategy Papers						
Regional Integration Strategy Papers (RISPs)	Number	NA	1	1	✔	Continuous improvement in the delivery of Operational Strategy Papers (ESW and related papers exceeded targets).
Country Strategy Papers (CSPs) and Related Documents	Number	23	29	31	✦	
Country Project Portfolio Reviews (CPPRs)	Number	14	9	5	✔	
Economic & Sector Works (ESWs) and Related Papers	Number	62	63	44	✔	

Source: *AfDB Programming and Budget Department (COBS)*
Notes:
✔ *Progress is satisfactory*
✦ *Progress is unsatisfactory*
* *Expressed as a percentage of operational PL staff.*
** *Disbursements during the year as a percentage of undisbursed balance at the beginning of the year*
*** *Private Sector Disbursement Indicators are calculated exclusively with data extracted from SAP.*

3.2 Human Resources Management

The Bank continues to make progress in attracting and retaining the best talent within the framework of its Human Resources Strategic Framework and Action Plan (2007–2012) and the corporate services reform agenda. During 2011, 191 new staff joined the Bank, of whom 22 were young professionals. Internal capacity was further enhanced with 183 promotions through internal competition.

The total staff strength of the Bank rose by 5.1 percent, from 1,810 to 1,902 during the period 2010–2011. This includes Management and Professional Level (EL/PL) and General Services (GS) staff in both the Bank's Temporary Relocation Agency in Tunis and in the field offices (FOs), and takes account of staff departures during this period. There were 1,213 PL staff members in place as at December 31, 2011 (including Advisers to the Executive Directors), and 689 GS staff. In terms of the gender balance at year end, 28 percent of PL staff and 55 percent of GS staff were female. In 2011, the Bank recruited an additional 29 new local staff for the field offices, bringing the total number of FO staff to 315, compared with 286 in 2010 – an increase of 10.1 percent (see Table 3.2).

Despite progress made in recent years, the vacancy rate for PL staff remains a challenge. As at December 31, 2011, the figure stood at 15 percent. It is, however, expected that with more collaborative recruitment processes, vacancy pooling, and enhanced technology, the vacancy rate will be reduced to less than 10 percent. As for the attrition rate, there were 44 resignations. Initiatives to stem departures include; the development of an enhanced work/life balance policy; the introduction of an executive leadership program for senior executives to complement the leadership development program for managers; improvement of staff management skills; and the enhancement of the Bank's physical work environment.

During the year, the Bank extended the retirement age from 60 to 62 years, with effect from January 1, 2012. It also established a series of action plans in response to the concerns expressed in the staff satisfaction survey. As part of the ongoing decentralization process, the Bank reinforced the provisions in respect of mobility to and from FOs and Regional Resource Centers. This will ensure that all offices continue to have sufficient capacity, both in terms of numbers and skills mix, to effectively deliver on the Bank's mandate.

A new payroll system was introduced during the year for enhanced salary administration and improved customer service. In terms of employee wellbeing, the Bank consolidated its Medical Plan in 2011 and strengthened the financial sustainability of the Plan through a review of benefits. In addition, efforts were made to scale up recognition of the Medical Plan by the main health providers in the various countries hosting the Bank's FOs.

The institution continued to implement its 2010–2012 Learning and Development Strategy. In this respect, 23 percent of staff were trained and the content of the Bank's learning management system (LMS) was expanded to include over 2,800 different training courses in English and French, 1,300 e-book summaries, 700 e-books, and exhaustive mapping of the organization's core competencies, through six learning centers.

Finally, the strengthening of the HR function – which was one of the four pillars of the Human Resources Strategic Framework and Action Plan (HRSFAP, 2007–2012) – will enable the provision of a dedicated and customized support to users. Decentralization of the HR functions commenced in 2011, with dedicated HR business partners assigned to various operational complexes. Further enhancements will be based on the findings of the recent HRSFAP review undertaken by external consultants.

Table 3.2
Bank Staffing Ratio by Country (Management, Professional and General Services Staff) at December 31, 2011

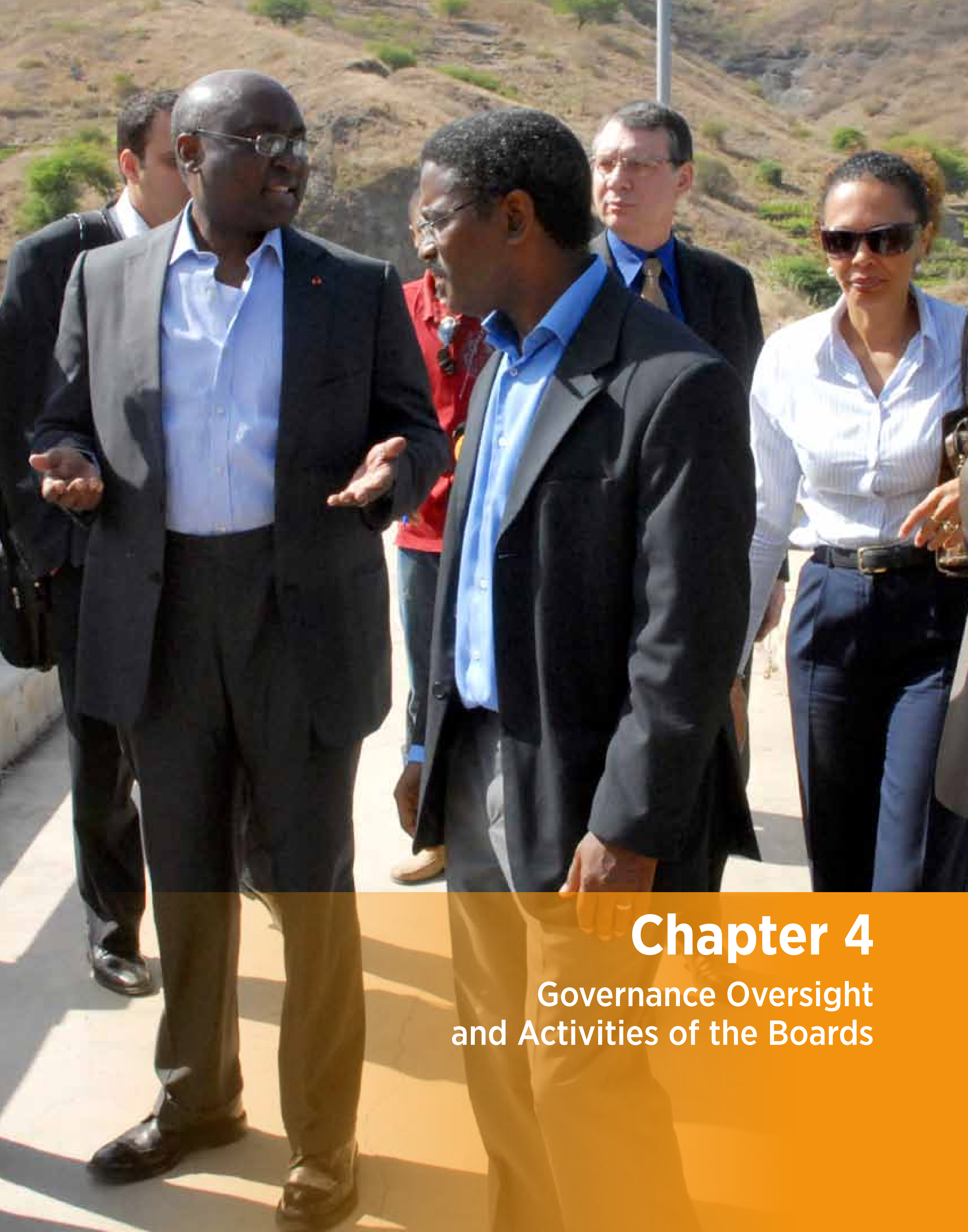
	MANAGEMENT & PROFESSIONAL STAFF At post as at December 31, 2011									OTHER BANK STAFF AT POST		
					Field Offices Based Staff					GS Staff		
					International							
REGIONAL MEMBER COUNTRIES	Vice-Presidents	Directors	Managers	Other PL	Res. Rep.	PL	Local PL	Total EL/PL	% of total PL	HQ Regular GS	FO Local GS	SABD Advisors to ED's
Algeria				9	1		1	11	0.95	5	6	1
Angola				3				3	0.26		3	
Benin			2	24		3		29	2.52	22		
Botswana				5		3		8	0.69			1
Burkina Faso		1	1	26	2	1	5	36	3.12	27	10	
Burundi		1	1	8		1		11	0.95	1		1
Cameroon		2	7	27	3	2	4	45	3.90	12	9	1
Cape Verde				1	1		1	3	0.26	1		
Central African Republic				2		1	1	4	0.35		2	
Chad	1		1	9		1	4	16	1.39	7	9	1
Comoros				2				2	0.17			
Congo		1	1	8		1		11	0.95			
Côte d'Ivoire		2	5	67		4		78	6.76	128		1
Democratic Republic of Congo		1		2	1		6	10	0.87	4	10	
Djibouti			2	3		2		7	0.61			
Egypt	1	1		8	1		5	16	1.39		7	2
Equatorial Guinea												
Eritrea				1				1	0.09	1		
Ethiopia			4	15		3	7	29	2.52	7	7	1
Gabon				5		1	4	10	0.87	2	4	
Gambia		2	1	13	2		1	19	1.65			
Ghana	1	1	4	24	1	3	6	40	3.47	29	8	1
Guinea				8	2	2		12	1.04	8		1
Guinea Bissau				5		1		6	0.52		2	
Kenya			3	25	1	6	7	42	3.64	6	8	
Lesotho				3		1		4	0.35			1
Liberia				1				1	0.09	3		
Libya				1				1	0.09			2
Madagascar				7			4	11	0.95	1	10	
Malawi				13	1	4	4	22	1.91	1	8	1
Mali		1	2	18	2	3	8	34	2.95	5	9	1
Mauritania		1	1	12		1		15	1.30	1		
Mauritius		1	1	5				7	0.61			
Morocco		1	1	11	1		5	19	1.65	3	7	1
Mozambique				1			5	6	0.52		9	
Namibia				1				1	0.09			1
Niger			3	7		1		11	0.95	2		
Nigeria		3	6	34		3	6	52	4.51	22	10	2
Rwanda			2	14		2	4	22	1.91	3	9	
Sao Tome & Principe												
Senegal			4	33	1	4	8	50	4.34	9	9	
Seychelles				1				1	0.09			
Sierra Leone		1		10	1		5	17	1.47	7	8	1
Somalia				1				1	0.09			
South Africa	1		1	7		2		11	0.95		5	
Sudan			1	5			1	7	0.61		4	
Swaziland				1				1	0.09			1
Tanzania				16		1	5	22	1.91	3	8	1
Togo			1	9		2		12	1.04	7		1
Tunisia		3	2	24	1			30	2.60	142		
Uganda		2	1	23	1	8	4	39	3.38	4	8	
Zambia		1	2	17	1	3	4	28	2.43	1	8	
Zimbabwe		1	2	17	1	3		24	2.08	2	2	1
TOTAL REGIONAL MEMBER COUNTRIES	**4**	**27**	**62**	**592**	**25**	**73**	**115**	**898**	**77.88**	**476**	**199**	**25**

Table 3.2 – Continued

Bank Staffing Ratio by Country (Management, Professional and General Services Staff) at December 31, 2011

	MANAGEMENT & PROFESSIONAL STAFF At post as at December 31, 2011									OTHER BANK STAFF AT POST		
					Field Offices Based Staff					GS Staff		
					International							
NON-REGIONAL MEMBER COUNTRIES	Vice-Presidents	Directors	Managers	Other PL	Res. Rep.	PL	Local PL	Total EL/PL	% of total PL	HQ Regular GS	FO Local GS	SABD Advisors to ED's
Argentina				1				1	0.09			
Austria				2				2	0.17			1
Belgium		1		6		3		10	0.87			1
Brazil												1
Canada		1		28	1	2		32	2.78	2		
China			1	4				5	0.43			1
Denmark		1		4				5	0.43			
Finland				2				2	0.17			
France		3	3	52	1	3		62	5.38	11		
Germany				12		2		14	1.21			
India		1		8				9	0.78			1
Italy				7				7	0.61			
Japan			1	6		1		8	0.69			
Korea (Republic)				3				3	0.26			1
Kuwait												
Netherlands			1	4				5	0.43			1
Norway		1		1				2	0.17			
Portugal				3		1		4	0.35			1
Saudi Arabia				2				2	0.17			
Spain			1	6				7	0.61			1
Sweden		1		2	1	1		5	0.43			1
Switzerland			1	7				8	0.69			1
U.K		3	3	11		2		19	1.65	1	1	1
U.S.A	1	2	6	30		4		43	3.73			1
TOTAL NON-REGIONALS	**1**	**14**	**17**	**201**	**3**	**19**		**255**	**22.12**	**14**	**1**	**13**
GRAND TOTAL	**5**	**41**	**79**	**793**	**28**	**92**	**115**	**1153**	**100.00**	**490**	**200**	**38**
Number of Female Staff per Category		**9**	**27**	**246**	**7**	**18**	**19**	**326**		**304**	**73**	**6**
Percentage of Female Staff per Category		**21.95%**	**34.18%**	**31.02%**	**25.00%**	**19.57%**	**16.52%**	**28.27%**		**62.04%**	**36.50%**	**15.79%**

Source: *AfDB, Human Resources Management Department.*
Note:
FO: Field Offices
HQ: Headquarters
PL: Professional Level
EL: Executive Level
GS: General Staff
SABD: Staff Assigned to the Boards of Director



Chapter 4

Governance Oversight and Activities of the Boards

4.0 Introduction

The Boards of Governors and the Boards of Directors constitute the Bank Group's governance and oversight organs. Each of the Boards of Governors of the Bank and the Fund is constituted by ministerial or other high-level representatives of the 78 member states of the Bank Group. The Board of Governors of the Bank elects a 20-member resident Board of Directors to oversee the general operations of the Bank. The Fund has a 14-member resident Board of Directors, comprising 7 persons from the Board of Directors of the Bank, designated by the State Participants to represent them, while the Bank designates 7 persons also from the Board of Directors to represent their interests. Each AfDB member country has an equal number of basic votes in addition to a number of votes proportionate to its paid-in shares. This chapter outlines the Board's activities during 2011, with particular emphasis on the 2011 Annual Meetings held in Lisbon, Portugal.

4.1 Boards of Governors

2011 Annual Meetings

The Annual Meetings of the Boards of Governors of the African Development Bank (ADB) and the African Development Fund (ADF) took place in Lisbon, Portugal, on June 9–10, 2011, under the Chairmanship of His Excellency Mr. Fernando Teixeira Dos Santos, Minister of Finance of the Republic of Portugal and Governor of the Bank. The theme of the meeting was "Towards an Agenda for Inclusive Growth in Africa." Notably, this was the third time the Bank would hold its Annual Meetings in a non-African country. The venue was also historically significant, as Portugal was the first country to become a non-regional member of the Bank.

The Annual Meetings were preceded by meetings of the subsidiary organs of the Boards of Governors, the Financial Presentation, and high-level and other seminars. Participants included Governors, Alternate Governors, members of the Boards of Directors, delegates, development partners, the private sector, members of civil society, academia and the media, as well as AfDB staff.

Opening Ceremony

The formal opening ceremony was presided over by His Excellency Mr. Luis Amado, Portuguese Minister of State for Foreign Affairs, in the presence of several dignitaries. His Excellency Mr. Fernando Teixeira Dos Santos, in his opening statement, noted the connection between the global economic recession and the theme of the Annual Meetings, and urged the Bank to focus on development programs that would promote inclusive growth in regional member countries and reduce poverty through job creation and economic opportunity. He underlined the importance of the Bank's continued support for infrastructure development, good governance, the private sector, regional integration, and mitigation of the effects of climate change, particularly in fragile states and low-income countries.

In his statement, Dr. Donald Kaberuka, President of the African Development Bank Group, welcomed the resolution of the post-election conflict in the Republic of Côte d'Ivoire, the host country of the Bank's Headquarters. He noted that this paved the way for reconciliation and reconstruction, which would facilitate the Bank's orderly return to its Headquarters, once conditions permit. Pledging the Bank's preparedness, in collaboration with the international community, to assist Côte d'Ivoire in its reconstruction efforts, the President thanked the Government and people of Tunisia for their hospitality since the temporary relocation of the Bank's operations to their country in 2003.

The President, referring to the theme of the 2011 Annual Meetings, affirmed that the Bank was poised to assume a leadership role by promoting inclusive growth in Africa. In this regard, he recommended actions should be taken to: (i) boost agricultural productivity for small farmers; (ii) support small and medium-size enterprises (SMEs) to increase incomes and reduce poverty; (iii) expand access to quality education for all; (iv) provide better access to water and sanitation; (v) promote gender equality; (vi) put in place basic safety-nets; (vii) bring governments closer to the people through decentralization to the local level; (viii) strengthen anti-corruption mechanisms; (ix) make finance work for the poor; and (x) propose ways to avoid the Dutch disease – the natural resource curse, which generates impressive growth side by side with massive poverty levels.

Referring to the upcoming COP17 meeting on Climate Change, which was to be held in Durban from November 28 to December 9, 2011, President Kaberuka underscored the necessity for Africa to have its voice heard. He noted that the Africa Green Fund should be a mechanism to solidify the connection between development priorities in Africa and climate change initiatives.

In his opening statement, His Excellency Mr. Luis Amado, Minister of State, Minister of Foreign Affairs of Portugal, commended the Bank's role in making Africa a part of the global economic community and urged it to pursue its policy of decentralization, infrastructure development, good governance, and regional integration. He emphasized the importance of greater cooperation and coordinated action by relevant world bodies, going forward. This, he noted, was essential in order to: (i) ensure economic stability through the sustained implementation of macroeconomic reforms; (ii) open up markets for international trade and promote private sector investments; and (iii) ease social and geopolitical tensions through poverty reduction and equitable wealth redistribution. His Excellency, Mr. Amado, noted that international finance institutions can assist countries to design programs geared to the attainment of the Millennium

Development Goals. In that regard, he commended the Bank for its contribution in helping to stabilize the situation in North Africa, following the recent turmoil in the subregion.

Highlights of Governors' Statements

The Governors acknowledged the progress made in implementing reforms adopted in the context of the Sixth General Capital Increase of the Bank (GCI-VI) and the Twelfth ADF replenishment (ADF-12). This included the formulation of Regional Integration Strategies, the adoption of a comprehensive income model, the strengthening of the Bank's risk management capacity, and consolidation of the Bank's quality and results agenda through the adoption of a new Results Measurement Framework.

The Governors acknowledged the Bank's swift reaction to recent events in Tunisia and Côte d'Ivoire. In this context, they welcomed the theme of the 2011 Annual Meetings, "Towards an Agenda for Inclusive Growth in Africa," noting that the socioeconomic upheavals in North Africa and the Middle East had produced a worldwide ripple effect. This highlighted the need to support African countries on the path to inclusive, sustainable, and shared growth.

In respect to the attainment of the Millennium Development Goals (MDGs), the Governors noted that the target date of 2015 was fast approaching, and that several countries still had a long way to go to achieve those goals. In this respect, they emphasized the need for coordinated action by the international community and the essential role that the Bank should continue to play in supporting its RMCs.

With regard to the Bank's sectoral priorities, the Governors called for the finalization of the Bank's Energy Policy. Further, they reaffirmed the core areas of Bank intervention, as set out in its Medium-Term Strategy, namely infrastructure and regional integration, governance, private sector development, higher education and vocational training, and climate change mitigation and adaptation.

Governors' Resolutions and Decisions

During 2011, the Boards of Governors approved the recommendations presented by the Joint Steering Committee and adopted a total of ten Resolutions for the Bank Group, including nine during the Annual meetings (see Appendices II-1 and Appendix III-1). These included resolutions on the Annual Report and the Audited Financial Statements for the financial year ending December 31, 2010 for the African Development Bank, Nigeria Trust Fund, and Special and Trust Funds. The Governors also approved the Annual Report and Audited Special Purpose Financial Statements of African Development Fund for the financial year ending December 31, 2010.

In addition, the Boards of Governors agreed to: (i) allocate UA 23,130,000 from the Bank's 2010 allocable income to the Surplus Account, (ii) distribute from the allocable income: (a) UA 35 million as a contribution to the ADF-12; and (b) UA 68 million to a Special Account dedicated to the debt service of part of

African Development Bank 2011 Annual Meetings, held in Lisbon, Portugal the consolidated loans of the Democratic Republic of Congo (DRC); and (iii) distribute from the Surplus Account, (a) UA 5 million for the Technical Assistance Fund of Middle-Income Countries, and (b) UA 5 million for the Special Relief Fund. In addition, for NTF, the Governors approved the retention of UA 1,516,000 of the 2010 income in reserves, and the allocation of UA 183,200 for the HIPC Initiative.

Furthermore, the Governors approved the composition of the Bureau, and the Joint Steering Committee for the following periods:

- From the end of the 2011 Annual Meetings to the end of the 2012 Annual Meetings, the Bureau would comprise Tanzania as Chair, with Saudi Arabia and Lesotho as the first and second Vice-Chairs, respectively. During the same period, the Joint Steering Committee would comprise Belgium, Benin, Brazil, Canada, Egypt, Ghana, Mauritius, Democratic Republic of Congo, and South Africa.

- From the end of the 2012 Annual Meetings to the end of the 2013 Annual Meetings, the Bureau would comprise Morocco as Chair, with Spain and Liberia as the first and second Vice-Chairs, respectively. The Joint Steering Committee would comprise, during that period, Burkina Faso, China, Denmark, Finland, Guinea-Bissau, Libya, Rwanda, Seychelles, and Swaziland.

4.2 Boards of Directors

The Boards of Directors discussed and approved a range of policies, projects, and programs during the year under review. In total, they approved 184 operations for an amount of UA 5.72 billion, which is a 39.9 percent increase over the 2010 level of UA 4.09 billion. The focus was on positioning the Bank to assist its regional member countries in a number of areas: to weather the prevailing difficulties in the global economy; to green their economies, in terms of climate change adaptation and clean energy generation; to achieve more socially inclusive growth; and to foster new partnerships in the evolving global development landscape. Furthermore, the Bank Group maintained its operational strategy throughout the period of sociopolitical unrest in North Africa, which became known as the Arab Spring.

The Board endorsed the Mid-Term Review of the Bank Group's Medium-Term Strategy, underscoring the need to remain focused on the key pillars. The Board, cognizant of the importance of an effective Bank presence in the field to achieve its development objectives, approved the Bank Group's Decentralization Roadmap. The Board also approved the phased establishment of External Representation Offices (EROs) in Asia, the Americas, and Europe. The EROs will assist in the Bank Group's advocacy work for the successful mobilization of resources and in the forging and strengthening of partnerships in other global regions.

While acknowledging the Bank's robust financial position and high institutional reputation, the Board underscored the need for financial vigilance during this time of global financial uncertainty. In this context, the Board endorsed the Bank's framework for the management of GCI resources and large loans. In addition, they approved a proposal for a definition of the Bank's Risk Appetite, Risk Dashboard and Enhancement of Credit Risk Governance, and revised Capital Adequacy and Exposure Management Framework.

The year 2011 witnessed the creation of Africa's newest state, the Republic of South Sudan. Pending the completion of its membership of the Bank, the Boards – recognizing the urgent development needs of the new state – sought to provide sustained development assistance. Accordingly, the Boards of Directors recommended to the Boards of Governors, the approval of a Cooperation Agreement with South Sudan, to provide a framework for the delivery of development assistance during the interim period.

2012 Administrative Expenses and Capital Expenditure Budgets

In December 2011, the Boards of Directors of the African Development Bank approved an Administrative Expenses and Capital Expenditure Budget for 2012 comprising: (i) UA 292.55 million allocated to Administrative Expenses; (ii) UA 20.59 million for the Capital Budget; and (iii) UA 2.92 million to contingency. The Board of Directors of the African Development Fund approved an indicative Administrative Budget of UA 197.5 million for the Fund for 2012.

Boards Committees

The Boards of Directors function through seven committees: (i) Committee on Administrative Matters Concerning the Boards of Directors (AMBD), (ii) Committee for Audit and Finance (AUFI), (iii) Committee on Administrative Affairs and Human Resources Policy (CAHR), (iv) Committee on Operations and Development Effectiveness (CODE), (v) Committee of the Whole (CoW), (vi) Ethics Committee, and (vii) Committee on the Annual Report (CAR). The Boards' effectiveness has been considerably enhanced in 2011. This has been achieved by prioritizing Board and Committee work and by ensuring the timely implementation of key decisions. The committees jointly held a total of 64 meetings in 2011. Highlights of some of these meetings are elaborated below.

» During 2011 the Boards approved operations totaling UA 5.72 billion, a 39.9 percent increase over the 2010 level of UA 4.09 billion.

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

The AMBD Committee examines policies and administrative procedures that concern members of the Board of Directors, their Alternates, Senior Advisers, and Advisers. In this connection, during 2011 the AMBD considered proposals to mainstream the outcome of Board consultation missions and Senior Advisers' and Advisers' study tours. The AMBD focused in particular on issues of Board efficiency and launched the Board self-evaluation initiative The AMBD met nine times during the course of the year.

Audit and Finance Committee (AUFI)

The Audit and Finance Committee (AUFI) reviews the periodic financial reports and statements and reports to the Board on such matters. It also examines audit matters and policies as well as other financial issues that have a major bearing on the Bank's financial situation, as well as assessing the Bank's internal control mechanisms.

AUFI held six meetings in 2011 to consider a number of documents, including: (i) the Financial Statements of the ADB, ADF, NTF, as well as the Special and Trust Funds as at December 31, 2010; (ii) Allocation of ADB Net Income; (iii) External Quality Assessment of the Internal Audit Activity at the African Development Bank; (iv) External Auditors' 2010 Management Letter and 2011 Audit Plan; (v) Proposal for Revised Capital Adequacy and Exposure Management Framework; and (vi) Effect of the Early Adoption of IFRS9 on the first quarter Financial Statements.

AUFI also held eight joint meetings with CODE, to consider audit and financial issues, including: (i) Managing GCI Resources and Large Loans; (ii) Revised Capital Adequacy and Exposure Management Framework; (iii) Follow-Up Report on the Implementation of Internal Audit Recommendations on Corporate, Finance and Project-Related Audits for 2009; (iv) 2010 Internal Audit Annual Activity Report; (v) Operational Risk Management Framework; and (vi) Allocation of ADB 2010 income.

AUFI and CAHR jointly held one meeting to consider the Business Continuity Program.

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

The Committee on Administrative Affairs and Human Resource Policy Issues (CAHR) considers policies related to general administration and human resources of the Bank. In this connection, it makes recommendations to the Board and closely monitors the implementation of the Board's decisions. In 2011, CAHR held nine meetings and one joint meeting with AUFI to consider various institutional matters, including the: (i) Policy for the Bank's Use of Technical Assistance Services; (ii) issues related to the 2010 Staff Survey; (iii) overview of measures contributing toward enhanced managerial capacity of the Bank; (iv) Total Compensation Framework 2012–2015: proposals for remaining competitive; (v) Performance Management System Review; and (vi) Diversity, AfDB advantage.

Committee on Operations and Development Effectiveness (CODE)

The Committee on Operations and Development Effectiveness (CODE) reviews reports of the Operations Evaluation Department (OPEV) of the Bank as well as the responses of Management to such reports. CODE also identifies or reviews general policies for Board consideration and makes recommendations to the Board. During the year, CODE held 27 sessions to consider several policy documents and operational reports, including: (i) Regional Operations Selection and Prioritization Framework (SCORECARD); (ii) the Bank Group Urban Development Strategy; (iii) Regional Integration Strategy Papers for East Africa, Central Africa, and West Africa; (iv) Transition Framework for Graduating and Reversing Countries; (v) Evaluation of the Implementation of the Paris Declaration at the AfDB; (vi) Roadmap for Improving Performance on Aid Effectiveness and Promoting Effective Development; (vii) Staff Guidance on Implementation Progress and Results Reporting (IPR) for Public Sector Operations; (viii) Bank Group Policy on Policy Based Operations (PBOs); (ix) several CSP mid-term and Completion Reports as well as Country Portfolio Performance Reports; and (x) Private Sector Development and Energy Sector Policies of the African Development Bank.

Committee of the Whole (CoW)

The Committee of the Whole, comprising all Executive Directors, meets under the chairmanship of the President of the Bank Group. Its key mandate is to review, on an ad hoc basis, the Bank Group's annual budgetary proposals as well as conducting a midterm and end-of-year review of the implementation of such budgets. In 2011, the Committee met once to consider the outline of the 2012–2014 Budget.

Board Committee on the 2010 Annual Report

During 2011, the Board Committee on the 2010 Annual Report met twice to consider the various drafts of the Annual Report prepared by the Management of the Bank. The role of the Committee was to provide guidance and oversight to the Annual Report drafting team.

Ethics Committee

The Ethics Committee of the Board of Directors has the mandate to determine all questions relating to the "Code of Conduct for Executive Directors of the African Development Bank and the African Development Fund." In so doing, the Committee considers alleged violations of the Code and any related matters brought to its attention. The Committee has a relatively wide mandate with respect to matters pertaining to ethical conduct, ranging from conflicts of interest to relations of management and staff. In 2011, the Committee held four meetings and carried out an investigation as well as review of a number of matters that were brought to its attention. The Committee plays a pivotal role in providing advice and guidance on ethical matters.

Executive Directors' Consultation Missions

In 2011, Executive Directors undertook consultation missions to Angola, Botswana, Burkina Faso, and Niger. These consultation missions afforded Board members the opportunity to: (i) enhance their understanding concerning the needs and challenges faced by regional member countries; (ii) assess first-hand the impact of Bank-financed projects on the development of these countries; and (iii) strengthen policy dialogue between the Bank and the authorities of regional member countries, donors, as well as private sector and civil society organizations.

Within the framework of their study tours, Senior Advisers, and Advisers travelled to Chad, Sierra Leone, and Kenya during the year.

Part II

Financial Management and Financial Statements

Chapter 5

ADB, ADF, and NTF Financial Management and Financial Statements

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

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

AFRICAN DEVELOPMENT BANK GROUP

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

Date: March 21, 2012

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 2011. Management is not aware of any material control weakness that could affect the reliability of the 2011 financial statements.

In addition to providing an audit opinion on the fairness of the financial statements for 2011, 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

Charles O. Boamah
VICE PRESIDENT, FINANCE

Anthony O. Odukomaiya
CONTROLLER

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

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

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

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

Independent Auditor's Report to the Board of Governors of the African Development Bank Group regarding the effectiveness of internal control over financial reporting
Year ended 31 December 2011

Scope
We have examined the internal control over financial reporting of the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF) (together the "Bank Group") for the year ended 31 December 2011, 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 Bank Group is responsible for implementing and maintaining effective internal control over financial reporting and for assessment of the effectiveness of such control. Management has asserted the effectiveness of internal controls over financial reporting for 2011.

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

We conducted our engagement in accordance with International Standard on Assurance Engagements *(ISAE)* 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 control is maintained over financial reporting.

An assurance engagement includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, 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
An entity's system of internal control 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. An entity's system of internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the

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

assets of the entity; (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 entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control 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 control over financial reporting during the year ended 31 December 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have audited the financial statements of the African Development Bank, the African Development Fund and the Nigeria Trust Fund as of and for the year ended December 31, 2011, in accordance with the International Standards on Auditing, and we have expressed unqualified opinions on those financial statements.

Paris La Défense, 21st March 2012

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

AFRICAN DEVELOPMENT BANK

Financial Management

Capital Subscription

The capital stock of the Bank 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 approving the relevant General Capital Increase. The Bank's callable capital is subject to payment as and when required by the Bank to meet its obligations on borrowing of funds for inclusion in its ordinary capital resources or guarantees chargeable to such resources. This acts as protection for the Bank's bond holders and holders of guarantees issued by the Bank in the event that it is not able to meet its financial obligations. There has never been a call on the capital of the Bank.

Following the Board of Governors' approval for a 200 percent increase of the Bank's capital base in 2010, the authorized capital of the African Development Bank was increased to UA 67.69 billion[1] following the creation of 4,374,000 new shares with a par value of UA 10,000 each. Six percent of the shares created under this Sixth General Capital Increase (GCI-VI) are paid-up (UA 2.62 billion), while ninety-four percent (UA 41.12 billion) are callable. As of December 31, 2011, all the GCI-VI shares have been fully allocated and accepted by member countries. In accordance with the resolution governing this capital increase, the new GCI-VI shares were allocated to regional and non-regional members in such proportions that, when fully subscribed, the regional group holds 60 percent of the total capital stock and the non-regional group 40 percent.

In 2010, Canada and Korea had responded favorably to the Bank's need for expanded financial capacity pending decisions on GCI-VI, by offering a temporary increase of their callable capital with no attached voting rights. This temporary callable capital was returned to the Bank in 2011, as soon as the subscription of Canada and Korea to GCI-VI became effective. Following the adoption of the Board of Governors' resolution to retire and cancel the 163,296 non-voting callable shares previously subscribed by Canada, the number of authorized shares of the Bank decreased from 6,768,746[2] shares to 6,605,450 shares in 2011. This cancelation reduced the total authorized capital of the Bank to UA 66.05 billion as at December 31, 2011. The authorized capital is expected to decrease further to 6,586,036 shares once the Board of Governors approves the resolution authorizing the cancelation of the shares that had been temporarily allocated to the Republic of Korea following the effectiveness of Korea's subscription to GCI-VI.

The paid-up portion of the GCI-VI subscription is payable in eight equal annual installments for regional member countries eligible to borrow from ADB and non-regional members, and twelve equal annual installments for Regional Member Countries eligible to borrow only from ADF. Some member countries have elected to pay their subscription in fewer installments, opting for an advance payment scheme, and will receive a discount on their GCI-VI subscription payment accordingly.

A member country's payment of the first installment triggers the subscription to the entire callable capital portion, and shares representing the paid-up portion of subscriptions are issued only as and when the Bank receives the actual payments for such shares. Table 5.1 below summarizes the evolution of the Bank's authorized, paid-up, callable and subscribed capital at December 31, 2010 and 2011.

As at December 31, 2011, the paid-up capital of the Bank amounted to UA 3.29 billion, with a paid-in capital (i.e. the portion of paid-up capital that has been actually paid) level of UA 2.51 billion, compared with UA 2.38 billion and UA 2.36 billion of paid-up and paid-in capital, respectively, in 2010. The Bank's callable capital at December 31, 2011 stood at UA 34.03 billion including UA 18.63 billion from non-borrowing member countries rated A- and higher.

In accordance with the Bank's Share Transfer Rules, shares for which payment have become due and remain unpaid are forfeited after a prescribed period and offered for subscription to member countries within the same membership group (i.e regional or non-regional).

The position of the Bank's capital subscriptions at December 31, 2011 is shown in the Statement of Subscriptions to the Capital Stock

Table 5.1
Authorized and Subscribed Capital, 2010 and 2011
(UA millions)

	2010	2011
Authorized Capital	67,687	66,055
Paid-up Capital	2,376	3,289
Callable Capital	21,549	34,033
Total Subscribed Capital	23,925	37,322

1) The amount of UA 67.69 billion represents the total amount of the Bank's authorized capital following the 200% increase (that is an increase of UA 43.74 billion), plus UA 2.07 billion comprising: (i) the special capital increases authorized to allow for the subscriptions by the Republic of Turkey and the Grand Duchy of Luxembourg, and (ii) the temporary increase in non-voting callable capital allocated to Canada and the Republic of Korea.
2) Article 5 of the agreement establishing the Bank sets the par value of each share of the Bank's capital stock as equivalent to 10,000 Units of Account.

and Voting Powers, which forms part of the Financial Statements included elsewhere in this Report.

Bank Rating

In addition to the stringent monitoring and managing of the key metrics related to its financial strength, the Bank is rated by four major rating agencies. For 2011, all the four major rating agencies: Standard & Poor's, Moody's, Fitch Ratings, and the Japan Credit Rating Agency have once again reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debts respectively, with a stable outlook. Their rating reflects the Bank's strong financial position, including sound capital adequacy, prudent financial management and policies, solid membership support and its preferred creditor status. The strong support from its members was evidenced by the recent significant capital increase approved by its Board of Governors.

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 enables it to issue securities at competitive interest rates. Its borrowing activities are guided by client and cash flow requirements, asset and liability management goals, and risk management policies.

The 2011 funding program in capital markets was approved for a maximum amount of UA 4.30 billion including up to UA 150 million to be drawn down under the Enhanced Private Sector Assistance (EPSA)[3] for Africa initiative. During the year, the Bank raised a total of UA 2.46 billion with a weighted average maturity of 5.6 years, and an additional UA 70 million under the EPSA initiative. The actual amount raised was guided by the pace of the project disbursement needs.

In 2011, the Bank successfully executed two global benchmarks in February and August, both with a 5-year maturity and for an amount of USD 1 billion each. These transactions were in line with the strategy of extending the Bank's USD yield curve, and providing investors with at least one new liquid reference bond every year. The ability to attract strong interest amid market volatility shows the depth of investors' appetite for AfDB bonds, and also reflects the extensive investor work conducted in recent years to promote the AfDB name, its financial and operational strength and its relevance for Africa. This helped consolidate relationships with existing investors and broaden the Bank's investor base. Building on the strength of the global transactions, other issuances in key markets as well as privately placed notes and Uridashis provided funding at very competitive levels. The Bank indeed enjoys good access to funding across all segments of the capital markets. After a 5-year absence, it successfully returned to the Australian market with an AUD 300 million 5-year issue. Euro-commercial paper borrowings complete the range of markets utilized during the year. The average cost of funds raised in 2011 remained below the respective 6-month USD LIBOR, 6-month EURIBOR and 3-month JIBAR benchmarks.

The Bank also conducts regular buyback operations of its bonds to provide liquidity to investors. In 2011, the total amount of these repurchases amounted to UA 75.50 million. As at December 31, 2011, the Bank's outstanding borrowing portfolio stood at UA 12.90 billion.

The borrowing program for 2012 was approved by the Board of Directors for a maximum amount of UA 3.50 billion with up to UA 3.43 billion to be raised from the capital markets and an envelope of UA 70 million under the EPSA facility.

Socially Responsible Uridashi Bonds

Demand in the retail bond market in Japan has shifted dramatically away from socially responsible bond issuance, and the Bank did not issue any of them in 2011.

The proceeds of previous socially responsible uridashi bonds were included in the ordinary capital resources of the Bank. Under the terms of these bond issues, the Bank is expected to and does use its best efforts to direct an amount equal to the net proceeds to lending to projects related to the relevant theme, subject to and in accordance with the Bank's lending standards and guidelines.

A snapshot of the Bank's activity in these sectors is presented in Table 5.2 below:

Table 5.2
Socially Responsible Uridashi Bonds
(UA millions)

	Pipeline	Cumulative Disbursements (2010–2011)	Total Bonds Issued	Maturity Range of Bonds
Clean Energy / Green Bonds	785.7	94.7	261.5	3 to 10 years
Education	245.9	55.9	98.1	3 to 5 years
Water	345.5	49.8	39.3	4 years
Total	**1,377.1**	**200.4**	**398.9**	

3) EPSA is a joint initiative with the Government of Japan (GOJ) under which the GOJ has made funds available to the Bank through Japan International Cooperation Agency to be drawn down in order to support Private Sector projects in the continent.

Investments

The Bank's cash and treasury investments (net of repurchase agreements) as of December 31, 2011 totaled UA 7.94 billion, compared to UA 7.83 billion at the end of 2010. Investment income for 2011 amounted to UA 168.85 million or a return of 2.14 percent on an average liquidity of UA 7.89 billion, compared to an income of UA 219.22 million, or a return of 2.81 percent, on an average liquidity of UA 7.78 billion, in 2010. The lower return in 2011 is primarily due to the continuing low level of interest rates as well as the volatile and stressed financial environment leading to wider credit spreads during the year.

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

Loan Portfolio

The Bank makes loans to its regional member countries (RMCs) and public sector enterprises guaranteed by the government. Loans are also extended to private sector enterprises without a government guarantee. Cumulative loans signed, net of cancelations, as at December 31, 2011 amounted to UA 28.39 billion. During 2011, new loans signed totaled UA 2.50 billion compared with UA 334.12 million in 2010, an increase of UA 2.16 billion. Table 5.3 presents the evolution of loans approved, signed, disbursed and undisbursed balances from 2007 to 2011. Despite the significant reductions in the level of approvals from the peak of UA 5.31 billion in 2009 at the height of the global financial crisis, loan approvals and disbursements remain consistently higher than pre-2009 levels with new approvals in 2011 amounting to UA 2.45 billion compared with UA 2.24 billion in the previous year, representing an increase of UA 211 million.

Total loans outstanding as at December 31, 2011 was UA 9.37 billion, an increase of UA 1.08 billion over the UA 8.29 billion outstanding as at the end of 2010. Undisbursed balances of signed loans at December 31, 2011 totaled UA 5.30 billion, an increase of UA 0.45 billion from December 31, 2010.

The number of active loans stood at 284 for an outstanding balance of UA 9.37 billion. As at December 31, 2011, a total of 644 loans amounting to UA 11.02 billion had been fully repaid. A breakdown of the outstanding loan portfolio by product type is presented in Figure 5.1 below.

Disbursements

The Bank's loan disbursements during 2011 amounted to UA 1,868.79 million, a 39.48 percent increase from UA 1,339.85 million disbursed in 2010. At December 31, 2011, cumulative disbursements (including non-sovereign loans) amounted to UA 23.09 billion. Also at the end of 2011, a total of 834 loans were fully disbursed amounting to UA 21.06 billion, representing 91.21 percent of cumulative disbursements. The 2011 loan disbursements by country are shown in Table 5.4.

