



FINANCIAL REGULATIONS OF THE AFRICAN DEVELOPMENT BANK

**4th Edition
October 2007**

**AS AMENDED BY BOARD OF DIRECTORS RESOLUTION
B/BD/2007/09 ON 15 JUNE 2007**

DEFINITION, SCOPE AND APPLICATION

REGULATION 1.1: DEFINITIONS

For the purpose of these Regulations:

- (a) “Agreement” shall mean the Agreement Establishing the African Development Bank;
- (b) “Bank” shall mean the African Development Bank;
- (c) “Board of Directors” shall mean the Board of Directors of the Bank;
- (d) “Board of Governors” shall mean the Board of Governors of the Bank;
- (e) “Financial Year” shall mean the accounting period specified in Regulation 2.1;
- (f) “General Regulations” shall mean the General Regulations of the Bank;
- (g) “Non-operational Activities” shall mean those activities of the Bank that are not directly related to its development projects or programmes;
- (h) “Operational Activities” shall mean those activities of the Bank which have a direct link to its development projects and programmes;
- (i) “Ordinary Capital Resources” shall have the meaning ascribed thereto in the Agreement;
- (j) “Ordinary Operations” shall mean operations financed out of the Ordinary Capital Resources;
- (k) “President” shall mean the President of the Bank or an officer duly authorised to act on his/her behalf;



- (l) “Special Resources” shall have the meaning ascribed thereto in the Agreement;
- (m) “Special Operations” shall mean operations financed out of the Special Resources;
- (n) “Special Fund” shall mean a fund established or entrusted to the Bank for administration, under Article 8 of the Agreement; and
- (o) “Unit of Account” shall mean the unit of account as defined in paragraph (1) (b) of Article 5 of the Agreement and as valued pursuant to decisions taken by the Board of Directors from time to time.

REGULATION 1.2

SCOPE OF APPLICATION

These Regulations are made by the Board of Directors. They shall govern the administration of all financial activities of the Bank, except as may otherwise be provided in decisions of the Board of Directors.

REGULATION 1.3

RESPONSIBILITY FOR APPLICATION

The President shall be responsible for the application of these Regulations. To this end, the President shall from time to time make such rules and establish such procedures as shall be required for the application of these Regulations. The President shall notify the Board of Directors of the promulgation of any such rules and any amendments thereto.

CHAPTER 2

CHAPTER 2: THE FINANCIAL YEAR

REGULATION 2.1

THE FINANCIAL YEAR

The Financial Year of the Bank shall begin on 1 January and end on 31 December of each year.



GENERAL PRINCIPLES OF FINANCIAL ADMINISTRATION

REGULATION 3.1

USE OF RESOURCES

- (1) The resources of the Bank shall be used in accordance with the decisions of the Board of Directors taken in conformity with the decisions and general directives of the Board of Governors.
- (2) The Board of Directors shall approve, for each Financial Year, the Operational Programme, the Capital, Administrative and Contingency Expenditure Budgets and the Bilateral and Multilateral Technical Assistance Budget of the Bank and, if required, any Special Budget(s). The Board of Directors shall also take note of the indicative projections of the Capital, Administrative and Contingency Expenditure Budgets for the two years thereafter.
- (3) In considering and taking decisions relating to new operations or other activities, the Board of Directors shall pay full regard to the Operational Programme of the Bank.
- (4) The resources of the Bank shall be used for its capital and administrative expenditures in accordance with appropriations made in the Capital, Administrative and Contingency Expenditure Budgets of the Bank, and for other activities, in accordance with appropriations made in a Special Budget(s).
- (5) The Board of Directors may, for any Financial Year, determine the amounts to be proposed to the Board of Governors for allocations out of the net income of the Bank in accordance with Article 42 of the Agreement.

REGULATION 3.2

THE SEPARATION PRINCIPLE

The Ordinary Capital Resources of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of, and accounted for entirely separately from the Special Resources. The

Special Resources appertaining to any Special Fund shall at all times and in all respects be held, used, committed, invested or otherwise disposed of, and accounted for entirely separately from the special resources appertaining to any other Special Fund.

REGULATION 3.3

FINANCIAL ADMINISTRATION OF SPECIAL FUNDS

The provisions of these Regulations and the special rules and regulations adopted for the administration and use of any Special Fund in conformity with Article 8 (3) of the Agreement shall be treated, wherever possible, as complementary. Where such special rules or regulations are inconsistent with the provisions of these Regulations, the special rules or regulations shall prevail. Where such special rules and regulations do not exist, apply, or are not specific, the Special Funds shall be governed by the provisions of these Regulations.

REGULATION 3.4

APPORTIONMENT OF ADMINISTRATIVE EXPENDITURE

- (1) Administrative expenditures appertaining exclusively to activities financed from the Ordinary Capital Resources of the Bank shall be charged to such resources.
- (2) Administrative expenditures appertaining exclusively to activities financed from the Special Resources appertaining to a Special Fund shall be charged to such resources.
- (3) The Board of Directors shall, as appropriate, determine the apportionment of other administrative expenditures in conformity with the rules and regulations governing the Special Funds.

