THE AFRICAN DEVELOPMENT FUND

Financial Management

Subscriptions

ADF Replenishments

The resources of the ADF primarily comprise subscriptions by the State Participants and the Bank, as well as other resources received by the Fund including contributions by the Bank. The cumulative subscriptions to ADF amounted to UA 18.77 billion at December 31, 2009, compared to UA 18.37 billion at the end of 2008.

The eleventh general replenishment of the Fund (ADF-XI) became effective in May 2008 and covers the three-year operational period starting in 2008 and ending in 2010. As of December 31, 2009, State Participants had subscribed a total of UA 3.37 billion representing 91.08 percent of the ADF-XI target replenishment level of UA 3.70 billion.

Commitments under the Multilateral Debt Relief Initiative

The Multilateral Debt Relief Initiative (MDRI or Initiative) became effective on September 1, 2006[1] and covers the period 2006-2054. To preserve the financial integrity and the financing capacity of the African Development Fund, donors have committed to fully compensate the Fund for debts canceled under the MDRI.

As of December 31, 2009, the Fund had received from donors aggregate commitments of UA 4.37 billion, representing 78.18 percent of the MDRI cost for the period 2006-2054 of UA 5.59 billion.

Investments

ADF cash and treasury investments amounted to UA 3.18 billion at December 31, 2009, compared to UA 3.52 billion at the end of 2008. Investment income for the year amounted to UA 131.59 million, representing a return of 4.09 percent, on an average liquidity level of UA 3.22 billion, compared with an income of UA 109.88 million in 2008, representing a return of 3.17 percent on an average liquidity of UA 3.47 billion.

Loan Portfolio

Cumulative loans and grants signed, net of cancellations, at December 31, 2009, amounted to UA 18.86 billion compared to UA 16.76 billion at the end of 2008. Total outstanding loans, as at December 31, 2009 was UA 5.43 billion, UA 567.28 million higher than the UA 4.87 billion outstanding as at the end of 2008. This increase was in spite of debt cancellation under the Multilateral Debt Relief Initiative, amounting to UA 207.78 million, for two additional completion point countries.

At the end of 2009, there were 1,138 active signed loans and grants. Also at December 31, 2009, a total of 1,101 loans amounting to UA 6.43 billion had been fully repaid.

Disbursements

Disbursements of loans and grants increased by 53.10 percent from UA 1.13 billion in 2008 to UA 1.73 billion in 2009. As at December 31, 2009, cumulative disbursements on loans and grants amounted to UA 13.61 billion. A total of 1,583 loans and grants were fully disbursed for an amount of UA 10.67 billion, representing 78.40 percent of cumulative disbursements.

Financial Results

The Fund earned a surplus of UA 4.70 million in 2009, compared to UA 4.66 million in 2008. Administrative expenses, which represent the Fund's share of the total shareable expenses of the ADB Group, increased by UA 19.55 million, from UA 138.10 million in 2008 to UA 157.65 million in 2009. The Fund's share 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. The Fund's share of Bank Group shareable expenses was 70.84 % for 2009, compared to 72.13% for 2008. The increase in the absolute amount of administrative expenses was attributable to the overall increase in Bank Group shareable expenses due to increased staffing as a result of increased activities.

As a result of a higher average loan balance and recoveries made of loan income arrears from a borrowing member country during the year, loan income increased by UA 7.43 million from UA 51.65 million in 2008 to UA 59.08 million in 2009. Investment income also increased by UA 21.71 million from UA 109.88 million in 2008 to UA 131.59 million in 2009 as a result of improved market conditions. Discount on the accelerated encashment of demand obligations amounted to UA 28.02 million in 2009 compared to UA 16.18 million in 2008. 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 4.80 million of non-accrued loan income was excluded from 2009 income compared to UA 3.39 million in 2008. In addition, UA 6.87 million of loan income previously not accrued was recovered and recognized in income in 2009 compared to UA 5.33 million in 2008. The number of borrowers in non-accrual status at December 31, 2009 were 3 compared to 4 at the end of December 2008.

The Fund continues to cancel qualifying debts under MDRI as the relevant countries reach their HIPC completion points. A summary of the cumulative loan cancellations under MDRI and HIPC is presented in Note E to the Special Purpose Financial Statements.

[1] The effectiveness of the MDRI was triggered when the Fund received Instrument of Commitments representing at least 70% of the total cost of debt relief for 14 post-completion countries, of which not less than amounts equivalent to at least 75% of the cost of debt relief incurred during the ADF-X period, were unqualified commitments for payments due in 2007.

African Development Fund

Special Purpose Financial Statements and Report of the Independent Auditor for the Year ended December 31, 2009

STATEMENT OF NET DEVELOPMENT RESOURCES AS AT DECEMBER 31, 2009

(UA thousands - Note B)