Figure 5.1
Outstanding Loan Portfolio by Product Type at December 31, 2011 (Percentages)

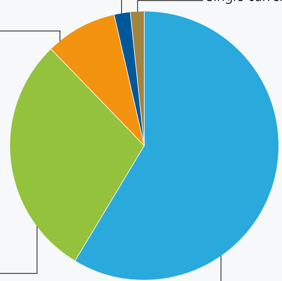


Table 5.3
Lending Status, 2007-2011
(UA millions)

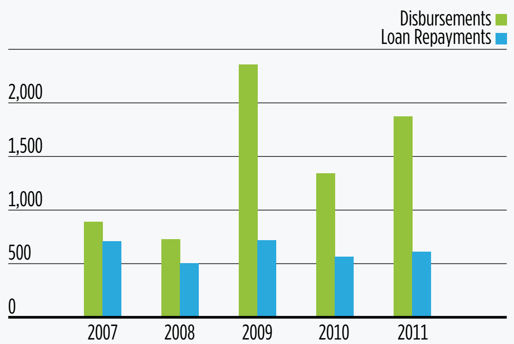
	2007	2008	2009	2010	2011
Loans Signed	472.16	1,489.66	5,196.95	334.12	2,495.48
Loans Approved*	1,482.18	1,509.28	5,312.15	2,236.15	2,446.72
Disbursements	884.75	727.53	2,352.29	1,339.85	1,868.79
Undisbursed Balances	1,621.16	2,552.89	5,002.53	4,855.33	5,301.02

* Exclude approvals of special funds and equity participations.

Table 5.4
Disbursements by Country, 2011
(UA millions)

Country	Amount Disbursed
Botswana	340.58
Cameroon	19.85
Cape Verde	24.90
Egypt	117.89
Equatorial Guinea	0.43
Ethiopia	59.40
Gabon	57.66
Ghana	9.08
Madagascar	12.58
Mauritania	15.05
Mauritius	30.32
Morocco	284.20
Nigeria	58.38
Rwanda	5.03
Senegal	18.49
South Africa	278.40
Swaziland	1.44
Tunisia	406.98
Uganda	7.49
Multinational	120.64
TOTAL	**1,868.79**

Figure 5.2
Loan Disbursements and Repayments, 2007–2011
(UA millions)



Repayments

Loan repayments amounted to UA 617.22 million in 2011 compared to UA 568.64 million in 2010, representing an increase of 8.54 percent over the previous year. Cumulative repayments as of December 31, 2011, were UA 14.70 billion. Figure 5.2 shows the evolution of loan disbursements and repayments for the period 2007-2011.

Financial Products

The ADB offers an attractive and diversified menu of financial product options that allows borrowers to tailor their financing requirements to their circumstances. The Bank's financial products comprise loans (including those denominated in local currency, and syndicated loans), lines of credit (including for trade finance), agency lines, guarantees, equity and quasi-equity, and risk management products. In addition, the Bank provides technical assistance to its clients through grant funds. Each of these products is briefly discussed below:

Loans

The ADB provides loans to its clients on non-concessional terms. The Bank's standard loans are categorized either as Sovereign Guaranteed Loans (SGLs) or Non-Sovereign Guaranteed Loans (NSGLs). SGLs are loans made to RMCs or public sector enterprises from RMCs supported by the full faith and credit of the RMC in whose territory the borrower is domiciled. Multinational institutions are eligible for SGLs if they are guaranteed by an RMC or by RMCs in whose territory or territories the projects will be executed.

NSGLs are loans made either to public sector enterprises, without the requirement of a sovereign guarantee or to private sector enterprises.

The Bank's standard loan product has evolved over time, with terms that are increasingly more accommodating and responsive to client needs.

The standard loan product now offered to sovereign and sovereign-guaranteed clients is the Enhanced Variable Spread Loan (EVSL) which gives borrowers a high degree of flexibility to manage their interest rate risks. For non-sovereign guaranteed clients the loan product offered is the Fixed Spread Loan (FSL).

The interest rate on the EVSL comprises a floating base (6-month LIBOR for USD and YEN, 6-month EURIBOR for Euro and 3-month JIBAR for ZAR), a funding margin that is a function of the Bank's cost of funding relative to LIBOR, EURIBOR or JIBAR computed every six months, and a contractual spread that was set at 60 basis points with effect from January 1, 2011. At a borrower's request, the EVSL offers a free option to convert the floating base rate into a fixed rate. The repayment period for sovereign and sovereign-guaranteed loans is up to 20 years, including a grace period not exceeding 5 years.

The interest rate on the FSL comprises a floating base rate (6-month LIBOR for USD and YEN, 6-month EURIBOR for Euro and 3-month JIBAR for ZAR) which remains floating until maturity date or a fixed base rate (amortizing swap rate set at borrower's request for disbursed loan balances) plus a risk-based credit spread. Non-sovereign loans have repayment periods up to 15 years including a grace period not exceeding 5 years.

Other loan structures offered by the Bank include parallel co-financing, A/B loan syndications, and local currency loans. In September 2011, the President approved the introduction of four African currencies (Egyptian Pound, Kenyan Shilling, Nigerian Naira, and Ugandan Shilling) to the existing selection of lending currencies. Lending in these currencies is only offered if the Bank is able to fund efficiently in the relevant local currency market. These loans are offered under the FSL pricing framework with a cost pass through principle for local currency loans to ensure that the overall cost of funds is fully covered.

Lines of Credit

The development of a dynamic small and medium-size enterprises (SMEs) sector in the continent is an important objective of the Bank as is the development of private financial institutions (PFIs). To this end the Bank offers lines of credit for loans to PFIs for on-lending to SMEs. The terms of the lines of credit specify the conditions under which Bank funds will be provided to the PFI for on-lending. The credit risks of the sub-loans are borne by the PFIs.

Trade finance lines of credit (TF LOC) are a variation of the Bank's standard long-term lines of credit. The Bank developed the TF LOC as a component of the Trade Finance Initiative which was designed to quickly respond to the liquidity squeeze in Africa's trade markets as a result of the global financial crisis. The TF LOC, which has a maturity of up to 3.5 years, is available to African financial institutions (commercial banks and developmental financial institutions) that are engaged in trade finance operations. Given the short-term nature of trade finance, the recipient financial institutions are permitted to "re-use" or "revolve" the proceeds until the contractual repayment dates of the facility.

Agency Lines

The Bank makes ordinary capital resources available for SMEs under agency arrangements with local financial intermediaries. The selection of individual projects for Bank support is largely delegated to the intermediaries, which draw on Bank resources to make loan or equity investments for the Bank's account in projects meeting pre-agreed criteria. As part of an agency agreement, financial intermediaries are required to commit their own funds in each investment in parallel with the Bank and to supervise the investee companies. The financial intermediary acts only in an agency capacity for the Bank when investing the latter's funds and assumes no risk in this regards. The credit risk of the borrower is borne by 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 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. The Bank's guarantees can generally be classified into two categories: Partial Credit Guarantees (PCGs) and Partial Risk Guarantees (PRGs). PCGs cover a portion of scheduled repayments of private loans or bonds against all risks. PRGs cover private lenders against the risk of a government, or a government owned agency, failing to perform its obligations vis-à-vis a private project.

Risk Management Products

The Bank offers Risk Management Products (RMPs) to its borrowers in respect of obligations outstanding to the Bank or new Bank loans to enable them to hedge their exposure to market risks including interest rate, currency exchange and commodity price risks, thus allowing them to optimize their debt management strategies. RMPs offered by the Bank include interest rate swaps, currency swaps, commodity swaps and interest rate caps and collars. These products are available to borrowers at any time during the life of the loan.

Equity and Quasi-Equity Participations

The Bank's ability to provide risk capital through equity and quasi-equity investments is a key element of its resource mobilization role. The use by the Bank of equity and quasi-equity participation as instruments of investment have the objectives of promoting the efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders to financially viable projects as well as promoting new activities and investment ideas. The Bank may invest in equities either directly or indirectly, through appropriate funds and other investment vehicles. Additionally, it may choose to invest via quasi-equity instruments through redeemable preference shares, preferred stock, subordinated loans or convertible loans.

Other Financial Services

In addition to the products described above, the Bank may offer technical assistance through grant funds to supplement its financial products for both the public and private sector windows. The Bank's technical assistance is primarily focused on raising the effectiveness of project preparation which is vital in ensuring the best developmental and poverty-reducing outcomes for projects that receive Bank financing. In addition, the technical assistance also aims to foster and sustain efforts in creating enabling business environment in order to promote private sector investment and growth.

Risk Management Policies and Processes

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

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

Financial Reporting

The Bank's corporate governance structure is supported by appropriate financial and management reporting. The Executive Board of Directors makes strategic decisions and monitors the Bank's progress toward achievement of set goals. While management manages the Bank's day-to-day operations and activities, the Board provides oversight, advice and counsel on issues as wide-ranging as long-term strategy, budgets, human resources, benefits management and new product development. Based on the COSO internal control framework, senior management has put in place a robust and functioning mechanism to be able to certify the effectiveness of the Bank's internal controls over external financial reporting. This annual certification statement is signed by the President and Vice President - Finance as well as the Financial Controller. The External Auditors of the Bank also provide annually an independent report regarding the effectiveness of the Bank's internal control over financial reporting. In addition, the Bank has a comprehensive system of monitoring and reporting to the Board of Directors and its committees. This includes reporting by the Office of the Auditor General to the Audit and Finance (AUFI) Committee of the Board of Directors.

External Auditors

The Bank's external auditors are appointed by the Board of Governors, on the recommendation of the Board of Directors, for a five-year term. Under Bank rules, no firm of auditors can serve for more than two consecutive five-year terms. The external audit function is statutory and is regulated by the International Standards on Auditing (ISA), issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board. The external auditors perform an annual audit to enable them to express an opinion on whether the Financial Statements of the Bank present fairly the financial position and the results of the operations of the Bank. They also examine whether the statements have been presented in accordance with International Financial Reporting Standards. In addition, as described above, the external auditors also review the internal control system and issue an attestation on the effectiveness of the Bank's internal controls over financial reporting. This attestation, which is a report separate from the audit opinion, is included in the annual report. At the conclusion of their annual audit, the external auditors prepare a management letter for Senior Management and the Board of Directors, which is reviewed in detail and discussed with the AUFI Committee. The management letter sets out the external auditors' observations and recommendations for improvement on internal controls and other matters, and it includes management's responses and actions for implementation of the auditors' recommendations. The performance and independence of the external auditors is subject to continuous review by the AUFI Committee of the Board.

The external auditors of the Bank Group are recruited for a five-year term, renewable only once. In the event that the term of an external audit firm is renewed for a second five-year term, the audit firm is required to replace the Engagement Partner in charge of the audit. The external auditors are prohibited from providing non-audit related services, except in situations where it is adjudged to be in the interest of the Bank and approved by the AUFI Committee.

Performance Management and Monitoring

In managing its operations the Bank uses quantified performance measures and indicators that reflect the critical success factors in its business. These are monitored on a continuous basis and results achieved are used to assess progress attained against stated objectives and to inform required action in order to improve future performance. Management uses a wide array of measures both at the corporate and business unit level to monitor and manage performance. Some of the key measures and indicators or Key Performance Indicators (KPI) used by management are discussed in Table 5.5 (see page 52) together with their relevance to the operations of the Bank.

Financial Results

The Board of Governors approved in 2011 distribution from the 2010 income to various development initiatives in Africa amounting to UA 113 million. The beneficiaries of these distributions are listed under Note N to the Financial Statements. In accordance with the Bank's accounting policies such distributions are reported as expenses in the year they are approved by the Board of Governors. As a result of the above accounting treatment of income distribution, the Bank's income before distributions approved by the Board of Governors reflects the result of the ordinary operations of the Bank. Consequently, the discussions and analyses below focus on "Income before distributions approved by Board of Governors."

The highlights of the Bank's financial performance in 2011 include the following:

- Despite the continued volatile market conditions and the low interest rates experienced during the year, the Bank in 2011 earned income before distributions approved by the Board of Governors of UA 164.51 million compared to UA 213.66 million in 2010. As shown in Figure 5.3, the decrease primarily derived from reduced investment income arising from continued low interest rates that prevailed in the global financial markets during the year. Income in 2011 included a net charge of UA 17.68 million for impairment on loan principal and charges compared to a charge of UA 26.76 million in 2010. As a result of the improvement in the quality of the portfolio, there was a net reversal of UA 6.39 million impairment provisions on treasury investments held at amortized cost compared to a net reversal of UA 18.58 million in 2010.

- The provisions for impairment on loans in 2011 relate largely to three sovereign borrowers that, on the balance sheet date, were in arrears for six months or more and five non-sovereign projects considered to be impaired during the year. Impairment previously provided on amounts due from one sovereign borrower that became current on its loan repayment was reversed during the year.

- Net interest income decreased from UA 373.25 million in 2010 to UA 331.71 million, largely due to a combination of lower levels of investment income in 2011 and increased interest expense. The Bank also earned an income of UA 5.41 million in 2011 on investments in debt instruments issued by entities in regional member countries compared to UA 6.74 million earned in 2010. Figure 5.4 below shows the evolution of interest income and investment income for the past five years.

- Despite the general increase in its operational activities, total Bank Group administrative expenses in 2011 remained at about the same level of UA 239.42 million reported in 2010. Total manpower expenses increased marginally by less than 1 percent from UA 178.98 million in 2010 to UA 180.14 million in 2011 while other administrative expenses decreased slightly by 2.34 percent from UA 60.45 million in 2010 to UA 59.07 million in 2011. The Bank's share of the total Bank Group administrative expenses amounted to UA 79.50 million for 2011 compared to UA 75 million for 2010, an increase of 6 percent. 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 and relative balance sheet size.

- The Bank continues to earn levels of income sufficient to sustain its strong financial position and also to make contributions on behalf of its shareholders to other development initiatives for Africa. There was a slight decrease in the total reserves plus accumulated loss provisions on outstanding loan principal and charges to UA 2.84 billion at December 31, 2011, compared to UA 2.91 billion at the end of 2010. Reserves plus loss provisions on loan principal at December 31, 2011 represented 28.32 percent of gross loans compared to 33.06 percent at December 31, 2010.

Administrative Expenses

The Bank has an ongoing responsibility and commitment to ensure maximum efficiency in the management of administrative and capital expenditures, to help maximize the resources available for development financing and technical assistance activities in its member countries. Accordingly, in the management of its administrative and capital expenses, the Bank continues to focus on stringent budgetary discipline, effective cost controls and proactive cost-recovery program. For the year ended December 31, 2011, the Bank Group's general administrative expenses, excluding depreciation and amortization, were UA 239.21 million (2010: UA 239.42 million) against a budget of UA 289.13 million representing a utilization rate of 82.73 percent.

Figure 5.3
Income before Distribution vs. Investment Income, 2007-2011 (UA millions)

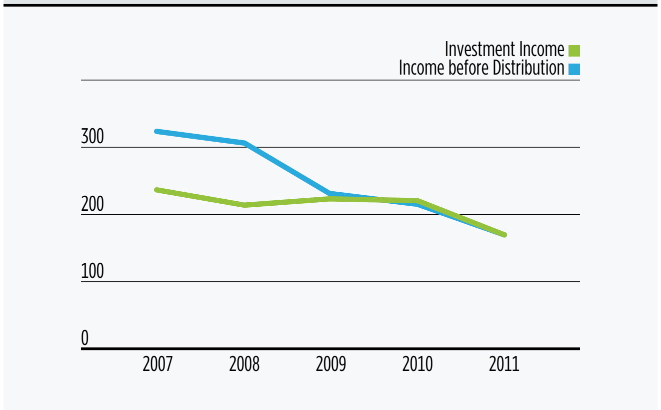
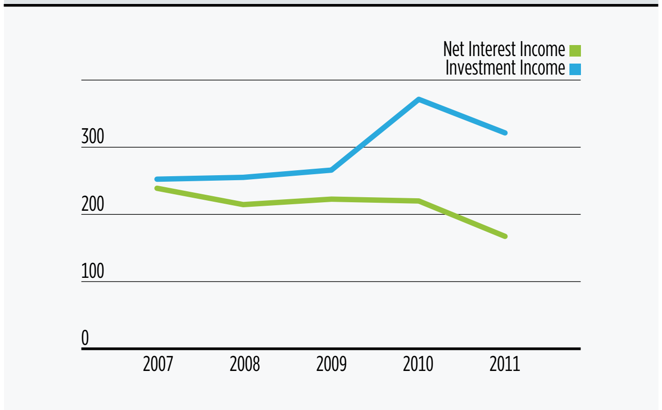


Figure 5.4
Interest Income vs. Investment Income, 2007-2011 (UA millions)



For 2012, the Bank's administrative expenditure is budgeted at UA 292.55 million. Management will continue to explore and implement effective cost management strategies with enhanced transparency on cost control behaviors with a view to ensuring that cost outcomes are effectively tracked against its strategic objectives.

Outlook for 2012

The Bank's financial results are sensitive to changes in the economic environment within the continent and in the global financial markets. Such changes may affect the volume of lending, timing of repayments on the Bank's loans or the volatility of interest rates on its treasury investments, thereby affecting the Bank's income. It is anticipated that the financial markets will continue to show significant volatility throughout 2012. This is expected to cause variability in the Bank's results of operations and reserves as a result of movements in the fair value of the Bank's treasury portfolio.

The weakening economic environment and changing expectations from borrowing member countries will continue to put pressure on lending volumes and margins. However, the Bank is taking proactive steps to further reduce costs and improve operational efficiency. The recent additional IT investments made by the Bank via upgrade of its ERP system is expected to provide a useful tool for cost monitoring and reduction while delivering faster and more efficient service both internally and to external customers.

Table 5.5
Key Performance Indicators: Financial, 2010 and 2011

Definition	Importance to the business and management	Achievement 2011	Achievement 2010
Average Return on Liquid Funds	This is a measure of the average return generated or lost due to the investment of liquid funds. In other words it is a measure of how profitable the liquid assets are in generating revenue to the Bank, pending disbursement for project financing.	4.25%	3.73%
Senior Debt to Callable Capital of Non-Borrowing Members	The level of callable capital available when required to meet the Bank's obligations on borrowed funds protects bondholders and holders of Bank's guarantees in the event that it is not able to meet its financial obligations.	59.68%	107.61%
Total Debt to Usable Capital	This is a measure of the Bank's financial leverage calculated by dividing its total debt by usable capital. It indicates what proportion of equity and debt the Bank is using to finance its operations.	54.67%	83.76%
Settlement Failure Rate	This measures the efficiency of the funds transfer process. Timely settlement of financial obligations is important as a measure of the efficiency of the Bank's processes.	0.49%	0.42%
Timeliness of Preparation of Monthly Financial Highlights	Reporting of key financial performance metrics in a timely manner aids decision making by management and facilitates the required corrective action to improve performance.	Within one month of period-end	Within one month of period-end
Impairment Loss Ratio - Non-Sovereign Portfolio only	This KPI represents the impairment on loans as a proportion of the period-end balances. The granting of credit is the main purpose of the Bank and it is also one of the Bank's principal sources of income and risk. The loan loss ratio is an indicator of the quality and recoverability of loans granted to non-sovereign borrowers.	1.36%	0.76%
Administrative Budget Utilization Rate (excluding depreciation)	This KPI helps monitor the effective utilization of the Bank's administrative budget resources by Organizational Units and its adequacy for effective delivery of the approved Work Programme.	83%	91%

African Development Bank
Financial Statements and Report of the Independent Auditor Year ended December 31, 2011

BALANCE SHEET
AS AT DECEMBER 31, 2011
(UA thousands – Note B)

ASSETS		2011	2010
CASH		344,156	395,717
DEMAND OBLIGATIONS		3,801	3,801
TREASURY INVESTMENTS (Note F)		7,590,469	7,433,528
DERIVATIVE ASSETS (Note G)		1,696,681	1,421,480
NON-NEGOTIABLE INSTRUMENTS			
ON ACCOUNT OF CAPITAL (Note H)		3,044	4,625
ACCOUNTS RECEIVABLE			
Accrued income and charges receivable on loans (Note I)	193,123		178,236
Other accounts receivable	721,727		1,163,422
		914,850	1,341,658
DEVELOPMENT FINANCING ACTIVITIES			
Loans, net (Notes D & I)	9,255,493		8,178,797
Hedged loans – Fair value adjustment (Note G)	49,871		-
Equity participations (Note J)	309,762		272,241
Other debt securities (Note K)	79,990		79,752
		9,695,116	8,530,790
OTHER ASSETS			
Property, equipment and intangible assets (Note L)	12,628		11,990
Miscellaneous	709		704
		13,337	12,694
TOTAL ASSETS		**20,261,454**	**19,144,293**

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

LIABILITIES & EQUITY		2011	2010
ACCOUNTS PAYABLE			
Accrued financial charges	435,915		423,492
Other accounts payable	1,538,770		1,591,552
		1,974,685	2,015,044
DERIVATIVE LIABILITIES (Note G)		502,289	328,296
BORROWINGS (Note M)			
Borrowings at fair value	11,756,421		10,877,110
Borrowings at amortized cost	1,146,536		1,103,456
		12,902,957	11,980,566
EQUITY (Note N)			
Capital			
Subscriptions paid	2,505,975		2,355,677
Cumulative Exchange Adjustment on Subscriptions (CEAS)	(160,633)		(162,572)
Subscriptions paid (net of CEAS)	2,345,342		2,193,105
Reserves	2,536,181		2,627,282
Total equity		4,881,523	4,820,387
TOTAL LIABILITIES & EQUITY		**20,261,454**	**19,144,293**

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
OPERATIONAL INCOME & EXPENSES		
Income from:		
Loans (Note O)	314,923	293,359
Investments and related derivatives (Note O)	168,850	219,219
Other debt securities	5,409	6,737
Total income from loans and investments	489,182	519,315
Borrowing expenses (Note P)		
Interest and amortized issuance costs	(316,823)	(303,041)
Net interest on borrowing-related derivatives	112,160	126,265
Unrealized losses on fair-valued borrowings and related derivatives	(13,002)	(27,611)
Unrealized gains/(losses) on derivatives, non fair-valued borrowings and others	9,963	(13,328)
Provision for impairment (Note I)		
Loan principal	(3,296)	(10,643)
Loan charges	(14,381)	(16,117)
Provision for impairment on equity investments (Note J)	(152)	(898)
Provision for impairment on investments	6,385	18,578
Translation (losses)/gains	(27,945)	4,865
Other income/(loss)	4,457	(1,725)
Net operational income	246,548	295,660
OTHER EXPENSES		
Administrative expenses (Note Q)	(79,498)	(74,996)
Depreciation – Property, equipment and intangible assets (Note L)	(4,464)	(4,591)
Sundry income/(expenses)	1,926	(2,414)
Total other expenses	(82,036)	(82,001)
Income before distributions approved by the Board of Governors	164,512	213,659
Distributions of income approved by the Board of Governors (Note N)	(113,000)	(146,366)
NET INCOME FOR THE YEAR	**51,512**	**67,293**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
NET INCOME FOR THE YEAR	51,512	67,293
OTHER COMPREHENSIVE INCOME		
Net gains on available-for-sale investments taken to equity	-	7,594
Net losses on financial assets at fair value through Other Comprehensive Income	(37,203)	-
Unrealized loss on fair-valued borrowings arising from “own credit”	(63,509)	-
Actuarial losses on defined benefit plans	(89,926)	(568)
Total other comprehensive income	(190,638)	7,026
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(139,126)**	**74,319**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

			Reserves				
	Capital Subscriptions Paid	Cumulative Exchange Adjustment on Subscriptions	Retained Earnings	Net (Losses)/ Gains on Available-for-Sale Investments	Net Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Loss on Fair-Valued Borrowings Arising from "Own Credit"	Total Equity
BALANCE AT JANUARY 1, 2010	2,350,257	(161,970)	2,556,391	(3,428)	-	-	4,741,250
Net income for the year	-	-	67,293	-	-	-	67,293
Other comprehensive income							
Net gains on available-for-sale investments taken to equity	-	-	-	7,594	-	-	7,594
Actuarial losses on defined benefit plans	-	-	(568)	-	-	-	(568)
Total other comprehensive income	-	-	(568)	7,594	-	-	7,026
Net increase in paid-up capital	5,420	-	-	-	-	-	5,420
Net conversion losses on new subscriptions	-	(602)	-	-	-	-	(602)
BALANCE AT DECEMBER 31, 2010 AND JANUARY 1, 2011	**2,355,677**	**(162,572)**	**2,623,116**	**4,166**	**-**	**-**	**4,820,387**
Effect of change in accounting policy for classification and measurement of financial assets (Note C)	-	-	52,191	(4,166)	-	-	48,025
Adjusted balance at January 1, 2011	2,355,677	(162,572)	2,675,307	-	-	-	4,868,412
Net income for the year	-	-	51,512	-	-	-	51,512
Other comprehensive income							
Net losses on financial assets at fair value through Other Comprehensive Income	-	-	-	-	(37,203)	-	(37,203)
Unrealized loss on fair-valued borrowings arising from "own credit"	-	-	-	-	-	(63,509)	(63,509)
Actuarial losses on defined benefit plans	-	-	(89,926)	-	-	-	(89,926)
Total other comprehensive income	-	-	(89,926)	-	(37,203)	(63,509)	(190,638)
Net increase in paid-up capital	150,298	-	-	-	-	-	150,298
Net conversion gains on new subscriptions	-	1,939	-	-	-	-	1,939
BALANCE AT DECEMBER 31, 2011	**2,505,975**	**(160,633)**	**2,636,893**	**-**	**(37,203)**	**(63,509)**	**4,881,523**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	51,512	67,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,464	4,591
Provision for impairment on loan principal and charges	17,677	26,760
Unrealized losses on investments and related derivatives	24,990	18,304
Amortization of discount or premium on treasury investments at amortized cost	(13,319)	(22,168)
Provision for impairment on investments	(6,385)	(18,578)
Provision for impairment on equity investments	152	898
Amortization of borrowing issuance costs	(7,095)	(11,906)
Unrealized losses on fair-valued borrowings and derivatives	3,039	40,939
Translation losses/(gains)	27,945	(4,865)
Share of profits in associate	436	421
Net movements in derivatives	152,415	(176,281)
Changes in accrued income on loans	(30,627)	(26,374)
Changes in accrued financial charges	12,981	19,703
Changes in other receivables and payables	7,347	175,535
Net cash provided by operating activities	245,532	94,272
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(1,868,787)	(1,339,846)
Repayments of loans	617,215	568,638
Investments maturing after 3 months of acquisition:		
Investments at amortized cost	32,806	(112,527)
Investments at fair value through profit or loss	15,387	(13,098)
Changes in other assets	(5,106)	(5,394)
Equity participations movement	(53,067)	(24,158)
Net cash used in investing, lending and development activities	(1,261,552)	(926,385)
FINANCING ACTIVITIES:		
New borrowings	3,559,293	2,815,211
Repayments on borrowings	(2,460,541)	(2,054,200)
Net cash from capital subscriptions	153,818	8,381
Net cash provided by financing activities	1,252,570	769,392
Effect of exchange rate changes on cash and cash equivalents	(92,349)	14,285
Increase in cash and cash equivalents	144,201	(48,436)
Cash and cash equivalents at the beginning of the year	1,439,382	1,487,818
Cash and cash equivalents at the end of the year	**1,583,583**	**1,439,382**
COMPOSED OF:		
Investments maturing within 3 months of acquisition:		
Investments at fair value through profit or loss	1,239,427	1,043,665
Cash	344,156	395,717
Cash and cash equivalents at the end of the year	**1,583,583**	**1,439,382**
SUPPLEMENTARY DISCLOSURE:		
1. Operational cash flows from interest and dividends:		
Interest paid	(189,824)	(175,390)
Interest received	509,632	485,542
Dividend received	2,378	1,431
2. Movement resulting from exchange rate fluctuations:		
Loans	161,386	21,279
Borrowings	(248,179)	680,945
Currency swaps	50,735	(723,003)

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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's headquarters is located in Abidjan, Cote d'Ivoire. However, since February 2003, the Bank has managed its operations largely from its temporary relocation facilities in Tunis, Tunisia. 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. 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.

In accordance with Article 57 of the Agreement Establishing the Bank, the Bank, its property, other assets, income and its operations and transactions shall be exempt from all taxation and customs duties. The Bank is also exempt from any obligation to pay, withhold or collect any tax or duty.

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 financial instruments measured at fair value through profit or loss.

Dividends are recognized in income statement when the Bank's right to receive the dividends is established in accordance with IAS 18 – Revenue.

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, 2011 and 2010 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, 2011, 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 other comprehensive income in the year they occur. Past service cost is recognized immediately to the extent that benefits are already vested, otherwise, amortized on a straight-line basis over the average period until the benefits become vested. The pension liability is recognized as part of other accounts payable in the balance sheet. The liability represents the present value of the Bank's defined benefit obligations, net of the fair value of plan assets and unrecognized actuarial gains and losses.

2) Post-Employment Medical Benefits

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

Financial Instruments

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

1) Financial Assets

Following the adoption of phase 1 of IFRS 9 on January 1, 2011, the Bank revised the classification of its financial assets into the following categories: financial assets at amortized cost; financial assets at fair value through profit or loss (FVTPL); and financial assets at fair value through other comprehensive income (FVTOCI). These classifications are determined based on the Bank's business model. In accordance with the Bank's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized cost

A financial asset is classified as at 'amortized cost' only if the asset meets the objective of the Bank's business model to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified as at 'fair value through profit or loss'.

Financial assets at amortized cost include loans and receivables on amounts advanced to borrowers and certain debt investments that meet the criteria of financial assets at amortized cost. Receivables comprise demand obligations, accrued income and receivables from loans and investments and other sundry amounts. 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.

Loan origination fees are deferred and recognized over the life of the related loan as an adjustment of yield. However, incremental direct costs associated with originating loans are expensed as incurred; as such amounts are considered insignificant. The amortization of loan origination fee is included in income from loans.

Investments classified as financial assets at amortized cost include investments that are non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

In addition, debt instruments that meet amortized cost criteria can be designated and measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

iii) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

On initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments not held for trading as financial assets measured at FVTOCI.

Equity investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gains or losses are not reclassified to profit or loss on disposal of the investments.

The Bank has designated all investments in equity instruments that are not held for trading as assets measured at FVTOCI on initial application of IFRS 9.

Purchases and sales of financial assets are recognized or derecognized 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 their fair value 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.

Prior to January 1, 2011, the Bank classified 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 determined the classification of its financial assets at initial recognition on the following basis:

i) Financial Assets at Fair Value through Profit or Loss

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

ii) Loans and Receivables

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

Loan origination fees were deferred and recognized over the life of the related loan as an adjustment of yield. However, incremental direct costs associated with originating loans were expensed as incurred, as such amounts were considered insignificant. The amortization of loan origination fee was included in income from loans.

iii) Held-to-Maturity Investments

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

iv) Available-for-Sale Financial Assets

The Bank classified equity investments over which it did not have control or significant influence as available-for-sale. Available-for-sale investments were 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 were recognized directly in other comprehensive income, until the financial asset was derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income was recognized in profit or loss.

2) Financial Liabilities

i) Borrowings

In the ordinary course of its business, the Bank borrows funds in the major capital markets for lending and liquidity management purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. The Bank's borrowing strategy is driven by three major factors, namely: timeliness in meeting cash flow requirements, optimizing asset and liability management with the objective of mitigating exposure to financial risks, and providing cost-effective funding.

In addition to long and medium-term borrowings, the Bank also undertakes short-term borrowing for cash and liquidity management purposes only. Borrowings not designated at fair value through profit or loss are carried on the balance sheet at amortized cost with interest expense determined using the effective interest method. Borrowing expenses are recognized in profit or loss and include the amortization of issuance costs, discounts and premiums, which is determined using the effective interest method. Borrowing activities may create exposure to market risk, most notably interest rate and currency risks.

The Bank uses derivatives and other risk management approaches to mitigate such risks. Details of the Bank's risk management policies and practices are contained in Note D to these financial statements. Certain of the Bank's borrowings obtained prior to 1990, from the governments of certain member countries of the Bank, are interest-free loans. In accordance with the provisions of the amendments resulting from the improvements to IFRS issued in May 2008 relating to the revised IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, such borrowings are carried at the amounts at which they are repayable on their due dates.

ii) Financial Liabilities at Fair Value through Profit or Loss

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

In accordance with IFRS 9, fair value changes for financial liabilities that are designated as at fair value through profit or loss, that is attributable to changes in the Bank's "own credit" risk is recognized in other comprehensive income. Changes in fair value attributable to the Bank's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss (including changes in fair value attributable to the Bank's "own credit" risk) was recognized in profit or loss.

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 canceled 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 are mainly cross-currency swaps and interest rate swaps. The derivatives on borrowings are used to modify the interest rate or currency characteristics of the debt the Bank issues. This economic relationship is established on the date the debt is issued and maintained throughout the terms of the contracts. The interest component of these derivatives is reported as part of borrowing expenses.

The Bank classifies all derivatives 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. Prior to January 1, 2011, the Bank elected not to apply hedge accounting on any qualifying hedging relationship.

Following the adoption of IFRS 9 and beginning January 1, 2011, the Bank assesses its hybrid financial assets (i.e. the combined financial asset host and embedded derivative) in its entirety to determine their classification. A hybrid financial asset is measured at amortized cost if the combined cash flows represent solely principal and interest on the outstanding principal; otherwise it is measured at fair value. The Bank did not hold any hybrid financial assets as at December 31, 2011.

Prior to January 1, 2011, derivatives embedded in other financial instruments or other non-financial host contracts were treated as separate derivatives when their risks and characteristics were not closely related to those of the host contract and the host contract was not carried at fair value with unrealized gains or losses reported in profit or loss. Such derivatives were stripped from the host contract and measured at fair value with unrealized gains and losses reported in profit or loss.

Hedge Accounting

On January 1, 2011 the Bank elected to apply fair value hedge accounting to interest rate swaps contracted to hedge the interest rate risk exposure associated with its fixed rate loans. Under fair value hedge accounting, the change in the fair value of the hedging instrument and the change in the fair value of the hedged item attributable to the hedged risk are recognized in the income statement.

At inception of the hedge, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk. Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The cumulative fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

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 investments carried at amortized cost has been incurred, the amount of the impairment 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 representing present value losses 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-collectability, 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 investment carried at amortized cost 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2) Available-for-Sale Assets

Prior to January 1, 2011, the Bank had assets classified as Available for Sale. For such assets, the Bank assessed at each balance sheet date whether there was objective evidence that a financial asset or a group of financial assets was 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 was considered in determining whether the assets were impaired. If any such evidence existed for available-for-sale equity instruments carried at fair value, the cumulative loss, which was measured as the difference between the acquisition cost and the fair value at the balance sheet date, net of any impairment loss previously recognized in profit or loss, was reclassified from equity to the income statement. Impairment losses recognized in the income statement on available-for-sale equity instruments carried at fair value were reversed through equity.

If there was objective evidence that an impairment loss had been incurred on an available-for-sale equity instrument that was carried at cost because its fair value could not be reliably measured, the amount of impairment loss was 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 were not reversed.

Following adoption of phase 1 of IFRS 9 with effect from January 1, 2011, the Bank no longer classifies its assets as available-for-sale.

Offsetting Financial Instruments

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

Fair Value Disclosure

In liquid or active markets, the most reliable indicators of fair value are quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market might be inactive include when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few or no recent transactions observed in the market. When markets become illiquid or less active, market quotations may not represent the prices at which orderly transactions would take place between willing buyers and sellers and therefore may require adjustment in the valuation process. Consequently, in an inactive market, price quotations are not necessarily determinative of fair values. Considerable judgment is required to distinguish between active and inactive markets.

The fair values of quoted assets in active markets are based on current bid prices, while those of liabilities are based on current asking prices. For financial instruments 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 realizable in a sale might be different from the fair values disclosed.

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

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

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

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

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

Cash: The carrying amount is the fair value.

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

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

For borrowings on which the Bank has elected fair value option, fair value changes were reported in income statement. However, with effect from January 1, 2011, the portion of fair value changes on the valuation of borrowings, relating to the credit risk of the Bank is reported in Other Comprehensive Income in accordance with IFRS 9.

Equity Investments: The underlying assets of entities in which the Bank has equity investments 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. 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 Bank holds financial instruments, some maturing after more than ten years, where fair value is determined based on valuation models that use inputs that may not be market-observable as of the calculation date. Such financial instruments are initially recognized at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss", is either: (a) amortized over the life of the transaction; or (b) deferred until the instrument's fair value can be determined using market observable inputs or is realized through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognized immediately in the income statement without immediate reversal of deferred day one profits and losses.

Investment in Associate

Under IAS 28, "Investments in Associates", the ADF and any other entity in which the Bank has significant influence are considered associates of the Bank. An associate is an entity over which the Bank has significant influence, but not controls, 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, 2011, such subscriptions cumulatively represented approximately 1 percent 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.

Allocations and Distributions Approved by the Board of Governors

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

Retained Earnings

Retained earnings of the Bank consist of amounts allocated to reserves from prior years' income, balance of amounts allocated to surplus after deducting distributions approved by the Board of Governors, unallocated current year's 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:

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.

Amortized Cost for Embedded Derivatives – The Bank follows the guidance of IFRS 9 on classifying financial assets with embedded derivatives in their entirety as at amortized cost or fair value through profit or loss. In making this judgment, the Bank considers whether the cash flows of the financial asset are solely payment of principal and interest on the principal outstanding and classifies the qualifying asset accordingly without separating the derivative.

Prior to January 1, 2011, the Bank exercised judgment in classifying assets as Held for Trading, or Held to Maturity, in accordance with the guidance provided under IAS 39.

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 statements 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..

Retirement Benefits – The present value of retirement benefit obligations is sensitive to the actuarial and financial assumptions used, including the discount rate. At the end of each year, the Bank determines the appropriate discount rate to be used to determine the present value of estimated future pension obligations, based on interest rates of suitably long-term high-quality corporate bonds in the currencies comprising the Bank's UA.

Impairment of Available-for-Sale Equity Investments – Prior to the adoption of IFRS 9 on January 1, 2011 the Bank determined that available-for-sale equity investments were 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 required judgment. In making this judgment, the Bank evaluated any evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Events after the Balance Sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect prior year's reported result. However, in accordance with its transitional provisions, entities adopting IFRS 9 before January 1, 2012 are not required to restate prior periods' comparatives on their financial statements. Accordingly, the Bank has not restated prior year's comparative information in connection with the application of IFRS 9 in these financial statements.

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

1) Standards, Amendments and Interpretations effective after January 1, 2011 but early adopted by the Bank

IFRS 9: "Financial Instruments"

The first part of phase 1 of IFRS 9 "financial instruments" was issued in November 2009 as part of the IASB comprehensive project to replace IAS 39. The first part of phase 1 of IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 requires financial assets to be classified, based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument, into two measurement categories: those to be measured at fair value and those to be measured at amortized cost. An instrument is measured at amortized cost only if it is a debt instrument and the objective of the entity's business is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. All other instruments are to be measured at fair value through profit or loss. IFRS 9 also requires that all equity instruments be measured at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss while for all other equity instruments an irrevocable election can be made at initial recognition to recognize all fair value changes through other comprehensive income.

The second part of phase 1 of IFRS 9 which deals with classification and measurement of financial liabilities was issued on October 28, 2010. The new requirements address the problem of volatility in profit or loss arising from the "own credit" of an issuer choosing to measure its own debt at fair value. With the new requirements, gains and losses resulting from changes in "own credit risk" for liabilities measured at fair value are reported in "other comprehensive income" and therefore do not affect reported profit or loss.

As at December 31, 2011, the two other phases of IFRS 9 dealing with impairment of financial assets and hedge accounting had not been completed by IASB.

Although IFRS 9 is effective for annual periods beginning on or after January 1, 2015, in accordance with the option provided in the standard, the Bank early adopted phase 1 of this standard with effect from January 1, 2011 ("the date of initial application").

In accordance with the provisions of the new standard, certain adjustments required on application of the standard have been made which had an effect on the opening balance of retained earnings. The following adjustments which resulted from the change in the classification of the Bank's financial assets were reported in the opening balance of retained earnings of the Bank on January 1, 2011:

- Investments in debt securities previously classified as available-for-sale are now classified as financial assets at amortized cost. In accordance with IFRS 9, the amortized cost of these investments on the transition date should be the original cost at the time the investments were acquired which was UA 97.89 million. The difference of UA 18.14 million between the cost and the carrying amount of UA 79.75 million at the date of transition (January 1, 2011) represents the cumulative mark-to-market loss previously recognized on this investment over the years. This amount was written back into retained earnings;

- Investments in debt securities previously classified as held-to-maturity that do not meet the business model and cash flow criteria of financial assets at amortized cost were reclassified as financial assets measured at fair value through profit or loss. As a result, held-to-maturity investments with carrying value of UA 32.26 million were fair valued at UA 31.36 million and the related fair value losses amounting to UA 0.90 million were included in retained earnings as at January 1, 2011;

- Equity investments not held for trading that were previously measured at fair value and classified as available-for-sale were designated as at fair value through other comprehensive income. Some of these investments that are not quoted were previously carried at cost in accordance with IAS 39. Under IFRS 9, all equity investments are mandatorily to be fair valued. Accordingly, the fair value gain of UA 30.79 million representing the difference between the carrying amount and the fair value of these investments on January 1, 2011 was recognized in retained earnings;

- The net cumulative fair value gains on available-for-sale investments of UA 4.17 million held within equity as at January 1, 2011 were reclassified into retained earnings on that date.