REGULATION 3.5

AUTHORISATION OF EXPENDITURE

Authority to incur obligations and make payments chargeable to the resources of the Bank shall be conferred on the President by virtue of-

- (a) a decision of the Board of Governors relating to the allocation of the net-income of the Bank;



- (b) appropriations made in a Budget approved by a decision of the Board of Directors; or
- (c) any other financial decision adopted by the Board of Governors or Board of Directors. The authority in such a case shall be exercised in accordance with the conditions and within the limits specified in that decision.

THE WORK PROGRAMME AND BUDGETS OF THE BANK

REGULATION 4.1

RESPONSIBILITY FOR THE SUBMISSION OF THE WORK PROGRAMME AND BUDGET PROPOSALS

The President shall, not later than 1 November of each year, submit to the Board of Directors, for consideration and approval, proposals for the following Financial Year in respect of:

- (a) the Work Programme of the Bank;
- (b) the Capital, Administrative and Contingency Expenditure Budgets;
- (c) the Bilateral and Multilateral Technical Assistance Budget; and
- (d) any Special Budget(s) as may be required.

REGULATION 4.2

CONTENT OF THE WORK PROGRAMME

- (1) The Work Programme shall show, separately for the Ordinary Capital Resources and for the Special Resources appertaining to each Special Fund, in respect of the Financial Year to which they relate:
 - (a) the estimated resources available for the Work Programme of the Bank; and
 - (b) the number of projects and programmes and other operational activities expected to be financed during that year.
- (2) The Work Programme shall be accompanied by such information and explanatory statements as may be deemed necessary or desirable by the President or requested by the Board of Directors.



- (3) The President may, as part of the Work Programme, submit any longer-term proposals as well as recommendations of a policy-making character, including recommendations relating to the mobilization of additional resources such as he may deem appropriate in the interest of the Bank.

REGULATION 4.3

CONTENT OF THE CAPITAL, ADMINISTRATIVE EXPENDITURE AND CONTINGENCY

BUDGETS

- (1) The Capital, Administrative and Contingency Expenditure Budgets of the Bank shall include the net income forecast and provide for the Bank's capital and administrative expenditures in the Financial Year to which they relate. They shall be presented in Units of Account.
- (2) The Capital Expenditure Budget shall:
 - (a) indicate separately the expenditure emanating from new capital investment projects and the expenditure related to ongoing capital investment projects approved in the preceding years;
 - (b) indicate, for each new capital investment project, the nature of the expenditure to be incurred for the project as a whole and over the entire project duration in line with applicable capital budget policy and guidelines;
 - (c) show clearly the amount and nature of expenditure approved for each capital investment project over the total duration of the project; and
 - (d) be accompanied by such other information and explanatory statements as may be deemed necessary or useful by the President or as may be requested by the Board of Directors. Provided, however, that in respect of item (c) above, the Board of Directors shall have the right in reviewing the budget(s) for subsequent years to revise and/or terminate the capital investment project based on the then prevailing circumstances.

- (3) The Administrative Expenditure Budget shall show the nature of expenditure in accordance with the current budget structure approved by the Board of Directors:
- (a) indicating which expenditures provided for in that Budget shall be charged to a Special Fund or Special Funds;
 - (b) showing the budget for the current year as well as projections for the following two years; and
 - (c) containing such information and explanatory statements as may be deemed necessary or useful by the President or as may be requested by the Board of Directors.
- (4) The Contingency Budget shall be fixed at a proportion of the Administrative Budget as may be determined by the Board of Directors. It shall be used for the urgent and unexpected needs or expenses of the Bank.

REGULATION 4.4

CONTENT OF THE BILATERAL AND MULTILATERAL TECHNICAL ASSISTANCE BUDGET

The Bilateral and Multilateral Technical Assistance Budget shall show separately for each bilateral and multilateral donor:

- (a) the level of funding divided between resources brought forward from the preceding Financial Year and resources expected to be made available during the Financial Year to which the Budget relates; and
- (b) the anticipated allocation of resources for expenditure appertaining to:
 - (i) technical assistance personnel assigned to the Bank;
 - (ii) projects, studies and other technical assistance activities related to the administration or operations of the Bank;
 - (iii) projects, studies and other technical assistance



activities to be carried out in, or for the benefit of, regional member countries of the Bank and regional and sub-regional institutions;

- (iv) training and other institutional building activities; and
- (v) any other activities.

REGULATION 4.5

CONTENT OF SPECIAL BUDGETS

Each Special Budget shall give sufficient details of the proposed expenditure and indicate the resources to which such expenditure shall be charged. Special Budgets shall be of such content as shall be appropriate.

REGULATION 4.6

CONTENT OF PROPOSALS FOR ALLOCATIONS OF PART OF THE NET INCOME

Any proposal formulated by the Board of Directors in accordance with paragraph (5) of Regulation 3.1 shall show, where applicable:

- (a) the name of the beneficiary institution or entity, and a brief description of its institutional set up, management and operations;
- (b) an assessment of the results achieved from previous contributions, if any, made available to the beneficiary institution or entity or to the programme or activity for which financing is recommended;
- (c) the purpose, scope, cost and duration of the programme or activity; and
- (d) the nature and amount of the proposed expenditure.

APPROPRIATIONS

REGULATION 5.1

APPROVAL OF THE WORK PROGRAMME AND THE BUDGETS

- (1) The Board of Directors shall, before 31 December of each year, approve the Work Programme and the Budgets for the following Financial Year.
- (2) In the event that the Administrative Expenditure Budget for the following Financial Year is not approved by the Board of Directors before 31 December, the President shall be provisionally authorized to continue to incur administrative expenditures in that Financial Year on the basis of the Administrative Expenditure Budget last approved, and, in any event not beyond 31 March of that Financial Year.