		2009	2008
DEVELOPMENT RESOURCES			
DUE FROM BANKS		29,206	263,331
INVESTMENTS (Notes C & H)			
Held-for-trading	1,944,427		1,923,022
Held-to-maturity	1,203,945		1,330,185
Total investments		3,148,372	3,253,207
DEMAND OBLIGATIONS (Note D)		2,378,200	2,265,101
RECEIVABLES			
Accrued income on loans and investments	48,131		50,193
Other receivables	13,345		12,631
		61,476	62,824
LIABILITIES		(116,310)	(63,083)
NET DEVELOPMENT RESOURCES		**5,500,944**	**5,781,380**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS AND CONTRIBUTIONS (Notes F & O)			
Amount subscribed including contributions through accelerated encashment of subscriptions	18,770,173		18,370,126
Less: Portion of accelerated encashment not yet effected	(122,070)		(113,133)
	18,648,103		18,256,993
Less: Installments not yet payable	(1,105,850)		(1,842,531)
	17,542,253		16,414,462
Less: Installments due	(7,018)		(7,018)
	17,535,235		16,407,444
Contributions paid on Multilateral Debt Relief Initiative	318,788		158,573
	17,854,023		16,566,017
Less: Unamortized discount on subscriptions and contributions (Note B)	(74,130)		(65,809)
	17,779,893		16,500,208
Cumulative exchange adjustment on subscriptions and contributions (Note B)	(288,710)		(242,973)
Total subscriptions and contributions		17,491,183	16,257,235
OTHER RESOURCES (Note G)		305,270	280,270
RESERVES (Note I)		177,618	172,921
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(383,442)	(457,664)
		17,590,629	16,252,762
ALLOCATION OF DEVELOPMENT RESOURCES			
GRANTS AND TECHNICAL ASSISTANCE ACTIVITIES (Note E)		(2,238,258)	(1,351,475)
HIPC GRANTS DISBURSED (Note E)		(184,000)	(184,000)
NET DEBT RELIEF (Note E)		(4,234,133)	(4,069,896)
LOANS DISBURSED AND OUTSTANDING (Notes E, M & N)		(5,433,294)	(4,866,011)
NET DEVELOPMENT RESOURCES		**5,500,944**	**5,781,380**

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, 2009

(UA thousands - Note B)

	2009	2008
INCOME AND EXPENSES		
Service charges on loans	41,778	36,529
Commitment charges on loans	17,299	15,122
Income on investments	131,589	109,877
Other income	-	241
Provision for impairment on held-to-maturity investments	683	(2,332)
Administrative expenses (Note K)	(157,649)	(138,104)
Discount on accelerated encashment of participants' demand obligations	(28,015)	(16,180)
Financial charges	(163)	(738)
(Loss)/gain on exchange	(825)	244
Surplus	**4,697**	**4,659**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	1,127,791	1,298,059
Contributions received on account of Multilateral Debt Relief Initiative	160,215	49,203
Changes in accumulated exchange adjustment on subscriptions and contributions	(45,737)	(13,582)
Increase in other resources	25,000	109,000
Changes in unamortized discount on subscriptions and contributions	(8,321)	3,046
Changes in accumulated translation adjustment	74,222	(24,686)
	1,333,170	**1,421,040**
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursements of grants	(887,425)	(434,787)
Disbursements of loans	(839,009)	(690,133)
Repayment of loans	50,827	55,552
Recoveries on account of Multilateral Debt Relief Initiative	49,963	27,493
Translation adjustments on loans	7,341	(178,247)
	(1,618,303)	**(1,220,122)**
Change in Net Development Resources	(280,436)	205,577
Net Development Resources at the beginning of the year	5,781,380	5,575,803
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**5,500,944**	**5,781,380**

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

(UA thousands - Note B)

	2009	2008
SURPLUS	4,697	4,659
OTHER COMPREHENSIVE INCOME		
Changes in accumulated translation adjustment	74,222	(24,686)
COMPREHENSIVE INCOME/(LOSS)	**78,919**	**(20,027)**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

(UA thousands - Note B)

	2009	2008
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Surplus	4,697	4,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premium and discount on held-to-maturity investments	(8,121)	(4,791)
Provision for impairment on held-to-maturity investments	(683)	2,332
Discount on accelerated encashment of participants' demand obligations	28,015	16,180
Changes in accrued income on loans and investments	2,062	1,421
Changes in net current assets	60,640	8,858
Net cash provided by operating activities	86,610	28,659
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements of grants	(887,425)	(434,787)
Disbursements of loans	(839,009)	(690,133)
Repayments of loans	50,827	55,552
Recoveries on account of Multilateral Debt Relief Initiative	49,963	27,493
Investments maturing after 3 months of acquisition:		
Held-to-maturity	118,300	42,826
Held-for-trading	(111,545)	1,253
Net cash used in investment, lending and development activities	(1,618,889)	(997,796)
FINANCING ACTIVITIES:		
Subscriptions and contributions received in cash	286,458	230,440
Participants' demand obligations encashed	873,665	917,429
Increase in other resources	25,000	109,000
Net cash provided by financing activities	1,185,123	1,256,869
Effect of exchange rate changes on cash and cash equivalents	11,867	(21,441)
Net (decrease)/increase in cash and cash equivalents	(335,289)	266,291
Cash and cash equivalents at the beginning of the year	718,616	452,325
Cash and cash equivalents at the end of the year	**383,327**	**718,616**
COMPOSED OF:		
Cash	29,206	263,331
Investment maturing within 3 months of acquisition:		
Held-to-maturity	-	3,880
Held-for-trading	354,121	451,405
Cash and cash equivalents at the end of the year	**383,327**	**718,616**
SUPPLEMENTARY DISCLOSURE:		
Movements resulting from exchange rate fluctuations on:		
Loans	(7,341)	178,247
Subscriptions and contributions	(45,737)	(13,582)

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, 2009

NOTE A – PURPOSE, ORGANIZATION AND RESOURCES

Purpose and Organization

The African Development Fund (ADF or the Fund) was established in 1972 as an international institution to assist the African Development Bank (ADB or the Bank) in contributing to the economic and social development of the Bank's regional members, promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

The ADF's Board of Directors has twelve (12) members, made up of six (6) members selected by the Bank and six (6) members selected by State Participants. The Board of Directors reports to the Board of Governors, which is made up of representatives of the State Participants and the ADB. The ADB exercises fifty percent (50%) of the voting powers in the ADF and the President of the Bank is the ex-officio President of the Fund.