The following table summarizes the transitional classification and measurement adjustments to the Bank's financial assets on the date of initial application:

Financial asset	Measurement category		Carrying amount (UA thousands)		
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Impact
Cash	Cash	Cash	395,717	395,717	-
Demand obligations	Demand obligations	Demand obligations	3,801	3,801	-
Treasury investments held for trading	Held-for-trading	Financial assets through profit or loss – mandatory	4,206,503	4,237,860	31,357
Treasury investments held to maturity	Held-to-maturity	Financial assets at amortized cost	3,227,025	3,194,761	(32,264)
Derivative assets	Financial assets at FVTPL: Held-for-trading	Financial assets through profit or loss – mandatory	1,421,480	1,421,480	-
Non-negotiable instruments on account of capital	Non-negotiable instruments	Non-negotiable instruments	4,625	4,625	-
Accounts receivable	Loans and receivables	Financial assets at amortized cost	1,341,658	1,341,658	-
Loans	Loans and receivables	Financial assets at amortized cost	8,178,797	8,178,797	-
Other equity participations (other than ADF)	Available-for-sale	Financial assets at FVTOCI	209,379	240,169	30,790
Other debt securities	Available-for-sale	Financial assets at amortized cost	79,752	97,894	18,142
Total			**19,068,737**	**19,116,762**	**48,025**

The impact of the above transitional classification and measurement adjustments on retained earnings on January 1, 2011 is summarized as follows:

	(UA millions)
Reversal of accumulated MTM effect on investments previously held as AFS	18.14
Fair value losses on reclassification of investments previously held as HTM	(0.90)
Unrealized gains on unquoted equity investments now classified at fair value	30.79
	48.03

Further, as a result of the adoption of IFRS 9, fair value changes during 2011 on borrowings designated at fair value through profit or loss arising from the effect of the Bank's "own credit" amounting to UA 63.51 million were reported directly in other comprehensive income. Under IAS 39 and prior to January 1, 2011, the entire fair value gains/losses on these borrowings were recognized in profit or loss.

2) Standards and Interpretations Issued but not yet effective

At the date of issue of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations are not yet effective for application, and have not been applied in preparing these financial statements. The following new standards and amendments are expected to be relevant to the Bank:

• IFRS 12: "Disclosure of Interest in Other Entities"

IFRS 12 was issued in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is required to be applied by an entity that has an interest in any of the following entities: subsidiaries; joint arrangements; associates; and unconsolidated structured entities. This standard requires disclosures of interests in subsidiaries and associates and also expands the disclosure requirements for unconsolidated structured entities.

The adoption of IFRS 12 is not expected to have any significant impact on the Bank's financial position or performance as it only relates to disclosures.

- **IFRS 13: "Fair Value"**

IFRS 13 was issued in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 13 defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

IFRS 13 explains how to measure fair value for financial reporting which is a market-based measurement, not an entity-specific measurement. It does not require fair value measurements in addition to those already required or permitted by other standards and is not intended to establish valuation standards or affect valuation practices outside financial reporting. However, this standard expands the concepts and principles behind fair valuation. In addition, extensive disclosures about fair value are required under IFRS 13, and in particular when an entity relies on unobservable valuation inputs under the "level 3" fair valuation hierarchy.

The adoption of IFRS 13 is not expected to have any significant impact on the Bank's financial position or performance.

- **IAS 19 Revised: "Employee Benefits"**

The amendment to IAS 19 was issued in June 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The key changes in the amended standard correspond to the elimination of the option to defer the recognition of actuarial gains and losses, known as the 'corridor method'. Accordingly, under the amended standard, all actuarial gains and losses have to be recognized immediately in OCI. In addition, an entity is no longer able to recognize in profit or loss the long-term expected return on assets held. Finally, the amended standard requires enhanced disclosures about defined benefit plans.

The adoption of the amended IAS 19 is not expected to have any significant effect on the net income of the Bank because the Bank already recognizes all actuarial gains and losses in OCI under the option provided in the current version of IAS 19.

- **IFRS 7: "Financial Instruments: Disclosures" and IAS 32: "Financial Instruments: Presentation"**

In December 2011, IASB issued new disclosure requirements in respect of the effect of offsetting arrangements on an entity's financial position, as part of a common project with the US Financial Accounting Standards Board (FASB). The new requirements are set out in "Disclosures-Offsetting Financial Assets and Financial Liabilities" (amendment to IFRS 7), and are related to financial assets and liabilities that are offset in the statement of financial position or that are subject to master netting arrangements or similar agreements. As part of the same project, the IASB also published "Disclosures-Offsetting Financial Assets and Financial Liabilities" (amendment to IAS 32) clarifying the offsetting criteria in IAS 32 to address inconsistency in their application.

The amendments to IFRS 7 and IAS 32 are to be applied in the financial statements for the annual periods beginning on or after January 1, 2013 and annual periods beginning on or after January 1, 2014, respectively.

The Bank is still evaluating the full impact of these amendments on its 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. During 2011, the Bank through a comprehensive exercise, re-defined its risk appetite and revised the capital adequacy policy. As part of this revision, the Bank's rating scale was revised as explained under systematic credit risk assessment below.

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. The Board of Directors is committed to the highest standards of corporate governance. In addition to approving all risk management policies, the Board of Directors regularly reviews 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), the General Authority on Asset Liability Management (the ALM Authority) and the Bank's Credit Risk Management Guidelines.

The FPS Authority provides the framework under which the Bank develops and implements financial products and services for its borrowers and separate guidelines prescribe the rules governing the management of credit and operational risk for the Bank's sovereign and non-sovereign loan, guarantee 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, including 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) and the Operations Committee (OPSCOM). The ALCO is the oversight and control organ of the Bank's finance and risk management activities. It is the Bank's most senior management forum on finance and risk management issues and is chaired by the Vice President for Finance. OPSCOM reviews all operational activities before they are submitted to the Board of Directors for approval.

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

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

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

Credit Risk

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

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

The Bank's maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

(UA thousands)

Assets	2011	2010
Cash	344,156	395,717
Demand obligations	3,801	3,801
Treasury investments at amortized cost	3,227,610	3,242,765
Treasury investments at fair value	4,372,106	4,206,503
Derivative assets	1,696,681	1,421,480
Non-negotiable instruments on account of capital	3,044	4,625
Accrued income and charges receivable on loans	378,011	347,401
Other accounts receivable	748,812	1,042,232
Loans	9,373,517	8,293,004
Equity participations	359,229	339,904
Other debt securities	79,990	79,752

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 its policies related to sustainable lending strategies, including individual country exposures and overall creditworthiness of the concerned country. These include the assessment of the country's macroeconomic performance as well as its socio-political conditions and future growth prospects.

Country Exposure

The Bank's exposures at December 31, 2011 to borrowing member countries as well as the private sector and enclave projects from its lending activities are summarized below:

(Amounts in UA thousands)

Country	Nº of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Botswana	4	1,145,827	-	144,589	1,001,238	10.68
Cameroon	1	26,696	-	17,250	9,446	0.10
Cape Verde	3	48,078	-	8,428	39,650	0.42
Congo	2	16,051	-	-	16,051	0.17
Côte d'Ivoire	5	19,619	-	-	19,619	0.21
Democratic Republic of Congo	10	729,791	-	-	729,791	7.79
Egypt	16	1,768,845	97,703	768,805	902,337	9.63
Equatorial Guinea	3	61,588	-	60,947	641	0.01
Ethiopia	2	4,213	-	-	4,213	0.04
Gabon	17	680,721	256,232	211,975	212,514	2.27
Guinea	1	747	-	-	747	0.01
Mauritania	1	8,761	-	-	8,761	0.09
Mauritius	8	467,775	-	311,986	155,789	1.66
Morocco	37	2,868,000	-	896,696	1,971,304	21.03
Namibia	4	41,686	-	-	41,686	0.44
Nigeria	3	34,559	-	-	34,559	0.37
Seychelles	4	19,389	6,513	-	12,876	0.14
Somalia**	3	4,403	-	-	4,403	0.05
South Africa	7	1,897,798	-	1,333,875	563,923	6.02
Sudan** (1)	5	61,237	-	-	61,237	0.65
Swaziland	6	54,883	-	133	54,750	0.58
Tanzania	1	672	-	-	672	0.01
Tunisia	34	1,992,339	-	512,231	1,480,108	15.79
Zambia	1	348	-	-	348	-
Zimbabwe**	12	198,345	-	-	198,345	2.12
Multinational	3	33,982	-	-	33,982	0.36
Total Public Sector	**193**	**12,186,355**	**360,449**	**4,266,915**	**7,558,992**	**80.64**
Total Private Sector	**91**	**3,401,501**	**552,867**	**1,034,109**	**1,814,525**	**19.36**
Total	**284**	**15,587,856**	**913,316**	**5,301,024**	**9,373,517**	**100.00**

* *Excludes fully repaid loans and canceled loans.*
** *Country in arrears as at December 31, 2011.*
(1) *The outcome of the referendum conducted in South Sudan in January 2011 supported the creation of an independent state of South Sudan. After the split of the current state of Sudan into two separate nations became effective in July 2011, the number and amounts of loans shown against Sudan in this statement would be split between the emerging states, on a basis agreed upon following the ongoing negotiations between representatives of the North and South Sudan. At the end of December 2011, no decision has been taken by the states of North and South Sudan regarding the terms and conditions of such exchange.*

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 framework, through underlying models and their associated risk factors that have been optimized to ensure more predictive power of the rating parameters and to better align with international rating scales and ensure consistency with best practices. The credit risk assessment result is measured using a uniform internal 22-grade Master Scale. The Master Scale was revised in 2011 from a 10-grade to a 22-grade rating scale, optimized to provide: (i) increased granularity; (ii) better differentiation between obligors; (iii) smoother grade distribution to alleviate the current grade concentration; and finally (iv) to create a common framework when communicating credit risks to risks takers. The increased level of granularity helps in measuring probabilities of default for internal grades in order to better differentiate between obligors.

Risk Class	Revised Rating Scale	International Ratings		Assessment
		S&P – Fitch	Moody's	
Very Low Risk	1+	A+ and above	A1 and above	Excellent
	1	A	A2	
	1-	A-	A3	
	2+	BBB+	Baa1	Strong
	2	BBB	Baa2	
	2-	BBB-	Baa3	
Low Risk	3+	BB+	Ba1	Good
	3	BB	Ba2	
	3-	BB-	Ba3	
Moderate Risk	4+	B+	B1	Satisfactory
	4	B	B2	
	4-			
	5+	B-	B3	Acceptable
	5			
High Risk	5-	CCC+	Caa1	Marginal
	6+			
	6	CCC	Caa2	Special Attention
	6-			
Very High Risk	7	CCC-	Caa3	Substandard
	8			
	9	CC	Ca	Doubtful
	10	C	C	Loss

The sovereign risk credit ratings are derived from a risk assessment on five risk indices that include macroeconomic performance, debt sustainability, socio-political factors, business environment and Bank's portfolio performance. These five risk indices are combined to derive a composite country risk index for both sovereign and non-sovereign portfolios. These country risk ratings are validated against the average country risk ratings from different international rating agencies and other specialized international organizations. The ALCO reviews the country ratings on a quarterly basis to ensure that they reflect the expected risk profiles of the countries. The ALCO also assesses whether the countries are in compliance with their country exposure limits and approves changes in loss provisioning, if required.

Portfolio Risk Monitoring

The weighted average risk rating of the Bank's sovereign and sovereign guaranteed portfolio reached 2.52 at the end of December 2011 in the revised 22-grade master scale. As of December 31, 2010, weighted average-risk rating reached 2.01 under the Bank's 10-grade master scale. 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
2011	70%	15%	1%	13%	1%
2010	76%	2%	5%	13%	4%
2009	44%	33%	6%	13%	4%
2008	37%	33%	6%	16%	8%
2007	37%	31%	8%	15%	9%
2006	28%	35%	10%	17%	10%

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 percent on the commitment fees charged on qualifying undisbursed loans.

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

To cover potential Expected Losses (EL) and Unexpected Losses (UL) related to credit, the Bank maintains a prudent risk capital cushion for credit risks. The Bank's capital adequacy policy articulates differentiated risk capital requirements for public sector and private sector credit-sensitive assets (loans and equity investments), as well as for contingent liabilities (guarantees and client risk management products) in each risk class. Risk capital requirements are generally higher for private sector operations which have a higher probability of default and loss-given default than public sector operations. At the end of December 2011, the Bank's public sector loan portfolio had used up to 26.5 percent of the Bank's total risk capital based on the Bank's revised capital adequacy framework. 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 and 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 several models to assess the risk of every project at entry. The models used are tailored to the specific characteristics and nature of the transactions. The result of the credit risk assessment is measured using a uniform internal 22-grade master scale as described above.

Non-sovereign transactions are grouped into the following three main categories: a) project finance; b) financial institutions; and c) private equity funds. Internal credit ratings are derived on the basis of some pre-determined critical factors.

a) Project Finance

The first factor involves the overall evaluation and assessment of the borrower's financial strength. This assessment looks at:

Primarily, i) the capacity of the project to generate sufficient cash flow to service its debt; ii) the company's operating performance and profitability; and iii) the project company's capital structure, financial flexibility and liquidity positions.

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

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

b) Financial Institutions

The assessment of financial institutions follows the uniform rating system commonly referred to as the CAMELS model:
i) Capital adequacy– analyses of the composition, adequacy and quality of the institution's capital; ii) Asset quality, operating policies and procedures and risk management framework; iii) Management quality and decision making framework; iv) Earnings and market position – an evaluation of the quality and level of profitability; v) Liquidity and funding adequacy – an assessment focusing on the entity's ability to access debt market; and vi) Sensitivity to market risk – an assessment of the impact of interest rate changes & exchange rate fluctuations.

c) Private Equity Funds

The assessment of Private Equity Funds takes into consideration the analysis of the following qualitative and quantitative factors:

- Financial strength and historic fund performance;
- Investment strategy and risk management;
- Industry structure;
- Management and corporate governance; and
- Information quality.

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

Since 2009, the Bank has been increasing its exposure to the non-sovereign loan and equity portfolios. The weighted-average risk rating was 3.44 at the end of 2011 compared to 3.12 at the end of 2010. The distribution of the non-sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

Risk Profile of the Outstanding Non-Sovereign Loan and Equity Portfolio

	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2011	36%	20%	35%	5%	4%
2010	24%	20%	30%	24%	2%
2009	27%	18%	28%	24%	3%
2008	13%	16%	41%	28%	2%
2007	8%	10%	46%	31%	5%
2006	16%	15%	52%	6%	11%

In compliance with IFRS, the Bank does not make 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 2011, the cumulative impairment allowance to cover the incurred loss on impaired loan principal in the non-sovereign portfolio was UA 23.73 million compared to UA 12.04 million in 2010.

In addition to private sector lending, the Bank makes equity investments in private sector entities, either directly or through investment funds.

To cover potential unexpected credit-related losses due to extreme and unpredictable events, the Bank maintains a risk capital cushion for non-sovereign credit risks derived from Basel II Advanced Internal Rating-Based Approach (IRB). At the end of December 2011, the Bank's non-sovereign portfolio required as risk capital approximately 27.2 percent of the Bank's total on-balance sheet risk capital sources. This level is still below the limit of 45 percent determined by the Bank for total non-sovereign operations. Out of the Bank's non-sovereign portfolio, Equity participations required as risk capital approximately 10.1 percent of the Bank's total on-balance sheet risk capital sources. This level is still below the statutory limit of 15 percent established by the Board of Governors for equity participations.

Credit Exposure Limits

The Bank operates a system of exposure limits to ensure the maintenance of an adequately diversified portfolio at any given point in time. The Bank manages credit risk at the global country exposure limit (combined sovereign guaranteed and non-sovereign portfolios) by ensuring that in the aggregate, the total country exposure limit to any country does not exceed 15 percent of the Bank's total risk capital. This threshold and other determinants of country limit allocation are clearly spelt out in the Bank's capital adequacy framework. In the revised capital adequacy and exposure management approved by the Board in May 2011, the 15 percent (of the Bank's total risk capital) global country concentration limit is meant to allow for adequate portfolio diversification. However, in order to ensure that: (i) the allocation in aggregate does not exceed 100 percent of risk capital available for core lending activities, and (ii) there is fairness of allocation among RMCs, a Performance Based Adjusted Country Limits formula (PACL) is used.

The credit exposure on the non-sovereign portfolio is further controlled and managed by regularly monitoring the exposure limit with regard to the specific industry/sectors, equity investments and single obligor. In addition, the Bank generally requires a range of collateral (security and/or guarantees) from project sponsors to partially mitigate the credit risk for direct private sector loans.

3) Counterparty Credit Risk

In the normal course of business, the Bank utilizes various financial instruments to meet the needs of its borrowers, manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Bank. Given the nature of the Bank's business, it is not possible to completely eliminate counterparty credit risk, however, the Bank minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures.

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

For trading counterparties, the Bank requires a minimum short-term credit rating of A-2/P-2/F-2 for trades settled under delivery vs. payment (DVP) terms and a minimum long-term credit rating of A/A2 for non DVP based transactions.

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	AAA Maximum legal maturity of 50 years for ABS/MBS with the underlying collateral originated in the UK and 40-year maximum legal maturity for all other eligible ABS/MBS. Also, the maximum weighted average life for all ABS/MBS at the time of acquisition shall not exceed 5 years.					

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

The Bank uses derivatives in the management of its funding portfolio and in asset and liability management transactions. 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-/A3 for counterparties with whom the Bank has entered into a collateral exchange agreement. Lower rated counterparties may be used exceptionally for local currency transactions. These counterparties require the approval of ALCO. Approved transactions with derivative counterparties include swaps, forwards, options and other over-the-counter derivatives.

The financial and economic crisis has resulted in the downgrading of banks worldwide. The Bank's derivatives' exposures and their credit rating profile are shown in the tables below. Daily collateral exchanges enable the Bank to maintain net exposures to acceptable levels.

(Amounts in UA millions)

	Derivatives			Credit Risk Profile of Net Exposure		
	Notional amount	Mark-to-Market	Net Exposure*	AAA	AA+ to AA-	A+ and lower
2011	15,393	1,192	146	0%	68%	32%
2010	14,504	1,090	96	0%	80%	20%
2009	13,503	288	84	13%	45%	42%
2008	9,129	376	129	9%	74%	16%

* *After collateral received in cash or securities.*

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 12 percent of the Bank's total risk capital (equity and reserves) for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Bank's credit limits after considering the benefits of any collateral.

The counterparty credit exposure of the investment and related derivative portfolios continues to be predominantly AA or higher rated as shown in the table below. The proportion of exposure to AAA-rated entities declined from the previous year due to the downgrade of the United States and its agencies. The downgrade of some European sovereigns by Standard & Poor's in early January 2012 would reduce the AAA proportion to 50 percent.

	Credit Risk Profile of the Investment and Derivative Portfolios		
	AAA	AA+ to AA-	A+ and lower
2011	58%	33%	9%
2010	69%	24%	7%
2009	65%	25%	10%
2008	59%	21%	20%
2007	43%	54%	3%
2006	56%	39%	5%

The Bank's exposure to the stressed Eurozone economies is as follows: no exposure to Greece and Portugal; less than UA 0.25 million exposure to an ABS security registered in Ireland; and UA 312 million or less than 4 percent of the portfolio to Spain and Italy, with 73 percent of the Spain and Italy exposure maturing within six months from December 31, 2011.

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 December 2011, the Bank's counterparty credit portfolio including all investments and derivative instruments required as risk capital 2.5 percent of the Bank's total on-balance sheet risk capital sources.

Liquidity Risk

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

To strike a balance between generating adequate investment returns and holding securities that can be easily sold for cash if required, the Bank divides its investment portfolio into tranches with different liquidity objectives and benchmarks. The Bank's core liquidity portfolio (operational portfolio) is invested in highly liquid securities that can be readily liquidated if required to meet the Bank's short term liquidity needs. Probable redemptions of swaps and borrowings with embedded options are included in the computation of the size of the operational tranche of liquidity. In addition to the core liquidity portfolio, the Bank maintains a second tranche of liquidity (the prudential portfolio) that is also invested in relatively liquid securities to cover its expected medium-term operational cash flow needs. A third tranche of liquidity, which is funded by the Bank's equity resources, is held in a portfolio of fixed income securities intended to collect contractual cash flows with the objective of stabilizing the bank's net income. In determining its level of liquidity for compliance with the PML, the Bank includes cash, deposits and securities in all the treasury investments, with appropriate hair-cuts based on asset class and credit rating.

The contractual maturities of financial liabilities and future interest payments at December 31, 2011 and 2010 were as follows:

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2011.

(UA thousands)

	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years
Financial liabilities with derivatives								
Derivative liabilities	(1,134,481)	(1,379,938)	(344,303)	(124,631)	(119,758)	(271,961)	(97,977)	(421,308)
Borrowings at fair value	11,756,421	12,827,396	3,155,904	2,218,600	2,094,462	797,326	2,378,595	2,182,509
	10,621,940	11,447,458	2,811,601	2,093,969	1,974,704	525,365	2,280,618	1,761,201
Financial liabilities without derivatives								
Accounts payable	1,974,685	1,974,685	1,974,685	-	-	-	-	-
Borrowings at amortized cost	1,146,536	1,731,268	210,081	414,127	61,847	322,421	43,993	678,799
	3,121,221	3,705,953	2,184,766	414,127	61,847	322,421	43,993	678,799
Total financial liabilities	**13,743,161**	**15,153,411**	**4,996,367**	**2,508,096**	**2,036,551**	**847,786**	**2,324,611**	**2,440,000**
Represented by:								
Derivative liabilities	(1,134,481)	(1,379,938)	(344,303)	(124,631)	(119,758)	(271,961)	(97,977)	(421,308)
Accounts payable	1,974,685	1,974,685	1,974,685	-	-	-	-	-
Borrowings	12,902,957	14,558,664	3,365,985	2,632,727	2,156,309	1,119,747	2,422,588	2,861,308

Contractual Maturities of Financial Liabilities and Future Interest Payments at December 31, 2010.

(UA thousands)

	Carrying Amount	Contractual Cash Flow	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years
Financial liabilities with derivatives								
Derivative liabilities	(1,097,276)	(1,677,450)	(328,910)	(251,904)	(190,541)	53,964	(247,152)	(712,906)
Borrowings at fair value	10,877,110	12,250,534	2,210,370	2,794,179	2,315,143	2,078,599	813,898	2,038,345
	9,779,834	10,573,085	1,881,461	2,542,275	2,124,602	2,132,563	566,745	1,325,439
Financial liabilities without derivatives								
Accounts payable	2,015,044	2,015,044	2,015,044	-	-	-	-	-
Borrowings at amortized cost	1,103,456	1,779,515	244,190	98,824	397,253	62,102	321,845	655,301
	3,118,500	3,794,559	2,259,234	98,824	397,253	62,102	321,845	655,301
Total financial liabilities	**12,898,334**	**14,367,644**	**4,140,695**	**2,641,099**	**2,521,855**	**2,194,665**	**888,590**	**1,980,740**
Represented by:								
Derivative liabilities	(1,097,276)	(1,677,450)	(328,910)	(251,904)	(190,541)	53,964	(247,153)	(712,906)
Accounts payable	2,015,044	2,015,044	2,015,044	-	-	-	-	-
Borrowings	11,980,566	14,030,050	2,454,561	2,893,003	2,712,396	2,140,701	1,135,743	2,693,646

Currency Exchange Risk

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

Because a large part of its balance sheet is funded by equity resources, which are denominated in Units of Account (equivalent to the SDR), the Bank has a net asset position that is potentially exposed to translation risk when currency exchange rates fluctuate. The Bank's policy is to minimize the potential fluctuation of the value of its net worth measured in Units of Account by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR (the Unit of Account). In line with this policy, during the year ended December 31, 2011, 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.

In accordance with the IMF procedures, the composition of the SDR currencies within the basket has changed with effect from January 1, 2011 as follows:

SDR Currency	SDR Valuation Basket from January 1, 2006 until December 31, 2010	SDR Currency Value	New SDR Valuation Basket with effect from January 1, 2011	New SDR Valuation Basket since January 1, 2011
USD	44%	0.6320	41.90%	0.660
JPY	11%	18.4000	9.40%	12.100
GBP	11%	0.0903	11.30%	0.111
EUR	34%	0.4100	37.40%	0.423

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 2011, 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, 2011 and 2010 was as follows:

Net Currency Position at December 31, 2011

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Sub-total	Units of Account	Total
Assets								
Cash	90,186	16,910	155,641	3,178	78,241	344,156	-	344,156
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments – measured at fair value [(a)]	2,082,539	2,136,691	-	33,972	178,815	4,432,017	-	4,432,017
Investments at amortized cost	998,915	1,473,668	311,721	434,059	-	3,218,363	-	3,218,363
Non-negotiable instruments on account of capital	-	2,465	-	-	-	2,465	579	3,044
Accounts receivable	127,025	430,742	(41,054)	10,721	356,992	884,426	30,424	914,850
Loans	3,699,442	4,306,647	459,572	2,263	837,440	9,305,364	-	9,305,364
Equity participations	28,698	174,008	-	-	44,781	247,487	62,275	309,762
Other debt security	-	-	-	-	79,990	79,990	-	79,990
Other assets	-	-	-	-	-	-	13,337	13,337
	7,026,805	8,541,131	885,880	484,193	1,580,060	18,518,069	106,615	18,624,684
Liabilities								
Accounts payable	(876,273)	(481,111)	(120,793)	(668)	(324,258)	(1,803,103)	(171,582)	(1,974,685)
Borrowings	-	(6,931,615)	(1,771,545)	-	(4,199,797)	(12,902,957)	-	(12,902,957)
Currency swaps on borrowings and related derivatives [(b)]	(4,531,684)	1,090,151	1,499,964	-	3,076,050	1,134,481	-	1,134,481
	(5,407,957)	(6,322,575)	(392,374)	(668)	(1,448,005)	(13,571,579)	(171,582)	(13,743,161)
Currency position of equity as at December 31, 2011	**1,618,848**	**2,218,556**	**493,506**	**483,525**	**132,055**	**4,946,490**	**(64,967)**	**4,881,523**
% of subtotal	**32.73**	**44.85**	**9.98**	**9.77**	**2.67**	**100.00**	**-**	**100.00**
SDR composition as at December 31, 2011	**35.66**	**43.01**	**10.15**	**11.18**	**-**	**100.00**	**-**	**100.00**

(a) Investments measured at fair value comprise:	
Investments measured at fair value	4,372,106
Derivative assets	66,001
Derivative liabilities	(6,090)
Amount per statement of net currency position	4,432,017
(b) Currency swaps on borrowings comprise:	
Derivative assets	1,630,680
Derivative liabilities	(496,199)
Net swaps on borrowings per statement of net currency position	1,134,481

Net Currency Position at December 31, 2010

(UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Subtotal	Units of Account	Total
Assets								
Cash	17,114	13,991	208,646	4,685	151,281	395,717	-	395,717
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments – trading [(a)]	1,538,407	2,555,757	-	35,399	72,848	4,202,411	-	4,202,411
Investments – held-to-maturity	1,119,306	1,373,697	356,230	377,792	-	3,227,025	-	3,227,025
Non-negotiable instruments on account of capital	-	3,292	-	-	-	3,292	1,333	4,625
Accounts receivable	431,049	347,724	43,291	7,504	475,763	1,305,331	36,327	1,341,658
Loans	3,408,606	3,433,728	497,022	2,253	846,600	8,188,209	(9,412)	8,178,797
Equity participations	23,089	136,317	-	-	50,097	209,503	62,738	272,241
Other debt security	-	-	-	-	79,752	79,752	-	79,752
Other assets	-	-	-	-	-	-	12,694	12,694
	6,537,571	7,864,506	1,105,189	427,633	1,680,142	17,615,041	103,680	17,718,721
Liabilities								
Accounts payable	(721,835)	(595,219)	(137,598)	(172)	(477,469)	(1,932,293)	(82,751)	(2,015,044)
Borrowings	-	(6,199,043)	(1,667,897)	-	(3,572,177)	(11,439,117)	(541,449)	(11,980,566)
Currency swaps on borrowings and related derivatives [(b)]	(4,206,763)	1,009,130	1,389,965	-	2,424,734	617,066	480,210	1,097,276
	(4,928,598)	(5,785,132)	(415,530)	(172)	(1,624,912)	(12,754,344)	(143,990)	(12,898,334)
Currency position of equity as at December 31, 2010	**1,608,973**	**2,079,374**	**689,659**	**427,461**	**55,230**	**4,860,697**	**(40,310)**	**4,820,387**
% of subtotal	**33.10**	**42.78**	**14.19**	**8.79**	**1.14**	**100.00**	**-**	**100.00**
SDR composition as at December 31, 2010	**37.53**	**41.70**	**9.32**	**11.45**	**-**	**100.00**	**-**	**100.00**

(a) Investments held for trading comprise:	
Investments held for trading	4,206,503
Derivative assets	53,626
Derivative liabilities	(57,718)
Amount per statement of net currency position	4,202,411
(b) Currency swaps on borrowings comprise:	
Derivative assets	1,367,854
Derivative liabilities	(270,578)
Net swaps on borrowings per statement of net currency position	1,097,276

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, 2011. 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, 2011 and 2010, respectively. The sensitivity analysis shown assumes a separate 10 percent appreciation/depreciation for each currency in the basket against the US dollar. Due to a moderate change in the African currency holdings the table also includes the effect of a 10 percent 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, 2011

(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	2,144.79	1,950.87	470.59	459.89	27.55	5,053.69	4.53	9bps
GBP	2,196.72	1,816.46	481.99	518.13	27.55	5,040.85	(8.31)	16bps
JPY	2,198.85	1,818.23	530.70	471.49	27.55	5,046.82	(2.34)	5bps
Net assets resulting from a 10% appreciation of each African currency against the SDR	2,221.23	1,836.73	487.36	476.29	30.30	5,051.91	2.75	5bps
Net assets resulting from a 10% depreciation against the USD								
EUR	2,295.61	1,725.67	503.68	492.24	27.55	5,044.75	(4.41)	9bps
GBP	2,243.99	1,855.55	492.36	437.43	27.55	5,056.88	7.72	15bps
JPY	2,241.97	1,853.88	447.19	480.74	27.55	5,051.33	2.17	4bps
Net assets resulting from a 10% depreciation of each African currency against the SDR	2,221.23	1,836.73	487.36	476.29	25.04	5,046.65	(2.50)	5bps
Assumptions:								
Base net assets	2,193.20	1,585.97	508.80	476.29	117.26	4,881.52	-	-
Currency weight	0.6600	0.4230	12.1000	0.1110	-	-	-	-
Base exchange rate	1.5341	1.1868	118.9044	0.9948	-	-	-	-

Sensitivity of the Bank's Net Assets to Currency Fluctuations at December 31, 2010

(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	1,977.04	1,847.25	450.76	501.53	43.07	4,819.64	(0.74)	1bp
GBP	2,026.69	1,721.48	462.08	565.53	43.07	4,818.84	(1.55)	3bps
JPY	2,029.87	1,724.19	509.09	514.93	43.07	4,821.14	0.75	2bps
Net assets resulting from a 10% appreciation of each African currency against the SDR	2,049.40	1,740.78	467.26	519.88	47.37	4,824.69	4.31	9bps
Net assets resulting from a 10% depreciation against the USD								
EUR	2,119.94	1,636.99	483.34	537.77	43.07	4,821.11	0.73	2bps
GBP	2,070.50	1,758.70	472.07	477.49	43.07	4,821.82	1.44	3bps
JPY	2,067.49	1,756.14	428.53	524.47	43.07	4,819.69	(0.70)	1bp
Net assets resulting from a 10% depreciation of each African currency against the SDR	2,049.40	1,740.78	467.26	519.88	39.15	4,816.47	(3.92)	8bps
Assumptions:								
Base net assets	2,049.40	1,740.78	467.26	519.88	43.07	4,820.39	-	-
Currency weight	0.6600	0.4230	12.1000	0.1110	-	-	-	-
Base exchange rate	1.5504	1.1557	125.7552	0.9902	-	-	-	-

Interest Rate Risk

The Bank's interest rate risk sensitivity is comprised of the following two elements:

1) the sensitivity of the interest margin between the rate the Bank earns on its assets and the cost of the borrowings funding such assets;

2) the sensitivity of the income on assets funded by equity resources to changes in interest rates.

The Bank's principal interest rate risk management objective is to generate a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but yet adequately responsive to general market trends.

Interest rate risk position as at December 31, 2011 and 2010 was as follows:

Interest Rate Risk Position as at December 31, 2011

(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	344,156	-	-	-	-	-	-	344,156
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [(a)]	4,820,278	548,305	291,080	465,015	293,919	1,282,088	(50,305)	7,650,380
Non-negotiable instruments on account of capital	869	967	497	453	105	153	-	3,044
Accounts receivable	1,099,738	-	-	-	-	-	(184,888)	914,850
Loans – disbursed and outstanding	6,860,083	205,156	190,770	253,768	189,769	1,673,971	-	9,373,517
Hedged loans – fair value adjustment	-	-	-	-	-	-	49.871	49.871
Accumulated impairment for loan losses	-	-	-	-	-	-	(118,024)	(118,024)
Equity participations	-	-	-	-	-	-	309,762	309,762
Other debt securities	-	-	-	-	-	79,990	-	79,990
Other assets	-	-	-	-	-	-	13,337	13,337
	13,128,925	754,428	482,347	719,236	483,793	3,036,202	19,753	18,624,684
Liabilities								
Accounts payable	(1,974,685)	-	-	-	-	-	-	(1,974,685)
Borrowings [(b)]	(10,861,129)	(335,460)	(230)	(266,171)	(229)	(287,080)	(18,177)	(11,768,476)
Macro-hedge swaps	(521,912)	78,162	50,154	103,371	102,832	187,393	-	-
	(13,357,726)	(257,298)	49,924	(162,800)	102,603	(99,687)	(18,177)	(13,743,161)
Interest rate risk position as at December 31, 2011*	**(228,801)**	**497,130**	**532,271**	**556,436**	**586,396**	**2,936,515**	**1,576**	**4,881,523**

* *Interest rate risk position represents equity.*

(a) Treasury investments comprise:	
Treasury investments	7,590,469
Derivative assets – investments	66,001
Derivative liabilities – investments	(6,090)
Amount per statement of interest rate risk	7,650,380
(b) Borrowings comprise:	
Borrowings	12,902,957
Derivative assets – borrowings	(1,630,680)
Derivative liabilities – borrowings	496,199
Net borrowings per statement of interest rate risk	11,768,476

Interest Rate Risk Position as at December 31, 2010

(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	395,717	-	-	-	-	-	-	395,717
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [a]	4,684,074	383,287	529,608	286,169	456,284	1,148,892	(58,878)	7,429,436
Non-negotiable instruments on account of capital	1,588	1,066	767	509	451	244	-	4,625
Accounts receivable	1,510,824	-	-	-	-	-	(169,166)	1,341,658
Loans – disbursed and outstanding	6,023,697	166,352	169,088	235,133	185,457	1,513,277	-	8,293,004
Accumulated provision for loan impairment	-	-	-	-	-	-	(114,207)	(114,207)
Equity participations	-	-	-	-	-	-	272,241	272,241
Other debt securities	-	-	-	-	-	97,894	(18,142)	79,752
Other assets	-	-	-	-	-	-	12,694	12,694
	12,619,701	550,705	699,463	521,811	642,192	2,760,306	(75,458)	17,718,720
Liabilities								
Accounts payable	(2,015,044)	-	-	-	-	-	-	(2,015,044)
Borrowings [b]	(10,026,770)	(117)	(233)	(319,121)	(1,850)	(614,195)	78,997	(10,883,289)
Macro-hedge swaps	(522,203)	77,921	49,999	89,609	71,427	233,247	-	-
	(12,564,017)	77,804	49,766	(229,512)	69,577	(380,948)	78,997	(12,898,333)
Interest rate risk position as at December 31, 2010*	**55,684**	**628,509**	**749,229**	**292,299**	**711,769**	**2,379,358**	**3,539**	**4,820,387**

* *Interest rate risk position represents equity.*

(a) Treasury investments comprise:	
Treasury investments	7,433,528
Derivative assets – investments	53,626
Derivative liabilities – investments	(57,718)
Amount per statement of interest rate risk	7,429,436
(b) Borrowings comprise:	
Borrowings	11,980,565
Derivative assets – borrowings	(1,367,854)
Derivative liabilities – borrowings	270,578
Net borrowings per statement of interest rate risk	10,883,289

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 percent 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 percent of the Bank's assets funded by equity reprice in each year. Using this benchmark, the Bank's net interest margin on assets funded by equity tends to track a ten-year moving average of 10-year maturity SDR interest rates.

At the end of 2010 and 2011, the Bank's overall repricing profile was closely aligned to the benchmark in almost all annual buckets.

Interest Rate Risk Sensitivity Analysis

Net Interest Margin Sensitivity

A parallel upward shift in the SDR curve of 100 bps would have generated a maximum gain in income statement of UA 5.55 million and UA 8.17 million as of December 31, 2011 and 2010, respectively.

Fair Value Sensitivity

Movements in interest rates also have an impact on the values of assets and liabilities that are reported in the financial statements at fair value through profit or loss. The table below shows the effect of a parallel yield curve movement of +/- 100 bps of each of the currencies in the trading investment portfolio and the borrowings and derivative portfolios as of December 31, 2011 and 2010, respectively. However, due to the low level of interest rates across the Japanese Yen yield curve, the sensitivity analysis in 2011 for assets and liabilities denominated in Japanese Yen reflect a parallel movement in the yield curve of +/- 10 bps (2010: +/- 10 bps).

(UA thousands)

	Upward Parallel Shift		Downward Parallel Shift	
	2011 Gain/(Loss)	2010 Gain/(Loss)	**2011 Gain/(Loss)**	2010 Gain/(Loss)
Held-for-trading investments	(12,946)	(10,943)	14,279	12,099
Fair-valued borrowings and derivative portfolios	114,578	160,758	(126,498)	(175,841)

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 2005, prepayments of pre-1997 loans declined sharply to UA 70 million compared to the amounts in prior years, 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 percent related to market-based loans. Prepayment in 2008 amounted to UA 17 million while prepayments in 2009 and 2010 were UA 20 million and UA 67 million, respectively. No prepayments have been received in the year ended December 31, 2011.

Operational Risk

Like all financial institutions, the Bank is exposed to operational risks arising from its systems and processes.

Operational risks include the risks of losses resulting from inadequate or failed internal processes, people, and/or systems, and from external events which could have a negative financial or adverse reputational impact. Operational risk is present in virtually all the Bank's transactions and includes losses attributable to failures of internal processes in credit and market operations.

The Internal Control Unit (ICU) of the Bank is responsible for implementing the Integrated Internal Control Framework (IICF) which consists of two phases. Phase one relates to the implementation of Internal Control over Financial Reporting (ICFR) based on the COSO Framework as a means of regularly evaluating the effectiveness and efficiency of the Bank's internal controls in all significant business processes with financial statement impact. As part of this process, Management's attestation on the adequacy of internal controls over financial reporting is published in the Bank's annual report.

Phase two of the IICF will entail the implementation of Operational Risk Management Framework which will address risks inherent in other business processes not covered by ICFR. The Operational Risk Management Framework is currently being considered by the Board of Directors as the first step in the implementation process.

It is the primary responsibility of the management of each business area to implement adequate controls on their relevant activities. This responsibility is supported by institutional standards in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Documentation of controls and procedures
- Training and professional development
- Risk mitigation including insurance where this is effective

Compliance with institutional standards is verified through periodic reviews undertaken by the Office of the Auditor General of the Bank. The results of internal audit reviews are discussed with the Management of the relevant business unit(s), with summaries submitted to Senior Management of the Bank and the Audit and Finance Committee of the Board of Directors.

The Bank also has a contingency and business continuity plan which aims to ensure the continuity of its operations and protect the interests of all the key stakeholders of the Bank Group, namely, the member countries (borrowing and non-borrowing), bondholders and other creditors as well as employees and their families, in the event of any disturbance in its office locations. Three key organs in the Bank ensure the oversight and implementation of the plan: (i) the Executive Crisis Committee, chaired by the President of the Bank, which makes the key decisions based on recommendations from the Operations Crisis Committee (OCC); (ii) the OCC that closely monitors all developments affecting the Bank and advises on measures necessary to mitigate the relevant risks and (iii) the business continuity Unit (BCPU) that follows up on the implementation of decisions made and is also responsible for periodic tests of the overall business continuity preparedness of the Bank and staff.

The Bank's Capital Adequacy and Exposure Management Framework currently provides for a risk capital charge of 15 percent of the average operating income for the preceding 3 years, in line with Basel II recommendations for operational risk.

Other elements of the Bank's operational risk management include compliance with the Code of conduct and staff rules, the work of the Fraud and Investigations Department and the existence of a Whistleblower Protection Policy.