REGULATION 5.2

AUTHORISATION

- (1) Appropriations made in a Budget approved by the Board of Directors shall constitute authorization for the President to enter into obligations and make payments for the purpose and within the amounts of such appropriations. The President may take appropriate measures in the exercise of the authority vested in him, including entering into derivative contracts to hedge administrative expenses.
- (2) Allocations made in a Bilateral and Multilateral Technical Assistance Budget shall be subject to the conditions governing availability and commitment of resources under the respective bilateral or multilateral cooperation arrangement.

REGULATION 5.3

COMMITMENT AUTHORISATION

No financial obligation may be incurred without the authorization of the President who shall ensure that such obligation is covered by, and falls within the purpose of, a budgetary appropriation.

REGULATION 5.4

PROGRESS REPORTS ON THE IMPLEMENTATION THE BUDGETS

- (1) The President shall submit to the Board of Directors a progress report on the implementation of the Capital, Administrative Expenditure and Contingency Budgets not later than thirty (30) days after the expiration of each quarter of the Financial Year.
- (2) The quarterly progress reports relating to the Bilateral and Multilateral Technical Assistance Budget shall, where appropriate, show, for each bilateral and multilateral donor:
 - (a) resources brought forward from the preceding period;
 - (b) resources made available during the quarter;
 - (c) resources pledged during the quarter;
 - (d) disbursements made under the Budget;
 - (e) resources committed but not disbursed; and
 - (f) resources to be carried forward to the succeeding period.

REGULATION 5.5

AVAILABILITY OF APPROPRIATIONS

- (1) Appropriations shall be available for commitment during the Financial Year to which they relate. Without prejudice to the foregoing, up to a maximum of 5% of appropriations uncommitted in the Administrative Expenditure Budget at the end of the Financial Year may be carried over for commitment in the first six months of the next Financial Year.
- (2) Subject to the provisions of Regulation 5.5(1) above, committed appropriations shall remain available for a period of six months following the end of the Financial Year to which they relate only to the extent that they are required to discharge obligations already assumed in that Financial Year. Notwithstanding the foregoing provision, appropriations in the Capital Expenditure Budget shall remain available for a period of six months beyond the number

of years during which capital expenditure was originally forecast to the extent that such appropriations are required to implement on-going capital investment projects still pending as of the end of the Financial Year and approved by the President.

- (3) At the end of the relevant period, as prescribed in paragraphs (1) and (2) of this Regulation 5.5, the remaining balance of any appropriations retained shall be surrendered. Any unliquidated prior obligations shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.
- (4) For the avoidance of doubt, the provisions set forth in Regulation 5.3 and in this Regulation shall not apply to allocations made under the Bilateral and Multilateral Technical Assistance Budget and allocations out of the net income of the Bank.

REGULATION 5.6

TRANSFERS

- (1) No transfer shall be made between the Capital and Administrative Expenditure Budget without the authorization of the Board of Directors.
- (2) Transfers within the Administrative Expenditure Budget shall be made in compliance with the Bank's established budget transfer policies and guidelines. Details of all such transfers shall be disclosed to the Board of Directors in the budget implementation progress report in accordance with Regulation 5.4.
- (3) Transfers within the Capital Expenditure Budget shall be made in compliance with the Bank's established budget transfer policies and guidelines. Details of all such transfers shall be disclosed to the Board of Directors in the budget implementation progress report in accordance with Regulation 5.4.
- (4) The President may authorize transfers from the Contingency Budget to the Capital and Administrative Expenditure Budgets, for such purposes as the President may deem necessary in the interest of the Bank; provided that such transfers shall be reported to the Board of Directors in the budget implementation report submitted next after they are carried out.



REGULATION 5.7

SUPPLEMENTARY BUDGETARY APPROPRIATIONS

- (1) Where it appears that owing to circumstances not foreseen at the time of the approval of a Budget (other than the Bilateral and Multilateral Technical Assistance Budget) by the Board of Directors, an appropriation provided for in the Budget is insufficient, or that the Budget does not contain an appropriation that is required;
 - (a) the President may not incur a financial obligation not covered by a budgetary appropriation or make additional payments, until he/she shall have submitted a proposal to the Board of Directors, and obtained its approval, for a supplementary budgetary appropriation;
 - (b) notwithstanding the provisions of sub-paragraph (a) herein, the President may on his/her own authority incur such Financial obligation and make payment if the corresponding commitment concerns a matter of high urgency which, due to its nature, cannot be deferred for consideration by the Board of Directors within thirty (30) days; and
 - (c) where a commitment is entered into by the President pursuant to sub-paragraph (b) herein, the President shall submit to the Board of Directors, for confirmation at its next meeting, a detailed report justifying such commitment.
- (2) Upon its approval pursuant to paragraph (1)(a), or confirmation pursuant to paragraph (1)(c) herein, a supplementary budgetary appropriation, or a confirmed commitment, as the case may be, shall become part of the corresponding Budget.
- (3) A proposal for supplementary budgetary appropriation submitted to the Board of Directors pursuant to paragraph (1)(a) herein shall conform, as far as possible, to the provisions of paragraphs (3) and (4) of Regulation 4.3.
- (4) Any change in the structure of staff salaries and benefits for which no prior budgetary appropriation exists shall be submitted to the Board of Directors for approval.