The ADB, the Nigeria Trust Fund (NTF), which is a special fund administered by the ADB, and the ADF are collectively referred to as the Bank Group. The 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 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 rates prevailing on the date of the transaction. Assets and liabilities are translated into UA at the 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, 2009 and 2008 are as follows:

	2009	2008
1 Unit of Account equals:		
Argentine Peso	6.106830	5.318560
Brazilian Real	2.728410	3.653610
Canadian Dollar	1.643990	1.890960
Danish Krone	8.106880	8.180030
Euro	1.088220	1.106750
Indian Rupee	73.179700	74.626300
Japanese Yen	143.797000	140.464000
Korean Won	1,830.440000	1,936.890000
Kuwaiti Dinar	0.449610	0.425038
Norwegian Krone	9.056080	10.780200
Pound Sterling	0.968010	1.056570
South African Rand	11.569600	14.332200
Swedish Krona	11.307000	11.999400
Swiss Franc	1.615510	1.638390
United States Dollar	1.567690	1.540270

No representation is made that any currency held by the Fund can be or could have been converted into any other currency at the cross-rates resulting from the rates indicated above.

Participants' Subscriptions and Contributions

Subscriptions committed by State Participants for each replenishment are recorded in full as subscriptions receivable from participants upon submission of an instrument of subscription by the participants. A replenishment becomes effective when the ADF receives instruments of subscription from participants for a portion of the intended replenishment level as specified in the replenishment resolution. The portion of subscribed amounts for which payments are not yet due from State Participants are recorded as installments on subscriptions not yet payable, and are not included in the net development resources of the Fund. The subscriptions not yet payable become due throughout the replenishment period (generally three years) in accordance with an agreed payment schedule. The actual payment of subscriptions when they become due from certain participants is conditional upon the respective participant's budgetary appropriation process.

The subscriptions receivable are settled through payment of cash or deposit of non-negotiable, non-interest bearing demand notes. The notes are encashed by the Fund as provided in an encashment program agreed to at the time of the replenishment.

For the ADF-IX, ADF-X and ADF-XI replenishments, participants were given the option of an early payment of cash in an amount equivalent to the net present value of their entire subscriptions and contributions. Upon receipt of such cash payments, participants are credited with the full face value of their entire subscriptions, and in agreement with the Fund, such cash amounts received are invested and the income generated thereon is retained by the Fund. A discount, calculated as the difference between the face value of the subscriptions and the cash amount received, is initially recorded to represent the interest expected to be earned on the cash received from State Participants who opted for the accelerated encashment program. Such discount is amortized over the projected encashment period, to recognize the effective contributions to equity by the relevant participant over and above the initial cash advanced.

By its resolutions F/BG/2006/12 and F/BG/2006/13 of May 18, 2006 and August 31, 2006 respectively, the Board of Governors of the Fund authorized the Board of Directors to approve the participation of the ADF in the Multilateral Debt Relief Initiative (MDRI) and in that regard the Board of Governors also authorized an increase in the resources of the ADF to provide full and timely compensation for the debt cancellation under the MDRI subject to the attainment of the following effectiveness thresholds:

i) Receipt of Instruments of Commitment from donors covering an aggregate amount equivalent to at least seventy percent (70%) of the total cost of debt relief for the first group of 14 post-completion point Heavily Indebted Poor Countries (HIPCs); and

ii) Receipt of unqualified Instruments of Commitment from donors for an amount not less than the equivalent of at least seventy five percent (75%) of the total cost of debt relief incurred during the remainder of ADF-X period.

Upon satisfaction of the above two thresholds, the Board of Directors of the Fund approved the effectiveness of the MDRI with effect from September 1, 2006. To ensure full compensation for foregone reflows as a result of the upfront debt cancellation, the ADF governing bodies endorsed Management's proposal for a compensation scheme over the 50-year period of the Initiative. Donors will contribute additional resources to ADF, equivalent to the foregone debt service (service charges and principal) for each replenishment period, by submitting pledges over the life of the initiative. The compensatory financing arrangements will take the form of a general increase in the contribution of State Participants pursuant to Article 7 of the Agreement establishing ADF. The contributions received from State Participants under the compensatory financing arrangements shall not be counted as part of the burden share for the replenishment period in which such resources are received, but shall carry voting rights in the same manner as normal subscriptions. Such contributions are separately disclosed within the total of subscriptions and contributions in the Statement of Net Development Resources.

Maintenance of Value of Currency Holdings

Prior to the second general replenishment, subscriptions were denominated in UA and were subject to Article 13 of the Agreement which provided that, whenever the par value in the IMF of the currency of a State Participant is reduced in terms of the UA or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its currency required to maintain the value, as of the time of subscription, of the amount of such currency paid into the Fund by that participant and which has not been disbursed or exchanged for another currency.

