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Chapter one

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The Board of Governors is the institution's highest policy-making organ, comprising one representative from each member country. The Board of Governors issues general directives and elects an 18-member Board of Directors, to which it delegates most of its powers. The Board of Governors also elects the President of the Bank Group. The Board of Directors sets policies and guidelines and oversees all Bank operations in addition to financial and administrative matters. This chapter outlines the Boards' activities during 2008, with particular emphasis on the 2008 Annual Meetings held in Maputo, Mozambique.

Boards of Governors

2008 Annual Meetings

The Annual Meetings of the Boards of Governors of the African Development Bank Group (AfDB) were held in Maputo, Mozambique on May 14 and 15, 2008. During the meetings, Governors approved the 2007 Annual Report and audited financial statements for the financial year ending December 31, 2007. In addition, they passed several resolutions concerning the activities of the Bank Group.

Annual Meetings Seminars

The Annual Meetings were preceded by Ministerial Roundtable discussions and high-level seminars which gave participants the opportunity to exchange views and experiences on the most pressing concerns affecting the economic and social development of Africa. More specifically, the seminars provided a platform for discussing Africa's rapid urbanization. The events were attended by about 1,500 participants, including governors, alternate governors and delegates, members of the Boards of Directors, development partners, civil society, and observers.

The themes for the high-level seminars focused on: (i) "Cities as Growth Poles: Implications for Rural Development"; (ii) "Financing Urban Development"; (iii) "Decentralization and Governance"; and (iv) "Upgrading Informal Settlements in African Cities." The plenary session of the Ministerial Roundtable discussion was on the theme "Fostering Shared Growth, Urbanization, Inequality and Poverty in Africa." The session was jointly chaired by

Dr. Donald Kaberuka, President of the African Development Bank Group, and Dr. Abdoulaye Janneh, Executive Secretary of UNECA. The keynote address was delivered by Her Excellency Mme Luisa Diogo, Prime Minister of the Republic of Mozambique. Subsequent Ministerial Roundtable discussions were on "Aid Effectiveness" as part of Africa's regional preparatory events for the Accra High Level Forum on Aid and Effectiveness, and on "Strategies to Mitigate the Regional Effects of Fragility and Conflict Situations."

Boards of Governors' Meeting

In his opening address, Mr. Eneas Comiche, Mayor of Maputo, welcomed the delegations to this historic city. He stated that the Annual Meetings in Maputo came at an opportune moment, coinciding with the commencement of the urban development program, aimed at improving living conditions in the

capital and strengthening its reputation as a city of vision.

His Excellency Mr. Aiuba Cuereneia, Chairperson of the Boards of Governors and Governor for Mozambique, also welcomed his colleagues, delegates, and other participants to the Annual Meetings. He acknowledged the presence of the former President of Mozambique, His Excellency Mr. Joaquim Chissano; His Excellency Mr. Denis Sassou-Nguesso, President of the Republic of Congo; and His Excellency Mr. Armando Emilio Guebuza, President of the Republic of Mozambique. He similarly welcomed the participation of former Presidents of the African Development Bank in the Annual Meetings, indicating that the presence of these dignitaries was a source of inspiration and encouragement for the Bank's Management and a mark of confidence in the institution.



In his opening statement, His Excellency Armando Guebuza, President of the Republic of Mozambique, stressed the importance of massive public investment for the development of African countries. He underscored his own Government's support for the Bank Group's strategic focus on infrastructure, education, health, and the empowerment of the rural population. President Guebuza welcomed the positive impact of the Bank Group-financed operations on the development efforts of his country and appealed to the international community to step up their assistance to the African countries to attain the Millennium Development Goals (MDGs). President Guebuza declared the meeting open and wished Governors success in their deliberations.

In his opening address, Dr. Donald Kaberuka, President of the Bank Group, expressed his gratitude to the Government and people of Mozambique for hosting the Annual Meetings. He stated that the Bank was greatly honored by the attendance of the President of the Republic of Mozambique and the President of the Republic of Congo. He also acknowledged former Bank Group Presidents who were at the meeting. Furthermore, the Bank Group President gave a very warm welcome to the delegation of the Republic of Turkey, which will be a new member of the Bank Group.

He further thanked the Tunisian people and Government, who continue to offer the Bank their generous hospitality. In the same spirit, he extended the Bank's best wishes to the people of Côte d'Ivoire, the Bank's host country, as they move ahead in returning the country to normalcy, national reconciliation, and lasting stability.

The President expressed his appreciation to the distinguished members of the High Level Panel, particularly the co-chairs, former Mozambican President Chissano and former Canadian Prime Minister Paul Martin, for their Report *Investing in Africa's Future* –



The AfDB in the 21st Century, which attests to Africa's need for a strong development bank that can serve as more than an aid conduit. He noted that the AfDB will have to "earn" that position by demonstrating that its resources are being optimally deployed, within a strong fiduciary framework, for maximum impact in its RMCs.