ORDINARY CAPITAL RESOURCES AND SPECIAL RESOURCES

REGULATION 6.1

ORDINARY CAPITAL RESOURCES

- (1) Payments to the Bank in respect of subscriptions to its authorized capital stock or of funds and income referred to in sub-paragraph (b) to (e) of Article 9 of the Agreement, shall be credited to the Ordinary Capital Resources of the Bank.
- (2) Disbursements from the Ordinary Capital Resources of the Bank shall be authorized and made in order to:
 - (a) carry out, in accordance with decisions of the Board of Governors and/or the Board of Directors:
 - (i) the Ordinary Operations of the Bank and activities incidental to the Ordinary Operations; or
 - (ii) in as much as may be financed from the Ordinary Capital Resources, activities relating to technical advice and assistance or any other non-operational activities, including the making of contributions or donations to programmes, projects or activities of common interest to regional member countries.
 - (b) meet the capital and administrative expenditures of the Bank which are chargeable to the Ordinary Capital Resources either in their entirety or in part;
 - (c) meet interest, charges, expenses or amortization payments in respect of funds borrowed or otherwise acquired by the Bank for inclusion in its Ordinary Capital Resources; or
 - (d) invest funds appertaining to the Ordinary Capital Resources not needed immediately in its Ordinary Operations.

REGULATION 6.2

SPECIAL RESOURCES

- (1) Payments to the Bank in respect of contributions to any Special Fund or of funds and income or other resources appertaining to that Special Fund shall be credited, subject to the rules and regulations governing that Special Fund, to the Special Resources appertaining to any such Special Fund.
- (2) Disbursements from the Special Resources appertaining to any Special Fund shall be authorized and made, subject to the rules and regulations governing that Special Fund, in order to:
 - (a) carry out, in accordance with decisions of the Board of Governors and/or the Board of Directors:
 - (i) the Special Operations to be financed from such Special Resources, and activities incidental to Special Operations; or
 - (ii) in as much as they are to be financed from such Special Resources, activities relating to technical advice and assistance or any other non-operational activities, including the making of authorized contributions for programmes, projects or activities of common interest to regional member countries.
 - (b) meet administrative expenditures chargeable to such Special Resources either in their entirety or in part;
 - (c) meet interest, charges, expenses or amortization payments in respect of funds borrowed or otherwise acquired for the purposes of that Special Fund; or
 - (d) invest funds appertaining to such Special Resources and which are not needed immediately in the Special Operations relating to that Special Fund.

SUBSCRIPTIONS TO THE CAPITAL STOCK OF THE BANK

REGULATION 7.1

STOCK CERTIFICATES

- (1) Upon request, the Bank may issue to the government of each Member State stock certificates in respect of its subscription to the capital stock of the Bank.
- (2) Such stock certificates may be in physical or any other form determined by the Bank, and if in physical form, each shall indicate conspicuously on its face:
 - (a) that it has been issued by the Bank and does not represent an obligation of any government;
 - (b) whether it has been issued in respect of paid-up or callable shares;
 - (c) the number of shares in respect of which it has been issued;
 - (d) that the shares concerned may not be pledged nor encumbered in any manner and shall be transferable only to the Bank;
 - (e) the denomination of each share and its issue price;
 - (f) the serial number of letters and the separate number of each share in respect of which the certificate has been issued;
 - (g) if it is issued in respect of paid-up shares, the due dates, amounts of, and place of payment for the corresponding instalments; and
 - (h) if it is issued in respect of callable shares, the text of paragraph (4) of Article 7 of the Agreement.
- (3) Stock certificates may be issued under the seal of the Bank, attested with the signature of the Secretary General, and shall bear the signature of the President.



FUNDS

REGULATION 8.1

TRUST AND OTHER SPECIAL FUNDS

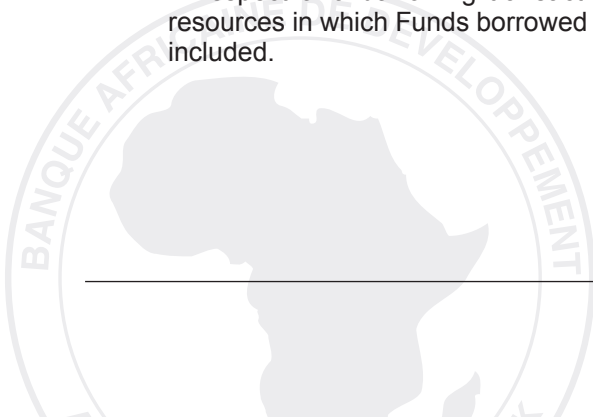
- (1) The Bank may establish or accept the administration of such Funds, including the Staff Retirement Fund and any other trust or Special Fund connected with the purpose and functions of the Bank. The purpose of each such Fund and the special rules and regulations governing it shall be determined by the appropriate authority.
- (2) The President shall submit to the Board of Directors each year the Financial Statements of each trust and Special Fund.