Conversely, if the currency of a State Participant has increased in par value or appreciated in its foreign exchange value within that participant's territory, the Fund shall return to that participant an amount of such currency equal to the increase in the value of the Fund's holding of that currency which was received by it in payment of subscriptions, to the extent that these amounts have not been disbursed or exchanged for another currency.

In accordance with Board of Governors' Resolutions 9-78, 9-82, 4-84, 01-88, 91-05, 96-04, 99-09, 2002-09, 2005-01 and 2008-01, which in turn stipulated that Article 13 shall not apply to the second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh general replenishments, subscribers to these replenishments fixed the amount of their subscriptions payable in national currencies in terms of agreed parities ruling at the date these replenishments came into force. Gains or losses arising on translating these subscriptions, when received, into UA are applied against subscriptions, with the offsetting debits or credits recorded as Cumulative Exchange Adjustment on Subscriptions (CEAS).

Investments

The Fund's investment securities are classified based on the Fund's intention on the date of purchase. Securities which the Fund has the intent and ability to hold until maturity are classified as held-to-maturity and reported at amortized cost. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. The Fund assesses whether objective evidence of impairment exists for held-to-maturity investments. If the Fund determines that there is objective evidence that an impairment loss on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the investment is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. All other investment securities are classified as held-for-trading and measured at market value. Fair values for investment securities are based on quoted market prices, where available, using the bid prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Government and agency obligations include marketable bonds or notes and other government obligations issued or unconditionally guaranteed by governments of member countries or other official entities with a minimum credit rating of AA-. For asset-backed securities, the Fund may only invest in securities with a AAA credit rating. Money market instruments include time deposits, certificates of deposit and other obligations with a maturity period of less than 1 year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum rating of A.

Income on investments includes interest earned and unrealized gains and losses on held-for-trading portfolio. Purchases and sales of investments are recognized on a trade-date basis, which is the date on which the Fund commits to purchase or sell the investments.

Loans

The Fund provides concessional funding for development purposes to the least developed countries in Africa. Outstanding loans are not included in Net Development Resources. Accordingly, no provision for possible loan losses is required. The Fund places all loans to a borrower country in non-accrual status if the principal installments or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date, warrant such action. On the date a borrower's loans are placed in non-accrual status, unpaid charges that had previously been accrued on loans to the borrower are deducted from income on loans for that period. Charges on loans in non-accrual status are included in income only to the extent that payment of such charges has been received by the Fund.

Grants

In addition to loans, the Fund is authorized to provide development financing in the form of grants. Prior to the ninth replenishment of the resources of the Fund, grant funds were granted for technical assistance activities only. With effect from the ninth replenishment, grants may be used for technical assistance as well as project financing. Grants, like loans, represent allocations of development resources and are accordingly treated as such in the Statement of Net Development Resources of the Fund.

The Fund participates in a multilateral debt relief initiative for addressing the debt problems of countries identified as heavily indebted poor countries (HIPCs) to help ensure that their reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund, (the Trust Fund) constituted by funds from donors, including the Bank Group, was established to help beneficiaries reduce their overall debt, including those debts owing to the Fund.

Under the original framework of the debt relief initiative, upon signature of a HIPC Debt Relief Agreement by the Fund, the beneficiary country and the Trust Fund, loans or repayment installments identified for sale to the Trust Fund are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the loans sold.

Under the enhanced HIPC framework, the implementation mechanism comprises a partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

Under the Multilateral Debt Relief Initiative (MDRI), loans due from eligible HIPCs are 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.

Reclassification

Certain reclassifications of prior year amounts have been made to conform with the current period's presentation.

NOTE C – INVESTMENTS

The composition of investments as at December 31, 2009 and 2008 was as follows:

(UA thousands)	2009	2008
Held-to-maturity	1,205,292	1,332,517
Provision for impairment on investments	(1,347)	(2,332)
	1,203,945	1,330,185
Held-for-trading	1,944,427	1,923,022
Total	**3,148,372**	**3,253,207**

Held-for-Trading Investments

A summary of the held-for-trading investments at December 31, 2009 and 2008 follows:

(UA millions)

	US Dollar		Euro		GBP		All Currencies	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Time deposits	117.97	97.34	214.10	333.34	22.06	20.73	354.13	451.41
Asset-backed securities	61.13	108.89	51.56	83.86	-	-	112.69	192.75
Government & agency obligations	632.11	356.36	376.75	86.16	-	-	1,008.86	442.52
Corporate bonds	245.42	547.32	177.11	277.35	-	-	422.53	824.67
Supranational	46.22	11.67	-	-	-	-	46.22	11.67
	1,102.85	**1,121.58**	**819.52**	**780.71**	**22.06**	**20.73**	**1,944.43**	**1,923.02**

The contractual maturity profile of the held-for-trading investments at December 31, 2009 and 2008 was as follows:

(UA thousands)	2009	2008
One year or less	969,050	1,342,965
More than one year but less than two years	218,073	325,493
More than two years but less than three years	563,094	46,140
More than three years but less than four years	9,221	49,062
More than four years but less than five years	83,352	15,292
More than five years	101,637	144,070
Total	**1,944,427**	**1,923,022**

Held-to-Maturity Investments

A summary of the held-to-maturity investments at December 31, 2009 and 2008 follows:

(UA millions)