NOTE E – FINANCIAL ASSETS AND LIABILITIES

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

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss					
December 31, 2011	Mandatorily at Fair value	Designated at Fair Value	Fair Value through Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	344,156	344,156	344,156
Demand obligations	-	-	-	3,801	3,801	3,801
Treasury investments	4,372,106	-	-	3,218,363	7,590,469	7,812,986
Derivative assets	1,696,681	-	-	-	1,696,681	1,696,681
Non-negotiable instruments on account of capital	-	-	-	3,044	3,044	3,044
Accounts receivable	-	-	-	914,850	914,850	914,850
Loans	-	-	-	9,255,493	9,255,493	9,920,085
Equity participations	-	-	309,762	-	309,762	309,762
Other debt securities	-	-	-	79,990	79,990	79,990
Total financial assets	**6,068,787**	**-**	**309,762**	**13,819,697**	**20,198,246**	**21,085,355**
Accounts payable	-	-	-	1,974,685	1,974,685	1,974,685
Derivative liabilities	502,289	-	-	-	502,289	502,289
Borrowings	-	11,756,421	-	1,146,536	12,902,957	13,119,945
Total financial liabilities	**502,289**	**11,756,421**	**-**	**3,121,221**	**15,379,931**	**15,596,919**

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss							
December 31, 2010	Held-for-Trading	Designated at Fair Value	Held-to-Maturity	Available-for-Sale	Loans and Receivables	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	-	-	395,717	395,717	395,717
Demand obligations	-	-	-	-	-	3,801	3,801	3,801
Treasury investments	4,206,503	-	3,227,025	-	-	-	7,433,528	7,592,924
Derivative assets	1,421,480	-	-	-	-	-	1,421,480	1,421,480
Non-negotiable instruments on account of capital	-	-	-	-	-	4,625	4,625	4,625
Accounts receivable	-	-	-	-	1,341,658	-	1,341,658	1,341,658
Loans	-	-	-	-	8,178,797	-	8,178,797	8,586,715
Equity participations	-	-	-	272,241	-	-	272,241	272,241
Other debt securities	-	-	-	79,752	-	-	79,752	79,752
Total financial assets	**5,627,983**	**-**	**3,227,025**	**351,993**	**9,520,455**	**404,143**	**19,131,599**	**19,698,913**
Accounts payable	-	-	-	-	-	2,015,044	2,015,044	2,015,044
Derivative liabilities	328,296	-	-	-	-	-	328,296	328,296
Borrowings	-	10,877,110	-	-	-	1,103,456	11,980,566	12,201,150
Total financial liabilities	**328,296**	**10,877,110**	**-**	**-**	**-**	**3,118,500**	**14,323,906**	**14,544,490**

The table below classifies the Bank's financial instruments that were carried at fair value at December 31, 2011 and 2010 into three levels reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument (Level 1)		Valuation techniques for which all significant inputs are based on observable market data (Level 2)		Valuation techniques for which any significant input is not based on observable market data (Level 3)		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Treasury investments	2,677,417	3,136,519	1,633,882	964,187	60,806	105,797	4,372,105	4,206,503
Derivative assets	5,311	-	1,616,009	1,356,256	75,361	65,225	1,696,681	1,421,480
Equity participations	3,689	13,787	-	-	306,073	258,454	309,762	272,241
Other debt securities (at fair value)	-	79,752	-	-	-	-	-	79,752
Total financial assets	**2,686,417**	**3,230,058**	**3,249,891**	**2,320,443**	**442,240**	**429,476**	**6,378,548**	**5,979,976**
Derivative liabilities	-	-	467,299	(288,475)	34,990	(39,821)	502,289	(328,296)
Borrowings	(5,565,955)	(5,366,939)	(5,929,638)	(5,249,601)	(260,839)	(260,570)	(11,756,432)	(10,877,110)
Total financial liabilities	**(5,565,955)**	**(5,366,939)**	**(5,462,339)**	**(5,538,076)**	**(225,849)**	**(300,391)**	**(11,254,143)**	**(11,205,406)**

Fair value measurement of financial instruments using valuation technique with no significant input from observable market data (level 3 hierarchy) at December 31, 2010 and 2011 is made up as follows:

(UA thousands)

	Held-for-Trading Treasury Investments	Investments at Fair Value through Profit and Loss	Investments at Fair Value through Other Comprehensive Income	Available-for-Sale Equity Participations	Derivative Assets	Derivative Liabilities	Borrowings
2010							
Balance at January 1, 2010	132,522	-	-	218,742	43,671	(74,714)	(282,149)
Gain/(Losses) recognized in income statement	(14,000)	-	-	(2,403)	(2,123)	997	(66,546)
Gains recognized in statement of comprehensive income	-	-	-	12,621	-	-	-
Purchases, issues and settlements (net)	(16,912)	-	-	24,158	(855)	6,892	4,058
Reclassification	12,321	-	-	-	4,231	20,897	55,666
Translation effects	(8,134)	-	-	5,336	16,450	9,958	28,401
Transfer between assets and liabilities	-	-	-	-	3,851	(3,851)	-
Balance at December 31, 2010	**105,797**	**-**	**-**	**258,454**	**65,225**	**(39,821)**	**(260,570)**
2011							
Balance at January 1, 2011	105,797	-	-	258,454	65,225	(39,821)	(260,570)
Transfer arising from adoption of IFRS 9	(105,797)	105,797	258,454	(258,454)	-	-	-
Gains on unquoted equity investments following adoption of IFRS 9	-	-	30,790	-	-	-	-
Gain/(Losses) recognized in income statement	-	(15,151)	-	-	13,743	1,311	(11,903)
Losses recognized in statement of comprehensive income	-	-	(27,996)	-	-	-	-
Purchases, issues and settlements (net)	-	(29,547)	53,066	-	(10,100)	1,908	23,769
Reclassification	-	-	-	-	-	314	-
Translation effects	-	(293)	(8,241)	-	8,463	(672)	(12,135)
Transfer between assets and liabilities	-	-	-	-	(1,970)	1,970	-
Balance at December 31, 2011	**-**	**60,806**	**306,073**	**-**	**75,361**	**(34,990)**	**(260,839)**

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different fair value results.

Day One Profit and Loss

The unamortized balances of day one profit and loss at December 31, 2011 and 2010 were made up as follows:

(UA thousands)

	2011	2010
Balance at January 1	132,198	111,463
New transactions	14,807	15,246
Amounts recognized in income statement during the year	(16,504)	(9,958)
Translation effects	2,757	15,447
Balance at December 31	**133,258**	**132,198**

NOTE F – TREASURY INVESTMENTS

As part of its overall portfolio management strategy, the Bank invests in government, agency, supranational, bank and corporate obligations, time deposits, mortgage and 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, agency and supranational 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 with the same rating criteria. For maturities beyond 15 years and up to 30 years, a AAA rating is required. For mortgage and asset-backed securities, the Bank may only invest in securities with a AAA credit rating. For bank and corporate obligations with final maturity longer than 6 months and less than 5 years, the Bank may only invest with counterparties having a minimum credit rating of AA-. AAA rating is required for obligations beyond 5 years and up to 10 years. The purchases of currency or interest rate options are permitted only if the life of the option contract does not exceed 1 year. Such transactions are only executed with counterparties with credit ratings of AA- or above. All derivative transactions, including options, cross-currency and interest rate swaps including asset swap transactions, are only permitted with approved counterparties or guaranteed by entities with which the Bank has entered into Master Derivative Agreements and a Collateral Support Agreement with minimum credit ratings of A-/A3 at the time of the transaction.

As at December 31, 2011, the Bank had received collateral with fair value of UA 967 million in connection with swap agreements. Of this amount, a total UA 870 million was in the form of cash and has been recorded on the balance sheet with a corresponding liability included in “Other accounts payable”. The balance of UA 97 million was in the form of liquid financial assets.

At December 31, 2011 and 2010, the Bank had no securities sold under repurchase agreements (repos).

The composition of treasury investments as at December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Treasury investments mandatorily measured at fair value through profit or loss	4,372,106	-
Held-for-trading	-	4,206,503
Treasury investments at amortized costs	3,227,610	-
Held-to-maturity	-	3,242,765
Provision for impairment on investments	(9,247)	(15,740)
Total	**7,590,469**	**7,433,528**

Treasury Investments Mandatorily Measured at Fair Value through Profit or Loss (FVTPL)

A summary of the Bank's treasury investments mandatorily measured at FVTPL as at December 31, 2011 follows:

(UA millions)

	US Dollar	Euro	GBP	Other Currencies	All Currencies
Time deposits	144.46	811.41	23.77	172.35	1,151.99
Asset-backed securities	35.56	25.19	-	-	60.75
Government and agency obligations	1,065.18	312.50	10.66	6.47	1,394.81
Corporate bonds	40.66	0.75	-	-	41.41
Financial institutions	722.32	902.71	-	-	1,625.03
Supranational	73.28	24.84	-	-	98.12
Total	**2,081.46**	**2,077.40**	**34.43**	**178.82**	**4,372.11**

The nominal value of treasury investments mandatorily measured at FVTPL as at December 31, 2011 was UA 4,373.50 million. The average yield of treasury investments mandatorily measured at FVTPL for the year ended December 31, 2011 was 1.22%.

The contractual maturity structure of treasury investments mandatorily measured at FVTPL as at December 31, 2011 was as follows:

(UA millions)

	2011
One year or less	2,522.12
More than one year but less than two years	1,056.16
More than two years but less than three years	582,61
More than three years but less than four years	133.11
More than four years but less than five years	17.64
More than five years	60.47
Total	**4,372.11**

A summary of the Bank's held-for-trading investments at December 31, 2010 follows:

(UA millions)

	US Dollar	Euro	GBP	Other Currencies	All Currencies
Time deposits	252.74	683.91	35.40	60.71	1,032.76
Asset-backed securities	56.29	49.51	-	-	105.80
Government and agency obligations	1,450.31	471.17	-	-	1,921.48
Corporate bonds	102.29	2.07	-	-	104.36
Financial institutions	518.56	341.26	-	-	859.82
Supranational	170.14	-	-	12.14	182.28
Total	**2,550.33**	**1,547.92**	**35.40**	**72.85**	**4,206.50**

The nominal balance of the Bank's held-for-trading investments as at December 31, 2010 was UA 4,187.21 million. The average yield of held-for-trading investments in 2010 was 1.54%.

The contractual maturity structure of held-for-trading investments as at December 31, 2010 was as follows:

(UA millions)

	2010
One year or less	2,051.58
More than one year but less than two years	1,341.42
More than two years but less than three years	599.26
More than three years but less than four years	92.03
More than four years but less than five years	26.72
More than five years	95.49
Total	**4,206.50**

Treasury Investments at Amortized Cost

A summary of the Bank's treasury investments at amortized cost at December 31, 2011 follows:

(UA millions)

	US Dollar	Euro	GBP	Other Currencies	All Currencies
Asset-backed securities	188.06	-	-	-	188.06
Government and agency obligations	685.73	616.64	202.03	230.37	1,734.77
Corporate bonds	112.38	-	22.84	5.03	140.25
Financial institutions	80.46	222.36	44.75	67.96	415.53
Supranational	415.57	160.63	164.44	8.36	749.00
Total	**1,482.20**	**999.63**	**434.06**	**311.72**	**3,227.61**

The nominal value of treasury investments at amortized cost as at December 31, 2011 was UA 3,268.67 million. The average yield of treasury investments at amortized cost for the year ended December 31, 2011 was 3.63%.

The contractual maturity structure of treasury investments at amortized cost as at December 31, 2011 was as follows:

(UA millions)

	2011
One year or less	387.68
More than one year but less than two years	550.47
More than two years but less than three years	289.17
More than three years but less than four years	455.21
More than four years but less than five years	284.83
More than five years	1,260.25
Total	**3,227.61**

The fair value of treasury investments at amortized cost at December 31, 2011 was UA 3,440.88 million.

A summary of the Bank's held-to-maturity investments at December 31, 2010 follows:

(UA millions)

	US Dollar	Euro	GBP	Other Currencies	All Currencies
Asset-backed securities	187.02	17.25	-	-	204.27
Government and agency obligations	533.36	697.16	187.37	203.55	1,621.44
Corporate bonds	216.19	85.36	35.52	69.64	406.71
Financial institutions	72.02	214.20	9.84	34.30	330.36
Supranational	380.84	105.33	145.07	48.74	679.98
Total	**1,389.43**	**1,119.30**	**377.80**	**356.23**	**3,242.76**

The nominal balance of the Bank's held-to-maturity investments as at December 31, 2010, was UA 3,285.90 million. The average yield of held-to-maturity investments in 2010 was 4.60%.

The contractual maturity of held-to-maturity investments as at December 31, 2010 was as follows:

(UA millions)

	2010
One year or less	482.65
More than one year but less than two years	383.18
More than two years but less than three years	532.19
More than three years but less than four years	283.72
More than four years but less than five years	442.85
More than five years	1,118.17
Total	**3,242.76**

The fair value of held-to-maturity investments at December 31, 2010 was UA 3,386.42 million.

NOTE G – DERIVATIVE ASSETS AND LIABILITIES

The fair values of derivative financial assets and financial liabilities at December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Borrowings-related:				
Cross-currency swaps	1,357,151	357,709	1,137,518	177,754
Interest rate swaps	226,747	7,469	184,155	851
Loan swaps	44,594	131,021	43,847	91,973
Embedded derivatives	2,188	-	2,334	-
	1,630,680	496,199	1,367,854	270,578
Investments-related:				
Asset swaps	3,642	6,090	73	1,000
Macro-hedge swaps and others	62,359	-	53,553	56,718
	66,001	6,090	53,626	57,718
Total	**1,696,681**	**502,289**	**1,421,480**	**328,296**

The notional amounts of derivative financial assets and financial liabilities at December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Borrowings-related:		
Cross-currency swaps	9,105,096	9,086,300
Interest rate swaps	4,294,970	3,540,784
Loan swaps	1,246,951	1,303,024
Embedded derivatives	27,656	26,308
	14,674,673	13,956,416
Investments-related:		
Asset swaps	224,624	51,995
Macro-hedge swaps	521,912	522,203
	746,536	574,198
Total	**15,421,209**	**14,530,614**

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.

Futures Contracts

The Bank has entered into futures contracts to hedge fixed interest rate bonds against interest rate variations. As at December 31, 2011, the Bank had 4,983 contracts in Euro and 4,567 contracts in US Dollars. The nominal value of each contract is one million of each currency unit, except for 165 Euro contracts with a nominal value of Euro 100,000 for each contract.

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, 2011 and 2010, there were no open positions with respect to the forward exchange transactions.

Hedge Accounting

On January 1, 2011 the Bank elected to apply fair value hedge accounting to interest rate swaps contracted to hedge its interest rate risk exposure associated to fixed rate loans. Changes in the fair value of the derivative hedging instruments are recognized in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged with the gain or loss attributable to the hedged risk being recognized in profit or loss.

The fair value of the loan swaps designated and effective as hedging instruments as at December 31, 2011 was UA 98 million. The fair value loss on these loan swaps for the year ended December 31, 2011 was UA 42.53 million. The fair value gain on the hedged loans attributable to the hedged risk was UA 45.20 million. Therefore, the hedge ineffectiveness recognized in profit or loss was a gain of UA 2.67 million.

It should be noted that the hedge accounting treatment for swaps at the designation date requires the amortization of the difference between the net carrying amount of loans and their fair value as at January 1, 2011. For 2011, the amortization of fair value adjustment on the hedged risk amounted to UA 4.67 million.

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 the 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.

Under the Sixth General Capital Increase (GCI-VI), approved in accordance with the Board of Governors Resolution B/BG/2010/08 of May 27, 2010 each member eligible to receive financing exclusively from the African Development Fund only shall pay for the paid-up portion of its subscribed shares in twelve (12) equal and consecutive annual installments; while Middle Income Countries, Blend countries and Non-Regional member countries shall pay for the paid-up portion of their respective subscribed shares in eight (8) equal and consecutive annual installments.

Payments for shares under GCI-VI are to be made in freely convertible currencies in cash or promissory notes encashable on or before the due date for payment.

At December 31, 2011 and 2010, the non-negotiable notes balances were as follows:

(UA thousands)

	2011	2010
Balance at January 1	4,625	8,188
Net movement for the year	(1,581)	(3,563)
Balance at December 31	**3,044**	**4,625**

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 multi-currency 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 loans 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 of the loan. The funding spread comprises a funding cost margin and a market risk premium as determined by the Bank. As part of the fixed lending rate, the funding spread remains fixed for the maturity of the loan for which the lending rate has been fixed. Prior to fixing the lending rate, the single currency fixed rate loan is essentially a variable spread loan.

Fixed Spread Loans: In January 2005, the Bank reviewed the entire set of products and lending processes and adjusted the pricing of its market-based loan products for the first time since their introduction in October 1997. To this effect, the Bank simplified the pricing for sovereign and sovereign-guaranteed borrowers and suspended variable spread loans by eliminating the funding cost margin and market risk premium. The simplification resulted in a single lending product known as the fixed spread loan with a simple pricing based on a fixed spread over Libor and no other charges.

Enhanced Variable Spread Loans: In January 2009, in response to the impact of the global financial crisis and the ensuing increase in funding costs for all categories of issuers, the Bank revised the financial terms and conditions offered to its sovereign and sovereign-guaranteed clients to ensure a full cost pass through of its borrowing costs to its clients, thereby safeguarding its financial integrity and its ability to remain a stable source of long-term funding. As a result, the Bank temporarily suspended the fixed spread loan product for sovereign and sovereign-guaranteed borrowers, and reintroduced the variable spread loan. For non-sovereign guaranteed borrowers the fixed spread loan product is still applicable.

In December 2009, the Bank introduced the enhanced variable spread loan product, which offers to variable spread loan borrowers a free option to fix the floating base rate. Currently, the Bank's only standard loan product for sovereign and sovereign-guaranteed borrowers is the Enhanced Variable Spread Loan.

In May 2010, the lending margin of the enhanced variable spread loan was increased to 60 basis points (from 40 basis points) for every loan approved after January 1, 2011. For non-sovereign guaranteed loans, the lending margin is based on the Bank's assessment of the risks inherent in each project.

Others: Other loan structures offered by the Bank include parallel co-financing, A/B syndications and local currency loans if the Bank is able to fund efficiently in the local currency market. The local currency loans are offered under the fixed spread loan pricing framework with a cost pass through principle for local currency loans to ensure that the overall cost of funds is compensated.

At December 31, 2011 and 2010 outstanding loans were as follows:

(UA thousands)

	2011	2010
Outstanding balance	9,373,517	8,293,004
Less: accumulated provision for impairment	(118,024)	(114,207)
Balance at December 31	**9,255,493**	**8,178,797**

Fair Value of Loans

At December 31, 2011 and 2010, the carrying and estimated fair values of outstanding loans were as follows:

(UA thousands)

	2011		2010	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Fixed rate loans	6,316,918	6,505,946	5,121,830	5,028,718
Floating rate loans	2,743,419	3,099,429	2,751,376	3,135,653
Variable rate loans	313,180	314,710	419,798	422,344
	9,373,517	9,920,085	8,293,004	8,586,715
Accumulated provision for impairment	(118,024)	-	(114,207)	-
Net loans	**9,255,493**	**9,920,085**	**8,178,797**	**8,586,715**

Maturity and Currency Composition of Outstanding Loans

The contractual maturity structure of outstanding loans as at December 31, 2011 and 2010 was as follows:

(UA millions)

	2011				2010
Periods	**Fixed Rate**	**Floating Rate**	**Variable Rate**	**Total**	**Total**
One year or less	339.37	235.92	235.26	810.55	858.84
More than one year but less than two years	281.80	338.51	40.47	660.78	551.99
More than two years but less than three years	331.91	317.58	24.90	674.39	617.67
More than three years but less than four years	453.61	428.49	4.94	887.04	590.74
More than four years but less than five years	447.04	255.54	3.61	706.19	704.41
More than five years	4,463.18	1,167.38	4.01	5,634.57	4,969.35
Total	**6,316.91**	**2,743.42**	**313.19**	**9,373.52**	**8,293.00**

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

The currency composition and types of outstanding loans as at December 31, 2011 and 2010 were as follows:

(Amounts in UA millions)

			2011		2010	
			Amount	%	Amount	%
Fixed Rate:	Multi-Currency	Euro	76.16		81.24	
		Japanese Yen	403.37		407.88	
		Pound Sterling	2.45		2.44	
		Swiss Franc	137.70		149.58	
		US Dollar	198.09		207.19	
		Others	0.35		0.39	
			818.12	8.73	848.72	10.23
	Single Currency	Euro	3,000.34		2,654.25	
		Japanese Yen	11.06		12.44	
		South African Rand	484.71		417.51	
		US Dollar	2,002.69		1,188.91	
			5,498.80	58.66	4,273.11	51.53
Floating Rate:	Single Currency	Euro	496.31		541.54	
		Japanese Yen	21.84		22.96	
		South African Rand	214.36		277.05	
		US Dollar	2,010.91		1,909.83	
			2,743.42	29.27	2,751.38	33.18
Variable Rate:	Multi-Currency	Euro	64.22		87.90	
		Japanese Yen	4.36		14.37	
		Swiss Franc	0.04		0.30	
		US Dollar	105.63		116.34	
		Others	-		0.02	
			174.25	1.86	218.93	2.64
	Single Currency	Euro	46.50		65.85	
		Japanese Yen	33.20		52.91	
		Swiss Franc	2.05		3.72	
		US Dollar	57.18		78.37	
		Others	-		0.01	
			138.93	1.48	200.86	2.42
Total			**9,373.52**	**100.00**	**8,293.00**	**100.00**

The weighted-average yield on outstanding loans for the year ended December 31, 2011 was 3.56% (2010: 3.75%).

A comparative summary of the currency composition of outstanding loans at December 31, 2011 and 2010 was as follows:

(Amounts in UA millions)

	2011		2010	
	Amount	**%**	**Amount**	**%**
Euro	3,683.53	39.30	3,430.79	41.37
Japanese Yen	473.83	5.05	510.56	6.16
Pound Sterling	2.45	0.03	2.44	0.03
South African Rand	699.07	7.46	694.55	8.37
Swiss Franc	139.78	1.49	153.60	1.85
US Dollar	4,374.51	46.67	3,500.64	42.21
Others	0.35	-	0.42	0.01
Total	**9,373.52**	**100.00**	**8,293.00**	**100.00**

Accrued Income and Charges Receivables on Loans

The accrued income and charges receivable on loans as at December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Accrued income and charges receivable on loans	378,011	347,401
Less: accumulated provision for impairment	(184,888)	(169,165)
Balance at December 31	**193,123**	**178,236**

Provision for Impairment on Loan Principal and Charges Receivable

At December 31, 2011, outstanding loans with an aggregate principal balance of UA 306.70 million (2010: UA 313.76 million), of which UA 271.82 million (2010: UA 257.19 million) was overdue, were considered to be impaired.

The gross amounts of loans and charges receivable that were impaired and their cumulative impairment at December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Outstanding balance on impaired loans	306,704	313,767
Less: accumulated provision for impairment	(118,024)	(114,207)
Net balance on impaired loans	**188,680**	**199,560**
Charges receivable and accrued income on impaired loans	262,437	239,769
Less: accumulated provision for impairment	(184,888)	(169,165)
Net charges receivable and accrued income on impaired loans	**77,549**	**70,604**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Balance at January 1	114,207	101,921
Provision for impairment on loan principal for the year	3,296	10,643
Translation effects	521	1,643
Balance at December 31	**118,024**	**114,207**

Accumulated provision for impairment on outstanding loan principal included those relating to private sector loans. During the year ended December 31, 2011, a provision for impairment was made on private sector loans principal in the amount of UA 12.53 million (2010: no provision was made). The accumulated provisions on private sector loans at December 31, 2011 amounted to UA 24.58 million.

The movements in the accumulated provision for impairment on loan interest and charges receivable for the years ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Balance at January 1	169,165	125,473
Provision for impairment on loan charges for the year	14,381	16,117
Reclassification	-	24,074
Translation effects	1,342	3,501
Balance at December 31	**184,888**	**169,165**

Accumulated provision for impairment on loan interest and charges receivable included those relating to private sector loans. During the year ended December 31, 2011, a provision for impairment was made on interest and charges receivable on private sector loans in the amount of UA 2.06 million (2010: UA 1.27 million). The accumulated provision on interest and charges receivable on private sector loans at December 31, 2011 amounted to UA 13.62 million.

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. No irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans were outstanding at December 31, 2011 and 2010.

Also, the Bank may provide repayment guarantees to entities within its regional member countries for development loans granted to such entities by third parties. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. At December 31, 2011, guarantees provided by the Bank to some of its borrowers amounted to UA 10.43 million (2010: UA 2.31 million).

NOTE J – EQUITY PARTICIPATIONS

Investment in ADF

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

The ADF has a 14-member Board of Directors, made up of 7 members selected by the African Development Bank and 7 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, 2011 amounted to UA 159.33 million (2010: UA 163.96 million), representing 68.76 percent

(2010: 70.83 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 50 percent 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, 2011, the Bank's pro-rata or economic share in ADF was 0.63 percent (2010: 0.67 percent).

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 Bank's investment in the Fund declined, 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 cancelation at the balance sheet date.

Other Equity Participations

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

Unless otherwise approved by the Board of Directors, the Bank's equity participation shall not exceed 25 percent of the equity capital of the entity in which it invests. The Bank currently holds less than 20 percent of the total equity capital of most of the institutions in which it participates. The Bank therefore does not seek a controlling interest in the companies in which it invests, but closely monitors its equity investments through Board representation. In accordance with the Board of Governors' Resolution B/BG/2009/10 of May 13, 2009, total equity investment by the Bank shall not at any time exceed 15 percent of the aggregate amount of the Bank's paid-in capital and reserves and surplus (risk capital) included in its ordinary capital resources.

Under IFRS 9 equity investments must be measured at fair value through profit or loss. However, where the equity investment is not held for trading, an entity has the option to take fair value changes into other comprehensive income (OCI), with no recycling of the change in fair value to profit or loss if the investment is subsequently derecognized. As the Bank's equity investments are currently held for strategic purposes rather than for trading, the Bank has opted to designate all its equity investments as at fair value through other comprehensive income.

Prior to the adoption of IFRS 9 by the Bank on January 1, 2011, equity investments for which fair value could not be reliably measured were reported at cost less provision for losses for estimated permanent and lasting decline in value. The investments for which fair value could not 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.

The Bank's equity interests at the end of 2011 and 2010 are summarized below:

(Amounts in UA thousands)

Institutions	Year Established	Callable Capital	Carrying Value 2011	Carrying Value 2010
African Development Fund	1972	-	111,741	111,741
Accumulated share of profit/(loss) and impairment on January 1			(48,878)	(49,963)
Share of (loss)/profit for the year			(437)	(421)
Impairment for the year			(152)	1,505
		-	62,274	62,862
Regional Development Banks (carried at fair value in 2011 and at cost in 2010)**				
Afreximbank	1993	9,770	19,175	6,493
BDEAC	1975	2,313	830	1,578
BDEGL*	1980	-	-	1,946
BOAD	1973	2,313	2,940	657
East African Development Bank	1967	-	3,162	4,383
PTA Bank	1985	35,434	8,608	8,831
Shelter Afrique	1982	-	11,752	8,117
		49,830	46,467	32,005
Other Development Institutions (carried at fair value in 2011 and at cost in 2010)**				
Africa-Re	1977	-	21,644	5,656
K-REP Bank Limited	1997	-	1,814	2,028
National Development Bank of Sierra Leone *	-	-	-	-
		-	23,458	7,684
Investment Funds and Banks (carried at fair value in 2011 and 2010)**				
AB Microfinance Bank Nigeria Limited	2007	-	728	473
AccessBank Liberia Limited	2008	-	946	816
AccessBank Tanzania Limited	2007	-	317	595
Advans Banque Congo	2008	-	802	1,085
Africa Capitalization Fund	2010	31,503	625	208
Africa Health Fund LLC	2009	7,539	1,621	476
Africa Joint Investment Fund	2010	4,993	4,445	7,439
African Agriculture Fund LLC	2010	24,584	849	-
African Guarantee Fund	2011	5,862	651	-
African Infrastructure Investment Fund 2	2009	16,197	1,648	1,733
AfricInvest Fund II LLC	2008	6,138	7,048	4,057
Agri-Vie Fund PCC	2008	4,423	3,689	4,268
AIG Africa Infrastructure Fund	1998	188	2,461	3,948
Argan Infrastructure Fund	2010	12,129	268	16
Atlantic Coast Regional Fund LLC	2008	1,981	4,423	1,971
Aureos Africa Fund LLC	2007	8,251	9,967	8,865
Catalyst Fund I LLC	2010	8,528	670	-
ECP Africa Fund II PCC	2005	5,832	22,574	26,375
ECP Africa Fund III PCC	2008	16,878	9,831	10,647
Evolution One Fund	2010	6,989	249	981
GEF Africa Sustainable Forestry Fund	2011	8,043	516	-
GroFin Africa Fund	2008	7,613	2,622	1,475
Helios Investors II Mauritius Limited	2011	11,309	5,034	-
Infrastructure Development Bank of Zimbabwe *	1984	-	-	-
Investment Fund for Health in Africa	2010	5,234	2,156	1,440
Maghreb Private Equity Fund II (Mauritius) PCC	2008	2,009	14,803	14,868
New Africa Mining Fund II	2010	8,699	34	-
Pan African Infrastructure Development Fund	2007	13,031	14,376	14,608
Pan-African Investment Partners II Limited	2008	20,457	715	6,240
South Africa Infrastructure Fund	1996	939	38,447	32,583
TCX Investment Company Mauritius Limited	2007	120	16,139	17,246
United Bank for Africa	1961	-	3,689	26,061
West Africa Emerging Market Fund	2011	5,553	191	-
ZEP-RE (PTA Reinsurance Company)	2011	-	5,029	-
		245,022	177,563	188,474
Total		294,852	309,762	291,025
Less: Accumulated provision for impairment		-	-	(18,784)
Net		**294,852**	**309,762**	**272,241**

* *Amounts fully disbursed, but the value is less than UA 100, at the current exchange rate,*
** *The cost of equity investments carried at fair value at December 31, 2011 amounted to UA 260.01 million (2010: UA 156.82 million).*

Dividends earned on equity investments measured at fair value through other comprehensive income amounted to UA 2.38 million for the year ended December 31, 2011 (2010: 1.43 million). No equity investments have been derecognized during the year 2011.

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

(UA thousands)

	2011	2010
Balance at January 1	18,784	15,937
Transfer to carrying amounts of equity investments following adoption of IFRS 9	(18,784)	-
Net provision for the year	-	2,403
Translation effects	-	444
Balance at December 31	**-**	**18,784**

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. With the adoption of IFRS 9 from January 1, 2011, these investments are classified as financial assets at amortized cost. Prior to the Bank's adoption of IFRS 9 such investments were classified as available-for-sale with fair value differences reported in OCI.

The carrying amount of "Other debt securities" at December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Investments in debt instruments in RMCs – at amortized cost	79,990	-
Investments in debt instruments in RMCs – at fair value	-	79,752
Balance at December 31	**79,990**	**79, 752**

NOTE L – PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2011	**Land**	**Building and Improvements**	**Furniture, Fixtures & Fittings**	**Equipment & Motor Vehicles**	**Total Property & Equipment**	**Computer Software**	**Property, Equipment & Intangible Assets**
Cost:							
Balance at January 1	480	23,398	10,513	45,755	80,146	19,569	**99,715**
Additions during the year	-	916	586	3,070	4,572	534	**5,106**
Disposals during the year	-	-	-	(9)	(9)	-	**(9)**
Balance at December 31	480	24,314	11,099	48,816	84,709	20,103	**104,812**
Accumulated Depreciation:							
Balance at January 1	-	21,690	8,360	38,487	68,537	19,188	**87,725**
Depreciation during the year	-	102	921	3,136	4,159	306	**4,465**
Disposals during the year	-	-	-	(6)	(6)	-	**(6)**
Balance at December 31	-	21,792	9,281	41,617	72,690	19,494	**92,184**
Net Book Values: December 31, 2011	**480**	**2,522**	**1,818**	**7,199**	**12,019**	**609**	**12,628**

(UA thousands)

	Property and Equipment					Intangible Assets	Grand Total
2010	**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	22,783	10,623	44,322	77,869	19,199	**97,068**
Additions during the year	339	615	644	3,409	5,007	370	**5,377**
Disposals during the year	-	-	(755)	(1,977)	(2,732)	-	**(2,732)**
Balance at December 31	480	23,398	10,512	45,754	80,144	19,569	**99,713**
Accumulated Depreciation:							
Balance at January 1	-	21,589	8,105	37,358	67,052	18,773	**85,825**
Depreciation during the year	-	100	996	3,081	4,177	414	**4,591**
Disposals during the year	-	-	(741)	(1,952)	(2,693)	-	**(2,693)**
Balance at December 31	-	21,689	8,360	38,487	68,536	19,187	**87,723**
Net Book Values: December 31, 2010	**480**	**1,709**	**2,152**	**7,267**	**11,608**	**382**	**11,990**

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 land on which the buildings stand are owned by the Government who granted unlimited right of occupancy to the Bank. 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. The Government would pay the Bank the value of the building as assessed at the time of the surrender. At December 31, 2011, the book value of these assets is not significant.

NOTE M – BORROWINGS

The capital adequacy framework approved by the Board of Directors adopted the use of a single debt to usable capital ratio to monitor the Bank's leverage. The ratio caps the Bank's total outstanding debt at 100 percent of usable capital. Usable capital comprises the equity of the Bank and the callable capital of its non-borrowing members rated A- or better. The Bank's usable capital at December 31, 2011 was UA 23,513 million.

As at December 31, 2011 and 2010, senior and subordinated borrowings were as follows:

(UA millions)

	2011	2010
Senior borrowings	11,756.42	11,203.69
Subordinated borrowings	1,146.54	776.88
Total	**12,902.96**	**11,980.57**

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs.

Certain long-term borrowing agreements contain provisions that allow redemption at the option of the holder at specified dates prior to maturity. Such borrowings are reflected in the tables on the maturity structure of borrowings using the put dates, rather than the contractual maturities. Management believes, however, that a portion of such borrowings may remain outstanding beyond their earliest redemption dates.

The Bank has entered into cross-currency swap agreements with major international banks through which proceeds from borrowings are converted into a different currency and include a forward exchange contract providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice-versa.

A summary of the Bank's borrowings portfolio at December 31, 2011 and 2010 was as follows:

Borrowings and Swaps at December 31, 2011

(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	-	-	-	-	295.83	5.66	8.7	-	-	-
	Adjustable	-	-	-	-	4,119.93	1.64	2.9	-	-	-
		-	-	-	-	(134.85)	1.57	2.2	-	-	-
Japanese Yen	Fixed	514.60	507.37	2.83	15.9	-	-	-	-	-	-
		-	-	-	-	(651.45)	1.31	26.3	-	-	-
	Adjustable	722.34	27.66	1.34	4.9	-	-	-	76.26	0.03	1.4
		-	-	-	-	(803.71)	1.26	5.5	(76.26)	0.78	1.4
US Dollar	Fixed	5,429.19	592.73	3.01	3.2	-	-	-	-	-	-
		-	-	-	-	(2,605.40)	2.70	2.8	(2,686.50)	2.38	2.9
	Adjustable	911.75	-	0.49	1.7	2,984.27	0.10	7.2	3,152.69	0.49	2.6
		-	-	-	-	(1,176.98)	0.16	4.3	(534.11)	0.69	1.2
Others [d]	Fixed	4,178.54	21.26	3.78	3.5	5.40	3.92	3.6	-	-	-
		-	-	-	-	(3,525.02)	3.37	3.3	(998.10)	3.72	5.7
	Adjustable	-	-	-	-	603.23	2.25	5.9	837.65	3.90	5.0
		-	-	-	-	(207.68)	0.55	7.3	-	-	-
Total	Fixed	10,122.33	1,121.36	3.28	4.3	301.23	5.63	8.6	-	-	-
		-	-	-	-	(6,781.87)	2.91	5.3	(3,684.60)	2.74	3.6
	Adjustable	1,634.09	27.66	0.87	3.1	7,707.42	1.09	4.8	4,066.60	1.18	3.1
		-	-	-	-	(2,323.21)	0.66	4.9	(610.37)	0.70	1.2
Principal at face value		11,756.42	1,149.02	2.97	4.2	(1,096.43)	-	-	(228.37)	-	-
Net unamortized premium/ (discount)		-	(2.48)	-	-	594.95	-	-	242.80	-	-
		11,756.42	1,146.54	2.97	4.2	(501.48)	-	-	14.43	-	-
Fair valuation adjustment		-	-	-	-	(497.96) [c]	-	-	(233.71) [c]	-	-
Total		**11,756.42**	**1,146.54**	**2.97**	**4.2**	**(999.44)**	**-**	**-**	**(219.28)**		

Supplementary disclosure (direct borrowings):
The notional amount of borrowings at December 31, 2011 was UA 13,075.10 million and the estimated fair value was UA 13,119.94 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, 2011.
c. These amounts are included in derivative assets and liabilities on the balance sheet.
d. These amounts relate mainly to borrowings and derivatives in AUD, CHF, NZD, TRY and ZAR. There were no borrowings and derivatives in GBP at the end of the year.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at December 31, 2010

(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	-	-	-	-	147.15	8.71	8.8	-	-	-
	Adjustable	-	-	-	-	4,197.58	0.99	3.1	-	-	-
		-	-	-	-	(137.97)	0.89	3.2	-	-	-
Sterling [d]	Fixed	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
	Adjustable	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Japanese Yen	Fixed	476.94	415.35	2.99	15.5	-	-	-	-	-	-
		-	-	-	-	(632.92)	1.63	24.9	-	-	-
	Adjustable	731.05	26.31	1.61	5.1	-	-	-	72.55	0.10	2.4
			-	-	-	(758.16)	1.51	8.5	(72.55)	1.05	2.4
US Dollar	Fixed	4,660.60	590.90	2.69	3.2	-	-	-	-	-	-
		-	-	-	-	(2,532.42)	2.71	2.5	(2,289.25)	1.92	2.6
	Adjustable	1,198.03	-	0.33	2.1	2,865.53	0.33	7.4	2,705.85	0.76	2.5
		-	-	-	-	(1,341.68)	0.43	4.7	(525.96)	0.57	2.1
Others	Fixed	3,810.49	73.94	4.02	3.3	5.39	3.92	4.6	-	-	-
		-	-	-	-	(3,475.81)	3.81	3.4	(653.03)	6.35	4.5
	Adjustable	-	-	-	-	715.97	2.67	6.9	653.03	3.77	4.5
		-	-	-	-	(207.32)	0.54	8.4	-	-	-
Total	Fixed	8,948.03	1,080.19	3.23	4.2	152.54	8.54	8.6	-	-	-
		-	-	-	-	(6,641.15)	3.18	5.1	(2,950.25)	2.89	3.0
	Adjustable	1,929.08	26.31	0.83	3.2	7,779.07	0.90	5.0	3,439.40	1.31	2.8
		-	-	-	-	(2,445.13)	0.80	6.1	(598.51)	0.63	2.2
Principal at face value		10,877.11	1,106.50	2.84	4.1	(1,154.67)	-	-	(109.36)	-	-
Net unamortized premium/ (discount)		-	(3.04)	-	-	532.23	-	-	116.09	-	-
		10,877.11	1,103.46	2.84	4.1	(622.44)	-	-	6.73	-	-
Fair valuation adjustment		-	-	-	-	(337.32) [c]	-	-	(190.04) [c]	-	-
Total		**10,877.11**	**1,103.46**	**2.84**	**4.1**	**(959.76)**			**(183.31)**		

Supplementary disclosure (direct borrowings):
The notional amount of borrowings at December 31, 2010 was UA 12,226.31 million and the estimated fair value was UA 12,201.15 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, 2010.
c. These amounts are included in derivative assets and liabilities on the balance sheet.
d. Borrowings and derivatives in GBP were redeemed during the year.

Slight differences may occur in totals due to rounding.

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2011 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	2,487.66	350.42	2,838.08
More than one year but less than two years	2,095.01	7.23	2,102.24
More than two years but less than three years	2,016.26	-	2,016.26
More than three years but less than four years	687.59	-	687.59
More than four years but less than five years	2,318.72	-	2,318.72
More than five years	1,789.32	4.21	1,793.53
Total	**11,394.56**	**361.86**	**11,756.42**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	18.48	111.46	129.94
More than one year but less than two years	335.23	-	335.23
More than two years but less than three years	-	-	-
More than three years but less than four years	260.54	-	260.54
More than four years but less than five years	-	-	-
More than five years	423.31	-	423.31
Subtotal	**1,037.56**	**111.46**	**1,149.02**
Net unamortized premium and discount	(2.48)	-	(2.48)
Total	**1,035.08**	**111.46**	**1,146.54**

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at December 31, 2010 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	1,573.82	317.04	1,890.86
More than one year but less than two years	2,549.00	2.52	2,551.52
More than two years but less than three years	2,235.83	-	2,235.83
More than three years but less than four years	2,002.68	-	2,002.68
More than four years but less than five years	691.14	-	691.14
More than five years	1,505.08	-	1,505.08
Total	**10,557.55**	**319.56**	**10,877.11**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	51.37	26.31	77.68
More than one year but less than two years	19.12	-	19.12
More than two years but less than three years	318.89	-	318.89
More than three years but less than four years	-	-	-
More than four years but less than five years	259.74	-	259.74
More than five years	431.07	-	431.07
Subtotal	**1,080.19**	**26.31**	**1,106.50**
Net unamortized premium and discount	(3.04)	-	(3.04)
Total	**1,077.15**	**26.31**	**1,103.46**

The fair value of borrowings carried at fair value through profit or loss at December 31, 2011 was UA 11,756.42 million (2010: UA 10,877.11 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at December 31, 2011 was UA 10,943.87 million (2010: UA 11,119.82 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 loss of UA 13 million on fair-valued borrowings and related derivatives for the year ended December 31, 2011 (2010: net loss of UA 27.61 million). The fair value loss attributable to changes in the Bank's credit risk included in the other comprehensive income (which otherwise would have been included in profit or loss under IAS 39) for the year ended December 31, 2011 was UA 63.51 million. The net loss recorded in the year ended December 31, 2010 included a loss of UA 38.78 million which was attributable to changes in the Bank's credit risk. Under IAS 39, this amount was included in profit or loss.