BORROWING BY THE BANK

REGULATION 9.1

GENERAL RULES

- (1) The President shall, not later than 31 March of each year, submit to the Board of Directors an indicative borrowing programme for that year. Such borrowing programme shall be drawn up in conformity with the existing financial and borrowing policies of the Bank. The Board of Directors shall approve the borrowing programme for the year. All borrowing activities shall be consistent with the borrowing programme as approved by the Board of Directors.
- (2) The Board of Directors authorization prescribed in Regulation 9.1(1) above may be effected by means of authorizing each borrowing transaction or by a general authorization of the annual borrowing programme.
- (3) Each Decision of the Board of Directors authorizing any borrowing transaction(s) whether generally or individually shall indicate whether the funds borrowed by the Bank shall be included in its Ordinary Capital Resources or in the Special Resources appertaining to a Special Fund.
- (4) The President shall in respect of borrowing transactions completed by the Bank submit, to the Board of Directors, a report in such form, frequency and content as the Board of Directors may determine.
- (5) Interest, charges, expenses and amortization payments made in respect of a borrowing transaction shall be charged to the resources in which Funds borrowed under that transaction were included.



REGULATION 9.2

SHORT-TERM BORROWINGS

- (1) Subject to the provisions of Regulation 9.1 of these Regulations and the provisions of paragraph (2) of this Regulation, the President may undertake short-term borrowings each maturing within a period of not more than twelve months to meet the current requirements of the Bank, provided that such borrowings shall be reported to the Board of Directors in a manner consistent with the reporting of all other asset and liability operations.

- (2) Unless the rules and regulations governing the trust or Special Fund concerned provide otherwise, the special resources appertaining thereto may be charged in respect of short-term borrowings undertaken only in exceptional circumstances for meeting special requirements of that trust or Special Fund.

INVESTMENTS

REGULATION 10.1

INVESTMENT OF LIQUID FUNDS

- (1) To the extent that they are not immediately needed for the requirements of the Bank, the President may, in accordance with the investment guidelines, invest funds appertaining to the Ordinary Capital Resources and, subject to the rules and regulations governing any Special Fund concerned, funds appertaining to the Special Resources of Special Funds.
- (2) In deciding on any investments to be made by virtue of paragraph (1) of this Regulation, the President shall pay full regard to the estimated cash flow and liquidity requirements of the Bank.
- (3) Funds held by the Bank in respect of the Staff Retirement Fund or other funds of similar purpose shall be invested in the manner provided for in the investment guidelines of the Bank, unless the rules and regulations governing such funds otherwise provide.
- (4) The President shall set up a committee which shall advise him on the establishment and implementation of sound investment procedures and strategies. The functions, responsibilities, composition and procedure of the committee shall be determined by the President in consultation with the Board of Directors.
- (5) The Annual Financial Statements and the Quarterly Financial Statements (as defined in Regulation 13.2) shall show the investments made by virtue of paragraphs (1) and (3) of this Regulation. Such investments shall be shown separately for the Ordinary Capital Resources and the Special Resources appertaining to each Special Fund.



CUSTODY OF FUNDS AND OTHER ASSETS

REGULATION 11.1

CUSTODY OF FUNDS

- (1) The President shall establish the criteria for the selection of banks in which the funds of the Bank may be kept in accordance with such financial policies as approved by the Board of Directors from time to time.
- (2) The funds of the Bank shall be held separately in different bank accounts in respect of:
 - (a) the Ordinary Capital Resources of the Bank; and
 - (b) the Special Resources appertaining to each Special Fund.

REGULATION 11.2

CUSTODY OF LIQUID ASSETS AND SECURITIES

- (1) Liquid assets and Securities held by the Bank shall be kept, as the Board of Directors may determine on the recommendation of the President, either:
 - (a) in the strong room of the Bank; or
 - (b) with a bank or other financial institution, in accordance with arrangements, satisfactory to the President, which shall provide for the safety and security thereof.
- (2) Liquid assets and securities held by the Bank shall be kept in accordance with the provisions of Regulation 3.2.

REGULATION 11.3

CONTROL OF BANK ACCOUNTS

The President shall establish such accounts with the banks designated pursuant to Regulation 11.1 as the transaction of the business of the

Bank may require. He/she shall supervise the operation of the accounts and, where appropriate, close any of such accounts.

REGULATION 11.4

TRANSFERS BETWEEN BANK ACCOUNTS

- (1) No transfer may be made between accounts in which funds appertaining to the Ordinary Capital Resources are held and accounts in which Special Resources are held and no transfer may be made between accounts in which Special Resources appertaining to different Special Funds are held.
- (2) Notwithstanding the limitations set forth in paragraph 1 of this Regulation, the President may make a transfer between accounts if, in his/her opinion, such a transfer would not result in non-compliance with the provisions of Article 11 of the Agreement and of Regulation 3.2 of these Regulations.

REGULATION 11.5

SIGNATURE AUTHORITY FOR BANK ACCOUNTS AND OTHER FINANCIAL TRANSACTIONS

The President shall by special rules define the financial commitment levels and designate the authorized signatories of the Bank in relation to the operation of bank accounts and for other financial transactions of the Bank.

REGULATION 11.6

RECONCILIATION OF BANK ACCOUNTS

- (1) The Bank shall at all times require depositories to furnish the Bank in respect of each of its bank accounts, with regular statements and, at least, one monthly statement in respect of each account.
- (2) All bank accounts shall be reconciled monthly by the organizational unit for the time being responsible for the control of the accounts of the Bank and whose functions do not include the receipt or disbursement of funds.