	US Dollar		Euro		GBP		All Currencies	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Time deposits	-	-	-	-	-	3.88	-	3.88
Asset-backed securities	12.34	12.50	-	-	-	-	12.34	12.50
Government & agency obligations	376.94	427.39	-	-	168.41	155.64	545.35	583.03
Corporate bonds	170.08	212.14	-	-	124.72	151.09	294.80	363.23
Supranational	306.42	327.02	-	-	46.38	42.86	352.80	369.88
	865.78	**979.05**	**-**	**-**	**339.51**	**353.47**	**1,205.29**	**1,332.52**
Provision for impairment on investments	(1.35)	(2.33)	-	-	-	-	(1.35)	(2.33)
	864.43	**976.72**	**-**	**-**	**339.51**	**353.47**	**1,203.94**	**1,330.19**

The contractual maturity profile of the held-to-maturity investments at December 31, 2009 and 2008 was as follows:

(UA thousands)	2009	2008
One year or less	139,389	142,161
More than one year but less than two years	140,072	138,493
More than two years but less than three years	201,960	138,720
More than three years but less than four years	148,383	200,444
More than four years but less than five years	173,962	146,391
More than five years	401,526	566,308
Total	**1,205,292**	**1,332,517**

NOTE D – DEMAND OBLIGATIONS

Demand obligations represent subscription payments made by participants, in accordance with Article 9 of the Agreement, in the form of non-negotiable, non-interest-bearing notes payable at their par value on demand. The Board of Governors has agreed that the encashment of these notes will be governed by the Fund's disbursement requirements.

NOTE E – DEVELOPMENT ACTIVITIES

According to the Fund's loan regulations, loans are expressed in UA and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment over 40 years after a 10-year grace period commencing from the date of the loan agreement. Loan principal is generally repayable from years 11 through 20 at a rate of 1 percent per annum and from years 21 through 50 at a rate of 3 percent per annum. A service charge at a rate of 0.75 percent per annum on the principal amount disbursed and outstanding is payable by the borrower semi-annually. Loans and lines of credit approved after June 1996 carry a 0.5 percent per annum commitment charge on the undisbursed portion. Such commitment charge commences to accrue after 90 days from the date of signature of the loan agreement.

Prior to the establishment of the Technical Assistance Account, loans for pre-investment studies were normally granted for a period of 10 years, including a grace period of 3 years, with repayments in seven equal installments from years 4 through 10.

Of the undisbursed balances of loans signed, the Fund may enter into special irrevocable commitments to pay amounts to borrowers or others in respect of the cost of goods and services to be financed under loan agreements. As at December 31, 2009, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 21.66 million (2008: UA 35.57 million).

As at December 31, 2009, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 278.54 million (2008: UA 450.83 million) of which UA 73.85 million (2008: UA 33.24 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, 2009, would have been higher by UA 2.07 million (2008: UA 1.94 million). At December 31, 2009, the cumulative charges not recognized on the non-accrual loans amounted to UA 30.83 million, compared to UA 35.36 million at December 31, 2008.

Lines of credit to national development banks and similar national finance institutions are generally granted for a maximum of 20 years, including a 5-year grace period.

Grants and Technical Assistance Activities

Under the Fund's lending policy, 5.00 percent of the resources available under the third and fourth general replenishments, 10.00 percent under the fifth and sixth general replenishments, and 7.50 percent under the seventh and eighth general replenishments were allocated as grants and grant based technical assistance for the identification and preparation of development projects or programs in specified member countries. In addition, amounts in the range of 18 to 21 percent of the total resources under the ninth replenishment were set aside in the form of grants for permitted uses, including technical assistance and project financing. Grants do not bear charges. The share of grants under the tenth and eleventh general replenishments is based on a country-by-country analysis of debt sustainability. Under the seventh, eighth and ninth general replenishments, technical assistance may also be provided on a reimbursable basis.

Technical assistance loans are granted under conditions that allow for repayment in 50 years, including a 10-year grace period, from the date of the loan agreement. However, the following categories of loans have different terms:

i) where the loan is granted for the preparation of a pre-investment study and the study proves that the project is not feasible, the grace period is extended to 45 years with a repayment period of 5 years thereafter.

ii) where the loan is granted for strengthening regional member countries' co-operation or for the improvement of the operations of existing institutions and is not related to specific projects or programs, the grace period is 45 years with a repayment period of 5 years thereafter.

Technical assistance loans do not carry charges.

HIPC Debt Relief Initiative

Under the original framework of HIPC, selected loans to beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the net present value of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified for payment were written down to their estimated net present value. The amount of the write-down, representing the difference between the book value and net present value of the loans, was shown as an allocation of development resources. The amount of UA 71.08 million which was the write-down in respect of the debt relief granted to Mozambique in 1999 under the original HIPC framework is included in the amount stated as net debt relief in the Statement of Net Development Resources. The outstanding balance and net present value of the loans owed by Mozambique and sold to the HIPC Trust Fund in 1999 were UA 132.04 million and UA 60.96 million, respectively.

In 1999, the HIPC initiative was enhanced to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 32 African countries are currently eligible, debt relief is delivered through annual debt service reductions which allow the release of up to 80 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, 2009 amounted to UA 184.00 million and are shown as allocation of development resources in the Statement of Net Development Resources.