Fair value changes attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings designated at fair value through profit or loss using the Bank's credit spread on the relevant liquid markets for ADB quoted bonds versus LIBOR both at the beginning and end of the relevant period. The Bank's credit spread was not applied for fair value changes on callable borrowings with less than one year call date.

For borrowings designated at fair value through profit or loss at December 31, 2011, the cumulative unrealized fair value losses to date were UA 812.55 million (2010: losses of UA 542.80 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 six 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.

Prior to the sixth General Capital Increase (GCI-VI) and by its resolutions B/BG/2008/07 and B/BG/2009/05, the Board of Governors authorized two capital increases bringing the Authorized Capital of the Bank from UA 21,870 million to UA 22,120 million to allow the Republic of Turkey and the Grand Duchy of Luxembourg to become members of the Bank. The membership of these two countries shall become effective upon completion of the formalities specified in the Agreement establishing the Bank and in the General Rules Governing Admission of Non-Regional Countries to Membership of the Bank. As at December 31, 2011, such formalities had not been completed by either country.

In 2009, the Board of Directors endorsed a proposal made by Canada and Republic of Korea offering to subscribe, temporarily, to additional non-voting callable capital of the Bank in the amounts of UA 1.63 billion and UA 0.19 billion, respectively. This proposal was adopted by the Board of Governors on February 22, 2010. Accordingly, the authorized capital stock of the Bank increased from UA 22,120 million to UA 23,947 million by the creation of additional 182,710 non-voting shares. These non-voting callable shares were to be absorbed by the subscriptions of Canada and the Republic of Korea to GCI-VI when they become effective.

The GCI-VI was approved by the Board of Governors of the Bank on May 27, 2010. GCI-VI increased the authorized capital stock of the Bank from UA 23,947 million to UA 67,687 million with the creation of 4,374,000 new shares. The new shares created are to be allocated to the regional and non-regional groups in such proportions that, when fully subscribed, the regional group shall hold 60 percent of the total capital stock of the Bank, and the non-regional group 40 percent. The new shares and the previous ones described above shall be divided into paid-up and callable shares in the proportion of 6 percent paid-up shares and 94 percent callable shares.

Following the Board of Governors' resolution, the temporary non-voting callable shares of Canada described above have been effectively retired, while the processes for the retirement of those for the Republic of Korea were at an advanced stage as at December 31, 2011. Consequently, the authorized capital of the Bank reduced by 163,296 shares representing the retired non-voting callable shares for Canada.

The Bank's capital as at December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Capital Authorized (in shares of UA 10 000 each)	66,054,500	67,687,460
Less: Unsubscribed	(28,732,496)	(43,762,836)
Subscribed Capital	37,322,004	23,924,624
Less: Callable Capital	(34,032,945)	(21,548,996)
Paid-up Capital	3,289,059	2,375,628
Shares to be issued upon payment of future installments	(782,050)	(19,130)
Add: Amounts paid in advance	185	102
	2,507,194	2,356,600
Less: Amounts in arrears	(1,219)	(923)
Capital at December 31	**2,505,975**	**2,355,677**

Included in the total unsubscribed shares of UA 28,732.50 million at December 31, 2011, was an amount of UA 38.83 million representing the balance of the shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia).

Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 38.83 million callable, and UA 4.86 million paid-up shares) have been held by the Bank in accordance with Article 6 (6) of the Bank Agreement. In 2002, the Board of Directors of the Bank approved the proposal to invite each of the successor states of the former Yugoslavia to apply for membership in the Bank, though such membership would be subject to their fulfilling certain conditions including the assumption pro-rata of the contingent liabilities of the former Yugoslavia to the Bank, as of December 31, 1992. In the event that a successor state declines or otherwise does not become a member of the Bank, the pro-rata portion of the shares of former Yugoslavia, which could have been reallocated to such successor state, would be reallocated to other interested non-regional members of the Bank in accordance with the terms of the Share Transfer Rules. The proceeds of such reallocation will however be transferable to such successor state. Furthermore, pending the response from the successor states, the Bank may, under its Share Transfer Rules, reallocate the shares of former Yugoslavia to interested non-regional member states and credit the proceeds on a pro-rata basis to the successor states. In 2003, one of the successor states declined the invitation to apply for membership and instead offered to the Bank, as part of the state's Official Development Assistance its pro-rata interest in the proceeds of any reallocation of the shares of former Yugoslavia. The Bank accepted the offer.

Subscriptions by member countries and their voting power at December 31, 2011 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	87,389	2.392	95,702	778,210	88,014	2.378
2	Angola	25,405	0.695	28,837	225,212	26,030	0.703
3	Benin	4,245	0.116	4,817	37,633	4,870	0.132
4	Botswana	68,752	1.882	54,684	632,845	69,377	1.874
5	Burkina Faso	9,307	0.255	10,920	82,155	9,932	0.268
6	Burundi	14,961	0.409	6,983	142,626	15,586	0.421
7	Cameroon	22,632	0.619	25,351	200,371	22,764	0.615
8	Cape Verde	1,672	0.046	2,090	14,630	2,297	0.062
9	Central African Republic	2,814	0.077	1,325	26,822	3,439	0.093
10	Chad	1,641	0.045	2,052	14,360	2,266	0.061
11	Comoros	477	0.013	555	4,173	1,067	0.029
12	Congo	9,875	0.270	11,590	87,170	10,500	0.284
13	Côte d'Ivoire	81,008	2.217	101,260	708,820	81,633	2.206
14	Democratic Republic of Congo	65,790	1.801	30,879	627,025	66,415	1.794
15	Djibouti	1,213	0.033	1,517	10,618	1,838	0.050
16	Egypt	111,829	3.060	126,920	991,370	112,454	3.038
17	Equatorial Guinea	3,481	0.095	3,930	30,517	3,806	0.103
18	Eritrea	2,003	0.055	2,506	17,522	2,628	0.071
19	Ethiopia	34,778	0.952	39,470	308,310	35,403	0.957
20	Gabon	26,140	0.715	32,684	228,728	26,765	0.723
21	Gambia	3,341	0.091	3,708	29,523	3,819	0.103
22	Ghana	49,688	1.360	55,136	441,751	50,313	1.359
23	Guinea	8,869	0.243	10,658	78,031	9,494	0.257
24	Guinea Bissau	600	0.016	750	5,250	1,225	0.033
25	Kenya	31,707	0.868	35,990	281,080	32,332	0.874
26	Lesotho	3,467	0.095	3,864	30,820	4,092	0.111
27	Liberia	12,238	0.335	5,756	116,637	12,863	0.348
28	Libya	83,936	2.297	93,244	746,118	84,561	2.285
29	Madagascar	14,162	0.388	16,070	125,550	14,787	0.400
30	Malawi	6,472	0.177	8,090	56,630	7,097	0.192
31	Mali	9,535	0.261	10,937	84,411	10,160	0.275
32	Mauritania	3,213	0.088	4,015	28,116	3,838	0.104
33	Mauritius	41,100	1.125	20,776	390,230	41,725	1.127
34	Morocco	220,272	6.028	93,736	2,108,990	220,897	5.968
35	Mozambique	13,766	0.377	15,636	122,038	14,391	0.389
36	Namibia	21,431	0.587	9,511	204,800	22,056	0.596
37	Niger	5,526	0.151	6,908	48,353	6,151	0.166
38	Nigeria	193,224	5.288	222,332	1,709,933	193,849	5.238
39	Rwanda	2,902	0.079	3,333	25,683	3,527	0.095
40	Sao Tome & Principe	1,488	0.041	1,864	13,024	2,114	0.057
41	Senegal	21,892	0.599	25,443	193,471	22,516	0.608
42	Seychelles	1,804	0.049	1,547	16,499	2,429	0.066
43	Sierra Leone	5,298	0.145	6,623	46,361	5,923	0.160
44	Somalia	1,941	0.053	2,427	16,986	2,566	0.069
45	South Africa	100,039	2.738	86,085	914,310	100,664	2.720
46	Sudan	25,539	0.699	11,920	243,467	26,164	0.707
47	Swaziland	7,251	0.198	8,230	64,280	7,876	0.213
48	Tanzania	17,860	0.489	20,685	157,927	18,485	0.499
49	Togo	3,452	0.094	4,314	30,201	4,077	0.110
50	Tunisia	88,369	2.418	39,435	844,260	88,994	2.405
51	Uganda	11,011	0.301	13,331	96,787	11,636	0.314
52	Zambia	27,434	0.751	31,497	242,849	28,047	0.758
53	Zimbabwe	45,028	1.232	54,094	396,188	45,653	1.233
	Total Regionals	**1,659,267**	**45.410**	**1,512,021**	**15,079,666**	**1,691,404**	**45.700**

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	**1,659,267**	**45.410**	**1,512,021**	**15,079,666**	**1,691,404**	**45.700**
54	Argentina	5,846	0.160	6,108	52,364	6,472	0.175
55	Austria	28,184	0.771	11,183	270,660	28,809	0.778
56	Belgium	13,957	0.382	13,980	125,600	14,583	0.394
57	Brazil	9,673	0.265	9,700	87,036	10,299	0.278
58	Canada	237,721	6.506	100,655	2,276,560	238,346	6.440
59	China	70,554	1.931	27,991	677,550	71,179	1.923
60	Denmark	73,645	2.015	34,713	701,740	74,270	2.007
61	Finland	30,855	0.844	12,241	296,310	31,480	0.851
62	France	237,061	6.488	94,051	2,276,560	237,686	6.422
63	Germany	89,631	2.453	89,740	806,570	90,256	2.439
64	India	14,110	0.386	5,603	135,500	14,735	0.398
65	Italy	152,849	4.183	60,641	1,467,850	153,474	4.147
66	Japan	346,672	9.488	137,540	3,329,180	347,297	9.384
67	Korea	28,184	0.771	11,183	270,660	28,809	0.778
68	Kuwait	9,707	0.266	9,720	87,350	10,332	0.279
69	Netherlands	54,178	1.483	20,815	520,970	54,803	1.481
70	Norway	73,073	2.000	28,993	701,740	73,698	1.991
71	Portugal	5,230	0.143	5,320	46,980	5,855	0.158
72	Saudi Arabia	4,212	0.115	4,220	37,900	4,837	0.131
73	Spain	69,089	1.891	47,452	643,440	69,714	1.884
74	Sweden	97,533	2.669	38,691	936,640	98,158	2.652
75	Switzerland	92,567	2.533	36,724	888,950	93,192	2.518
76	United Kingdom	106,132	2.905	42,108	1,019,220	106,757	2.884
77	United States of America	144,053	3.942	144,585	1,295,949	144,678	3.909
	Total Non Regionals	**1,994,716**	**54.590**	**993,954**	**18,953,279**	**2,009,719**	**54.300**
	Grand Total	**3,653,983**	**100.000**	**2,505,975**	**34,032,945**	**3,701,123**	**100.000**

The subscription position including the distribution of voting rights at December 31, 2011 reflects the differences in the timing of subscription payments by member countries during the allowed subscription payment period for GCI-VI. After the shares have been fully subscribed, the regional and non-regional groups are expected to hold 60% and 40% voting rights, respectively.

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. This rate represented the value of the US Dollar to the SDR immediately before the introduction of the basket method of valuing the SDR on July 1, 1974 (1974 SDR). 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, 2011 and 2010, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)

	2011	2010
Balance at January 1	162,572	161,970
Net conversion (gains)/losses on new subscriptions	(1,939)	602
Balance at December 31	**160,633**	**162,572**

Reserves

Reserves consist of retained earnings, fair value gains/losses on investments designated at fair value through other comprehensive income and gains/losses on fair-valued borrowings arising from "own credit".

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 also included the transition adjustments resulting from the adoption of IFRS 9 on January 1, 2011 as detailed in Note C.

The movements in retained earnings during 2010 and 2011 were as follows:

(UA thousands)	
Balance at January 1, 2010	2,556,391
Net income for the year 2010	67,293
Net expenses recognized directly in equity	(568)
Balance at December 31, 2010	**2,623,116**
Effect of change in accounting policy following adoption of IFRS 9	52,191
Net income for the current year	51,512
Net expenses recognized directly in equity	(89,926)
Balance at December 31, 2011	**2,636,893**

In June 2011, the Board of Governors of the Bank approved the transfer from the income earned for the year ended December 31, 2010, an amount of UA 23.13 million (2010: UA 27.75 million) to the surplus account. The Board of Governors also approved the allocation of UA 113.00 million (2010: UA 146.37 million) from income and the surplus account to certain entities for development purposes.

With effect from 2006, Board of Governors' approved distributions to entities for development purposes are reported as expenses in the Income Statement in the year such distributions are approved.

The movement in the surplus account during 2010 and 2011 is as follows:

(UA thousands)	
Balance at January 1, 2010	26,778
Allocation from 2009 net income	27,750
Distribution to African Water Facility	(10,000)
Distribution to African Capacity Building Foundation	(7,711)
Distribution to African Technical Assistance Centers (AFRITAC)	(4,819)
Distribution to African Training and Management Services (ATMS)	(2,193)
Distribution to Debt Management Facility	(643)
Balance at December 31, 2010 and January 1, 2011	**29,162**
Allocation from 2010 net income	23,130
Distribution to Middle Income Country Technical Assistance Fund	(5,000)
Distribution to Special Relief Fund	(5,000)
Balance at December 31, 2011	**42,292**

Transfers to entities for development purposes, including those made from the surplus account, for the year ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
African Development Fund (ADF)	35,000	50,000
Post Conflict Assistance – DRC	68,000	66,000
Middle Income Country Technical Assistance Fund	5,000	5,000
Special Relief Fund	5,000	-
African Water Facility	-	10,000
African Capacity Building Foundation	-	7,711
African Technical Assistance Centers (AFRITAC)	-	4,819
African Training and Management Services (ATMS)	-	2,193
Debt Management Facility	-	643
Balance at December 31	**113,000**	**146,366**

NOTE O – INCOME FROM LOANS AND INVESTMENTS AND RELATED DERIVATIVES

Income from Loans

Income from loans for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Interest income on loans not impaired	284,159	261,905
Interest income on impaired loans	21,577	22,967
Commitment charges	8,892	8,200
Statutory commission	295	287
Total	**314,923**	**293,359**

Income from Investments and Related Derivatives

Income from investments for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Interest income	224,933	258,127
Realized and unrealized fair value losses	(56,083)	(38,908)
Total	**168,850**	**219,219**

Total interest income on investments at amortized cost for the year ended December 31, 2011 was UA 116.92 million (2010: UA 133.23 million). During the year ended December 31, 2011, the Bank sold certain financial assets measured at amortized cost. This sale was made due to a severe deterioration in credit risk of such assets. Such sales were not contrary to the business model of the Bank. The Bank incurred a loss amounting to UA 3.8 million on derecognition of these financial assets which was fully covered by provisions made in previous years.

NOTE P – BORROWING EXPENSES

Interest and Amortized Issuance Costs

Interest and amortized issuance costs on borrowings for the years ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Charges to bond issuers	340,168	316,837
Amortization of issuance costs	(23,345)	(13,796)
Total	**316,823**	**303,041**

Total interest expense for financial liabilities not at fair value through profit or loss for the year ended December 31, 2011 was UA 72.01 million (2010: UA 68.02 million).

Net Interest on Borrowing-Related Derivatives

Net interest on borrowing-related derivatives for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Interest on derivatives payable	192,676	168,414
Interest on derivatives receivable	(304,836)	(294,679)
Total	**(112,160)**	**(126,265)**

Unrealized Losses on Fair-Valued Borrowings and Related Derivatives

Unrealized losses on fair-valued borrowings and related derivatives for the years ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Fair-valued borrowings	(189,957)	(242,423)
Cross-currency and interest rate swaps	176,955	214,812
Total	**(13,002)**	**(27,611)**

The net loss of UA 27.61 million recorded in the year ended December 31, 2010 included a loss of UA 38.78 million which was attributable to changes in the Bank's credit risk. Under IAS 39, this amount was included in profit or loss. The fair value loss attributable to changes in Bank's "own credit" included in the other comprehensive income (which otherwise would have been included in profit or loss under IAS 39) for the year ended December 31, 2011 was UA 63.51 million.

Unrealized Gains/(Losses) on Derivatives on Non-Fair Valued Borrowings and Others

Unrealized net gains/(losses) on derivatives on non-fair valued borrowings and others for the years ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Cross-currency and interest rate swaps	7,050	(15,925)
Macro hedge swaps	3,059	542
Embedded derivatives	(146)	2,055
Total	**9,963**	**(13,328)**

The net unrealized gain of UA 9.96 million for the year ended December 31, 2011 included the income statement effects of the application of hedge accounting consisting of an unrealized gain of UA 2.67 million representing hedge ineffectiveness and UA 4.67 million of amortization of fair value adjustment on the hedged risk (see Note G). Accordingly, from January 1, 2011 changes in fair value of swaps qualifying for hedge accounting are almost offset by the fair value adjustment of the hedged risk. Prior to January 1, 2011, only the fair value gain/(loss) on the loan swap was recognized in the profit or loss.

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 size 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)

	2011	2010
Manpower expenses	180,140	178,975
Other general expenses	59,073	60,448
Total	**239,213**	**239,423**
Reimbursable by ADF	(159,326)	(163,960)
Reimbursable by NTF	(389)	(467)
Net	**79,498**	**74,996**

Included in general administrative expenses is an amount of UA 6.83 million (2010: UA 6.42 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)

	2011	2010
Within one year	7,952	6,599
In the second to fifth years inclusive	11,113	13,107
Total	**19,065**	**19,706**

Leases are generally negotiated for an average term of one (1) to three (3) years and rentals are fixed for an average of one (1) year. Leases may be extended for periods that are no longer than the original term of the leases.

NOTE R – EMPLOYEE BENEFITS

Staff Retirement Plan

The Staff Retirement Plan (SRP), a defined benefit plan established under Board of Governors' Resolution 05-89 of May 30, 1989, became effective on December 31, 1989, following the termination of the Staff Provident Fund. Every person employed by the Bank on a full-time basis, as defined in the Bank's employment policies, is eligible to participate in the SRP, upon completion of 6 months service without interruption of more than 30 days.

The SRP is administered as a separate fund by a committee of trustees appointed by the Bank on behalf of its employees. In November 2004, the Board of Directors of the Bank approved certain revisions to the SRP, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the SRP sponsor, changes in survivor child benefits and an increase in the pension accumulation rate from 2 percent to 2.5 percent for each year of service. The past service cost associated with these changes amounted to UA 1.64 million and were recorded in 2004. Also, new members from the local field offices of the Bank joined the Plan in 2007 and the associated past service cost of UA 1.07 million were reported in the 2007 financial statements.

In 2008, the early retirement provisions and the death benefits to spouses were modified, resulting in a net negative prior service cost of UA 8.12 million, which has been immediately recognized. Under the revised SRP, employees contribute at a rate of 9 percent of regular salary. A tax factor included in the basis for the determination of contribution in the previous SRP has been eliminated. The Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

In 2011, the Board of Directors approved the extension of the mandatory staff retirement age in the Bank from 60 to 62 years effective January 1, 2012. The impact of the change on the actuarial valuation of SRP for the year ended December 31, 2011 was a curtailment of UA 10.90 million.

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, 2011, virtually all of the SRP's investments were under external management and these were invested in indexed funds, with the following objectives: a) Equity portfolio – to track as closely as possible, the returns of the Morgan Stanley Capital International World Index as well as hedging the currency exposure of the SRP's anticipated future liabilities; b) Bond portfolio – to track as closely as possible, the returns of the Citigroup World Government Bond Index as well as hedge the currency exposure of the SRP's anticipated future liabilities.

Post-Employment Medical Benefit Plan

The Medical Benefit Plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of July 17, 2002 and became effective on January 1, 2003. Under the MBP, all plan members including existing staff or retirees contribute a percentage of their salary or pension while the Bank also contributes twice the total staff contribution towards the financing of the MBP. Contribution rates by staff members and retirees, which are based on marital status and number of eligible children, range between 0.70 percent to a maximum of 3.10 percent of salary or pension. An MBP board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the MBP. The contributions from the Bank, staff and retirees are deposited in a trust account. In accordance with the directive establishing the Plan, all Plan members including staff and retirees are eligible as beneficiaries for making claims for medical services provided to them and their recognized dependents.

The pension and post-employment medical benefit expenses for 2011 and 2010 for the Bank, the ADF and the NTF combined (the Bank Group) comprised the following:

(UA millions)

	Staff Retirement Plan		Medical Benefit Plan	
	2011	2010	**2011**	2010
Current service cost – gross	23.41	22.65	7.59	7.28
Less: estimated employee contributions	(7.40)	(6.56)	(1.99)	(1.73)
Net current service cost	**16.01**	**16.09**	**5.60**	**5.55**
Interest cost	17.31	14.96	4.13	3.59
Expected return on plan assets	(22.50)	(18.40)	(0.61)	(0.56)
Plan curtailment	(10.90)	-	-	-
Expense for the year	**(0.08)**	**12.65**	**9.12**	**8.58**

At December 31, 2011, the Bank Group had a liability to the SRP amounting to UA 46.07 million (2010: no liability) while the Bank Group's liability to the post-employment aspect of the MBP amounted to UA 88.01 million (2010: UA 55.55 million).

At December 31, 2011 and 2010 the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet is set out below:

(UA millions)

	Staff Retirement Plan		Medical Benefit Plan	
	2011	2010	**2011**	2010
Fair value of plan assets:				
Market value of plan assets at beginning of year	345.40	302.25	18.67	15.68
Actual return on assets	7.88	31.48	(0.07)	(0.23)
Employer's contribution	16.46	16.62	3.98	3.46
Plan participants' contribution during the year	8.22	7.14	1.99	1.73
Benefits paid	(13.02)	(12.09)	(2.43)	(1.97)
Market value of plan assets at end of year	**364.94**	**345.40**	**22.14**	**18.67**
Present value of defined benefit obligation:				
Benefit obligation at beginning of year	338.25	304.68	74.22	67.09
Current service cost	16.01	16.09	5.60	5.55
Employee contributions	8.22	7.14	1.99	1.73
Interest cost	17.31	14.96	4.13	3.59
Plan curtailment	(10.90)	-	-	-
Actuarial loss/(gain)	55.14	7.47	26.64	(1.77)
Benefits paid	(13.02)	(12.09)	(2.43)	(1.97)
Benefit obligation at end of year	**411.01**	**338.25**	**110.15**	**74.22**
Funded status:				
Liability recognized on the balance sheet at December 31, representing excess of benefit over plan asset	**(46.07)**	**-**	**(88.01)**	**(55.55)**

There were no unrecognized past service costs at December 31, 2011 and 2010. At December 31, 2011, the cumulative net actuarial losses recognized directly in equity through other comprehensive income for the SRP were UA 139.93 million (2010: UA 77.32

million). The cumulative net actuarial losses recognized directly in equity through other comprehensive income for MBP were UA 26.49 million (2010: gains of UA 0.84 million).

The following summarizes the funding status of the SRP at the end of the last five fiscal years:

(UA millions)

	2011	2010	2009	2008	2007
Staff Retirement Plan:					
Fair value of Plan assets	364.94	345.40	302.25	210.29	254.98
Present value of defined benefit obligation	(411.01)	(338.25)	(304.68)	(271.61)	(262.35)
Excess/(deficit) funding	(46.07)	7.15	(2.43)	(61.32)	(7.37)
Experience adjustments on plan assets	(48.95)	(41.48)	(47.40)	(76.36)	0.90
Experience adjustments on plan liabilities	(90.98)	(35.84)	(28.38)	(19.12)	(23.95)
Net	**(139.93)**	**(77.32)**	**(75.78)**	**(95.48)**	**(23.05)**

The funding status of the Medical Benefit Plan at the end of the last five fiscal years was as follows:

(UA millions)

	2011	2010	2009	2008	2007
Medical Benefit Plan:					
Fair value of Plan assets	22.14	18.67	15.67	11.53	9.04
Present value of defined benefit obligation	(110.15)	(74.22)	(67.08)	(69.60)	(49.80)
Deficit funding	(88.01)	(55.55)	(51.41)	(58.07)	(40.76)
Experience adjustments on plan assets	(1.90)	(1.22)	(0.43)	0.01	0.13
Experience adjustments on plan liabilities	(24.59)	2.05	0.30	(11.71)	1.19
Net	**(26.49)**	**0.83**	**(0.13)**	**(11.70)**	**1.32**

Assumptions used in the latest available actuarial valuations at December 31, 2011 and 2010 were as follows:

(Percentages)

	Staff Retirement Plan		**Medical Benefit Plan**	
	2011	2010	**2011**	2010
Discount rate	4.52	5.24	4.52	5.24
Expected return on plan assets	5.40	6.40	2.98	2.95
Rate of salary increase	3.73	3.70	3.73	3.70
Future pension increase	2.23	2.20		
Health care cost growth rate				
– at end of fiscal year			7.00	8.00
– ultimate health care cost growth rate			5.00	5.00
Year ultimate health cost growth rate reached			2014	2014

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.

The medical cost inflation assumption is the rate of increase in the cost of providing medical benefits. This is influenced by a wide variety of factors, such as economic trends, medical developments, and patient utilization. For the purposes of these calculations, the initial medical cost inflation rate is assumed at 8 percent per annum between January 1, 2011 to December 31, 2011, thereafter reducing by 1 percent per annum each year until it reaches 5 percent per annum where a constant rate of 5 percent per annum will be used thereafter. This level rate of 5 percent per annum will be reached at January 1, 2014 under the current assumption.

The Bank's obligation and costs for post-retirement medical benefits are highly sensitive to assumptions regarding medical cost inflation.

The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

(UA millions)

	1% Increase		1% Decrease	
	2011	2010	**2011**	2010
Effect on total service and interest cost	2.372	2.238	(1.828)	(1.727)
Effect on post-retirement benefit obligation	27.951	15.761	(21.109)	(12.541)

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, 2011 and 2010 for the Staff Retirement Plan:

(UA thousands)

	2011	2010
Debt securities	154,733	136,455
Equity securities	136,818	171,912
Property	36,895	17,213
Others	36,488	19,818
Total	**364,934**	**345,398**

At December 31, 2011 and 2010, the assets of the MBP were invested primarily in short-term deposits and bonds.

The Bank's estimate of contributions it expects to make to the SRP and the MBP for the year ending December 31, 2012, are UA 17.38 million and UA 4.26 million, respectively.

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 twenty (20) 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 created 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 14-member Board of Directors of which 7 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 officers, 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 from its income 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 2011 amounted to UA 35 million (2010: UA 50 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 regard, 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 is 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, 2011 and 2010 are disclosed in Note V-5.

The Bank charges fees for managing some of these funds. Management fees received by the Bank for the year ended December 31, 2011 amounted to UA 1.77 million (2010: UA 0.99 million).

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, 2011, and 2010 was made up as follows:

(UA thousands)

	2011	2010
Salaries	19,024	16,989
Termination and other benefits	6,926	5,629
Contribution to retirement and medical plan	3,704	3,823
Total	**29,654**	**26,441**

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, 2011 outstanding balances on loans and advances to management staff amounted to UA 4.63 million (2010: UA 4.77 million).

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.

Based on the evaluation of the Bank's operations, management has determined that ADB has only one reportable segment since the Bank does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers.

The products and services from which the Bank derives its revenue are mainly loans, treasury and equity investments.

External revenue for the years ended December 31, 2011 and 2010 is detailed as follows:

(UA thousands)

	2011	2010
Interest income from loans:		
Fixed rate loans	211,093	177,928
Variable rate loans	24,154	31,787
Floating rate loans	70,489	75,156
	305,736	284,871
Commitment charges and commissions	9,187	8,488
Total income from loans	**314,923**	**293,359**
Income from investments	168,850	219,219
Income from other debt securities	5,409	6,737
Other income	4,457	(1,725)
Total external revenue	**493,639**	**517,590**

Revenues earned from transactions with a single borrower country of the Bank amounting to UA 67.10 million for the year ended December 31, 2011 exceeded 10 percent of the Bank's revenue (2010: UA 67.54 million).

The Bank's development activities are divided into five sub-regions of the continent of Africa for internal management purposes, namely: Central Africa, East Africa, North Africa, Southern Africa, and West Africa. Activities involving more than one single country from the continent of Africa are described as multinational activities. Treasury investment activities are carried out mainly outside the continent of Africa, and are therefore not included in the table below. In presenting information on the basis of the above geographical areas, revenue is based on the location of customers.

Geographical information about income from loans for the years ended December 31, 2011 and 2010 is detailed as follows:

(UA thousands)

	Central Africa	East Africa	North Africa	Southern Africa	West Africa	Multinational	Total
2011							
Income from sovereign loans	74,349	5,185	104,704	54,940	6,073	556	245,807
Income from non-sovereign loans	4,079	6,498	7,686	25,186	14,395	11,272	69,116
	78,428	**11,683**	**112,390**	**80,126**	**20,468**	**11,828**	**314,923**
2010							
Income from sovereign loans	75,410	5,328	92,376	41,046	10,028	699	224,887
Income from non-sovereign loans	2,881	5,060	6,280	28,996	13,079	12,176	68,472
	78,291	**10,388**	**98,656**	**70,042**	**23,107**	**12,875**	**293,359**

As of December 31, 2011, land and buildings owned by the Bank were located primarily at the Bank's headquarters in Abidjan, Côte d'Ivoire. More than 90 percent of other fixed and intangible assets were located at the Bank's Temporary Relocation Facilities in Tunis, Tunisia.

NOTE U – EVENTS AFTER THE BALANCE SHEET DATE

On March 21, 2012, 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 2012.

NOTE V – SUPPLEMENTARY DISCLOSURES

NOTE V–1: EXCHANGE RATES

The rates used for translating currencies into Units of Account at December 31, 2011 and 2010 were as follows:

		2011	2010
1 UA = SDR =	Algerian Dinar	116.711000	113.937000
	Angolan Kwanza	150.656000	140.790000
	Australian Dollar	1.511680	1.514290
	Botswana Pula	11.491500	9.948570
	Brazilian Real	2.867330	2.584640
	Canadian Dollar	1.562540	1.541420
	Chinese Yuan	9.673520	10.199500
	CFA Franc	778.319000	760.687000
	Danish Kroner	8.820990	8.644690
	Egyptian Pound	9.445780	8.844140
	Ethiopian Birr	27.162800	25.608700
	Euro	1.186540	1.159660
	Gambian Dalasi	46.488000	43.028400
	Ghanaian Cedi	2.430780	2.220530
	Guinean Franc	11,135.300000	10,857.200000
	Indian Rupee	81.783500	69.147700
	Japanese Yen	119.321000	125.436000
	Kenyan Shilling	158.238000	123.549000
	Korean Won	1,770.620000	1,765.040000
	Kuwaiti Dinar	0.426292	0.432133
	Libyan Dinar	1.932400	1.932400
	Mauritian Rupee	45.023500	46.693800
	Moroccan Dirham	12.765200	12.709500
	New Zealand Dollar	2.038840	2.045830
	Nigerian Naira	237.489000	224.511000
	Norwegian Krone	9.200390	9.067420
	Pound Sterling	0.992989	0.997755
	Sao Tomé Dobra	27,751.300000	29,327.200000
	Saudi Arabian Riyal	5.757250	5.775140
	South African Rand	12.501500	10.215100
	Swedish Krona	10.629300	10.476100
	Swiss Franc	1.444530	1.447020
	Tunisian Dinar	2.304280	2.240130
	Turkish Lira	2.775330	2.292790
	Ugandan Shilling	4,112.870000	3,425.230000
	United States Dollar	1.535270	1.540030
	Vietnamese Dong	31,976.600000	29,155.850000
	Zambian Kwacha	7,782.650000	7,524.960000

** 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 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 recognized on the consolidated DRC loans in current earnings is transferred out of reserves to the special account only after the formal approval of such transfer, in whole or in part, by the Board of Governors of the Bank.

ii) Post-Conflict Countries Assistance/Fragile States Facility

The Post Conflict Countries' Fund was established as a framework to assist countries emerging from conflict in their efforts towards re-engagement with the donor community in order to reactivate development assistance and help these countries reach the Heavily Indebted Poor Countries (HIPC) decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with allocations from the ADB's net income, and contributions from the ADF and other private donors.

Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. In this connection, the Board of Governors by its Resolution B/BG/2004/07 of May 25, 2004, established the Post-Conflict Countries Facility (PCCF) under the administration of the ADF and approved an allocation of UA 45 million from the 2003 net income of the Bank. The Board of Governors also, by its resolution B/BG/2005/05 of May 18, 2005, approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility and by its resolution B/BG/2007/04 of May 17, 2006, the Board of Governors also approved the third and final installment of the Bank's allocation of UA 25 million from the 2005 net income. In March 2008, the Board of Directors approved the establishment of the Fragile States Facility (FSF) to take over the activities of the PCCF and in addition provide broader and integrated framework for assistance to eligible states. The purposes of the FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth of the eligible countries. By policy, contributions made by ADB to the PCCF/FSF are not used to clear the debt owed to the Bank by beneficiary countries.

iii) Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as HIPCs. Under this initiative, creditors provide debt relief for eligible countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. Under the original HIPC framework, selected loans to eligible beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the lower of the net present value of the loans or their nominal values, as calculated using the methodology agreed under the initiatives. Following the signature of a HIPC debt relief agreement, the relevant loans were paid off at the lower of their net present value or their carrying value. On average, loans in the ADB's portfolio carry higher interest rates than the present value discount rates applied and therefore the net present value of the loans exceeds the book value. Consequently, affected ADB loans were paid off by the HIPC Trust Fund at book values. The HIPC initiative was enhanced in 1999 to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are eligible, the debt relief is delivered through annual debt service reductions, as well as the release of up to 80 percent of annual debt service obligations as they come due until the total debt relief is provided. In addition, interim financing between the decision and completion points of up to 40 percent of total debt relief is provided whenever possible within a 15-year horizon.

At December 31, 2011, the Board of Directors had approved relief for 30 ADB borrowing countries, of which 26 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 cancelation 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 cancelation. 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, 2011 and 2010, 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 the Government of Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. At the expiry of the initial 30-year period on April 25, 2006, the Bank and the Federal Republic of Nigeria agreed to 2 interim extensions (each for 12 months) to allow for further consultations and an independent evaluation of the NTF.

Following the positive result of the independent evaluation, the NTF Agreement was renewed for a period of ten years starting from April 26, 2008. The initial capital of the NTF was Naira 50 million payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on July 14, 1976, and payment of the second installment, equivalent to US$ 39.61 million, was made on February 1, 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the NTF with Naira 50 million. The first installment of Naira 35 million (US$ 52.29 million) was paid on October 7, 1981. The second installment of Naira 8 million (US$ 10.87 million) was received on May 4, 1984. The payment of the third installment of Naira 7 million (US$ 7.38 million) was made on September 13, 1985.

Following a request by the Government of Nigeria on June 14, 2006, a payment of US$ 200 million (UA 135.71 million) was made to the Government of Nigeria from the resources of the Fund. A second request for withdrawal of US$ 200 million was disbursed to the Government of Nigeria in July 2009.

The resources of the NTF at December 31, 2011 and 2010 are summarized below:

(UA thousands)

	2011	2010
Contribution received	128,586	128,586
Funds generated (net)	150,044	148,710
Adjustment for translation of currencies	(115,891)	(116,432)
	162,739	**160,864**
Represented by:		
Due from banks	7,087	8,291
Investments	99,240	99,657
Accrued income and charges receivables on loans	1,505	1,556
Accrued interest on investments	61	61
Other amounts receivable	4	559
Loans outstanding	55,508	52,400
	163,405	**162,524**
Less: Current accounts payable	(666)	(1,660)
	162,739	**160,864**

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, 2011 and 2010 follows:

(UA thousands)

	2011	2010
Fund balance	67,473	62,448
Funds generated	4,805	4,751
Funds allocated to Social Dimensions of Structural Adjustment (SDA)	1	1
Less: Relief disbursed	(67,125)	(62,030)
	5,154	**5,170**
Represented by:		
Due from bank	1,237	629
Investments	3,908	4,532
Interest receivable	9	9
	5,154	**5,170**

At December 31, 2011, a total of UA 3.26 million (2010: UA 4.40 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 capital 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, 2011, a total of US$ 13.45 million (2010: 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, 2011 and 2010 are summarized below:

(UA thousands)

		2011	2010
i)	**Mamoun Beheiry Fund**		
	Contribution	152	152
	Income from investments	183	183
		335	335
	Less: Prize awarded	(30)	(30)
	Gift	(25)	(25)
		280	280
	Represented by:		
	Short-term deposits	266	266
	Due from banks	14	14
		280	280
ii)	**Arab Oil Fund (contribution of Algeria)**		
	Net contribution	651	649
	Represented by:		
	Loans disbursed net of repayments	651	649
iii)	**Special Emergency Assistance Fund for Drought and Famine in Africa**		
	Contributions	20,832	20,768
	Funds generated	5,564	5,541
		26,396	26,309
	Relief granted	(22,921)	(22,266)
		3,475	4,043
	Represented by:		
	Due from banks	938	539
	Investments	2,534	3,500
	Accrued interest	3	4
		3,475	4,043
	Total Resources & Assets of Trust Funds	**4,406**	**4,972**

NOTE V–5: GRANTS (Donor funds)

The Bank administers grants on behalf of donors, including member countries, agencies and other entities. Resources for Grants 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, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Africa Water Facility Fund	72,210	69,261
African Legal Support Facility	9,293	7,539
African Economic Outlook	1,066	315
AMINA	1,445	1,486
Belgium	-	473
Canada	4,447	1,379
Chinese Government Grant	501	499
Clean Technology Fund	4,690	-
Congo Basin	58,248	46,362
Denmark	625	798
Fertilizer Financing Mechanism	8,445	8,700
Finland	3,521	5,345
France-BAD (Fonds d'Assistance Technique)	1,408	1,802
Global Agriculture and Food Security Programme (GAFSP)	8,402	-
Global Environment Facility (GEF)	3,369	3,320
Governance Trust Fund (GTF)	2,965	2,323
ICA – Infrastructure Consortium for Africa	1,759	750
International Comparison Programme – Africa (ICP – Africa)	25	98
IMDE (Initiative Migration and Development)	4,425	2,681
India	2,988	348
Investment Climate Facility for Africa	24,275	6,829
Italy	2,337	2,528
Japan (FAPA)	21,785	22,360
Korea Trust Fund	11,820	7,804
Making Finance Work for Africa	684	675
Microfinance Trust Fund	4,220	4,312
Multi-donor Water Partnership Program	1,848	2,316
Nepad Infrastructure	16,979	17,374
Nordic Trust Fund for Governance	-	105
Norway	1,369	1,391
Portuguese Technical Cooperation Trust Fund	1,587	1,230
Programme for Infrastructure Development in Africa (PIDA)	451	314
Rural Water Supply and Sanitation Initiative	61,776	69,453
SFRD (Great Lakes)	1,744	2,244
South South Cooperation Trust Fund	651	-
Spain (ADB – Spain Cooperation Program)	13	286
Statistical Capacity Building (SCB) – Phase II	-	2,518
Sustainable Energy Fund for Africa	29,667	-
Swedish Trust Fund for Consultancy Services	241	270
Switzerland Technical Assistance Grant	241	295
The Netherlands	2	1,110
The Nigeria Technical Cooperation Fund	16,697	17,269
The United Kingdom	4,368	3,542
The United Nations Development Programme	21	65
Zimbabwe Multi-donor Trust Fund	44,300	24,532
Others	50	61
Total	**436,958**	**342,361**

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

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

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

Independent Auditor's Report to the Board of Governors of the African Development Bank

Year ended 31 December 2011

We have audited the accompanying financial statements of the African Development Bank (''the Bank'') which comprise the balance sheet as at 31 December 2011 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement establishing the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

African Development Bank
Independent Auditor's Report to the Board of Governors
of the African Development Bank

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 Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 21st March 2012

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADB ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2012

(UA thousands)

Description	
Personnel Expenses	
Salaries	112,921
Benefits	76,212
Other Employee Expenses	9,642
Short-Term and Technical Assistance Staff	785
Consultants	17,441
Staff Training	4,099
	221,100
General Expenses	
Official Missions	20,919
Accommodation	17,671
Equipment Rental, Repairs and Maintenance	6,261
Communication Expenses	9,726
Printing, Publishing and Reproduction	1,574
Office Supplies and Stationery	597
Library	592
Other Institutional Expenses	14,112
	71,452
Total Administrative Expenses	**292,552**
Depreciation	4,680
Total	**297,232**
Less: Management Fees*	(201,810)
Net Administrative Budget	**95,422**

** The amount represents the African Development Fund and the Nigerian Trust Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services and facilities based on a formula approved by the Boards.*

AFRICAN DEVELOPMENT FUND

Financial Management

Subscriptions

ADF Replenishments

The resources of the African Development Fund (the ADF or the Fund) primarily consist of subscriptions by the Bank and State Participants, as well as other resources received by the Fund. The cumulative subscriptions to ADF amounted to UA 22.08 billion at December 31, 2011.