INTERNAL FINANCIAL CONTROL

REGULATION 12.1

GENERAL RULES

- (1) The President shall subject to directives issued by the Board of Governors and/or the Board of Directors:
 - (a) establish detailed rules and regulations, procedures and policies in order to ensure effective financial administration and the exercise of stringent economy.
 - (b) maintain an internal financial control system which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
 - (i) the validity of the receipt, custody and disposal of all funds and other financial resources of the Bank;
 - (ii) the conformity of obligations and expenditures with the appropriations and other decisions of the Board of Directors as well as with the rules and regulations governing the Special Funds;
 - (iii) full compliance with the provisions of Regulations 3.2 and 3.3; and
 - (iv) the rational use of the resources of the Bank.
 - (c) cause all payments to be made on the basis of appropriate supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made in respect of such goods and services; and
 - (d) notwithstanding the provisions of sub-paragraph (c) of this Regulation 12.1(1), cause advance payments to be made to suppliers, provided that a duly executed and valid bank guarantee has been received from the suppliers' bank or an approved insurance company in a member country; and

- (e) establish levels of authority and designate officers who may sign written instruments on behalf of the Bank.
- (2) The President may, after full investigation and by personal decision in writing, authorize the writing-off of losses of cash, stores and other assets; provided that he/she shall on a quarterly basis inform the Board of Directors of any such decision and submit to the Board of Directors a detailed explanatory note and provided further that a statement of any amount written-off together with a detailed explanation of how the loss occurred, shall be submitted to the External Auditors with the next annual accounts.

REGULATION 12.2

CONTRACTS

- (1) Contracts for general supplies, equipment and services required for the administration of the Bank shall, subject to the provisions of paragraph (3) of this Regulation, be awarded following public competitive bidding.
- (2) The President shall establish a Committee which shall advise him/her on the award of contracts exceeding a threshold amount to be determined by the President from time to time. The President shall by Presidential Instruction determine such threshold amount, after consultation with the Board of Directors.
- (3) Notwithstanding the provisions of paragraph (1) of this Regulation, the President may authorize direct purchase:
- (a) Where there is no alternative source of supply or where it is considered that a departure from the requirement for public competitive bidding will be in the best interests of the Bank; or
 - (b) Where the purchase is of a value less than such threshold amount fixed, from time to time, under the provisions of paragraph (2) of this Regulation.

- (4) The President may make such rules, as are necessary, for the procurement of goods and services required for the administration of the Bank.

REGULATION 12.3

THE HIRE OF CONSULTANTS

- (1) The Bank shall establish detailed rules and procedures for the hire of consultants.
- (2) For the purpose of this Regulation, a consultant shall mean any expert external agent whom the Bank engages by contract for a defined period to perform a specific technical service for the Bank or for the benefit of a beneficiary Member State.

REGULATION 12.4

EX-GRATIA PAYMENTS

The President may authorize, up to an amount per beneficiary not exceeding UA 10,000, gifts and donations in cash or in kind and other ex-gratia payments as he/she deems necessary in the interest of the Bank, including to beneficiaries engaged in charitable work, provided that payments pursuant to this Regulation shall be made within the amount of the relevant budgetary appropriation and provided further that a statement of any such payments, together with an appropriate explanatory note, shall thereafter be submitted to the Board of Directors.



REGULATION 12.5

DISBURSEMENT OF FUNDS

The President shall, in accordance with such guidelines as the Board of Directors may issue from time to time, establish and enforce rules and procedures to govern the disbursement of funds by the Bank for lending, technical assistance and other operational activities. Such rules and procedures shall aim at ensuring that:

- (a) disbursements are made without undue delay on the basis of adequate documentation and after careful examination of disbursement applications;
- (b) disbursements are made within the approved amount; and
- (c) adequate funds are set aside from the approved amount to cover any reimbursement guarantees and other irrevocable commitments.

ACCOUNTS AND FINANCIAL STATEMENTS

REGULATION 13.1

ACCOUNTING RECORDS

- (1) The President shall maintain or cause to be maintained such accounting records as are necessary. These shall, in particular, consist of a general ledger and subsidiary ledgers.
- (2) The President may, consistent with the provisions of Regulation 3.2, require such additional records as he/she deems necessary to be kept.
- (3) The President shall prescribe the nature and scope of the accounting records to be maintained by agencies, representative and field offices.

REGULATION 13.2

FINANCIAL STATEMENTS

- (1) The President shall submit to the Board of Directors in such time and manner as may be required in order to facilitate compliance with the provisions of paragraph (e) of Article 32 and paragraph (3) of Article 41 of the Agreement and Article 8 of the General Regulations:
 - (a) annual financial statements; and
 - (b) quarterly financial statements.
- (2) The Annual and Quarterly Financial Statements shall, inter alia, comprise the following, and give comparative figures for the preceding year or, as the case may be, for the corresponding period in the preceding year:
 - (a) the Balance Sheet, showing the capital stock, assets, liabilities, and reserves;
 - (b) the statement of Income and Expenses;



- (c) the statement of movement in Reserves;
 - (d) a statement of Cash Flows;
 - (e) a summary statement of investments;
 - (f) statements of subscriptions to the Capital Stock and the voting power of Member States;
 - (g) a statement of funds held in banks by currencies;
 - (h) a statement of borrowings;
 - (i) a statement of net income available for allocation in accordance with Article 42 of the Agreement;
 - (j) a summary statement of loans approved and disbursements outstanding;
 - (k) notes disclosing and, where necessary, explaining:
 - (i) significant accounting policies applied by the Bank; and
 - (ii) all other disclosures deemed necessary by the President or the External Auditors; and
 - (l) such other statements as may be required from time to time consistent with International Accounting Standards.
- (3) The Financial Statements shall be prepared and presented in accordance with International Accounting Standards and Regulation 3.2 and any special rules governing the Special Funds. Where there is no specific standard for certain financial transactions, these should be presented in the Financial Statements in accordance with generally accepted accounting practices.
- (4) The Financial Statements shall show separately the Ordinary Operations and the Special Operations of the Bank. Subject to the rules and regulations governing the Special Funds, they shall be presented in Units of Account.