Multilateral Debt Relief Initiative

At the Gleneagles Summit on July 8, 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC initiative. Through the Development Committee Communiqué of September 25, 2005, the donor community expressed its support for this MDRI, and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation is delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors are expected to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on September 1, 2006. Since disbursed and outstanding loans are already excluded from net development resources, the debt cancellation did not have an impact on the Fund's balance of net development resources. Cancellation of ADF debts are effected when other eligible countries reach the HIPC completion point.

At December 31, 2009, a gross amount of UA 4.84 billion (2008: UA 4.62 billion) of outstanding loans had been canceled under MDRI for 21 (2008: 19) HIPC completion point countries. Of this amount, UA 1,225.99 million (2008: UA 1,011.79 million) in nominal terms were converted by the HIPC Trust Fund. The present value of the converted loans was UA 942.71 million (2008: UA 728.71 million). As of December 31, 2009, 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, 2009 and 2008 follows:

Debt Relief Granted Under HIPC and MDRI

(UA thousands)	2009			2008		
	HIPC	**MDRI**	**Total**	**HIPC**	**MDRI**	**Total**
Balance at January 1	354,166	3,715,730	4,069,896	381,659	3,609,712	3,991,371
Loans canceled*	-	214,200	214,200	-	106,018	106,018
Cash received*	(49,963)	-	(49,963)	(27,493)	-	(27,493)
Balance at December 31	**304,203**	**3,929,930**	**4,234,133**	**354,166**	**3,715,730**	**4,069,896**

** Upon implementation of MDRI.*

Special Arrears Clearance Mechanism

Arrears Clearance Mechanism for DRC - In connection with an internationally coordinated effort including the ADB Group, the IMF, the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on June 26, 2002 approved an arrears clearance mechanism for the DRC. Under the arrears clearance mechanism, representatives of ADF State Participants (the Deputies) authorized an allocation of approximately UA 36.50 million of grant resources from the ninth replenishment of the ADF (ADF-IX) to clear the entire stock of the DRC's arrears to the Fund. The Deputies also authorized the use of approximately UA 11.77 million of the residual Supplementary Financing Mechanism (SFM) resources from ADF-VIII as a partial payment against the DRC's arrears on charges to the ADB.

Fragile States Facility Framework - The Fragile States Facility (FSF) was established in March 2008 to provide a broader and integrated framework for assistance to eligible states, typically regional member countries of ADB emerging from conflict or crisis. The purposes of FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth. The FSF assumes the arrears clearance activities of the now defunct Post Conflict Countries Facility (PCCF), which was established as a framework to assist countries emerging from conflicts in clearing their arrears and prepare them for re-engagement with the donor communities, in order to reactivate development assistance and help these countries reach the HIPC decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with contributions from the ADF, the ADB and private donors. Resources from the facility are provided on a case-by-case basis to genuine eligible fragile states not yet receiving debt relief to fill financing gaps after maximum effort by the country to clear its arrears to the Bank Group. Contributions made by the Fund to the facility cannot be used to clear the debt owed to the Fund by beneficiary fragile states. Contributions by the Fund to the Facility are included in "Grants and Technical Assistance Activities" in the Statement of Net Development Resources.

NOTE F – SUBSCRIPTIONS AND CONTRIBUTIONS

The Fund's initial subscriptions were provided by the Bank and the original State Participants to the Agreement, and states acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of a special general increase and eleven general replenishments. Details of these movements are shown in the Statement of Subscriptions and Voting Power in Note O.

Negotiations for the eleventh replenishment of the Fund (ADF-XI) were concluded on December 11, 2007 when the deputies agreed to a replenishment level of UA 5.76 billion, of which UA 2.06 billion represents internally generated resources, for the three-year operational period 2008 to 2010. ADF-XI came into effect on May 8, 2008 after the State Participants had deposited with the Fund instruments of subscriptions exceeding the threshold of 30% of pledged subscriptions.

At December 31, 2009 subscriptions to ADF-XI amounted to UA 3.37 billion.

At December 31, 2009 cumulative contributions pledged on account of the MDRI amounted to UA 5.58 billion of which UA 318.79 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 292.30 million representing contributions by the Bank of UA 290.30 million, and by the Government of Botswana of UA 2.00 million towards the Fund's activities, in accordance with Article 8 of the Agreement.

NOTE H – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since the Fund carries its held-for-trading investments at market value, the carrying amount represents the fair value of the portfolio. Fair values are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: All loans of the Fund are intended to provide concessional assistance to low-income regional member countries of the Bank. While the principal amount is fully repayable, no interest is charged to the borrowers. However, a service fee of 0.75 percent of the disbursed and outstanding balance and a commitment charge of 0.5 percent on the undisbursed balance are charged to cover the cost of administering the loans. Due to the highly concessional nature of these loans, it is not meaningful to calculate fair values for outstanding loans.

NOTE I – RESERVES

Reserves as at December 31, 2009 and 2008 were as follows:

(UA thousands)	**2009**	2008
Reserves at January 1	172,921	168,262
Surplus for the year	4,697	4,659
Reserves at December 31	**177,618**	**172,921**

NOTE J – TRUST FUNDS

The Fund has available resources arising from contributions entrusted to it under Article 8 of the Agreement, which empowers the Fund to receive other resources including grants from State Participants, non-participating countries, and from any public or private body or bodies.

At December 31, 2009, the undisbursed balance of trust fund resources was UA 4.37 million (2008: UA 5.48 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 157.65 million (2008: UA 138.10 million).