Subsequent to the initial subscriptions, additional resources have been provided in the form of periodic general replenishments, typically done every three years. The twelfth, which is the latest replenishment of the Fund (ADF-12) was adopted by the Board of Governors on January 20, 2011 and became effective on May 3, 2011. The replenishment covers the three-year operational period starting in 2011 and ending in 2013. The total resource envelope for ADF-12 amounts to UA 6.1 billion and includes an Advanced Commitment Capacity, or internally generated resources of UA 2.01 billion. As of December 31, 2011, State Participants had subscribed a total amount of UA 3.18 billion, representing 84 percent of the ADF-12 pledged amounts.

Commitments under the Multilateral Debt Relief Initiative

Under the Multilateral Debt Relief Initiative (MDRI), donor countries agree to compensate the ADF for the cancelation of its loans to Heavily Indebted Poor Countries (HIPCs) that have reached, or will reach, the completion point under the enhanced HIPC initiative. The MDRI became effective on September 1, 2006 and covers the period 2006-2054. To preserve the financial integrity and the financing capacity of the Fund, the terms of the MDRI require donors to fully compensate the Fund "dollar for dollar" for debts canceled under the MDRI. Donors have also agreed that periodic adjustments would be made under the initiative to reflect changes in the actual and estimated costs to the Fund resulting from debt forgiveness.

As of December 31, 2011, the Fund had received from donors aggregate commitments of UA 4.77 billion, representing 80 percent of the MDRI cost for the period 2006-2054 of UA 5.94 billion.

Financial Products

The ADF is the concessional financing window of the Bank Group that provides low-income regional member countries with concessional loans as well as grants for projects and programs, and support through technical assistance for studies and capacity building.

Loans

Prior to the ADF-12 replenishment, no interest was charged on ADF loans. Instead they carried 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. These ADF loans have a maturity period of 50 years, including a 10-year grace period.

However, for ADF-12, the Board of Directors approved differentiated ADF lending terms to ADF-eligible countries classified as blend, gap and graduating under the African Development Bank Group country classification. Accordingly, new loans extended under ADF-12 and beyond to blend, gap and graduating countries will have a maturity period of 30 years, including an 8-year grace period with an interest rate of 1 percent per annum. In addition, the standard commitment and service fees that apply to all ADF loans will be charged.

Guarantees

As a means of stimulating additional private sector investments in low-income countries, the ADF Partial Risk Guarantee (ADF-PRG) instrument was introduced as part of ADF-12, on a pilot basis, to leverage resources from the private sector and other cofinanciers for ADF countries, including fragile states. The ADF-PRG program which was rolled out on a pilot basis will be reviewed as soon as the aggregate amount of committed and outstanding guarantees reaches UA 200 million. The ADF-PRG will insulate private lenders against well-defined political risks related to the failure of a government or a government-related entity to honor certain specified commitments and will incentivize governments to undertake policy and fiscal reforms necessary to mitigate performance-related risks.

Investments

ADF cash and treasury investments amounted to UA 3.09 billion at December 31, 2011, compared to UA 3.21 billion at the end of 2010. Investment income for the year amounted to UA 68.45 million, representing a return of 2.17 percent, on an average liquidity level of UA 3.15 billion, compared with an income of UA 84.40 million, representing a return of 2.53 percent on an average liquidity of UA 3.33 billion in 2010. The lower return in 2011 is primarily the result of the continuing low level of interest rates as well as the volatile and stressed financial environment that led to the widening of credit spreads.

Loan Portfolio

Cumulative loans and grants signed, net of cancelations, at December 31, 2011, amounted to UA 21.48 billion compared to UA 20.33 billion at the end of 2010. During 2011, new loans signed totaled UA 1.25 billion compared with UA 743.30 million signed in 2010, an increase of UA 502.99 million. Table 5.6 presents the loans approved, signed, disbursed and undisbursed balances from 2007 to 2011. The level of loan approvals, loans signed and disbursed peaked during 2009 at the height of the global financial crisis. However, these have subsequently stabilized.

Table 5.6
Lending Status, 2007-2011
(UA millions)

	2007	2008	2009	2010	2011
Loans Signed*	1,160.67	1,598.51	1,919.60	743.30	1,246.29
Loans Approved+*	1,097.58	1,611.82	1,798.54	1,316.00	1,475.74
Disbursements*	725.00	1,124.92	1,726.43	1,165.45	1,296.65
Undisbursed Balances*	4,752.25	4,885.65	5,248.18	5,556.59	5,415.36

+ *Exclude approvals of Special Funds.*
* *Include grants.*

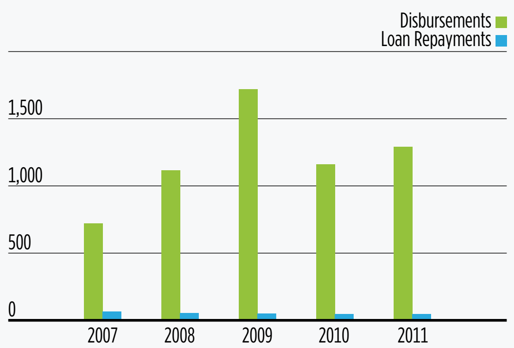
Total outstanding loans as at December 31, 2011 amounted to UA 6.88 billion, which was UA 581.82 million higher than the UA 6.30 billion outstanding as at the end of 2010. This increase was in spite of debt cancelation under the MDRI, amounting to UA 300.15 million, for three (3) additional completion point countries.

At the end of 2011, there was a total of 1,074 active loans and grants. Also at December 31, 2011, a total of 1,271 loans amounting to UA 7.18 billion had been fully repaid or canceled through MDRI.

Disbursements

Loans and grants disbursed by the Fund increased by 11.11 percent to UA 1.30 billion in 2011 from UA 1.17 billion in 2010. As at December 31, 2011, cumulative disbursements on loans and grants amounted to UA 16.04 billion. A total of 1,839 loans and grants were fully disbursed as at December 31, 2011 for an amount of UA 13.10 billion, representing 81.67 percent of cumulative disbursements. Figure 5.5 below tracks the evolution of loan disbursements and repayments over the past five years.

Figure 5.5
Loan Disbursements and Repayments, 2007-2011
(UA millions)



Repayments

Loan repayments amounted to UA 46.26 million in 2011 compared to UA 46.95 million in 2010, representing a decrease of 1.47 percent over the previous year. Cumulative repayments as of December 31, 2011, were UA 6.81 billion.

Performance Management and Monitoring

As with the Bank, management monitors performance measures and indicators which reflect the critical success factors in the ADF's business. To the extent that the ADF extends grants in addition to lending at highly concessional rates, the conventional profitability and financial ratios are not deemed to be an appropriate means of determining its effectiveness in delivering development resources to regional member countries. One proxy for measuring effective delivery of development resources is the level of disbursements made to RMCs from one period to another. As already noted, during the year under review a total of UA 1.30 billion was disbursed for loans and grants, compared to UA 1.17 billion in 2010. This is an 11 percent increase in the level of development resources transferred to RMCs during 2011.

Financial Results

The Fund reported a deficit of UA 58.46 million in 2011, compared to a deficit of UA 62.93 million in 2010. This persistent loss was principally due to the generally low level of interest rates prevailing globally, which had the dual effect of lowering investment income and increasing the impact of the accelerated encashment of promissory notes deposited for payment of subscriptions. The average adjusted commercial interest reference rate (CIRR) applied in the determination of the discount rates for the accelerated encashment of notes (fixed when interest rates were high) was higher than the current market interest rates earned on the extra liquidity created by the acceleration, creating a negative income gap for the Fund.

The Fund's share of the total shareable expenses of the administrative expenses of the ADB Group decreased by UA 4.63 million, from UA 163.96 million in 2010 to UA 159.33 million in 2011. 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 and relative balance sheet size. The Fund's share of Bank Group shareable expenses was 68.76 percent for 2011, compared to 70.83 percent for 2010.

Loan income remained virtually the same at UA 61.82 million in 2011, compared to UA 59.11 million in 2010. Due to the prevailing low interest rate environment, investment income decreased by UA 15.95 million, from UA 84.40 million in 2010 to UA 68.45 million in 2011. Discount on the accelerated encashment of promissory notes amounted to UA 29.23 million in 2011 compared to UA 41.29 million in 2010.

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 2.13 million of non-accrued loan income was excluded from 2011 income compared to UA 2.12 million in 2010. The number of borrowers in non-accrual status at December 31, 2011 was three (3); the same level as at the end of December 2010.

The Fund continues to cancel qualifying debts under MDRI as the respective countries reach their HIPC completion points. A summary of the cumulative loan cancelations under MDRI and HIPC is presented in Note E to the Special Purpose Financial Statements.

Figure 5.6
Surplus/(Deficit) vs. Investment Income, 2007-2011 (UA millions)

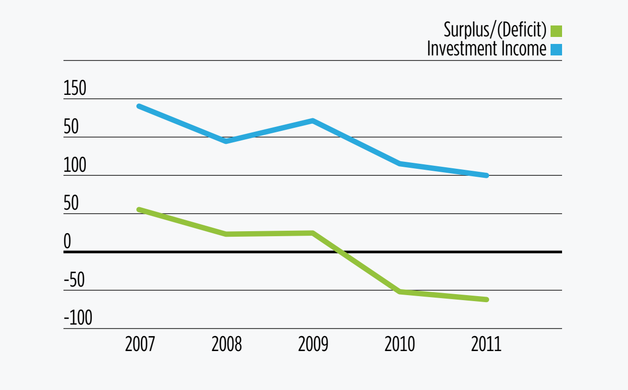
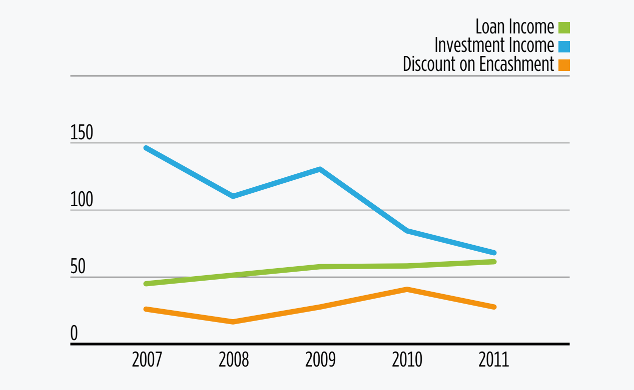


Figure 5.7
Loan Income, Investment Income and Discount on Encashment, 2007-2011 (UA millions)



African Development Fund

Special Purpose Financial Statements and Report of the Independent Auditor Year ended December 31, 2011

STATEMENT OF NET DEVELOPMENT RESOURCES AS AT DECEMBER 31, 2011
(UA thousands – Note B)

		2011	2010
DEVELOPMENT RESOURCES			
DUE FROM BANKS		187,192	103,477
INVESTMENTS (Notes C & H)			
Treasury investments, mandatorily at fair value	1,509,272		1,686,945
Treasury investments at amortized cost	1,388,673		-
Held-to-maturity investments	-		1,416,901
Total investments		2,897,945	3,103,846
DEMAND OBLIGATIONS (Note D)		2,555,755	2,322,623
RECEIVABLES			
Accrued income on loans and investments	44,125		49,246
Other receivables	64,290		6,744
		108,415	55,990
LIABILITIES		(100,390)	(161,144)
NET DEVELOPMENT RESOURCES		**5,648,917**	**5,424,792**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS AND CONTRIBUTIONS (Notes F & O)			
Amount subscribed including contributions through accelerated encashment of subscriptions	22,019,675		18,770,173
Less: Portion of accelerated encashment not yet effected	(24,343)		(1,306)
	21,995,332		18,768,867
Less: Installments not yet payable	(2,055,595)		(122,228)
	19,939,737		18,646,639
Less: Installments due	(7,018)		(7,018)
	19,932,719		18,639,621
Contributions paid on Multilateral Debt Relief Initiative	495,604		390,698
	20,428,323		19,030,319
Less: Unamortized discounts on subscriptions and contributions (Note B)	(139,523)		(167,712)
	20,288,800		18,862,607
Cumulative exchange adjustment on subscriptions and contributions (Note B)	(292,393)		(309,106)
Total subscriptions and contributions		19,996,407	18,553,501
OTHER RESOURCES (Note G)		390,270	355,270
RESERVES (Note I)		56,224	114,688
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(291,565)	(295,218)
		20,151,336	18,728,241
ALLOCATION OF DEVELOPMENT RESOURCES			
GRANTS AND TECHNICAL ASSISTANCE ACTIVITIES (Note E)		(2,957,049)	(2,572,296)
HIPC GRANTS DISBURSED (Note E)		(184,000)	(184,000)
NET DEBT RELIEF (Note E)		(4,482,754)	(4,250,362)
LOANS DISBURSED AND OUTSTANDING (Notes E, M & N)		(6,878,616)	(6,296,791)
NET DEVELOPMENT RESOURCES		**5,648,917**	**5,424,792**

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 YEAR ENDED DECEMBER 31, 2011

(UA thousands – Note B)

	2011	2010
INCOME AND EXPENSES		
Service charges on loans	44,014	40,856
Commitment charges on loans	17,809	18,256
Income on investments	68,445	84,399
Provision for impairment on held-to-maturity investments	-	1,384
Administrative expenses (Note K)	(159,326)	(163,960)
Discount on accelerated encashment of participants' demand obligations	(29,237)	(41,287)
Financial charges	(77)	(118)
Loss on exchange	(92)	(2,460)
Deficit	**(58,464)**	**(62,930)**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	1,293,098	1,104,386
Contributions received on account of Multilateral Debt Relief Initiative	104,906	71,910
Changes in accumulated exchange adjustment on subscriptions and contributions	16,713	(20,396)
Increase in other resources	35,000	50,000
Changes in unamortized discounts on subscriptions and contributions	28,189	(93,582)
Changes in accumulated translation adjustment	3,653	88,224
	1,481,559	**1,200,542**
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of grants	(384,746)	(334,158)
Disbursement of loans	(911,906)	(831,289)
Repayment of loans	46,260	46,945
Recoveries on account of Multilateral Debt Relief Initiative	67,762	1,345
Translation adjustment on loans	(16,340)	(96,607)
	(1,198,970)	**(1,213,764)**
Change in Net Development Resources	224,125	(76,152)
Net Development Resources at the beginning of the year	5,424,792	5,500,944
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**5,648,917**	**5,424,792**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
DEFICIT	(58,464)	(62,930)
OTHER COMPREHENSIVE INCOME		
Changes in accumulated translation adjustment	3,653	88,224
COMPREHENSIVE (LOSS)/INCOME	**(54,811)**	**25,294**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Deficit	(58,464)	(62,930)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Unrealized losses/(gains) on investments	4,191	(11,387)
Provision for impairment on held-to-maturity investments	-	(1,384)
Discount on accelerated encashment of participants' demand obligations	29,237	41,287
Changes in accrued income on loans and investments	5,121	(1,115)
Changes in net current assets	(131,136)	77,149
Net cash (used in)/provided by operating activities	(151,051)	41,620
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursement of grants	(384,746)	(334,158)
Disbursement of loans	(911,906)	(831,289)
Repayment of loans	46,260	46,945
Recoveries on account of Multilateral Debt Relief Initiative	67,762	1,345
Investments maturing after 3 months of acquisition:		
Treasury investments, mandatorily at fair value	149,317	224,104
Treasury investments at amortized cost	22,141	-
Held-to-maturity investments	-	(236,533)
Net cash used in investment, lending and development activities	(1,011,172)	(1,129,586)
FINANCING ACTIVITIES:		
Subscriptions and contributions received in cash	424,255	232,675
Participants' demand obligations encashed	751,635	877,314
Increase in other resources	35,000	50,000
Net cash provided by financing activities	1,210,890	1,159,989
Effect of exchange rate changes on cash and cash equivalents	3,094	(18,951)
Net increase in cash and cash equivalents	51,761	53,072
Cash and cash equivalents at the beginning of the year	436,399	383,327
Cash and cash equivalents at the end of the year	**488,160**	**436,399**
COMPOSED OF:		
Cash	187,192	103,477
Investments maturing within 3 months of acquisition:		
Treasury investments, mandatorily at fair value	300,968	332,922
Cash and cash equivalents at the end of the year	**488,160**	**436,399**
SUPPLEMENTARY DISCLOSURE:		
Movements resulting from exchange rate fluctuations on:		
Loans	16,340	96,607
Subscriptions and contributions	16,713	(20,396)

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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.

By its resolution F/BG/2010/03 of May 27, 2010, the Board of Governors increased the membership of the Board of Directors of ADF from twelve (12) to fourteen (14), made up of seven (7) members selected by the Bank and seven (7) 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 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. 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, where there are, are disclosed in the notes that follow.

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, 2011 and 2010 are as follows:

	2011	2010
1 Unit of Account equals:		
Argentinian Peso	6.106830	6.106830
Brazilian Real	2.867330	2.584640
Canadian Dollar	1.562540	1.541420
Danish Krone	8.820990	8.644690
Euro	1.186540	1.159660
Indian Rupee	81.783500	69.147700
Japanese Yen	119.321000	125.436000
Korean Won	1,770.620000	1,765.040000
Kuwaiti Dinar	0.426292	0.432133
Norwegian Krone	9.200390	9.067420
Pound Sterling	0.992989	0.997755
South African Rand	12.501500	10.215100
Swedish Krona	10.629300	10.476100
Swiss Franc	1.444530	1.447020
United States Dollar	1.535270	1.540030

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.

Starting with the ADF-9 replenishment, 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 cancelation 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-10 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 cancelation, 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' successive Resolutions governing the second through to the twelfth general replenishments of the Fund, which stipulated that Article 13 shall not apply to these 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).

Financial Assets

Effective January 1, 2011, the Fund revised the classification of its financial assets into the following two categories: financial assets at amortized cost and financial assets at fair value through profit or loss (FVTPL). These classifications are determined based on the Fund's business model. In accordance with the Fund's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized cost

A financial asset is classified at 'amortized cost' only if the asset meets the objective of the Fund's business model to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in financial assets are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified at "fair value through profit or loss".

Financial assets at amortized cost include loans and receivables on amounts advanced to borrowers and certain investments that meet the criteria of financial assets at amortized cost. Loans and receivables comprise 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 Fund 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.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

In addition, financial assets that meet amortized cost criteria can be designated and measured at FVTPL. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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

Purchases and sales of financial assets 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. Income on investments includes interest earned and unrealized gains and losses on financial assets at FVTPL.

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.

Investments

The Fund's investment securities are classified either as financial assets at amortized cost or as at fair value. Investments classified as financial assets at amortized cost include non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method. All other investment securities are classified as investments at fair value through profit or loss and measured at market value.

Income on investments includes interest earned and unrealized gains and losses on the portfolio held at fair value through profit or loss. Purchases and sales of investments are recognized on a trade-date basis, which is the date at which the Fund commits to purchase or sell the investments.

Prior to January 1, 2011, the Fund's investment securities were classified based on the Fund's intention on the date of purchase. Securities which the Fund had the intent and ability to hold until maturity were 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 had the positive intention and ability to hold to maturity. The Fund's investments not classified as held to maturity were classified as held-for-trading portfolio.

Loans

The Fund provides concessional funding for development purposes to the least-developed countries in Africa. Country eligibility is determined by assessing gross national income per capita, creditworthiness and performance. Annual Debt Sustainability Analysis is used to determine the risk of debt distress of each beneficiary country and set appropriate financing terms.

The following categories of countries are eligible for ADF loans:

- Category A countries are those not deemed creditworthy for non-concessional financing and whose income levels are below the operational cut-off;
- Category A countries are those not deemed creditworthy for non-concessional financing but whose income levels are above the operational cut-off (gap countries);
- Category B countries are those deemed creditworthy for non-concessional financing but whose income levels are below the operational cut-off with access to a blend of ADB and ADF resources (blend countries).

Graduating countries are those that are graduating from the category of ADF borrowing countries to the category of ADB borrowing countries and the graduating policies are determined for each new ADF replenishment.

Disbursed and outstanding loans are not included in Net Development Resources. Accordingly, no provision for possible loan losses is required. The Fund places all loans to a borrower country in non-accrual status if the principal installments or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date, warrant such action. On the date a borrower's loans are placed in non-accrual status, unpaid charges that had previously been accrued on loans to the borrower are deducted from income on loans for that period. Charges on loans in non-accrual status are included in income only to the extent that payment of such charges has been received by the Fund.

Grants

In addition to loans, the Fund is authorized to provide development financing in the form of grants. Prior to the ninth replenishment of the resources of the Fund, grant funds were granted for technical assistance activities only. With effect from the ninth replenishment, grants may be used for technical assistance as well as project financing. Grants, like loans, represent allocations of development resources and are accordingly treated as such in the Statement of Net Development Resources of the Fund.

The Fund participates in a Multilateral Debt Relief Initiative for addressing the debt problems of countries identified as heavily indebted poor countries (HIPCs) to help ensure that their reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund, (the Trust Fund) constituted by funds from donors, including the Bank Group, was established to help beneficiaries reduce their overall debt, including those debts owing to the Fund.

Under the original framework of the debt relief initiative, upon signature of a HIPC Debt Relief Agreement by the Fund, the beneficiary country and the Trust Fund, loans or repayment installments identified for sale to the Trust Fund are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the loans sold.

Under the enhanced HIPC framework, the implementation mechanism comprises a partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

Under the Multilateral Debt Relief Initiative (MDRI), loans due from eligible HIPCs are canceled when the countries attain the completion point under the HIPC framework. The Fund is expected to be fully compensated for loans canceled under MDRI by additional contributions to be made by donors over the previously scheduled repayment periods of the canceled 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 canceled 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.

Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancelation 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 treasury investments at amortized cost (described in prior years as held-to-maturity investment), 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 treasury investment at amortized cost 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.

Fair Value Disclosure

Fair values for investment securities are based on quoted market prices where available using the bid prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Government and agency obligations include marketable bonds or notes and other government obligations issued or unconditionally guaranteed by governments of member countries or other official entities with a minimum credit rating of AA-. For asset-backed securities, the Fund may only invest in securities with 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.

Events after the Balance Sheet Date

The financial statements are adjusted to reflect events that occurred between the date of Statement of Net Development Resources and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the date of Statement of Net Development Resources.

Events that are indicative of conditions that arose after the date of Statement of Net Development resources are disclosed, but do not result in an adjustment of the financial statements themselves.

Reclassification

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect the prior year's reported result. However, the prior period's amounts were not restated to reflect the effect of the changes in the classification of financial assets as described above.

NOTE C – INVESTMENTS

The composition of investments as at December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Treasury investments at amortized cost	1,388,673	-
Held-to-maturity	-	1,416,901
	1,388,673	1,416,901
Treasury investments mandatorily measured at FVTPL	1,509,272	-
Held-for-trading	-	1,686,945
Total	**2,897,945**	**3,103,846**

Treasury Investments at Amortized Costs

A summary of the Fund's treasury investments at amortized cost at December 31, 2011 follows:

(UA millions)

	US Dollar	Euro	GBP	All Currencies
Asset-backed securities	12.73	-	-	12.73
Government and agency obligations	488.28	118.57	163.78	770.63
Corporate bonds	118.26	34.32	42.83	195.41
Supranational	334.33	32.91	42.66	409.90
Total	**953.60**	**185.80**	**249.27**	**1,388.67**

The contractual maturity structure of investments at amortized cost at December 31, 2011 follows:

(UA millions)

	2011
One year or less	206.17
More than one year but less than two years	159.49
More than two years but less than three years	186.37
More than three years but less than four years	145.10
More than four years but less than five years	146.80
More than five years	544.74
Total	**1,388.67**

A summary of the Fund's held-to-maturity investments at December 31, 2010 follows:

(UA millions)

	US Dollar	Euro	GBP	All Currencies
Asset-backed securities	12.62	-	-	12.62
Government & agency obligations	557.40	44.07	163.68	765.15
Corporate bonds	141.51	24.94	82.48	248.93
Supranational	329.13	18.18	42.89	390.20
Total	**1,040.66**	**87.19**	**289.05**	**1,416.90**

The contractual maturity structure of held-to-maturity investments at December 31, 2010 was as follows:

(UA millions)

	2010
One year or less	140.18
More than one year but less than two years	204.49
More than two years but less than three years	158.88
More than three years but less than four years	185.24
More than four years but less than five years	133.16
More than five years	594.95
Total	**1,416.90**

Treasury Investments Mandatorily Measured at Fair Value through Profit or Loss (FVTPL)

A summary of the Fund's treasury investments mandatorily measured at FVTPL at December 31, 2011 follows:

(UA millions)

	US Dollar	Euro	GBP	All Currencies
Time deposits	20.35	111.99	168.63	300.97
Asset-backed securities	16.42	17.98	-	34.40
Government and agency obligations	481.68	77.48	-	559.16
Corporate bonds	326.74	278.55	-	605.29
Supranational	6.82	2.63	-	9.45
Total	**852.01**	**488.63**	**168.63**	**1,509.27**

The contractual maturity structure of investments mandatorily measured at FVTPL at December 31, 2011 was as follows:

(UA millions)

	2011
One year or less	782.66
More than one year but less than two years	283.81
More than two years but less than three years	283.83
More than three years but less than four years	80.13
More than four years but less than five years	44.57
More than five years	34.27
Total	**1,509.27**

A summary of the Fund's treasury investments held for trading at December 31, 2010 follows:

(UA millions)

	US Dollar	Euro	All Currencies
Time deposits	76.36	256.10	332.46
Asset-backed securities	45.37	37.66	83.03
Government & agency obligations	615.72	156.62	772.34
Corporate bonds	195.59	286.86	482.45
Supranational	16.67	-	16.67
Total	**949.71**	**737.24**	**1,686.95**

The contractual maturity structure of investments held for trading at December 31, 2010 was as follows:

(UA millions)

	2010
One year or less	654.60
More than one year but less than two years	617.94
More than two years but less than three years	248.06
More than three years but less than four years	40.83
More than four years but less than five years	58.67
More than five years	66.85
Total	**1,686.95**

Futures Contracts

The Fund has also entered into futures contracts to hedge fixed interest rate bonds against interest rate variations. As at December 31, 2011, the Fund had 775 contracts in Euro and 1,228 contracts in US Dollars. The nominal value of each contract is one million of each currency unit, except for 215 US Dollar contracts and 220 Euro contracts with a nominal value of 100,000 of each currency for each contract.

NOTE D – DEMAND OBLIGATIONS

Demand obligations represent subscription payments made by participants, in accordance with Article 9 of the Agreement, in the form of non-negotiable, non-interest-bearing notes payable at their par value on demand. The Board of Governors has agreed that the encashment of these notes will be governed by the Fund's disbursement requirements.

NOTE E – DEVELOPMENT ACTIVITIES

According to the Fund's loan regulations, loans are expressed in UA and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment over 40 years after a 10-year grace period commencing from the date of the loan agreement. Loan principal is generally repayable from years 11 through 20 at a rate of 1 percent per annum and from years 21 through 50 at a rate of 3 percent per annum. A service charge at a rate of 0.75 percent per annum on the principal amount disbursed and outstanding is payable by the borrower semi-annually. Loans and lines of credit approved after June 1996 carry a 0.5 percent per annum commitment charge on the undisbursed portion. Such commitment charge commences to accrue after 90 days from the date of signature of the loan agreement. With effect from the ADF 12 replenishment, loans to blend, gap and graduating countries carry differentiated financing terms of thirty (30) years' maturity, grace period of 8 years and interest rate of 1 percent, in addition to the existing standard 0.50 percent commitment fee and 0.75 percent service charge.

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, 2011, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 7.11 million (2010: UA 4.93 million).

As at December 31, 2011, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 286.01 million (2010: UA 284.91 million) of which UA 91.10 million (2010: UA 83.09 million) was overdue, were in non-accrual status. If these loans had not been in non-accrual status, income from loans for the year ended December 31, 2011, would have been higher by UA 2.13 million (2010: UA 2.12 million). At December 31, 2011, the cumulative charges not recognized on the non-accrual loans amounted to UA 35.92 million, compared to UA 33.65 million at December 31, 2010.

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 percent of the resources available under the third and fourth general replenishments, 10 percent under the fifth and sixth general replenishments, and 7.5 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, eleventh and twelfth general replenishments is based on a country-by-country analysis of debt sustainability. Under the seventh, eighth and ninth general replenishments, technical assistance may also be provided on a reimbursable basis.

Technical assistance loans are granted under conditions that allow for repayment in 50 years, including a 10-year grace period, from the date of the loan agreement. However, the following categories of loans have different terms:

(i) where the loan is granted for the preparation of a pre-investment study and the study proves that the project is not feasible, the grace period is extended to 45 years with a repayment period of 5 years thereafter.

(ii) where the loan is granted for strengthening regional member countries' 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, 2011 amounted to UA 184 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 cancelation is delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors are expected to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. Since disbursed and outstanding loans are already excluded from net development resources, the debt cancelation did not have an impact on the Fund's balance of net development resources. Cancelation of ADF debts are effected when other eligible countries reach the HIPC completion point.

At December 31, 2011, a gross amount of UA 5.15 billion (2010: UA 4.85 billion) of outstanding loans had been canceled under MDRI for 26 (2010: 23) HIPC completion point countries. Of this amount, UA 1,225.99 million (2010: UA 1,225.99 million) in nominal terms were converted by the HIPC Trust Fund. The present value of the converted loans was UA 942.71 million (2010: UA 942.71 million). As of December 31, 2011, 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, 2011 and 2010 follows:

(UA thousands)

	2011			2010		
	HIPC	MDRI	Total	HIPC	MDRI	Total
Balance at January 1	302,858	3,947,504	4,250,362	304,203	3,929,930	4,234,133
Loans canceled*	-	300,154	300,154	-	17,574	17,574
Cash received*	(67,762)	-	(67,762)	(1,345)	-	(1,345)
Balance at December 31	**235,096**	**4,247,658**	**4,482,754**	**302,858**	**3,947,504**	**4,250,362**

** Upon implementation of MDRI*

Special Arrears Clearance Mechanism

Arrears Clearance Mechanism for DRC – In connection with an internationally coordinated effort including the ADB Group, the IMF, the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002 approved an arrears clearance mechanism for the DRC. Under the arrears clearance mechanism, representatives of ADF State Participants (the Deputies) authorized an allocation of approximately UA 36.50 million of grant resources from the ninth replenishment of the ADF (ADF-9) 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-8 as a partial payment against the DRC's arrears on charges to the ADB.

Fragile States Facility Framework – The Fragile States Facility (FSF) was established in March 2008 to provide a broader and integrated framework for assistance to eligible states, typically regional member countries of ADB emerging from conflict or crisis. The purposes of FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth. The FSF assumes the arrears clearance activities of the now defunct Post Conflict Countries Facility (PCCF), which was established as a framework to assist countries emerging from conflicts in clearing their arrears and prepare them for re-engagement with the donor communities, in order to reactivate development assistance and help these countries reach the HIPC decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with contributions from the ADF, the ADB and private donors. Resources from the facility are provided on a case-by-case basis to genuine eligible fragile states not yet receiving debt relief to fill financing gaps after maximum effort by the country to clear its arrears to the Bank Group. Contributions made by the Fund to the facility cannot be used to clear the debt owed to the Fund by beneficiary fragile state. Contributions by the Fund to the Facility are included in "Grants and Technical Assistance Activities" in the Statement of Net Development Resources.

NOTE F – SUBSCRIPTIONS AND CONTRIBUTIONS

The Fund's initial subscriptions were provided by the Bank and the original State Participants to the Agreement, and states acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of a special general increase and twelve general replenishments. Details of these movements are shown in the Statement of Subscriptions and Voting Power in Note O.

The Board of Governors, by its resolution F/BG/2011/01 of 20 January 2011, approved the twelfth general replenishment of the Fund (ADF-12), following the Deputies agreement for a replenishment level of UA 6.10 billion, of which UA 2.01 billion represents internally generated resources, for the three-year operational period 2011 to 2013. ADF-12 came into effect on May 3, 2011 after the State Participants had deposited with the Fund, enough instruments of subscriptions to meet the threshold of 30 percent of pledged subscriptions. At December 31, 2011 subscriptions to ADF-12 amounted to UA 3.16 billion.

At December 31, 2011 cumulative contributions pledged on account of the MDRI amounted to UA 5.94 billion, of which UA 495.60 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 377.30 million representing contributions by the Bank of UA 375.30 million, and by the Government of Botswana of UA 2 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 treasury investments mandatory at FVTPL (2010: 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, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Reserves at January 1	114,688	177,618
Deficit for the year	(58,464)	(62,930)
Reserves at December 31	**56,224**	**114,688**

NOTE J – TRUST FUNDS

The Fund has available resources 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, 2011, the undisbursed balance of trust fund resources was UA 3.75 million (2010: UA 4.29 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 159.33 million (2010: UA 163.96 million).

NOTE L – RELATED PARTIES

The general operation of the Fund is conducted by a 14-member Board of Directors, of which 7 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 one of its State Participants.

NOTE M – SUMMARY OF LOANS AS AT DECEMBER 31, 2011

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Angola	12	59,421	-	28,164	31,257	0.45
Benin	26	224,286	-	87,722	136,564	1.99
Botswana	12	52,360	-	-	52,360	0.76
Burkina Faso	28	359,162	-	84,442	274,720	3.99
Burundi	6	26,704	-	5,047	21,657	0.31
Cameroon	24	312,542	44,930	134,400	133,212	1.94
Cape Verde	28	107,712	-	9,973	97,739	1.42
Chad	38	291,987	-	17,915	274,072	3.98
Comoros	8	22,378	-	-	22,378	0.33
Congo	1	7,122	-	-	7,122	0.10
Côte d'Ivoire	14	183,884	-	-	183,884	2.67
Democratic Republic of Congo	5	85,758	-	18,211	67,547	0.98
Djibouti	16	89,919	-	2,147	87,772	1.28
Egypt	17	151,673	-	-	151,673	2.20
Equatorial Guinea	11	28,548	-	-	28,548	0.42
Eritrea	6	76,165	-	2,186	73,979	1.08
Ethiopia	21	780,469	41,060	237,090	502,319	7.30
Gabon	3	1,318	-	-	1,318	0.02
Gambia	11	33,792	-	300	33,492	0.49
Ghana	36	680,296	-	294,381	385,915	5.61
Guinea	35	251,901	-	835	251,066	3.65
Guinea-Bissau	8	23,470	-	3,915	19,555	0.28
Kenya	46	1,090,546	-	594,435	496,111	7.21
Lesotho	33	145,410	-	6,998	138,412	2.01
Liberia	3	248	-	-	248	0.00
Madagascar	17	242,356	-	66,274	176,082	2.56
Malawi	20	164,125	10,000	49,167	104,958	1.53
Mali	38	520,820	-	182,597	338,223	4.92
Mauritania	13	64,589	-	11,766	52,823	0.77
Mauritius	3	1,974	-	-	1,974	0.03
Morocco	6	34,433	-	-	34,433	0.50
Mozambique	31	634,652	-	286,967	347,685	5.05
Namibia	2	12,587	-	-	12,587	0.18
Niger	19	174,792	25,340	44,909	104,543	1.52
Nigeria	22	606,412	150,000	205,086	251,326	3.65
Rwanda	16	157,821	-	25,889	131,932	1.92
Sao Tome & Principe	4	5,007	-	1,976	3,031	0.04
Senegal	26	333,921	-	76,312	257,609	3.75
Seychelles	3	6,371	-	-	6,371	0.09
Sierra Leone	11	67,532	-	14,546	52,986	0.77
Somalia **	17	67,656	-	-	67,656	0.98
Sudan ** (1)	15	181,177	-	-	181,177	2.63
Swaziland	8	34,914	-	-	34,914	0.51
Tanzania	35	1,073,647	-	475,955	597,692	8.69
Togo	1	3,746	-	150	3,596	0.05
Uganda	31	816,155	86,000	370,328	359,827	5.23
Zambia	17	274,764	-	133,427	141,337	2.05
Zimbabwe **	10	37,181	-	-	37,181	0.54
Multinational	26	637,979	276,000	256,227	105,752	1.54
Total	**839**	**11,241,683**	**633,330**	**3,729,737**	**6,878,616**	**100.00**

1) The outcome of the referendum conducted in South Sudan in January 2011 supported the creation of an independent state of South Sudan. After the split of the current state of Sudan into two separate nations became effective in July 2011, the number and amounts of loans shown against Sudan in this statement would be split between the emerging states, on a basis agreed upon following the ongoing negotiations between representatives of the North and South Sudan. At the end of December 2011, no decision has been taken by the states of North and South Sudan regarding the terms and conditions of such exchange.

* *Excludes fully repaid loans and cancelled loans.*
** *Countries in non-accrual status as at December 31, 2011.*

Slight differences may occur in totals due to rounding.

NOTE N – MATURITY AND CURRENCY COMPOSITION OF OUTSTANDING LOANS AS AT DECEMBER 31, 2011 AND 2010

The maturity distribution of outstanding loans as at December 31, 2011 and 2010 was as follows

(Amounts in UA millions)

	2011		2010	
Period	**Amount**	**%**	**Amount**	**%**
One year or less	155.97	2.27	149.96	2.38
More than one year but less than two years	69.51	1.01	72.16	1.15
More than two years but less than three years	79.38	1.15	79.22	1.26
More than three years but less than four years	86.04	1.25	88.05	1.40
More than four years but less than five years	90.21	1.31	95.06	1.51
More than five years	6,397.51	93.01	5,812.34	92.30
Total	**6,878.62**	**100.00**	**6,296.79**	**100.00**

The currency composition of outstanding loans as at December 31, 2011 and 2010 was as follows

(Amounts in UA millions)

	2011		2010	
Currency	**Amount**	**%**	**Amount**	**%**
Canadian Dollar	14.57	0.21	18.39	0.29
Danish Kroner	13.11	0.19	16.46	0.26
Euro	2,484.94	36.13	2,136.30	33.93
Japanese Yen	1,524.82	22.17	1,516.86	24.09
Norwegian Krone	26.26	0.38	29.68	0.47
Pound Sterling	6.22	0.09	6.33	0.10
Swedish Krona	17.16	0.25	20.39	0.32
Swiss Franc	72.65	1.06	110.64	1.76
United States Dollar	2,718.57	39.52	2,441.41	38.77
Others	0.32	-	0.33	0.01
Total	**6,878.62**	**100.00**	**6,296.79**	**100.00**

Slight differences may occur in totals due to rounding.

NOTE O – STATEMENT OF SUBSCRIPTIONS, CONTRIBUTIONS AND VOTING POWER AS AT DECEMBER 31, 2011

(Amounts in UA thousands)

	Participants	Subscriptions					Payment Positions			MDRI	Voting Power	
		Initial	Special Increase	ADF-1 to ADF-11	ADF-12 Installments including ADF-9 Grants Compensation	Total Subscriptions	Total Installments Paid	Installments Due	Installments not yet Payable	Payments Received	Number of Votes ('000)	%
1	ADB	4,605	1,382	105,754	-	111,741	111,741	-	-	-	1,000.000	50.000
2	Argentina	1,842	-	7,018	9,771	18,631	1,842	7,018	9,771	-	0.091	0.005
3	Austria	13,816	-	283,612	95,706	393,134	329,330	-	63,804	6,276	16.668	0.833
4	Belgium	2,763	-	358,050	84,242	445,055	414,243	-	26,715	7,288	20.935	1.047
5	Brazil	1,842	921	131,258	-	134,021	134,021	-	-	-	6.656	0.333
6	Canada	13,816	6,908	1,353,038	204,452	1,578,214	1,441,911	-	136,303	95,664	76.364	3.818
7	China	13,816	-	338,003	83,922	435,741	379,793	-	55,948	7,720	19.246	0.962
8	Denmark	4,605	1,842	503,854	77,325	587,626	528,250	-	57,438	5,114	26.490	1.324
9	Finland	1,842	-	339,085	112,024	452,951	451,993	-	-	7,052	22.799	1.140
10	France	8,809	-	1,915,041	356,206	2,280,056	2,036,915	-	226,139	43,254	103.312	5.166
11	Germany	6,860	6,956	1,877,300	400,000	2,291,116	2,024,445	-	266,671	29,185	101.995	5.100
12	India	5,526	-	64,344	9,427	79,297	73,012	-	6,285	818	3.667	0.183
13	Italy	9,211	-	1,164,489	-	1,173,700	1,173,700	-	-	21,231	57.517	2.876
14	Japan	13,816	-	2,183,392	274,604	2,471,812	2,288,740	-	183,072	52,876	116.297	5.815
15	Korea	9,211	-	145,805	53,857	208,873	172,968	-	35,905	4,188	8.799	0.440
16	Kuwait	4,974	-	159,485	7,361	171,820	171,820	-	-	12,920	9.175	0.459
17	Netherlands	3,684	1,842	735,730	201,066	942,322	807,929	-	134,045	20,434	40.546	2.027
18	Norway	4,605	2,303	804,106	179,774	990,788	866,016	-	124,772	16,643	43.499	2.175
19	Portugal	7,368	-	136,628	-	143,996	143,996	-	-	2,657	7.284	0.364
20	Saudi Arabia	8,290	-	232,665	19,543	260,498	247,470	-	13,028	2,983	12.439	0.622
21	South Africa	1,794	-	19,069	10,424	31,287	24,338	-	6,949	9,562	-	-
22	Spain	1,842	921	435,241	122,684	560,688	452,252	-	108,436	48,167	24.854	1.243
23	Sweden	4,605	3,684	927,919	178,041	1,114,249	1,054,900	-	59,349	18,806	53.326	2.666
24	Switzerland	2,763	2,938	688,537	100,843	795,081	727,852	-	67,229	19,873	37.136	1.857
25	United Arab Emirates	4,145	-	4,145	-	8,290	8,290	-	-	-	0.412	0.021
26	United Kingdom	4,800	3,073	1,420,274	572,403	2,000,550	1,618,947	-	381,602	40,745	82.429	4.121
27	United States of America	12,434	8,290	2,222,705	-	2,243,429	2,153,685	-	89,744	22,148	108.064	5.403
	Supplementary/ voluntary contributions	-	-	87,539	7,170	94,709	92,320	-	2,390	-	-	-
	Total	**173,684**	**41,060**	**18,644,086**	**3,160,845**	**22,019,675**	**19,932,719**	**7,018**	**2,055,595**	**495,604**	**2,000.00**	**100.00**
	Supplementary information: Supplementary contributions through accelerated encashment to reduce the gap	-	-	38,565	21,010	59,575	38,565	-	21,010	-	-	-

Slight differences may occur in totals due to rounding.