REGULATION 13.3

CURRENCIES

- (1) For working and reporting purposes, and subject to paragraphs (2) and (3) of this Regulation, the accounts of the Bank shall be maintained in Units of Account.
- (2) Unless otherwise authorized, where assets and liabilities are held in a currency other than the reporting currency, the amount of such assets and liabilities shall be recorded both in those other currencies and the equivalent in the reporting currency.
- (3) Subject to the rules and regulations governing Special Funds, the accounts of a Special Fund operated in a specified currency shall be maintained in such currency.
- (4) Accounts of an agency, a regional, representative or field office may be maintained in the currency of the country in which such office is situated.

REGULATION 13.4

VALUATION OF THE UNIT OF ACCOUNT AND EXCHANGE RATES

- (1) Whenever it shall become necessary to value the Unit of Account in terms of any currency, such valuation shall be reasonably made by the Bank after consultation with the International Monetary Fund. For the purpose of this paragraph, the expression “the Bank” shall mean the organ or, as the case may be, the officer of the Bank, competent or authorized to effect the transaction for which a valuation as aforesaid is required.
- (2) The amount appertaining to a transaction effected in a currency other than the currency determined for the relevant account in accordance with the provisions of Regulation 13.3, shall, except as otherwise decided by the Board of Directors, be converted into the latter currency, having due regard to the current market rate of exchange.



REGULATION 13.5

LOAN LOSS PROVISIONING

- (1) The Board of Directors shall upon recommendation of management, and having regard to generally accepted accounting principles, establish provisions against loan losses to be financed from the Bank's gross income.
- (2) The Board of Directors shall periodically review the adequacy of loan loss provisions and may approve the use of such provisions according to general policies to be recommended by the President and approved by the Board of Directors.

INTERNAL AUDIT

REGULATION 14.1

APPOINTMENT AND RESPONSIBILITY

- (1) The Bank shall maintain an Internal Audit function, the head of which shall be appointed and removed by the President having regard to the provisions of Article 4(5) of the General Regulations of the Bank. The head of the Internal Audit function shall have direct access, and shall report regularly, to the President.
- (2) The head of the Internal Audit function shall, subject to Regulation 14.2, have the right, authority and duty to carry out and direct a broad and comprehensive annual work programme. To this end, he/she shall be responsible for reviewing, examining, and evaluating all financial, operational, and administrative activities and information systems of the Bank, including without limitation, all projects and programmes of the Bank, to ascertain:
 - (a) compliance with the Agreement and the rules and regulations, procedures and policies of the Bank, including directives and decisions of the Board of Governors and the Board of Directors and instructions issued by the President;
 - (b) conformity of obligations and expenditures with appropriations and other financial decisions of the Board of Directors;
 - (c) conformity of financial transactions with the rules and regulations applicable thereto and, in particular, with the provisions of paragraph (2) of Article 11 of the Agreement and Regulation 3.2 and, where appropriate, with the rules and regulations governing the relevant Special Fund;
 - (d) the existence, valuation, safe custody, disposal and economic utilisation of all assets of the Bank wherever located;
 - (e) the accuracy, reliability and integrity of the accounting, financial, operational and administrative records and



information systems used by the Bank in the entirety of its operations and activities;

- (f) the proper receipt, custody and disposal of all funds and other financial resources of the Bank; and
 - (g) the existence, adequacy, and effectiveness of internal control systems including the economy and efficiency with which the resources are utilised for the attainment of set objectives.
- (3) The Internal Audit function shall make appropriate recommendations for improving internal control systems and procedures and enhancing administrative efficiency and shall monitor the implementation of all accepted recommendations of both the External and Internal Auditors. The head of the Internal Audit function shall be solely responsible for the final contents of the audit reports.

REGULATION 14.2

INTERNAL AUDIT WORK PROGRAMME

- (1) The head of the Internal Audit function shall present to the President before the end of the fourth quarter of each Financial Year the draft internal audit work programme for the subsequent Financial Year. The annual work programme shall upon the President's approval be submitted to the Board of Directors not later than 31st December of each year for consideration and approval.
- (2) In designing and implementing the annual work programme, the Internal Audit function shall:
 - (a) conduct audits of all activities of the Bank from the financial, operational, administrative and information systems aspects, including without limitation, field verification of projects and programmes of the Bank;
 - (b) monitor and evaluate the effectiveness of actions taken by the Bank to rectify reported weaknesses;

- (c) render appropriate support to the External Auditors of the Bank;
- (d) carry out special assignments as and when directed by the President; and
- (e) review programmes and systems under development and provide advice and assistance to other organizational units of the Bank on matters pertaining to internal controls.