Dr. Kaberuka stated that 2007 had been a very good year for the Bank Group. Despite turbulence in the financial markets, the financial fundamentals of the institution remain very robust. The Bank is also making headway in becoming more selective and results oriented, while continuing to reform its operational, business, and budget processes to ensure greater accountability, quality, and responsiveness.

In respect to its staffing profile, the President highlighted the Bank's new HR Strategy and performance evaluation system. Other notable achievements during the year in this area included the Bank's first comprehensive staff survey and accelerated recruitment drive. The decentralization exercise also accelerated with offices operational in 23 RMCs.

The "Strategic Review of the Bank's Capital Utilization" was completed in 2008 by two external institutions. The findings confirm that the Bank has significant unused risk capital. With respect to the ADF-XI, President Kaberuka commended the Fund donors for a generous and record increase, which has massively boosted the Fund's capability.

The expansion in 2007 of Bank Group private sector operations, investment in middle-income countries (MICs), regional integration operations, and infrastructural development (which almost doubled from UA 0.57 billion in 2006 to UA 1.04 billion in 2007), attested to the Bank Group's determination to focus on areas that will stimulate economic growth for its RMCs.

On the global food crisis, which is particularly impacting Africa, the President said the response should be at 3 levels: (i) to provide emergency support to the people and countries most at risk; (ii) to deal with macroeconomic stress; and (iii) to tackle the longer-term issues of food security, in which MDBs and governments should play a major

role. There should also be greater private investment in sectors that impact on food production, distribution, and marketing.

Looking ahead, Dr. Kaberuka said that the Bank's Medium Term Strategy 2008–2012 spelled out a sustained growth strategy for RMCs. He assured member countries that they can count on the Bank Group as a reliable partner, given its solid financial base coupled with its determination to become more selective in its operations. He warned that 2008 will test Africa's ability to manage existing risks and overcome new threats. The food and energy crises, the accelerating impact of climate change, and the global financial downturn all present additional challenges to sustainable socioeconomic growth.

Finally, the President stated that the Bank is building its internal capacity to tackle the problem of climate change, particularly its damaging effect on the agricultural sector. In this endeavor, the Bank is harmonizing its activities with partner institutions.

Governors' Statements

The Governors expressed their appreciation to the Government and people of the Republic of Mozambique for their hospitality and warm welcome. They acknowledged that the 2008 Annual Meetings were being held amidst rising oil and food prices, which was creating tensions in the economies of African countries. They highlighted the need for urgent mobilization of external financial resources and for the international community to coordinate its support at this crucial time.

The Governors welcomed the Bank's determination to address the situation. They pointed out that 2008 marked a halfway point in the timeline set for achievement of the MDGs; yet much needed to be done to meet these targets. In this regard, the Governors highlighted the focal areas that need to be tackled, including:

- heightened selectivity in Bank Group operations by focusing on infrastructure, regional integration, and good governance;
- continued focus on the social sector (health, education), agriculture, and gender issues;
- increased attention to climate change with an emphasis on combating deforestation through the development of clean energies;
- priority budgetary support to countries in need by establishing objective criteria for allocation, in line with multilateral partners such as the IMF;
- creating a flexible instrument for quick response to exogenous shocks;
- rationalization of regional economic communities (RECs);
- scaling up private sector operations;
- increased delegation of authority to field offices; and
- strengthening the Bank's human resources capacity by redeploying staff where most needed.

The Governors welcomed the conclusions and recommendations of the High Level Panel, which had provided a strategic vision for the Bank. They also expressed satisfaction at the record level of replenishment of the ADF-XI.

They indicated their satisfaction at the reinforcement of peace, reconciliation, and stability in Côte d'Ivoire, the Bank's host country. They hoped that the calendar set could be respected in order to facilitate the orderly return of the Bank's operations to its headquarters in Abidjan. They thanked the Government of Tunisia for having hosted the Bank's Temporary Relocation Agency since 2003 and for its key role in providing a conducive environment for the smooth continuation of the Bank's activities.

The Governors adopted the resolutions on the accession of Turkey as the 78th member of the Bank Group and as a State Participant

of the African Development Fund. They also welcomed the statement of the Governor for Turkey, that his Government would spare no effort to make a significant contribution to the development of the African continent. Turkey's accession reflects the confidence of nonregional member countries in the Bank's enhanced delivery of its services to RMCs and its development effectiveness.