NOTE P – APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS.

On March 21, 2012, the Board of Directors of the Fund authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2012.

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

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

African Development Fund
Temporary Relocation Agency
15 Avenue du Ghana
1002 Tunis Belvédère
Tunisia

Independent Auditor's Report on the special purpose financial statements of the African Development Fund to the Board of Governors of the African Development Fund
Year ended 31 December 2011

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 to the Special Purpose Financial Statements for the year ended 31 December 2011.

These special purpose financial statements have been prepared for the purposes of submitting approved and audited special purpose financial statements to the Board of Governors as required by Article 26(v), 35(l) and 35(3) of the Agreement establishing the Fund, and are not intended to be a presentation in conformity with a recognised accounting framework, such as, International Financial Reporting Standards.

This report is made solely to the Fund's Board of Governors, as a body, in accordance with Article 26(v), 35(l) and 35(3) of the Agreement establishing the Fund. Our audit work has been undertaken so that we might state to the Fund's Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Annual Financial Statements
Management is responsible for the preparation and presentation of these financial statements in accordance with articles 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund and the accounting policies set out in Note B to the special purpose financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the special purpose financial statements are free from material misstatement.

African Development Fund
Independent Auditor's Report on the special purpose financial statements of the African Development Fund to the Board of Governors of the African Development Fund

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 auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall special purpose financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements of the Fund have been prepared, in all material respects, in accordance with the accounting and financial reporting matters as set out in the accounting policies in note B to the special purpose financial statements for the year ended 31 December 2011.

Paris La Défense, 21st March 2012

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADF ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2012

(UA thousands)

Description	
Management Fees*	197,320
Direct Expenses	150
Total	**197,470**

** 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 Boards.*

NIGERIA TRUST FUND

Financial Management

NTF Replenishment

The Nigeria Trust Fund (the NTF or the Fund) is a special fund administered by the Bank. Its resources primarily consist of subscriptions provided by the Federal Government of Nigeria. The NTF was established in 1976 when an agreement establishing the NTF was executed between the Bank and the Federal Government of Nigeria for an initial period of 30 years, with a provision for extension by mutual agreement. After two annual extensions in 2006 and 2007, the operation of the NTF was extended for ten years with effect from April 25, 2008, following a positive evaluation of its performance during the initial thirty (30) years of operation.

Loan Products

NTF provides financing in the form of loans to the least developed and low-income regional member countries at highly concessionary rates in order to enhance economic development and social progress in Africa. While in the past the NTF has provided financial support exclusively to public sector operations, for the extension period to 2018, NTF will expand its financial support to cover private sector operations as well, including the microfinance subsector.

Investments

The cash and treasury investments of the NTF are denominated in US Dollars and amounted to UA 106.33 million at December 31, 2011, compared to UA 107.95 million at the end of 2010. Investment income for 2011 was UA 0.17 million, representing a return of 0.16 percent, on an average liquidity level of UA 107.14 million, compared to an income of UA 0.41 million in 2010, representing a return of 0.38 percent on an average liquidity of UA 108.40 million. The low return is due to the very low level of the USD Libor rates as well as the volatile and stressed financial environment that led to the widening of credit spreads during the year.

Loan Portfolio

Loans signed, net of cancelations, as at December 31, 2011, slightly decreased by UA 0.53 million to UA 245.12 million compared to UA 245.65 million at the end of 2010. During 2011, no new loans were signed, although new approvals totaled UA 10 million compared with UA 0.7 million approved in 2010. Table 5.7 presents the evolution of loans approved, signed, disbursed and undisbursed balances from 2007 to 2011.

As at December 31, 2011, there were 33 active signed loans with an outstanding amount of UA 55.65 million and 39 fully repaid loans amounting to UA 101.85 million.

Disbursements

Disbursements increased from UA 5.02 million in 2010 to UA 8.67 million in 2011, representing an increase of 72.71 percent. As at December 31, 2011, cumulative disbursements amounted to UA 235.39 million. A total of 64 loans amounting to UA 220.76 million were fully disbursed as at December 31, 2011, representing 93.78 percent of cumulative disbursements on that date. Figure 5.8 shows the evolution of loan disbursements and repayments over the past five years.

Repayments

Loan repayments amounted to UA 5.81 million in 2011 compared to UA 6.68 million in 2010, representing a decrease of 13.02 percent over the previous year. Cumulative repayments as of December 31, 2011, were UA 148.13 million.

Risk Management Policies and Processes

Similar to the Bank, the NTF seeks to reduce its exposure to risks that are not essential to its core business of providing development-related assistance, such as liquidity, currency and interest rate risks. Note D to the Financial Statements of the Fund provides the details of the risk management policies and practices employed by the NTF.

Financial Results

The NTF's income before distributions approved by the Board of Governors decreased from UA 1.83 million in 2010 to UA 1.52 million in 2011, mainly due to the decrease in investment income. Investment income in 2011 decreased by UA 0.24 million as a result of the decline in interest rates as well as the reduction in the average investment funds.

Table 5.7
Lending Status, 2007-2011
(UA millions)

	2007*	2008*	2009	2010	2011
Loans Signed	-	-	5.00	-	-
Loans Approved	-	-	5.00	0.70	10.00
Disbursements	5.94	8.45	4.87	5.02	8.67
Undisbursed Balances	32.43	23.91	24.12	18.94	9.73

* *No loans were approved or signed during 2007-2008 as the performance of NTF was being evaluated at the end of the initial 30 years of operation to determine whether the agreement establishing it would be extended or not.*

Administrative expenses, representing the NTF's proportion of the total shareable expenses of the ADB Group, decreased by UA 0.08 million from UA 0.47 million in 2010 to UA 0.39 million in 2011. The NTF's proportion of the total shareable expenses of the ADB group is based on a predetermined cost-sharing formula, which is driven by the relative levels of certain operational volume indicators and relative balance sheet size. However, the NTF's total administrative expense is capped at no more than 20 percent of its gross income in any year.

The NTF's reserves net of cumulative currency translation adjustments increased from UA 32.28 million at the end of 2010 to UA 34.15 million as at December 31, 2011, a 5.79 percent increase over the previous year.

Figure 5.8
Loan Disbursements and Repayments, 2007–2011
(UA millions)

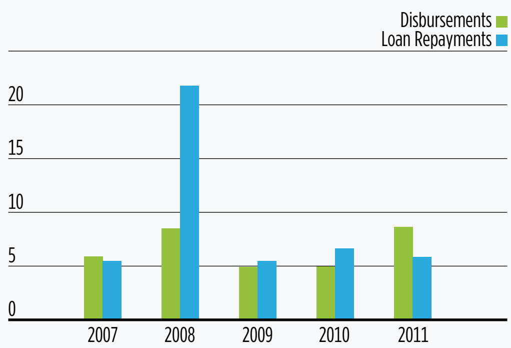
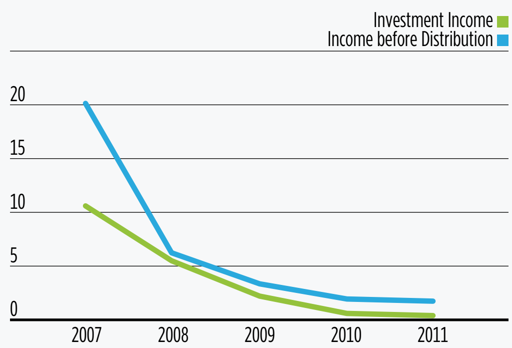


Figure 5.9
Income before Distribution vs. Investment Income, 2007-2011
(UA millions)



Nigeria Trust Fund

Financial Statements and Report of the Independent Auditor Year ended December 31, 2011

BALANCE SHEET
AS AT DECEMBER 31, 2011
(UA thousands – Note B)

ASSETS	2011	2010
DUE FROM BANKS	7,087	8,291
INVESTMENTS (Note E)	99,240	99,657
ACCOUNTS RECEIVABLE		
Accrued income and receivables on loans	1,505	1,556
Accrued income on investments	61	61
Other receivables	3	559
	1,569	2,176
LOANS (Notes D & F)		
Disbursed and outstanding	55,654	52,545
Less: Accumulated provision for impairment	(146)	(145)
	55,508	52,400
TOTAL ASSETS	**163,404**	**162,524**

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

LIABILITIES & EQUITY	2011	2010
ACCOUNTS PAYABLE	666	1,660
EQUITY (Note G)		
Capital	128,586	128,586
Reserves		
Retained earnings	150,044	148,710
Cumulative Currency Translation Adjustment (Note B)	(115,892)	(116,432)
Total reserves	34,152	32,278
Total equity	162,738	160,864
TOTAL LIABILITIES & EQUITY	**163,404**	**162,524**

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
INCOME (Note H)		
Interest and charges on loans	1,772	1,922
Income from investments	173	413
Total income	1,945	2,335
EXPENSES		
Administrative expenses (Note I)	389	467
Bank charges	30	19
Total expenses	419	486
Provision for impairment on loan interest and charges (Note F)	9	16
Total expenses and provision for impairment	428	502
Income before distributions approved by the Board of Governors	1,517	1,833
Distribution of income approved by the Board of Governors (Note G)	(183)	(317)
NET INCOME FOR THE YEAR	**1,334**	**1,516**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
NET INCOME FOR THE YEAR	1,334	1,516
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,334**	**1,516**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	Capital	Retained Earnings	Cumulative Currency Translation Adjustment	Total Equity
BALANCE AT JANUARY 1, 2010	128,586	147,194	(119,055)	156,725
Net income for the year	-	1,516	-	1,516
Currency translation adjustment	-	-	2,623	2,623
BALANCE AT DECEMBER 31, 2010 AND JANUARY 1, 2011	**128,586**	**148,710**	**(116,432)**	**160,864**
Net income for the current year	-	1,334	-	1,334
Currency translation adjustment	-	-	540	540
BALANCE AT DECEMBER 31, 2011	**128,586**	**150,044**	**(115,892)**	**162,738**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UA thousands – Note B)

	2011	2010
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	1,334	1,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for impairment on loan principal and charges	9	16
Unrealized (gains)/losses on investments	(324)	228
Changes in accrued income and receivables on loans	(45)	(61)
Changes in net current assets	2,197	(6,740)
Net cash provided by/(used in) operating activities	3,171	(5,041)
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(8,670)	(5,023)
Repayment of loans	5,815	6,676
Investments maturing after 3 months of acquisition:		
Held at fair value through profit or loss	17,628	24,963
Net cash provided by investing, lending and development activities	14,773	26,616
Effect of exchange rate changes on cash and cash equivalents	(1,408)	(767)
Net increase in cash and cash equivalents	16,536	20,808
Cash and cash equivalents at the beginning of the year	34,550	13,742
Cash and cash equivalents at the end of the year	**51,086**	**34,550**
COMPOSED OF:		
Investments maturing within 3 months of acquisition	43,999	26,259
Cash	7,087	8,291
Cash and cash equivalents at the end of the year	**51,086**	**34,550**
SUPPLEMENTARY DISCLOSURE		
1. Operational cash flows from interest		
Interest received	2,283	2,629
2. Movement resulting from exchange rate fluctuations on loans	203	(904)

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

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011

NOTE A – NATURE OF OPERATIONS

The Nigeria Trust Fund (the Fund or NTF) was established under an agreement signed on February 26, 1976 (the Agreement) between the African Development Bank (ADB or the Bank) and the Federal Republic of Nigeria. The African Development Bank, which is headquartered in Abidjan, Côte d'Ivoire, manages the resources of the Fund on behalf of the Government of Nigeria. The purpose of the Fund is to assist in the development efforts of the poorer ADB regional member countries. The Agreement stipulates that the Fund shall be in effect for a period of 30 years from the date the Agreement became effective and that such sunset date may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. The Agreement expired on April 26, 2006 and was extended twice for one-year periods, to allow for the completion of an independent review of the operation of the Fund. Following the successful completion and the positive results of the independent review, the Agreement has been extended for a period of ten years starting from April 26, 2008.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies employed by the Fund 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 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 for unutilized loan facilities.

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

Functional and Presentation Currencies

The Fund conducts its operations in U.S. Dollars, and has determined that its functional currency is the United States Dollars (USD). In accordance with Article VII, section 7.3, of the Agreement establishing the Fund, the financial statements are presented in Units of Account (UA).

The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the Bank as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF. At December 31, 2011, 1 UA was equivalent to 1.53527 United States Dollars (2010: 1.54003 USD).

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 USD 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

Following the adoption of phase 1 of IFRS 9 on January 1, 2011, the Fund revised the classification of its financial assets into the following categories: financial assets at amortized cost; and financial assets at fair value through profit or loss (FVTPL). These classifications are determined based on the Fund's business model. In accordance with the Fund's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized cost

A financial asset is classified as 'amortized cost' only if the asset meets the objective of the Fund's business model to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in financial assets are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified as at 'fair value through profit or loss'.

Financial assets at amortized cost include loans and receivables on amounts advanced to borrowers and certain investments that meet the criteria of financial assets at amortized cost. Loans and receivables comprise demand obligations, accrued income and receivables from loans and investments and other sundry amounts. 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 debtor with no intention of trading the receivable. Loans and receivables are carried at amortized cost using the effective interest method.

Loan origination fees are deferred and recognized over the life of the related loan as an adjustment of yield. Incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered insignificant.

Investments classified as financial assets at amortized cost include investments that are non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

In addition, financial assets that meet amortized cost criteria can be designated and measured at FVTPL. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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

Purchases and sales of financial assets 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.

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.

Prior to January 1, 2011, the Fund classified its financial assets in the following categories: financial assets held for trading; loans and receivables; and held-to-maturity investments. Management determined the classification of its financial assets at initial recognition on the following basis:

i) Held-for-Trading Financial Assets

All held-for-trading assets were carried at fair value through the income statement. Investments in the held-for-trading portfolio were acquired principally for the purpose of selling in the short term. Held-for-trading financial assets were 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 arose.

ii) Loans and Receivables

Loans included outstanding balances receivable from borrowers in respect of amounts disbursed. The Fund had also classified accrued income and receivables from loans and investments and other sundry amounts as receivables. Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They arose when the Fund provided money, goods or services directly to a borrower with no intention of trading the receivable. Loans and receivables were carried at amortized cost using the effective interest method.

iii) Held-to-Maturity Investments

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

2) Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancelation 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 other investment held at amortized cost 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

In liquid or active markets, the most reliable indicators of fair value are quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market might be inactive include when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few or no recent transactions observed in the market. When markets become illiquid or less active, market quotations may not represent the prices at which orderly transactions would take place between willing buyers and sellers and therefore may require adjustment in the valuation process. Consequently, in an inactive market, price quotations are not necessarily determinative of fair values. Considerable judgment is required to distinguish between active and inactive markets.

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

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

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

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

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

The methods and assumptions used by the 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 period 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

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:

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.

Prior to the adoption of IFRS 9 on January 1, 2011, the Fund exercised judgment in classifying assets as held-for-trading or held-to-maturity in accordance with the guidance provided under IAS 39.

Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect prior year's reported result. However, in accordance with its transitional provisions, entities adopting IFRS 9 before January 1, 2012 are not required to restate prior periods' comparatives on their financial statements. Accordingly, the Fund has not restated prior year's comparative information in connection with the application of IFRS 9 in these financial statements.

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

1) Standards, Amendments and Interpretations effective after January 1, 2011 but early adopted by the Fund

- **IFRS 9: "Financial Instruments"**

The first part of phase 1 of IFRS 9 "financial instruments" was issued in November 2009 as part of the IASB comprehensive project to replace IAS 39. The first part of phase 1 of IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 requires financial assets to be classified, based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument, into two measurement categories: those to be measured at fair value and those to be measured at amortized cost. An instrument is measured at amortized cost only if it is a debt instrument and the objective of the entity's business is to hold the asset to collect the contractual cash flows and the asset's contractual cash flows represent only payments of principal and interest. All other instruments are to be measured at fair value through profit or loss. IFRS 9 also requires that all equity instruments be measured at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss while for all other equity instruments, an irrevocable election can be made at initial recognition to recognize all fair value changes through other comprehensive income.

The second part of Phase 1 of IFRS 9 which deals with classification and measurement of financial liabilities was issued on October 28, 2010. The new requirements address the problem of volatility in profit or loss (P&L) arising from the "own credit" of an issuer choosing to measure its own debt at fair value. With the new requirements, gains and losses resulting from changes in "own credit risk" for liabilities measured at fair value will be reported in "other comprehensive income" and therefore not affect reported profit or loss.

Although IFRS 9 is effective for annual periods beginning on or after January 1, 2015, the Fund early adopted the first phase of this standard with effect from January 1, 2011 ("the date of initial application").

The only impact of the application of the new standard was the reclassification of the Fund's investments from trading portfolio (under IAS 39) to a new classification of FVTPL. On the date of initial application of the new standard, the Fund's investments were all in the trading portfolio. In addition, the Fund had no equity investments, nor does the Fund had liabilities other than accounts payable resulting from administrative expenses. Consequently, the application of IFRS 9 had no impact on the financial result of the Fund for the year or on its financial position at the end of the year.

2) Standards and Interpretations Issued but not yet effective

At the date of issue of these financial statements, certain new and amended International Financial Reporting Standards and Interpretations are not yet effective for application, and have not been applied in preparing these financial statements.

The following new standards and amendments are expected to be relevant to the Fund:

- **IFRS 13: "Fair Value"**

IFRS 13 was issued in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 13 defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

IFRS 13 explains how to measure fair value for financial reporting which is a market-based measurement, not an entity-specific measurement. It does not require fair value measurements in addition to those already required or permitted by other standards and is not intended to establish valuation standards or affect valuation practices outside financial reporting. However, this standard expands the concepts and principles behind fair valuation. In addition, extensive disclosures about fair value are required under IFRS 13, and in particular when an entity relies on unobservable valuation inputs under the "level 3" fair valuation hierarchy.

The adoption of IFRS 13 is not expected to have any significant impact on the Fund's financial position or performance.

- **IFRS 7: "Financial Instruments: Disclosures" and IAS 32: "Financial Instruments: Presentation"**

In December 2011, IASB issued new disclosure requirements in respect of the effect of offsetting arrangements on an entity's financial position, as part of a common project with the US Financial Accounting Standards Board (FASB). The new requirements are set out in Disclosures-Offsetting Financial Assets and Financial Liabilities (amendment to IFRS 7), and are related to financial assets and liabilities that are offset in the statement of financial position or that are subject to master netting arrangements or similar agreements. As part of the same project, the IASB also published Disclosures-Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32) clarifying the offsetting criteria in IAS 32 to address inconsistency in their application.

The amendments to IFRS 7 and IAS 32 are to be applied in the financial statements for the annual periods beginning on or after January 1, 2013 and annual periods beginning on or after January 1, 2014, respectively.

The Fund is in the process of evaluating the full impact of the amendments to IFRS 7 and IAS 32 on its financial statements.

NOTE D – RISK MANAGEMENT POLICIES AND PROCEDURES

As described in Note A, the Bank manages the resources of the Fund on behalf of the Government of Nigeria. In the course of exercising its fiduciary duties, the Bank applies specific risk management policies designed to protect the resources of the Fund through the Bank's General Authority on Asset and Liability Management ("the ALM Authority"). The ALM Authority sets out the guiding principles for managing the Fund's risks, including interest rate risk, currency risk, liquidity risk, counterparty credit risk and operational risk.

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

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

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

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

Credit Risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Fund arising from its lending and treasury operations essentially and it includes sovereign credit risk from lending operations, and counterparty credit risk. These risks are managed within an integrated framework of credit policies, guidelines and processes, which are described in more detail in the following sections.

1) Sovereign Credit Risk

When the Fund lends to public sector borrowers, it generally requires a full sovereign guarantee or the equivalent from the borrowing member state. Also, in extending credit to sovereign entities, it is exposed to country risk which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Fund. Country credit risk is managed 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, 2011 were to the following countries:

(Amounts in UA thousands)

Country	Number of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Benin	3	6,674	-	-	6,674	11.99
Cape Verde	1	1,363	-	-	1,363	2.45
Djibouti	1	1,482	-	-	1,482	2.66
Gambia	3	11,929	-	2,783	9,146	16.43
Ghana	1	2,878	-	1,554	1,324	2.38
Guinea	2	4,133	-	-	4,133	7.43
Guinea-Bissau	1	3,511	-	3,335	176	0.32
Lesotho	1	29	-	-	29	0.05
Liberia	3	4,539	-	-	4,539	8.16
Madagascar	1	2,158	-	-	2,158	3.88
Mali***	1	-	-	-	-	-
Mauritania	2	8,512	-	2,024	6,488	11.66
Namibia	1	1,174	-	-	1,174	2.11
Rwanda	2	5,594	-	-	5,594	10.05
Senegal	2	1,504	-		1,504	2.70
Seychelles	2	1,172	-	-	1,172	2.11
Sierra Leone	1	725	-	38	687	1.23
Somalia**	1	758	-	-	758	1.36
Swaziland	1	4,682	-	-	4,682	8.41
Tanzania	1	1,414	-	-	1,414	2.54
Uganda	2	11,157	10,000	-	1,157	2.08
Total	**33**	**75,388**	**10,000**	**9,734**	**55,654**	**100.00**

* *Exclude fully repaid loans and canceled loans.*
** *Country with overdue amounts as at December 31, 2011.*
*** *Outstanding balance less than UA 1,000.*

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment

As at December, 2011, all the Fund's loans were made only to public sector borrowers, and such 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.

		International Ratings		
Risk Class	**Revised Rating Scale**	**S&P – Fitch**	**Moody's**	**Assessment**
Very Low Risk	1+	A+ and Above	A1 and Above	Excellent
	1	A	A2	
	1-	A-	A3	
	2+	BBB+	Baa1	Strong
	2	BBB	Baa2	
	2-	BBB-	Baa3	
Low Risk	3+	BB+	Ba1	Good
	3	BB	Ba2	
	3-	BB-	Ba3	
Moderate Risk	4+	B+	B1	Satisfactory
	4	B	B2	
	4-			
	5+	B-	B3	Acceptable
	5			
High Risk	5-	CCC+	Caa1	Marginal
	6+			
	6	CCC	Caa2	Special Attention
	6-			
Very High Risk	7	CCC-	Caa3	Substandard
	8			
	9	CC	Ca	Doubtful
	10	C	C	Loss

These sovereign risk credit ratings are derived from a risk assessment on five risk indices that include macroeconomic performance, debt sustainability, sociopolitical factors, business environment and portfolio performance. These five risk indices are combined to derive a composite sovereign country risk index and 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 borrower 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. Various financial instruments are used to manage the Fund's 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, this risk is minimized 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	AAA Maximum legal maturity of 50 years for ABS/MBS with the underlying collateral originated in the UK and 40 year maximum legal maturity for all other eligible ABS/MBS. Also, the maximum weighted average life for all ABS/MBS at the time of acquisition shall not exceed 5 years.					

The Fund invests in 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 percent 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 in the AA- or higher-rated class.

	Credit Risk Profile of the Investment Portfolio		
	AAA	AA+ to AA-	A+ and lower
2011	50%	23%	27%
2010	48%	40%	12%
2009	60%	37%	3%
2008	55%	34%	11%
2007	14%	85%	1%
2006	42%	54%	4%

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, 2011 the Fund had UA 9.73 million of loans which were committed but not yet disbursed (2010: UA 18.94 million). The interest rate on these undisbursed loans has been fixed at between 2 to 4 percent per annum.

Interest rate risk positions as at December 31, 2011 and 2010 were as follows:

Interest Rate Risk Position at December 31, 2011

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Non interest bearing funds	Total
Assets								
Cash	7,087	-	-	-	-	-	-	7,087
Investments	65,336	15,754	17,191	845	-	114	-	99,240
Accounts receivable	1,569	-	-	-	-	-	-	1,569
Loans	8,040	6,062	5,770	4,621	3,581	27,580	(146)	55,508
	82,032	21,816	22,961	5,466	3,581	27,694	(146)	163,404
Liabilities								
Accounts payable	(666)	-	-	-	-	-	-	(666)
Interest rate risk position as at December 31, 2011*	**81,366**	**21,816**	**22,961**	**5,466**	**3,581**	**27,694**	**(146)**	**162,738**

* *Interest rate risk position represents equity.*

Interest Rate Risk Position at December 31, 2010

(UA thousands)

	One year or less	More than one year but less than two years	More than two years but less than three years	More than three years but less than four years	More than four years but less than five years	More than five years	Non interest bearing funds	Total
Assets								
Cash	8,291	-	-	-	-	-	-	8,291
Investments	71,737	20,663	4,825	1,156	-	1,276	-	99,657
Accounts receivable	2,176	-	-	-	-	-	-	2,176
Loans	7,510	5,925	5,680	5,390	4,240	23,800	(145)	52,400
	89,714	26,588	10,505	6,546	4,240	25,076	(145)	162,524
Liabilities								
Accounts payable	(1,660)	-	-	-	-	-	-	(1,660)
Interest rate risk position as at December 31, 2010*	**88,054**	**26,588**	**10,505**	**6,546**	**4,240**	**25,076**	**(145)**	**160,864**

* *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 percent on these reported values.

Movements in interest rates have an impact on the reported fair value of the trading portfolio. The table below shows the effect of a parallel yield curve movement +/- 100bps as at December 31, 2011 and 2010, respectively.

(UA thousands)

	+100 Basis Points		-100 Basis Points	
	2011	2010	**2011**	2010
(Loss)/gain on measured at fair value/held-for-trading investments	**(113)**	(148)	**113**	149

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 an 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, 2011, all the Fund's investments were held at fair value through profit and loss. At December 31, 2010, the Fund's investments were held for trading, in accordance with IAS 39 rules. Investments held at fair value through profit and loss and those held for trading under IAS 39 are marked to market using quoted prices in active market.

The Fund's investments at December 31, 2011 (at FVTPL) and 2010 (held for trading) are summarized below:

(UA thousands)

	2011 (FVTPL)	2010 (Trading)
Time deposits	43,999	26,279
Asset-backed securities	1,089	2,431
Government and agency obligations	29,459	47,088
Corporate bonds	24,693	23,859
Total	**99,240**	**99,657**

The table below classifies the Fund's investments at December 31, 2011 and 2010 into three levels, reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument (Level 1)		Valuation techniques for which all significant inputs are based on observable market data (Level 2)		Valuation techniques for which any significant input is not based on observable market data (Level 3)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Time deposits	43,999	26,279	-	-	-	-	43,999	26,279
Asset-backed securities	-	-	-	-	1,089	2,431	1,089	2,431
Government and agency obligations	29,459	47,087	-	-	-	-	29,459	47,087
Corporate bonds	5,517	20,618	19,176	3,242	-	-	24,693	23,860
Total	**78,975**	**93,984**	**19,176**	**3,242**	**1,089**	**2,431**	**99,240**	**99,657**

Fair value measurement of financial instruments using valuation technique with no significant input from observable market data (level 3 hierarchy) at December 31, 2011 and 2010 is made up as follows:

(UA thousands)

	2011	2010
Balance at January 1	2,431	3,866
Losses recognized in income statement	(1,333)	(1,421)
Purchases, issues and settlements (net)	(16)	(82)
Currency translation adjustments	7	68
Balance at December 31	**1,089**	**2,431**

The contractual maturity structure of the Fund's investments as at December 31, 2011 (at FVTPL) and 2010 (held for trading) was as follows:

(UA thousands)

	2011	2010
One year or less	65,336	71,737
More than one year but less than two years	15,754	20,663
More than two years but less than three years	17,191	4,825
More than three years but less than four years	-	1,156
More than four years but less than five years	-	-
More than five years	959	1,276
Total	**99,240**	**99,657**

The notional balance of investments as at December 31, 2011 was UA 99.62 million (2010: UA 99.63 million), while the average yield was 0.21 % (2010: 0.22%).

NOTE F – LOANS

Loans originated prior to September 22, 2003; carry an interest rate of 4 percent 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 4 percent per annum to a range of 2 percent to 4 percent (inclusive) per annum on the outstanding balance and future undisbursed loans. Furthermore, a 0.75 percent commission is payable on undisbursed balances commencing 120 days after the signature of the loan. Loans are granted for a maximum period of twenty-five years including grace periods of up to five years.

The Fund's loan regulations require that loans be expressed in UA and repaid in the currency disbursed. At December 31, 2011, all loans disbursed were repayable in U.S. dollars.

The contractual maturity structure of outstanding loans as at December 31, 2011 and 2010 was as follows:

(Amounts in UA millions)

	2011		2010	
Periods	**Amount**	**%**	Amount	%
One year or less	8.04	14.45	7.51	14.77
More than one year but less than two years	6.06	10.89	5.93	11.22
More than two years but less than three years	5.77	10.37	5.68	10.72
More than three years but less than four years	4.62	8.30	5.39	10.18
More than four years but less than five years	3.58	6.43	4.24	7.99
More than five years	27.58	49.56	23.80	45.12
Total	**55.65**	**100.00**	**52.55**	**100.00**

The weighted-average interest yield on outstanding loans for the year ended December 31, 2011 was 2.02% (2010: 2.32%).

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, 2011, loans made to or guaranteed by certain borrowing countries with an aggregate principal balance of UA 0.75 million, of which UA 0.70 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, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Outstanding balance on impaired loans	758	755
Less: Accumulated provision for impairment	(146)	(145)
Net balance on impaired loans	**612**	**610**
Charges receivable and accrued income on impaired loans	916	900
Less: Accumulated provision for impairment	(514)	(511)
Net charges receivable and accrued income on impaired loans	**402**	**389**

Movements in the accumulated provision for impairment on loan principal for the year ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Balance at January 1	145	143
Translation effects	1	2
Balance at December 31	**146**	**145**

Movements in the accumulated provision for impairment on interest and charges receivable on loans for the year ended December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Balance at January 1	511	489
Provision for impairment on loan charges for the year	9	16
Translation effects	(6)	6
Balance at December 31	**514**	**511**

Fair Value of Loans

At December 31, 2011 and 2010, the estimated fair values of loans were as follows:

(UA thousands)

	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan balance at December 31	55,654	57,248	52,545	50,510
Accumulated provision for impairment on loans	(146)	-	(145)	-
Net balance	**55,508**	**57,248**	**52,400**	**50,510**

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.

A second request for withdrawal of US$ 200 million (UA 129.04 million) was paid to the Government of Nigeria in July 2009.

Retained Earnings

Retained earnings as at December 31, 2011 and 2010 were as follows:

(UA thousands)	
Balance at January 1, 2010	147,194
Net income for the year	1,516
Balance at December 31, 2010 and January 1, 2011	**148,710**
Net income for the current year	1,334
Balance at December 31, 2011	**150,044**

The Board of Governors of the Bank approves the transfers of part of the Fund's income for the year 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 was reported as a reduction in retained earnings. Approvals during the years ended December 31, 2011 and 2010 were UA 0.18 million and 0.32 million, respectively.

Cumulative Currency Translation Adjustments

Cumulative currency translation adjustments as at December 31, 2011 and 2010 were as follows:

(UA thousands)

	2011	2010
Balance at January 1	116,432	119,055
Movements during the year	(540)	(2,623)
Balance at December 31	**115,892**	**116,432**

NOTE H – INCOME

Interest and Charges on Loans

Interest and charges on loans for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Interest income on loans not impaired	1,655	1,746
Interest income on impaired loans	29	31
Commitment charges	88	145
Total	**1,772**	**1,922**

Income from Investments

Income from investments for the years ended December 31, 2011 and 2010 was as follows:

(UA thousands)

	2011	2010
Interest income	527	630
Realized and unrealized fair value losses	(354)	(217)
Total	**173**	**413**

NOTE I – ADMINISTRATIVE EXPENSES

According to the Agreement establishing NTF, 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 percent 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 0.39 million charged for the year ended December 31, 2011 (2010: UA 0.47 million) represents the Fund's share of the Bank Group expenses.

NOTE J – RELATED PARTIES

The NTF is administered by the ADB. 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, 2011 in respect of Fund's share of administrative expenses was UA 0.07 million (2010: UA 0.67 million) and is included in Accounts Payable on the balance sheet.

NOTE K – SEGMENT REPORTING

The objective of the Fund is to provide loan funds to the poorer ADB regional member countries for development purposes. The Fund's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers. Management has concluded that the Fund has only one reportable segment in accordance with IFRS 8.

The main products and services from which the Fund derives its revenue are mainly loans to ADB regional member countries and treasury investments. External revenue for the years ended December 31, 2011 and 2010 is detailed as follows:

(UA thousands)

	2011	2010
Interest income and charges on loans	1,772	1,922
Treasury investments income	173	413
Total external revenue	**1,945**	**2,335**

The Fund's development activities are divided into five sub-regions of the continent of Africa for internal management purposes, namely: Central Africa, East Africa, North Africa, Southern Africa, and West Africa. Treasury investment activities are carried out mainly outside of the continent of Africa, and are therefore not included in the table below. In presenting information on the basis of the above geographical areas, revenue is based on the location of customers. The Fund uses ADB's offices, staff, organisation, services and facilities and therefore has no fixed assets of its own.

Geographical information about income from loans for the years ended December 31, 2011 and 2010 is detailed as follows:

(UA thousands)

	East Africa	North Africa	Southern Africa	West Africa	Total
2011					
Income from loans	363	142	299	968	**1,772**
2010					
Income from loans	233	142	435	1,112	**1,922**

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Fund's revenues for the year ended December 31, 2011.

NOTE L – APPROVAL OF FINANCIAL STATEMENTS

On March 21, 2012, 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 2012.

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

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

Nigeria Trust Fund
Temporary Relocation Agency
15 Avenue du Ghana
1002 Tunis Belvédère
Tunisia

Independent Auditor's Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund

Year ended 31 December 2011

We have audited the accompanying financial statements of the Nigeria Trust Fund (''the Fund'') which comprise the balance sheet as at 31 December 2011 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to L.

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 of the African Development Bank, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Governors of the Bank as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Agreement establishing the Fund. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

Nigeria Trust Fund
Independent Auditor's Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 21st March 2012

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

Appendices

Appendix I: African Development Bank Group

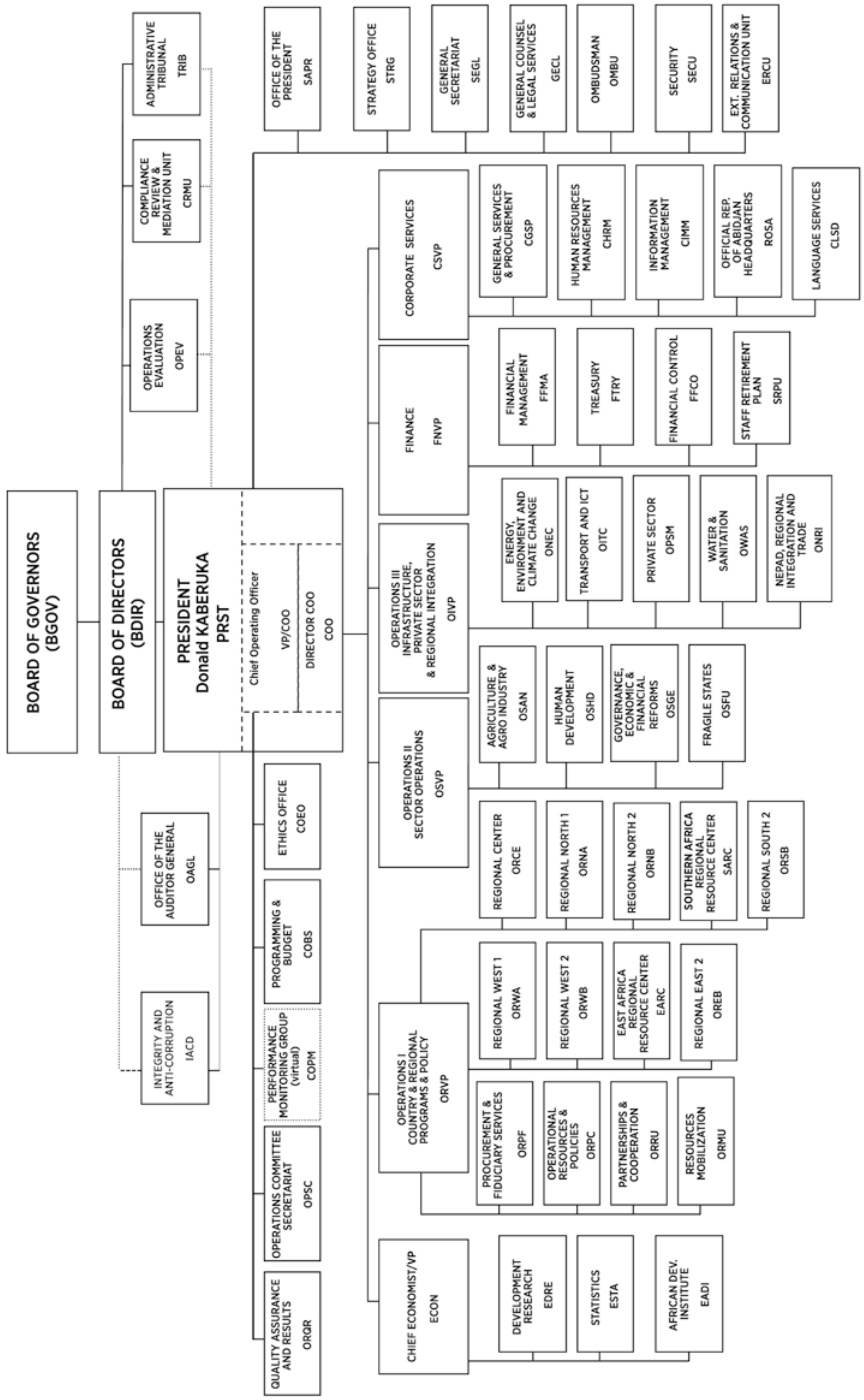
Appendix II: African Development Bank

Appendix III: African Development Fund

Appendix IV: Classification of Regional Member Countries

Appendix I-1

ADB Organizational Chart at December 31, 2011



Appendix I-2

Principal Officers of the Bank Group at December 31, 2011

PRESIDENCY			
President	KABERUKA	Donald	PRST
Vice President / Chief Operating Officer (until August 2011)	MOYO	Nkosana Donald	COO
Vice President / Chief Operating Officer (vacant, Sept-Dec 2011)			COO
Director, Office of the President	KABAGAMBE	Anne Namara	SAPR
Director	SOVIK	Per Eldar	CRMU
Director	ZOUKPO	Zate Raymond	COO
Director	SAKALA	Zondo Thomas	COBS
General Counsel and Director	GADIO	Kalidou	GECL
Secretary General	AKINTOMIDE	Cecilia	SEGL
Director & Chairperson of PECOD	BLACK	Frank	PECOD
Director	ABOU-SABAA	Aly Abdel-Hamed	CCCC
Director	BOSSMAN	Anna	IACD
Director	DINGA-DZONDO	Antoinette	OPSC
Director	MIZRAHI	Simon	ORQR
Acting Director	PERRAULT	Franck Joseph Marie	OPEV
Officer in Charge for Auditor General	OKONKWO	Chukwuma	OAGL
Head of Unit	UKU	Richard Michael Vincent	ERCU
Head of Unit	GODBOUT	William John	SECU
Head, Ethics Office	KISUBI	Mohammad Ali Mubarak	COEO
Executive Secretary	LIPOU MASSALA	Albertine A.H.	TRIB
Ombudsman	ORRACA-NDIAYE	Amabel	OMBU
OFFICE OF THE CHIEF ECONOMIST			
The Chief Economist and Vice President	NCUBE	Mthuli	ECON
Director	VENCATACHELLUM	Desiré Jean-Marie	EDRE
Director	LUFUMPA	Charles Leyeka	ESTA
Director	MURINDE	Victor	EADI
CORPORATE SERVICES			
Vice-President	BEDOUMRA	Kordje	CSVP
Director	ARCHER-DAVIES	Gemina Oluremi	CHRM
Director	CHAKROUN	Lotfi	CIMM
Director	EL AZIZI	Mohamed	CGSP
Official Representative, Abidjan	LAMINE ZEINE	Ali Mahaman	ROSA
Acting Director	NTCHANDEU	Micheline	CLSD
FINANCE			
Vice-President	BOAMAH	Charles Owusu	FNVP
Director	ODUKOMAIYA	Anthony Odusole	FFCO
Director	DIALLO	Kodeidja Malle	FFMA
Director	VAN PETEGHEM	Pierre	FTRY
Head, Internal Control	TCHAKOTE	Joachim Auguste	ICU
Head of Unit	GIRMA	Solomon	SRPU
OPERATIONS I: COUNTRY & REGIONAL PROGRAMS & POLICY			
Vice-President (until October 2011)	ORDU	Aloysius Uche	ORVP
Acting Vice-President (November-December 2011)	LITSE	Kpourou Janvier	ORVP
Director	NEGATU	Gabriel	EARC
Director	FAAL	Ebrima	SARC
Director	KANGA	Marlene Eva	ORCE
Director	KAYIZZI-MUGERWA	Steve	OREB
Director	KOLSTER	Jacob	ORNA
Director	MATONDO-FUNDANI	Nono	ORNB
Director	SHARMA	Vinay	ORPF
Director	OJUKWU	Chiji Chinedum	ORSB
Director	LITSE	Kpourou Janvier	ORWA
Director	PERRAULT	Franck Joseph Marie	ORWB
Officer in Charge for Director	DIENE	Massamba	ORPC
Head of Unit	CHERVALIER	Benoit Romain	ORMU
Head of Unit	IKEDA-LARHED	Kazumi	ORRU
OPERATIONS II: SECTOR OPERATIONS			
Vice-President	ELKHESHEN	Kamal Salah	OSVP
Director	BEILEH	Abdirahman D.	OSAN
Director	LOBE NDOUMBE	Isaac Samuel	OSGE
Director	SOUCAT	Agnes	OSHD
Head of Unit	PITAMBER	Sunita	OSFU
Coordinator, Partnership Secretariat	NALLETAMBY	Stefan Luis	OSGE
OPERATIONS III: INFRASTRUCTURE, PRIVATE SECTOR, REGIONAL INTEGRATION AND TRADE			
Vice President	PITTMAN	Bobby Jene	OIVP
Director	MBESHERUBUSA	Gilbert	OITC
Director	CHEIKHROUHOU	Hela	ONEC
Director	RUGAMBA	Alex	ONRI
Director	TURNER	Timothy	OPSM
Director	JALLOW	Sering Baboucarr	OWAS
Coordinator, African Water Facility	BAHRI	Akissa	AWTF