REGULATION 14.3

REPORTS

The head of the Internal Audit function shall report directly to the President in respect of the results of all assignments undertaken in accordance with the approved annual work programme. Without prejudice to his/her duty to report regularly, and, where required, urgently, on the execution of his/her terms of reference as laid down in Regulation 14.1, the head of the Internal Audit function shall submit to the President, within three months of the end of each Financial Year, a full report on the execution of the approved work programme for that Financial Year (the “Activity Report”). The President shall, prior to the end of the second quarter of each Financial Year, forward to the Board of Directors, for their consideration, the Activity Report in respect of the preceding Financial Year.

REGULATION 14.4

ACCESS TO ACCOUNTS, DOCUMENTS REGISTERS AND RECORDS

The Internal Audit function shall, in the course of its duties, have unrestricted access to all accounts, documents, registers, records, systems and assets in the custody or under the control of the Bank or any authority, institution, undertaking or person who is a beneficiary of the operations of the Bank, to the extent that such right of access is enjoyed by the Bank.



REGULATION 14.5

INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function shall be independent of the activities and operations it audits. To maintain independence and objectivity, the Internal Audit function or any staff thereof shall not have direct authority or responsibility for preparing records, developing and installing changes in systems, procedures and controls which it would normally be expected to audit. However, the Internal Audit function's objectivity will not adversely be affected by evaluating existing or planned systems and procedures and making recommendations for modification and improvements thereto.

EXTERNAL AUDIT

REGULATION 15.1

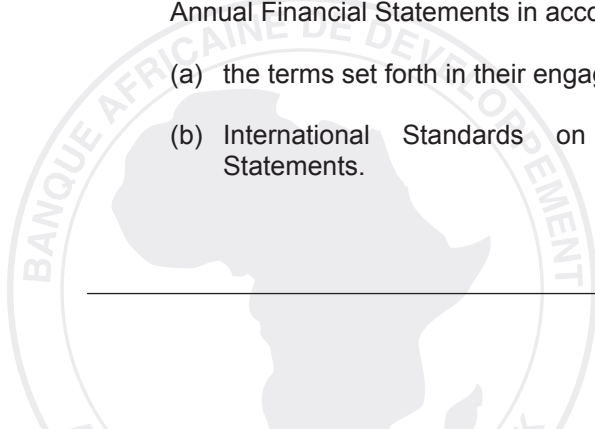
APPOINTMENT AND REMOVAL OF THE EXTERNAL AUDITORS

- (1) The Annual Financial Statements shall be audited each year by External Auditors who shall be appointed and removed by the Board of Governors upon the recommendation of the Board of Directors.
- (2) The External Auditors shall submit to the President a proposal setting out the manner in which they plan to carry out their audit responsibilities and shall discuss with the President and the Board of Directors the scope and time-frame of the audit work, the reports to be submitted by the External Auditors and any other relevant matter requested by the President or the Board of Directors.
- (3) The External Auditors shall sign with the President an engagement letter confirming their acceptance of the audit appointment.
- (4) The External Auditors shall undertake in the engagement letter to observe the confidential nature of their services and of the information, documents and data made available to them for the purpose of the audit work.

REGULATION 15.2

DUTIES AND RESPONSIBILITIES

- (1) The External Auditors shall, subject to any special directive that the Board of Governors, may issue, carry out the audit of the Annual Financial Statements in accordance with:
 - (a) the terms set forth in their engagement letter; and
 - (b) International Standards on Auditing and Practice Statements.



- (2) The External Auditors shall, within not more than four (4) weeks of the completion of the audit for any Financial Year, address their professional opinion on the Annual Financial Statements and submit an appropriate audit report to the Board of Governors.
- (3) The External Auditors shall, within not more than eight (8) weeks of the completion of the audit for any Financial Year, address a letter to the management of the Bank (the “Management Letter”). The President shall, upon receipt of the Management Letter, submit the same to the Board of Directors, together with an appropriate response to any issues and observations contained in the Management Letter.

REGULATION 15.3

RIGHT OF ACCESS TO ACCOUNTS, REGISTER AND RECORDS

For the purpose of the annual audit, the External Auditors shall have access to all the accounts, registers and records of the Bank, its Special Funds, and to all other supporting evidence of any of its transactions they consider necessary to consult for the effective discharge of their duties. The President shall furnish to the External Auditors such additional information as they may require.

REGULATION 15.4

DISCHARGE OF THE PRESIDENT AND OTHER OFFICERS FROM LIABILITY

Upon the approval of the Annual Financial Statements by the Board of Governors, the President and other duly authorized officers acting on the President’s behalf, shall be discharged from all liability in respect thereof.

FINAL PROVISIONS

REGULATION 16.1

LANGUAGES

All financial statements of the Bank shall be prepared in the working languages of the Bank.

REGULATION 16.2

AMENDMENTS

- (1) These Regulations may be supplemented or amended by the Board of Directors.
- (2) The President shall whenever the need arises propose to the Board of Directors amendments to these Regulations.

REGULATION 16.3

TITLE AND ENTRY INTO FORCE

These Regulations shall be known as the “Financial Regulations of the African Development Bank”. They shall enter into force on the date of their adoption by the Board of Directors and supersede all previous financial regulations of the Bank.





AFRICAN DEVELOPMENT BANK
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