NOTE L – RELATED PARTIES

The general operation of the Fund is conducted by a 12-member Board of Directors, of which 6 members are selected by the Bank. The Bank exercises 50 percent of the ADF's voting power and the President of the Bank is the ex-officio President of the Fund. In accordance with the Agreement, the Fund utilizes the officers, staff, organization, services and facilities of the ADB to carry out its functions, for which it reimburses the Bank as disclosed in Note K. In this regard, the Bank administers the resources of the Fund. The Fund also administers trust funds entrusted to it by some of its State Participants.

NOTE M – SUMMARY OF LOANS AS AT DECEMBER 31, 2009

(Amounts in UA thousands)

Country	No. of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balances	Outstanding Balances	% of Total Outstanding Loans
Angola	12	70,580	-	45,009	25,570	0.47
Benin	24	213,983	-	118,229	95,754	1.76
Botswana	12	54,989	-	-	54,989	1.01
Burkina Faso	29	367,690	-	168,137	199,554	3.67
Burundi	6	26,003	-	6,867	19,136	0.35
Cameroon	20	220,437	3,360	131,572	85,505	1.57
Cape Verde	26	92,762	-	8,237	84,526	1.56
Chad	36	285,986	-	22,668	263,317	4.85
Comoros	8	23,807	-	-	23,807	0.44
Congo	3	13,936	-	-	13,936	0.26
Côte d'Ivoire	14	223,874	-	50,242	173,632	3.20
Democratic Republic of Congo	28	226,130	-	46,215	179,915	3.31
Djibouti	16	89,958	-	8,673	81,284	1.50
Egypt	17	155,826	-	555	155,271	2.86
Equatorial Guinea	11	28,819	-	-	28,819	0.53
Eritrea	6	72,813	-	9,380	63,433	1.17
Ethiopia	16	496,286	-	188,579	307,708	5.66
Gabon	3	1,508	-	-	1,508	0.03
Gambia	11	33,683	-	2,834	30,849	0.57
Ghana	35	620,034	53,590	354,951	211,492	3.89
Guinea	35	259,395	-	21,626	237,768	4.38
Guinea-Bissau	26	110,257	-	12,315	97,942	1,80
Kenya	40	759,960	70,000	386,082	303,878	5.59
Lesotho	33	151,301	740	18,146	132,415	2.44
Liberia	3	11,562	-	-	11,562	0.21
Madagascar	18	272,515	500	124,218	147,797	2.72
Malawi	18	148,974	-	53,828	95,147	1.75
Mali	34	439,800	5,500	202,236	232,064	4.27
Mauritania	13	67,022	-	23,393	43,629	0.80
Mauritius	3	2,142	-	-	2,142	0.04
Morocco	6	35,264	-	-	35,264	0.65
Mozambique	28	438,992	18,000	158,709	262,284	4.83
Namibia	2	12,553	-	-	12,553	0.23
Niger	15	122,913	-	46,807	76,105	1.40
Nigeria	21	508,567	150,000	170,240	188,326	3.47
Rwanda	14	128,413	-	29,943	98,470	1.81
Sao Tome & Principe	4	4,955	-	3,064	1,891	0.03
Senegal	24	308,840	-	150,285	158,555	2.92
Seychelles	3	6,790	-	-	6,790	0.12
Sierra Leone	10	66,140	-	27,564	38,576	0.71
Somalia**	17	65,649	-	-	65,649	1.21
Sudan**	15	177,035	-	-	177,035	3.26
Swaziland	8	35,353	-	-	35,353	0.65
Tanzania	28	805,385	152,000	259,588	393,796	7.25
Togo	12	81,380	-	3,514	77,867	1.43
Uganda	28	685,627	90,210	387,885	207,532	3.82
Zambia	14	156,871	-	56,073	100,798	1.86
Zimbabwe**	10	35,851	-	-	35,851	0.66
Multinational	28	880,563	332,130	492,185	56,248	1.04
Total	**843**	**10,099,174**	**876,030**	**3,789,850**	**5,433,294**	**100.00**

** Excludes fully repaid loans and canceled loans.*
*** Countries in non-accrual status as at December 31, 2009.*

Slight differences may occur in totals due to rounding.

NOTE N – MATURITY AND CURRENCY COMPOSITION OF OUTSTANDING LOANS AS AT DECEMBER 31, 2009 AND 2008

The maturity distribution of outstanding loans as at December 31, 2009 and 2008 was as follows:

(Amounts in UA millions)

	2009		2008	
Period	**Amount**	**%**	**Amount**	**%**
One year or less	132.79	2.44	130.26	2.68
More than one year but less than two years	64.01	1.18	65.10	1.34
More than two years but less than three years	71.68	1.32	71.14	1.46
More than three years but less than four years	77.95	1.43	78.77	1.62
More than four years but less than five years	85.56	1.58	84.48	1.74
More than five years	5,001.30	92.05	4,436.26	91.16
Total	**5,433.29**	**100.00**	**4,866.01**	**100.00**

The currency composition of outstanding loans as at December 31, 2009 and 2008 was as follows:

(Amounts in UA millions)

	2009		2008	
Currency	**Amount**	**%**	**Amount**	**%**
Canadian Dollar	17.98	0.33	17.50	0.36
Danish Kroner	17.99	0.33	25.05	0.51
Euro	2,100.24	38.66	1,978.31	40.66
Japanese Yen	1,171.08	21.55	1,044.74	21.47
Norwegian Krone	31.04	0.57	38.39	0.79
Pound Sterling	6.63	0.12	8.17	0.17
Swedish Krona	20.38	0.38	21.49	0.44
Swiss Franc	101.65	1.87	114.61	2.36
United States Dollar	1,966.00	36.18	1,617.45	33.23
Others	0.30	0.01	0.30	0.01
Total	**5,433.29**	**100.00**	**4,866.01**	**100.00**

Slight differences may occur in totals due to rounding.