Source: *AfDB Human Resources Management Department*

Appendix II-1
Resolutions Adopted by the Board of Governors in 2011 for the ADB

B/BG/2011/01:	Dates and Venues of the 2012 and 2013 Annual Meetings of the Boards of Governors of the Bank and the Fund
B/BG/2011/02:	By-election of Executive Directors of the African Development Bank
B/BG/2011/03:	Temporary Relocation of the Operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Renewal of the Temporary Relocation Period for a Fixed Duration
B/BG/2011/04:	Annual Report and Audited Financial Statements for the Financial Year ended December 31, 2010
B/BG/2011/05:	Allocation and Distribution of Allocable Income of the African Development Bank for the Financial Year ended December 31, 2010
B/BG/2011/06:	Distribution of Part of the Income of the Nigeria Trust Fund for the Financial Year ended December 31, 2010

Source: AfDB General Secretariat

Appendix II-2

Board of Governors of ADB: Voting Powers of Member Countries at December 31, 2011

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Algeria	Karim Djoudi	Miloud Boutabba	88,014	2.378
2	Angola	Ana Afonso Dias Lourenço	Carlos Alberto Lopes	26,030	0.703
3	Benin	Marcel A. De Souza	Adidjatou Mathys	4,870	0.132
4	Botswana	Gloria Somolekae	Taufila Nyamadzabo	69,377	1.874
5	Burkina Faso	Lucien Marie Noël Benbamba	Lene Segbo	9,932	0.268
6	Burundi	Clotilde Nizigama	Moise Bucumi	15,586	0.421
7	Cameroon	Louis Paul Motaze	Blaise Ngoula Essomba	22,764	0.615
8	Cape Verde	Cristina Duarte	Leonesa Maria Do Nascimento Lima Fortes	2,297	0.062
9	Central Afr. Rep.	Sylvain Maliko	Sylvain Ndoutingai	3,439	0.093
10	Chad	Mahamat Ali Hassan	*	2,266	0.061
11	Comoros	Mohamed Ali Soilihi	Alfeine Sitti Soifiat Tadjiddine	1,067	0.029
12	Congo	Gilbert Ondongo	Pierre Moussa	10,500	0.284
13	Côte d'Ivoire	Albert Toikeusse Mabri Abdallah	Charles Koffi Diby	81,633	2.206
14	Dem. Rep. Congo	Matata Ponyon Mapon	Jean Claude Masangu Mulongo	66,415	1.794
15	Djibouti	Ilyas Moussa Dawaleh	Djama Mahamoud Haid	1,838	0.050
16	Egypt	Farouk El-Okdah	Fayza Aboulnaga	112,454	3.038
17	Equatorial Guinea	Martin-Crisantos Ebe Mba	*	3,806	0.103
18	Eritrea	Berhane Abrehe	Martha Woldegiorghis	2,628	0.071
19	Ethiopia	Sufian Ahmed	Mekonnen Manyazewal	35,403	0.957
20	Gabon	Magloire Ngambia	Franck Emmanuel Issozet	26,765	0.723
21	Gambia	Mambury Njie	Mod A.K. Secka	3,819	0.103
22	Ghana	Kwabena Duffuor	Kwesi Bekoi Amissah-Arthur	50,313	1.359
23	Guinea	Kerfalla Yansane	Souleymane Cisse	9,494	0.257
24	Guinea Bissau	Helena Maria José Nosolini Embalo	Jose Mario Vaz	1,225	0.033
25	Kenya	Uhuru Kenyatta, Egh, MP	Joseph K. Kinyua CBS	32,332	0.874
26	Lesotho	Timothy Thahane	Mosito Khethisa	4,092	0.111
27	Liberia	Augustine K. Ngafuan	Amara Konneh	12,863	0.348
28	Libya	*	*	84,561	2.285
29	Madagascar	*	*	14,787	0.400
30	Malawi	Ken Lipenga	Ted Sitima-Wina	7,097	0.192
31	Mali	Lassine Bouare	Sambou Wague	10,160	0.275
32	Mauritania	Thiam Diombar	Cheikh El Kebir Ould Chbih	3,838	0.104
33	Mauritius	Charles Gaetan Xavier Luc Duval	Ali Michael Mansoor	41,725	1.127
34	Morocco	Salaheddine Mezouar	Khalid Safir	220,897	5.968
35	Mozambique	Aiuba Cuereneia	Ernesto Gouveia Gove	14,391	0.389
36	Namibia	Saara Kuugongelwa-Amadhila	Carl-Herman G. Schlettwein	22,056	0.596
37	Niger	Amadou Boubacar Cisse	Ouhoumoudou Mahamadou	6,151	0.166
38	Nigeria	Ngozi okonjo-Iweala	Danladi Irmiya Kifasi	193,849	5.238
39	Rwanda	John Rwangombwa	Kampeta Sayinzoga	3,527	0.095
40	São Tomé & Principe	Americo D'Oliveira Dos Ramos	Maria Do Carmo Trovoada Pires De Carvalho Silveira	2,114	0.057
41	Senegal	Abdoulaye Diop	Mamadou Faye	22,516	0.608
42	Seychelles	Danny Faure	Pierre Laporte	2,429	0.066
43	Sierra Leone	Samura Mathew Wilson Kamara	Edmund Koroma	5,923	0.160
44	Somalia	Sharif Hassan Sheik Adam	Hamid A. Ibrahim	2,566	0.069
45	South Africa	Pravin Gordhan	Lungisa Fuzile	100,664	2.720
46	Sudan	Ali Mahmoud Mohamed Abdelrasoul	Magdi Hassan Yassin	26,164	0.707
47	Swaziland	Majozi Vincent Sithole	Hlangusemphi Dlamini	7,876	0.213
48	Tanzania	Mustafa Haidi Mkulo (MP)	Charles Mutalemwa	18,485	0.499
49	Togo	Adji Oteth Ayassor	Hatadeema Nonon SAA	4,077	0.110
50	Tunisia	Abdelhamid Triki	Adel Ben Ali	88,994	2.405
51	Uganda	Maria Kiwanuka	Chris Kassami	11,636	0.314
52	Zambia	Alexander B. Chikwanda	Fredson K. Yamba	28,047	0.758
53	Zimbabwe	Tendai Biti (MP)	Willard L. Manugo	45,653	1.233
	TOTAL REGIONALS			**1,691,404**	**45.700**

Appendix II-2 (continued)

Board of Governors of ADB: Voting Powers of Member Countries at December 31, 2011

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Argentina	Amado Boudou	Herman Martin Perez Redrado	6,472	0.175
2	Austria	Maria fekter	Edith Frauwallner	28,809	0.778
3	Belgium	Didier Reynders	Gino Alzetta	14,583	0.394
4	Brazil	Miriam Aparecida Belchior	Carlos Augusto Vidotto	10,299	0.278
5	Canada	John Baird	James Haley	238,346	6.440
6	China	Zhou Xiaochuan	Yi Gang	71,179	1.923
7	Denmark	IB Petersen	Mette Knudsen	74,270	2.007
8	Finland	Anne Sipiläine	Jorma Julin	31,480	0.851
9	France	Ramon Fernandez	Delphine D'Amarzit	237,686	6.422
10	Germany	Gudrun Kopp	Claus-Michael Happe	90,256	2.439
11	India	Pranab Mukherjee	R. Gopalan	14,735	0.398
12	Italy	Mario Monti	Carlo Monticelli	153,474	4.147
13	Japan	Jun Azumi	Masaaki Shirakawa	347,297	9.384
14	Korea	Jaewan Bahk	Choongsoo Kim	28,809	0.778
15	Kuwait	Mustafa Al-Shamali	Hesham Al-Woqayan	10,332	0.279
16	Netherlands	Ben Knapen	Yoka Brandt	54,803	1.481
17	Norway	Ingrid Fiskaa	Aud Lise Norheim	73,698	1.991
18	Portugal	Vitor Gaspar	Maria Luis Albuquerque	5,855	0.158
19	Saudi Arabia	Yousef I. Al-Bassam	Ahmed M. AL-Ghannam	4,837	0.131
20	Spain	Elena Salgado Méndez	José Manuel Campa Fernández	69,714	1.884
21	Sweden	Hanna Hellquist	Per Örnéus	98,158	2.652
22	Switzerland	Beatrice Maser Mallor	Maya Jaouhari Tissafi	93,192	2.518
23	United Kingdom	Andrew Mitchell	Stephen O'Brien	106,757	2.884
24	United States of America	Timothy Geithner	Robert D. Hormats	144,678	3.909
	TOTAL NON-REGIONALS			**2,009,719**	**54.300**
	GRAND TOTAL			**3,701,123**	**100.000**

Source: AfDB Treasury Department
Note:
** Vacant*

Appendix II-3

Board of Directors of ADB: Voting Powers and Countries Represented at December 31, 2011

Executive Director	For	Total Votes	Voting Powers %
Abdelhak Benallegue	Algeria	88,014	
Augusto Idrissa Embalo (Alternate)	Guinea Bissau	1,225	
	Madagascar	14,787	
		104,026	2.812
Mohit Dhoorundhur	Mauritius	41,725	
Petronella M.N. Mwangala (Alternate)	Zambia	28,047	
	Botswana	69,377	
	Malawi	7,097	
		146,246	3.951
Abdul-Magid Gadad	Libya	84,561	
Mohamed O.H. Khattar (Alternate)	Mauritania	3,838	
	Somalia	2,566	
		90,965	2.457
Elfatih Mohammed Khalid	Sudan	26,164	
Alieu Momoudou Ngum (Alternate)	Gambia,The	3,819	
	Ghana	50,313	
	Liberia	12,863	
	Sierra Leone	5,923	
		99,081	2.677
Moegamat Shahid Khan	South Africa	100,664	
Motena Ernestine Tsolo (Alternate)	Lesotho	4,092	
	Swaziland	7,876	
		112,633	3.043
Hassan Ali Ali Khedr	Egypt	112,454	
Almis Mohamed Abdillahi (Alternate)	Djibouti	1,838	
		114,292	3.087
Amadou Kone	Côte d'Ivoire	81,633	
Bernardo N. Abaga Mayie (Alternate)	Equatorial Guinea	3,806	
	Guinea	9,494	
		94,933	2.565
Mohamed Mahroug	Morocco	220,897	
Moufida Jaballah Srarfi (Alternate)	Tunisia	88,994	
	Togo	4,077	
		313,968	8.484
Mary Consolate Muduuli	Uganda	11,636	
Mulu Ketsela (Alternate)	Ethiopia	35,403	
	Eritrea	2,628	
	Kenya	32,332	
	Rwanda	3,527	
	Seychelles	2,429	
	Tanzania	18,485	
		106,400	2.876
André Nzapayeke	Central African Republic	3,439	
Sele Yalaghuli (Alternate)	Dem.Rep.Congo	66,415	
	Cameroon	22,764	
	Congo	10,500	
	Burundi	15,586	
		118,704	3.207

Source: AfDB Treasury Department

Appendix II-3 (continued)

Board of Directors of ADB: Voting Powers and Countries Represented at December 31, 2011

Executive Director	For	Total Votes	Voting Powers %
Mamadou Abdoulaye Sow	Senegal	22,516	
Nani Martin Gbedey (Alternate)	Benin	4,870	
	Burkina Faso	9,932	
	Cape Verde	2,297	
	Chad	2,266	
	Comoros	1,067	
	Gabon	26,765	
	Mali	10,160	
	Niger	6,151	
		86,024	2.324
Pedro M.F. Tombwele	Angola	26,030	
Rafique Jusob Mahomed (Alternate)	Mozambique	14,391	
	Namibia	22,056	
	Zimbabwe	45,653	
		108,130	2.922
Shehu Yahaya	Nigeria	193,849	
Maria Batista de Sousa (Alternate)	Sao Tome & Principe	2,114	
		195,963	5.295
François Kruger	France	237,686	
José Nuno (Alternate)	Spain	69,714	
	Belgium	14,583	
		321,983	8.701
Walter Crawford Jones	United States of America	144,678	
		144,678	3.909
Masahiro Kan	Japan	347,297	
Carlos R. Bolo Bolano (Alternate)	Argentina	6,472	
	Austria	28,809	
	Brazil	10,299	
	Saudi Arabia	4,837	
		397,714	10.745
Christoph Kohlmeyer	Germany	90,256	
	Portugal	5,855	
	Switzerland	93,192	
		189,303	5.115
Hau Sing Tse	Canada	238,346	
Thamer Husain (Alternate)	Kuwait	10,332	
	China	71,179	
	Korea	28,809	
		348,666	9.421
Margit Thomsen	Denmark	74,270	
Per Erik Trulsson (Alternate)	Sweden	98,158	
	Finland	31,480	
	India	14,735	
	Norway	73,698	
		292,341	7.900
Vincenzo Zezza	Italy	153,474	
Pim De Keizer (Alternate)	Netherlands	54,803	
	United Kingdom	106,757	
		315,034	8.512
Regional Total:		**1,691,404**	**45.700**
Non-Regional Total:		**2,009,719**	**54.300**
Grand Total:		**3,701,123**	**100.000**

Source: AfDB Treasury Department

Appendix III-1

Resolutions Adopted by the Board of Governors in 2011 for the ADF

F/BG/2011/01:	The Twelfth General Replenishment of the Resources of the African Development Fund
F/BG/2011/02:	Dates and Venues of the 2012 and 2013 Annual Meetings of the Boards of Governors of the Bank and the Fund
F/BG/2011/03:	Selection of Executive Directors of the African Development Fund
F/BG/2011/04:	Temporary Relocation of the Operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Renewal of the Temporary Relocation Period for a Fixed Duration
F/BG/2011/05:	Annual Report and Audited Special Purpose Financial Statements for the Financial Year ended December 31, 2010

Source: AfDB General Secretariat

Appendix III-2

Board of Governors of ADF: Voting Powers of State Participants and of the ADB at December 31, 2011

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	African Development Bank			1,000,000	50.000
2	Argentina	Amado Boudou	Herman Martin Perez Redrado	91	0.005
3	Austria	Maria Fekter	Edith Frauwallner	16,668	0.833
4	Belgium	Didier Reynders	Gino Alzetta	20,935	1.047
5	Brazil	Miriam Aparecida Belchior	Carlos Augusto Vidotto	6,656	0.333
6	Canada	John Baird	James Haley	76,364	3.818
7	China	Zhou Xiaochuan	Yi Gang	19,246	0.962
8	Denmark	Ib Petersen	Mette Knudsen	26,490	1.324
9	Finland	Anne Sipiläine	Jorma Julin	22,799	1.140
10	France	Ramon Fernandez	Delphine D'Amarzit	103,312	5.166
11	Germany	Gudrun Kopp	Claus-Michael Happe	101,995	5.100
12	India	Pranab Mukherjee	R. Gopalan	3,667	0.183
13	Italy	Mario Monti	Carlo Monticelli	57,517	2.876
14	Japan	Jun Azumi	Masaaki Shirakawa	116,297	5.815
15	Korea	Jaewan Bahk	Choongsoo Kim	8,799	0.440
16	Kuwait	Mustafa Al-Shamali	Hesham Al-Woqayan	9,175	0.459
17	Netherlands	Ben Knapen	Yoka Brandt	40,546	2.027
18	Norway	Ingrid Fiskaa	Aud Lise Norheim	43,499	2.175
19	Portugal	Vitor Gaspar	Maria Luis Albuquerque	7,284	0.364
20	Saudi Arabia	Youssef Al-Bassam	Ahmed M. Al-Ghannam	12,439	0.622
21	Spain	Elena Salgado Méndez	José Manuel Campa Fernández	24,854	1.243
22	Sweden	Hanna Hellquist	Per Õrnéus	53,326	2.666
23	Switzerland	Beatrice Maser Mallor	Maya Jaouhari Tissafi	37,136	1.857
24	United Arab Emirates	Mohamed Khalifa Bin Yousef Al Suweidi	Abdullah Hussain Dawood	412	0.021
25	United Kingdom	Andrew Mitchell	Stephen O'Brien	82,429	4.121
26	United States of America	Timothy Geithner	Robert D. Hormats	108,064	5.403
	TOTAL			**2,000,000**	**100.000**

Source: *AfDB Treasury Department.*

Appendix III-3

Board of Directors of ADF: Voting Powers and Countries Represented at December 31, 2011

Executive Directors /Alternates	Participants	Voting Powers in %*	Voting Powers by constituency
Abdelhak Benallegue**	ADB	7.143	
Mohit Dhoorundhur**	ADB	7.143	
Abdul-magid Gadad**	ADB	7.143	
Amadou Kone**	ADB	7.143	
Mohamed Mahroug**	ADB	7.143	
Mary Consolate Muduuli**	ADB	7.143	
Pedro Mampuya F. Tombwele**	ADB	7.143	
			50.000
Walter Crawford Jones	United States of America	5.403	
Alexander Severens	United States of America		
			5.403
Masahiro Kan	Japan	5.815	
Abdulrahman Abubakr	Saudi Arabia	0.622	
	Argentina	0.005	
	Austria	0.833	
	Brazil	0.333	
			7.608
Margit Tomsen	Denmark	1.324	
Per Erik Trulsson	Sweden	2.666	
	Finland	1.140	
	India	0.183	
	Norway	2.175	
			7.489
Christoph Kohlmeyer	Germany	5.100	
	Portugal	0.364	
	Switzerland	1.857	
			7.321
Hau Sing Tse	Canada	3.818	
Thamer Husain	Kuwait	0.459	
	China	0.962	
	Korea	0.440	
			5.679
François Kruger	France	5.166	
José Nuno	Spain	1.243	
	Belgium	1.047	
			7.455
Vincenzo Zezza	Italy	2.876	
P. De Keizer	The Netherlands	2.027	
	United Kingdom	4.121	
			9.025
Vacant	United Arab Emirates	0.021	
			0.021
GRAND TOTAL			**100.000**

Source: *AfDB Treasury Department*

Notes:

** Slight differences may occur in totals due to rounding.*

*** For the period beginning 1st April 2011 through 31st December 2011.*

Appendix III-4

Subscriptions of State Participants and of the ADB at December 31, 2011

	Participants	Contribution in UA*
1	ADB	111,740,678.00
2	Argentina	18,631,870.40
3	Austria	393,135,183.38
4	Belgium	445,056,439.87
5	Brazil	134,021,577.84
6	Canada	1,578,214,051.74
7	China	435,740,891.36
8	Denmark	587,626,347.44
9	Finland	452,952,370.12
10	France	2,280,055,861.12
11	Germany	2,291,116,185.03
12	India	79,297,897.88
13	Italy	1,173,698,451.42
14	Japan	2,471,811,920.81
15	Korea	208,872,844.93
16	Kuwait	171,819,771.79
17	Netherlands	942,321,781.86
18	Norway	990,788,146.15
19	Portugal	143,996,291.32
20	Saudi Arabia	260,497,668.69
21	South Africa	31,287,121.17
22	Spain	560,688,132.96
23	Sweden	1,114,248,512.08
24	Switzerland	795,080,640.37
25	United Arab Emirates	8,289,468.00
26	United Kingdom	2,000,550,329.84
27	United States of America	2,243,428,749.19
	Subtotal	**21,924,969,184.76**
	Supplementary Contributions through accelerated encashment to reduce the Gap	**154,285,816.48**
	TOTAL	**22,079,255,001.24**

Source: *AfDB Treasury Department.*
Note:
* *Slight differences may occur in totals due to roundings.*

Appendix IV

Classification of Regional Member Countries

	Category A – Countries Eligible for ADF Resources Only*		
1.	Benin	20.	Liberia
2.	Burkina Faso	21.	Madagascar
3.	Burundi	22.	Malawi
4.	Cameroon	23.	Mali
5.	Central African Republic	24.	Mauritania
6.	Chad	25.	Mozambique
7.	Comoros	26.	Niger
8.	Congo	27.	Rwanda
9.	Congo, Democratic Republic of	28.	São Tomé and Principe
10.	Côte d'Ivoire	29.	Senegal
11.	Djibouti	30.	Sierra Leone
12.	Eritrea	31.	Somalia
13.	Ethiopia	32.	Sudan
14.	Gambia	33.	Tanzania
15.	Ghana	34.	Togo
16.	Guinea	35.	Uganda
17.	Guinea Bissau	36.	Zambia
18.	Kenya	37.	Zimbabwe
19.	Lesotho		
	Category B – Countries Eligible for a Blend of ADB and ADF Resources		
1.	Nigeria		
	Category C – Countries Eligible for ADB Resources only		
1.	Algeria		
2.	Angola		
3.	Botswana		
4.	Cape Verde		
5.	Egypt		
6.	Equatorial Guinea		
7.	Gabon		
8.	Libya		
9.	Mauritius		
10.	Morocco		
11.	Namibia		
12.	Seychelles		
13.	South Africa		
14.	Swaziland		
15.	Tunisia		

* *Except for limited ADB lending for enclave and private sector projects.*

Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
AEO	African Economic Outlook
AFD	Agence française de développement
AFRITAC	African Regional Technical Assistance Center
AfT	Aid for Trade
AGRA	Alliance for Green Revolution in Africa
AgSS	Agriculture Sector Strategy
AMBD	Committee on Administrative Matters Affecting the Boards of Directors
AMINA	Microfinance Initiative for Africa
AMU	Arab Maghreb Union
AU	African Union
AUC	African Union Commission
AUFI	Audit and Finance Committee
AWF	African Water Facility
BOAD	Banque Ouest Africaine de Développement (West African Development Bank)
CAADP	Comprehensive Africa Agriculture Development Program
CAHR	Committee on Administrative Affairs and Human Resource Policy Issues
CBFF	Congo Basin Forest Fund
CCAP	Climate Change Action Plan
CEMAC	Central African Economic and Monetary Community
CEN-SAD	Community of Sahel-Saharan States
CIF	Climate Investment Fund
COBS	Strategy and Budget Department
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for Eastern and Southern Africa
COP17	17th Conference of the Parties to the UNFCCC
CoW	Committee of the Whole
CPIA	Country Policy and Institutional Assessment
CPPR	Country Project Portfolio Review
CSP	Country Strategy Paper
DBSA	Development Bank of South Africa
DFI	Development Finance Institution
DP	Data Portal
DRC	Democratic Republic of Congo
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPSA	Enhanced Private Sector Assistance for Africa
ERO	External Representation Office
ESW	Economic and Sector Work
FAO	Food and Agriculture Organization
FO	Field Office
FRMF	Fiduciary Risk Management Framework
FSF	Fragile States Facility
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GAFSP	Global Agricultural and Food Security Program
GAP	Governance Action Plan
GCF	Green Climate Fund
GCI-VI	Sixth General Capital Increase
GDP	Gross Domestic Product
GEF	Global Environment Facility
GS	General Staff
GTF	Governance Trust Fund
GWh	Gigawatt-hour
HEST	Higher Education, Science, and Technology
HHA	Harmonization for Health in Africa
HIPC	Heavily Indebted Poor Countries Initiative
HLF-4	4th High-Level Forum on Aid Effectiveness
HRSFAP	Human Resources Strategic Framework and Action Plan
ICA	Infrastructure Consortium for Africa
ICF	Investment Climate Facility for Africa
ICP	International Comparison Program
ICT	Information and Communication Technology
ICU	Internal Control Unit
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standard
IICF	Integrated Internal Control Framework
IMDE	Initiative Migration and Development
IMF	International Monetary Fund
IPPF	NEPAD Infrastructure Project Preparation Facility
IGAD	Intergovernmental Authority on Development
ISO	Institutional Support Operation
IT	Information Technology
IUCN	International Union for the Conservation of Nature
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicator
LIC	Low-income Country
LOC	Line of Credit
LPI	Land Policy Initiative
MBP	Medical Benefit Plan
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MDWPP	Multi-Donor Water Partnership Program
MIC	Middle-Income Country
MSMEs	Micro, Small and Medium-size Enterprises
MTR	Mid-Term Review
MTS	Medium Term Strategy
MW	Mega Watts
NEPAD	New Partnership for Africa's Development
NTF	Nigeria Trust Fund
OCP	Office Chérifien des Phosphates (Morocco)
ODA	Official Development Assistance

OECD	Organization for Economic Cooperation and Development
PBO	Policy-Based Operation
PCG	Partial Credit Guarantee
PCR	Project Completion Report
PECOD	Permanent Committee on the Review and Implementation of the Decentralization
PFI	Private Finance Institution
PFM	Public Financial Management
PIDA	Program for Infrastructure Development in Africa
PL	Professional Level
PPP	Public–Private Partnership
PRG	Partial Risk Guarantee
PURSSAB	Program to Restore Basic Social and Administrative Services (Côte d'Ivoire)
REC	Regional Economic Community
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
RWSSI	Rural Water Supply and Sanitation Initiative
SADC	Southern Africa Development Community
SEFA	Sustainable Energy Fund for Africa
SGL	Sovereign Guaranteed Loan
SMEs	Small and Medium-Size Enterprises
SRP	Staff Retirement Plan
SSA	Sub-Saharan Africa
SSCTF	South–South Cooperation Trust Fund
TF LOC	Trade Finance Line of Credit
TRA	Temporary Relocation Agency
UA	Unit of Account
UNAIDS	Joint United Nations Program on HIV/AIDS
UNDP	United Nations Development Program
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WFP	World Food Program
WTO	World Trade Organization
ZEP-Re	PTA Reinsurance Company

Index

African Development Bank Group Field Offices – Addresses

ALGERIA
Groupe de la Banque africaine de développement
Bureau National de l'Algérie (DZFO)
Commune Hydra Paradou
3, rue Hamdani Lahcène, Hydra
BP 148
Alger, ALGERIA
Tel: +213 21 43 53 95/66
Fax: +213 21 43 53 92
Contact: Mrs. Assitan DIARRA-THIOUNE,
Resident Representative.
Email: a.diarra-thioune@afdb.org

ANGOLA
Banco Africano de Desenvolvimento
Angola Country Office (AOFO)
Rua Rei Katyavala
Imovel Rei Katyavala
Ingombota
Luanda, ANGOLA
Tel: +244 930 049 256
Cell: +244 935 565 656
Contact: Mr. Septime MARTIN,
Resident Representative
Email: s.martin@afdb.org

BURKINA FASO
Groupe de la Banque africaine de développement
Bureau National du Burkina Faso (BFFO)
Immeuble Administratif et Technique de l'ARCE
(Autorité Nationale de Régulation des
Communications Electroniques)
5ème Etage,
10 BP 13680
Ouagadougou 10, BURKINA FASO
Tel: +226 50375750
Ext: 6120
Fax: +226 50375749
Contact: Mrs. Ginette NZAU-MUTETA,
Resident Representative
Email: g.nzau-muteta@afdb.org

BURUNDI
Groupe de la Banque africaine de développement
Bureau National du Burundi (BIFO)
Rohero 1 Avenue des Travailleurs No. 24,
Bujumbura, BURUNDI
Contact: Mr. Abou Amadou BA,
Resident Representative
Email: a.a.ba@afdb.org

CAMEROON
Groupe de la Banque africaine de développement
Bureau National du Cameroun (CMFO)
Immeuble FOUL'ASSI, No 1067 bis
Rue 1750 Nouvelle Route
Bastos, Yaoundé, CAMEROON
Tel: +237 22 20 27 61,
secretariat: +237 22 20 27 65
Ext: 6800-6859
Fax: +237 22 20 27 64
Contact: Mr. Racine KANE,
Resident Representative
Email: r.kane@afdb.org

CENTRAL AFRICAN REPUBLIC
Groupe de la Banque africaine de développement
Bureau National de la RCA (CFFO)
Sainte Sophie Residence
Rue Joseph DEGRAIN
Bangui, CENTRAL AFRICAN REPUBLIC
Tel: +250 50 42 97/50
Ext: 6060-6063
Fax: +250 50 42 98
Contact: M. Modibo SANGARE,
Resident Representative
Email: m.sangare@afdb.org

CHAD
Groupe de la Banque africaine de développement
Bureau National du Tchad (TDFO)
Immeuble BCC, 2ème étage
Avenue Charles de Gaulle
BP 193, N'Djamena, CHAD
Tel: +235 22 52 46 79/22 52 45 57
Ext: 6200-6229
Fax: +235 22 52 49 96
Contact: Mr. Michel-Cyr DJIENA-WEMBOU,
Resident Representative
Email: w.djiena@afdb.org

COTE D'IVOIRE
Groupe de la Banque africaine de développement
Bureau de représentation officielle au siège à
Abidjan (ROSA)
01 BP 1387 Abidjan – COTE D'IVOIRE
Tel: +225 20 20 47 20 ou 20 20 48 22
Fax: +225 20 21 31 00
Contact: M. Ali Mahaman LAMINE ZEINE,
Official Representative
Email: a.zeine@afdb.org

DEMOCRATIC REPUBLIC OF CONGO
Groupe de la Banque africaine de développement
Bureau Régional de la R. D. Congo (CDFO)
Immeuble de la BCDC (Banque Commerciale
du Congo)
Boulevard du 30 Juin – Kinshasa – Gombe
BP: 7525, Kinshasa I
Tel: +243 815 560 291/292
Ext: 6330-6399
Fax: +243 815 560 294
Contact: Mr. Valentin ZONGO,
Resident Representative
Email: v.zongo@afdb.org

EGYPT
African Development Bank Group
Egypt Country Office (EGFO)
72B Al Maahad Al Eshteraky St., Afreximbank
Building Heliopolis
Cairo, EGYPT
Tel: +202 22 56 37 90/22 56 37 91
Cell: +201 06 444 95 55
Ext: 6730-6731
Fax: +202 22563790
Contact: Mr. Sibry TAPSOBA,
Resident Representative
Email: s.tapsoba@afdb.org

ETHIOPIA
African Development Bank Group
Ethiopia Country Office (ETFO)
7th and 8th Floor, Get-House Building,
Kirkos Sub-City, Kebele 20/21, House N° 056
P.O. Box 25543, Code 1000
Addis Ababa, ETHIOPIA
Tel: +251 115 546 336/115 544 344
Ext: 6700-6729
Fax: +251 115 546 335
Contact: Mr. Lamine BARROW,
Resident Representative
Email: l.barrow@afdb.org

GABON
Groupe de la Banque africaine de développement
Bureau Régional du Gabon (GAFO)
Immeuble Saint Georges
Quartier Kalikak
B.P. 4075
Libreville, GABON
Tel: +241 44 29 52/53
Ext: 6600-6618
Fax: +241 44 29 51
VSAT: 6613/Cell +241 32 58 19
Contact: Moulay Lahcen ENNAHLI,
Resident Representative.
Email: m.ennahli@afdb.org

GHANA
African Development Bank Group
Ghana Country Office (GHFO)
Heritage Tower, 7th Floor
Accra, GHANA
Tel: +233 302 66 28 40/302 66 28 18
Ext: 6130-6159
Fax: +233 21 66 28 55
Contact: Mrs. Marie-Laure AKIN-OLUGBADE,
Resident Representative
Email: m.akin-alogbade@afdb.org

GUINEA-BISSAU
African Development Bank Group
Guinea-Bissau National Programme Office (NPO)
Bâtiment des Nations Unies, Rua Rui Djassi
Bissau, GUINEA-BISSAU
Tel: +245 320 13 48/+245 320 10 98
Fax: +245 20 17 53/+001 212 963 98 28
Cell: +245 677 08 71/+245 529 73 61
Contact: Mr. Albino Jose Cherno EMBALO,
Office Manager
Email: a.embalo@afdb.org

KENYA
African Development Bank Group
Eastern Africa Regional Resource Center (EARC)
12th floor, Landmark Plaza
Argwings Kodhek Road, Upper Hill
Nairobi, KENYA
Tel: +254 20 27 12 925/6/8
Ext: 6230-6259
Fax: +254 20 27 12 938
Contact: Mr. Gabriel NEGATU, Regional Director
Email: g.negatu@afdb.org

LIBERIA
African Development Bank Group
Liberia Country Office (LRFO)
Sophie Community, Old Congo Town
P.O. Box 1844
1000 Monrovia, LIBERIA
Contact: Ms. Margaret KILO,
Resident Representative
Email: m.kilo@afdg.org

MADAGASCAR
Groupe de la Banque africaine de développement
Bureau National de Madagascar (MGFO)
9ème étage, Immeuble Fitaratra
Ankorondrano
Rue Ravoninahitriniarivo
BP 1718 Analakely
Antananarivo 101, MADAGASCAR
Tel: +261 20 22 643 61/+261 20 22 641 89
Ext: 6000-6029
Fax: +261 20 22 642 32
Contact: Mr. Abdelkrim BENDJEBBOUR,
Resident Representative
Email: a.bendjebbour@afdb.org

MALAWI
African Development Bank Group
Malawi Country Office (MWFO)
2nd Floor, Kang'ombe House
Box 30732, City Centre
Lilongwe, MALAWI
Tel: +265 0 1 77 44 60-62/64
Ext: 6300-6329
Fax: +265 0 1 77 44 69
Contact: Mr. Andrew MWABA,
Resident Representative
Email: a.mwaba@afdb.org

MALI
Groupe de la Banque africaine de développement
Bureau National de Bamako (MLFO)
Immeuble SODIES
Batiment B, Quartier du Fleuve
ACI 2000, Rue 286 Angle derrière BNDA
BP 2950
Bamako, MALI
Tel: +223 20 22 28 85/+223 20 22 28 72
Ext: 6030-6059
Fax: +223 20 22 29 13
Contact: Mr. Samba KAMARA, Office Manager
Email: s.kamara@afdb.org

MOROCCO
Groupe de la Banque africaine de développement
Bureau National du Maroc (MAFO)
Immeuble "Espaces les Lauriers", 1er étage
Angle des avenues Annakhil et Mehdi Ben Barka,
Hay Riad
BP 592 Rabat Chellah
Rabat, MOROCCO
Tel: +212 537 565 937/+212 537 713 826-7
Ext: 6160-6190
Fax: +212 537 565 935
Contact: Ms. Amani ABOU-ZEID,
Resident Representative
Email: a.abou-zeid@afdb.org

MOZAMBIQUE
African Development Bank Group
Mozambique Regional Office (MZFO)
2nd and 3rd floor, JAT 4 Building
Zedequias Maganhela, 267
Maputo, MOZAMBIQUE
Tel: +258 213 15271/2
+258 823 013 268
Cell: +258 821 313 500
Ext.: 6430-6499
Fax: +258 213 15600
Contact: Mr. Joseph RIBEIRO,
Resident Representative
Email: j.ribeiro@afdb.org

NIGERIA
African Development Bank Group
Nigeria Country Office (NGFO)
Plot 813, Lake Chad Crescent
Maitama District
Abuja, NIGERIA
Tel: +234 9 4133261/62
+234 9 6721 738
Ext: 6650-6699
Fax: +234 9 413 3260
+1 321 956 3851
Contact: Mr. Ousmane DORE,
Resident Representative
Email: o.dore@afdb.org

RWANDA
Groupe de la Banque africaine de développement
Bureau National du Rwanda (RWFO)
Glory House Building 3rd and 4th floors
Boulevard Umuganda, Kacyru, Kigali
BP 7329 Kigali, RWANDA
Tel: +250 50 42 97/50
Ext: 6060-6063
Fax: +250 50 42 98
Contact: M. Negatu MAKONNEN,
Resident Representative
Email: n.makkonen@afdb.org

SENEGAL
Groupe de la Banque africaine de développement
Bureau Régional du Sénégal (SNFO)
Immeuble Coumba, 2ème étage
Route de Ngor, zone 12, Quartier des Almadies
BP: 50544 CP: 18524 RP
Dakar, SENEGAL
Tel: +221 820 0888/338697544
Ext: 6530-6569
Fax: +221 820 0999
Contact: Ms. Leila MOKADDEM,
Resident Representative
Email: l.mokkadem@afdb.org

SIERRA LEONE
African Development Bank Group
Sierra Leone Country Office (SLFO)
5th & 6th floor, Bishop Building
13 Lamina Sankoh Street, PMP335
Freetown, SIERRA LEONE
Tel: +232 (0) 7654 1328
Ext: 6260-6290
Contact: Mr. Yero BALDEH,
Resident Representative
Email: y.baldeh@afdb.org

SOUTH AFRICA
African Development Bank Group
Southern Regional Resource Center (SARC)
Crestway Office Park
3 Hotel Street
Persequor Park
0020 Pretoria, SOUTH AFRICA
Tel: +27 12 349 5207/8/9/10
Fax: +27 12 349 5201
Contact: Mr. Ebrima FAAL, Regional Director
Email: e.faal@afdb.org

SOUTH SUDAN
African Development Bank Group
South Sudan Country Office (SSFO)
UNDP Compound
Juba, SOUTH SUDAN
Tel: +211 956 450 033
Contact: Mr. Jeremiah MUTONGA,
Resident Representative
Email: j.mutonga@afdb.org

SUDAN
African Development Bank Group
Sudan Country office (SDFO)
Higleig Petroleum Tower, 7th Floor
Obaid Khatim Street,
Khartoum, SUDAN
Tel: +249 183 236 240/183 236 320
Ext: 6860-6868
Fax: +249 183 236 220
Contact: Mr. Abdul KAMARA,
Resident Representative
Email: a.kamara@afdb.org

TANZANIA
African Development Bank Group
Tanzania Country Office (TZFO)
5th Floor, International House, Garden Avenue
P.O. Box 6024
Dar Es Salaam, TANZANIA
Tel: +255 22 2125 281/2 (office)
Ext: 6500-6529/
+255 22 2125 286 (Direct)
Fax: +225 22 2125 283
Contact: Ms. Tonia KANDIERO,
Resident Representative
Email: t.kandiero@afdb.org

TOGO
Groupe de la Banque africaine de Développement
Bureau National du Togo (TGFO)
Immeuble de la BOAD – 6e étage
68, Avenue de la Libération
01 B.P. 2722
Lomé, TOGO
Tel: +228 22 22 80 03
Ext: 7130
Fax: +228 22 22 80 02
Contact: Mr. Serge-Marie N'GUESSAN,
Resident Representative
Email: s.n'guessan@afdb.org

UGANDA
African Development Bank Group
Uganda Country Office (UGFO)
14th Floor, Crested Towers Building
Hannington Road
P.O. Box 28509
Kampala, UGANDA
Tel: +256-414 236 166/7
Ext: 6760-6790
Fax: +256-414 234 011
Contact: Mr. Patrick KHAEMBA,
Resident Representative
Email: p.khaemba@afdb.org

ZAMBIA
African Development Bank Group
Zambia Country Office (ZMFO)
Pyramid Plaza
746B Church Road
Cathedral Hill
P O Box 51449 Ridgeway,
Lusaka, ZAMBIA
Tel: +260 21 12 57 868/869/874
Ext: 6401/6402
Fax: +260 21 12 57 872
Contact: Mr. Freddie KWESIGA,
Resident Representative
Email: f.kwesiga@afdb.org

ZIMBABWE
African Development Bank Group
Zimbabwe Country Office (ZWFO)
Joina Center, 5th Floor
Corner Jason Moyo/Julius Nyerere
Hararé, REPUBLIC OF ZIMBABWE
Tel: +263 4 700 215
Contact: Mr. Mahamudu BAWUMIA,
Resident Representative
Email: m.bawumia@afdb.org

AFRICAN DEVELOPMENT BANK · AFRICAN DEVELOPMENT FUND
15, Avenue du Ghana, Angle des rues Pierre de Coubertin et Hedi Nouira, BP 323, 1002 Tunis Belvédère, TUNISIA
Tel (216) 71 333 511 **Fax** (216) 71 351 933
Email afdb@afdb.org **Website** www.afdb.org

Produced by Phoenix Design Aid AS/Denmark.
Printed on environmentally-friendly recycled paper with vegetable inks.
The printed matter is recyclable. ISO 14001/ISO 9001 and EMAS-approved.