In conclusion, the Governors expressed their satisfaction at the considerable progress made by the Bank as well as the strong financial results achieved during 2007. They urged Management to continue its efforts to position the Bank as the apex financial institution for the development of Africa. They reiterated their confidence and support for the Bank's President, Management, and staff.

Governors' Resolutions

During the Annual Meetings, the Board of Governors reviewed and adopted resolutions on the ADB and ADF (Appendices II-1 and III-1). They approved the recommendations put forward by the Steering Committee and adopted the following relevant resolutions, amongst others:

- *Resolutions B/BG/2008/05 and F/BG/2008/04*—Temporary location of the operations of the African Development Bank to the Temporary Relocation Agency in Tunis, Tunisia: Twelve (12) Month Review of the Relocation Period;
- *Resolutions B/BG/2008/04 and F/BG/2008/03*—By-Election of Executive Directors of the African Development Bank and Selection of Executive Directors of the African Development Fund;
- *Resolutions B/BG/2008/06 and F/BG/2008/05*—Accession of the Republic of Turkey to the Agreement Establishing the African Development Bank and Participation of Turkey in the African Development Fund;
- *Resolution B/BG/2008/07*—Authorization of a Special Capital Increase.

The Governors adopted resolutions on the Annual Report and audited financial statements for the financial year ending December 31, 2007 for the ADB, ADF, NTF, and Special/Trust Funds. They also approved the Annual Report and Audited Special Purpose Financial Statements of the Fund for the financial year that ended December 31, 2007. The Governors took note of the External Auditors' opinion on the audited financial statement and congratulated the Boards of Directors, Management, and Staff for the Bank's achievement during the previous year.

In addition, the Governors approved the composition of Members of the Bureau and the Joint Steering Committee from end-2008 Annual Meetings to end-2009 Annual Meetings. The Bureau would comprise Senegal as Chair, with Norway and Guinea as the first and second Vice-Chairs respectively. During the same period, the Joint Steering Committee would consist of Eritrea, Gabon, Malawi, Niger, Portugal, Saudi Arabia, Sierra Leone, Spain, and Sudan.

Finally, the Governors approved the appropriate resolution for allocations from the Bank's 2007 allocable income of UA 298.0 million as follows: (i) UA 50.0 million as provision for reserves; (ii) UA 20.7 million to the Surplus Account and from the remaining balance; (iii) UA 109.0 million for ADF-X1 consisting of UA 84.0 million for clearance of interest arrears on Post-Conflict Countries' loans; and UA 250 million being an additional contribution for ADF-X1; (iv) UA 62.0 million for the Democratic Republic of Congo (DRC) Special Account; (v) UA 25.0 million for the Technical Assistance Fund of Middle-Income Countries; (vi) UA 15.0 million for the HIPC Initiative; (vii) UA 5.0 million for the African Fertilizer Financing Mechanism (AFFM); (viii) UA 6.3 million for the NEPAD Infrastructure Project Preparation Facility; and (ix) UA 5.0 million for the Fund for African Private Sector Assistance (FAPA). In addition, the Governors approved from the NTF 2007 net income, UA

16.5 million as provision for reserves and UA 2.0 million for the HIPC Initiative.

Also in September 2008, the Board of Governors adopted, by postal ballot, Resolution B/BG/2008/20 which allocated UA 20.0 million to the Africa Food Crisis Response (AFCR); and also adopted in November 2008, Resolution B/BG/2008/23 which allocated UA 10.0 million to the African Legal Support Facility (ALSF).

BOARDS OF DIRECTORS

Approvals

In 2008, the Boards of Directors of the Bank Group held 46 formal meetings, 32 informal meetings, and 15 seminars to consider policies, strategies, and guidelines aimed at enhancing the Bank's development effectiveness. The Boards approved loans, private equity, grants, private guarantees for sovereign loans, private equity, special fund allocations, and HIPC debt relief amounting to UA 3.53 billion. Overall, the Boards approved 10 Results-Based Country Strategy Papers, 8 Country Portfolio Reviews, 4 HIPC documents, 8 Humanitarian Emergency Assistance grants for RMCs, and 1 Proposal for Clearing the Arrears of Togo. In addition, the Boards approved 31 key policies, strategies, guidelines, and initiatives to strengthen the effectiveness of Bank Group operations.

Among these, the following key strategies and policies were approved: the Medium-Term Bank Group Strategy 2008–2012; Strategic and Operational Framework for Regional Operations; Strategic Framework for Enhancing Bank Group Support to Middle-Income Countries; Strategy for Enhanced Engagement in Fragile States; Bank Group Knowledge Management and Development Strategy 2008–2012; Strategy for Higher Education, Science and Technology; Bank Group Policy on Nonconcessional Debt Accumulation; Enhancing Corporate Services Delivery; Governance Strategic Directions and Action Plan (GAP) 2008–2012; Framework

Document for the Establishment of the Congo Basin Forest Fund (CBFF); the Africa Food Crisis Response (AFCR); and the Nigeria Trust Fund: Operational Guidelines.