NOTE O – STATEMENT OF SUBSCRIPTIONS, CONTRIBUTIONS AND VOTING POWER AS AT DECEMBER 31, 2009

(Amounts in UA thousands)

	Subscriptions					Payment Positions			MDRI	Voting Power	
Participants	**Initial**	**Special Increase**	**ADF-I to ADF-X**	**ADF-XI**	**Total Subscriptions**	**Total Installments Paid**	**Installments Due**	**Installments not yet Payable**	**Payments Received**	**Number of Votes**	**%**
1 ADB	4,605	1,382	105,754	-	111,741	111,741	-	-	-	1,000.000	50.000
2 Argentina	1,842	-	7,018	-	8,860	1,842	7,018	-	-	0.105	0.005
3 Austria	13,816	-	197,067	86,545	297,428	266,205	-	28,551	2,563	15.257	0.763
4 Belgium	2,763	-	281,319	76,731	360,813	328,693	-	22,252	3,345	18.849	0.942
5 Brazil	1,842	921	124,700	6,558	134,021	127,055	-	6,558	-	7.213	0.361
6 Canada	13,816	6,908	1,168,159	212,351	1,401,234	1,312,135	-	61,626	95,664	79.918	3.996
7 China	13,816	-	258,102	79,901	351,819	325,186	-	26,633	3,544	18.661	0.933
8 Denmark	4,605	1,842	452,684	51,170	510,301	503,464	-	-	2,348	28.714	1.436
9 Finland	1,842	-	249,863	89,222	340,927	339,969	-	-	3,237	19.483	0.974
10 France	8,809	-	1,511,712	403,329	1,923,850	1,751,931	-	115,705	19,856	100.581	5.029
11 Germany	6,860	6,956	1,477,300	400,000	1,891,116	1,757,783	-	133,333	14,266	100.596	5.030
12 India	5,526	-	57,910	6,434	69,870	67,725	-	2,145	375	3.866	0.193
13 Italy	9,211	-	1,075,832	-	1,085,043	1,085,043	-	-	18,027	60.528	3.026
14 Japan	13,816	-	1,921,953	261,439	2,197,208	2,110,062	-	87,146	21,281	120.992	6.050
15 Korea	9,211	-	113,331	32,474	155,016	144,191	-	10,825	2,026	8.300	0.415
16 Kuwait	4,974	-	152,828	6,657	164,459	164,459	-	-	13,003	10.074	0.504
17 Netherlands	3,684	1,842	534,668	201,062	741,256	740,908	-	-	7,122	41.785	2.089
18 Norway	4,605	2,303	653,626	167,029	827,563	771,887	-	55,676	7,640	42.926	2.146
19 Portugal	7,368	-	107,006	29,622	143,996	134,122	-	9,874	1,220	7.683	0.384
20 Saudi Arabia	8,290	-	216,270	16,395	240,955	235,490	-	5,465	355	13.388	0.669
21 South Africa	1,794	-	11,922	7,147	20,863	17,866	-	2,075	9,562	-	-
22 Spain	1,842	921	324,302	127,307	454,372	401,024	-	36,979	37,881	24.916	1.246
23 Sweden	4,605	3,684	786,925	160,994	956,208	902,544	-	53,664	8,633	50.590	2.530
24 Switzerland	2,763	2,938	597,351	91,186	694,238	663,843	-	30,395	8,444	38.164	1.908
25 United Arab Emirates	4,145	-	4,145	-	8,290	8,290	-	-	-	0.471	0.024
26 United Kingdom	4,800	3,073	880,273	547,151	1,435,297	1,252,913	-	182,384	21,317	71.930	3.596
27 United States of America	12,434	8,290	1,915,761	306,944	2,243,429	2,008,867	-	234,562	17,079	115.009	5.750
Total	**173,684**	**41,060**	**15,187,781**	**3,367,648**	**18,770,173**	**17,535,235**	**7,018**	**1,105,850**	**318,788**	**2,000.000**	**100.000**
Supplementary information: Supplementary contributions through accelerated encashment to reduce the gap	-	-	38,565	-	38,565	27,762	-	-	-	-	-

Slight differences may occur in totals due to rounding.

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 2009

We have audited the accompanying special purpose financial statements of the African Development Fund (" the Fund ") prepared in compliance with the accounting and financial reporting matters as set out in the accounting policies in note B of the Special Purpose Financial Statements for the year ended 31 December 2009.

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 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 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.

KPMG

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 of the special purpose financial statements for the year ended 31 December 2009.

Paris La Défense, 24th March 2010

KPMG Audit
A division of KPMG S.A.

Pascal Brouard
Partner

ADF ADMINISTRATIVE BUDGET FOR FINANCIAL YEAR 2010

(UA thousands)

Description	
Management Fees*	187,790
Direct Expenses	150
Total	**187,940**

** The amount represents the African Development Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services and facilities based on a formula approved by the Fund's Board.*