The 2009 Administrative Expenses and Capital Expenditure Budgets

In December 2008, the ADB Board of Directors approved an Administrative Expenses Budget of UA 253.1 million, a Capital Expenditure Budget of UA 18.5 million, and a contingency budget of UA 2.5 million for 2009. The ADF Board of Directors approved an indicative Administrative Budget of UA 180.3 million for the Fund for the financial year ending December 31, 2009.

Other Activities of the Boards of Directors

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

Committee of the Whole (CoW)

This committee, of which all Executive Directors are members, is chaired by the President of the Bank. Its key mandate is to review, on an ad-hoc basis, the Bank Group's annual budgetary proposals as well as other matters referred to it by the Board. In 2008, the Committee met once to consider the outline of the 2009 budget.

Committee on Operations and Development Effectiveness (CODE)

During 2008, CODE held 16 sessions to consider several operational policies as well as project performance documents. In addition to looking at Country Portfolio Reviews and Mid-Term Reviews on behalf of the Board, CODE also considered the following: (i) the 2006 Annual Portfolio Performance Review (APPR); (ii) Revision of ADB and ADF General Conditions applicable to Loan and Guarantee Agreements and of the ADF General Conditions to Protocol of Agreements for Grants; (iii) an evaluation of "Multilateral Development

Banks: Achievements and Challenges”; (iv) the revised annotated Country Strategy Paper (CSP) format, (v) Policy-Based Lending Retrospective; (vi) the Bank Group Regional Integration Strategy; (vii) OPEV’s proposed 2009–2011 Three-Year Rolling Work Program and Budget; (viii) revised procedures for emergency humanitarian relief assistance; (ix) the criteria for cost-sharing exemption when financing eligible regional public goods (RPGs); and (x) the Medium-Term Bank Group Strategy 2008–2012.

Audit and Finance Committee (AUF)

The Audit and Finance Committee (AUF) held 4 meetings in 2008, during which it considered several documents, including: (i) the 2008 work program of the Office of the Auditor General; (ii) the External Auditors’ presentation on the internal control and the 2007 audit of the Bank Group; (iii) the Financial Statements of the ADB, ADF, NTF, Special and Trust Funds, and allocation of the net incomes of the ADB and ADF; (iv) External Auditors’ Management Letter on the 2007 audit of the Bank Group; and (v) the External Auditors’ Engagement Letter for the 2008 audit of the Bank Group. Furthermore, AUF and CODE held 3 joint meetings on internal audit recommendations and on ways to enhance the use of country systems.

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

CAHR held 2 meetings and 9 joint sessions with the Audit and Finance Committee (AUF) in 2008 to consider various financial and corporate issues, including: (i) staff survey follow-up activities; (ii) young professionals (YP) program policy; (iii) the staff Compensation and Benefits Framework and its alignment with the new Human Resources Strategy; (iv) a project to enhance the Bank Group’s Business Continuity Plan; (v) a study on outsourcing; (vi) rules and procedures for the procurement of goods and works, and the use of consultants; (vii) a review of the Staff Retirement Plan; and (ix) reform of the

Vice-Presidency for the Corporate Services (CSVP) Complex.

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

AMBD held 10 sessions during the year to consider, among other things: (i) the study tours of Executive Directors; (ii) membership of the working group on the Bank Group’s 2008 Annual Report; (iii) follow-up on the Boards’ retreat recommendations; (iv) the Bank Group’s 2008 Annual Meetings preparations; and (v) the Executive Directors’ budget.

Ethics Committee of the Board of Directors (ECBD)

During 2008, the Committee held 2 meetings and discussed issues relating to: improving the awareness of Executive Directors of ethical issues relating to budget execution; non-interference in management decisions regarding the recruitment of nationals; the processing of projects; and procurement disputes involving national companies, the handling of gifts and other governmental awards or recognitions. The Committee continues to hold regular meetings on matters of importance to the Bank’s governance. The Committee did not hear or investigate any individual cases.

Executive Directors’ Study Tours

In 2008, the Boards of Directors undertook 2 study tours to RMCs. The first tour, to Liberia, Sierra Leone and South Africa, was in February, while the second tour, in March, took Executive Directors to Côte d’Ivoire, Togo, and Gabon. Study tours provide Executive Directors with the opportunity to (i) learn first-hand about RMCs’ development needs and priorities; and (ii) consolidate the Bank’s policy dialogue with RMC officials, donors, private sector actors, and civil society organizations.