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at December 31, 2010

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



Donald Kaberuka
President of the African
Development Bank Group

I am pleased to submit this 2010 Bank Group Annual Report which looks back at yet another successful year for the Bank and most of its member countries. As I began my second term in September 2010, together we undertook to strive every day to consolidate the Bank's achievements as a world-class organization capable of responding to Africa's needs while maintaining focus and avoiding strategic drift. In making this under-

taking, we were fully aware of the complexity of the challenges ahead but very much encouraged by the opportunities now available to Africa as a result of the profound structural shifts in the global economy. Looking ahead, I see the Bank's key challenge as not only to foster strong, sustained growth but also to promote inclusiveness. The tremors and tectonic shifts in the political landscape of North Africa are a clear signal that economic growth that is not inclusive, that does not expand human opportunities and horizons, cannot be sustained.

Our ability to consolidate our achievements in a rapidly evolving and often uncertain external environment must begin by anchoring the financial soundness of the institution, whose robustness was demonstrated during the financial crisis. We continue to pursue the prudent financial and risk management policies and practices that have allowed the Bank to enjoy sound financial health and good results. The major rating agencies have reaffirmed the triple-A rating for the Bank's senior debt. The recently concluded General Capital Increase and ADF-12 replenishment resources will reinforce our capacity to deliver on the Bank Group's mandate. This significant achievement, at a time of stress in the world economy and

tough fiscal situation among our members, highlights strong shareholder support for the Bank.

I wish to thank our shareholders for this unequivocal support to the Bank and in turn undertake to ensure the commitments entered into are fulfilled.

Lastly, I would like to express my appreciation to our Boards of Directors and Management of the Bank for guiding the institution with skill and commitment throughout the year. I pay specific tribute to the staff of the Bank for their devotion to duty and for delivering credible results, even in the face of special challenges at the Bank's Temporary Relocation Agency in Tunis as well as at our Headquarters in Abidjan. While looking forward to a successful year for our member countries and the Bank Group, I commend this report.

A handwritten signature in black ink, appearing to read 'Donald Kaberuka', written in a cursive style.

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

EXECUTIVE SUMMARY

During 2010, the Bank Group continued to implement its Medium-Term Strategy (2008–2012) by focusing on the operational priority areas of infrastructure development, private sector development, governance, higher education, technology and vocational training, while pursuing selectivity in its operations. The institution also consolidated its role as a knowledge bank for the continent, not only by widely disseminating research findings, publishing flagship reports, and updating its Data Portal, but also by undertaking economic and sector work (ESW), and eliciting lessons learned to inform its future operations. The Bank's role as a voice for Africa at major international fora was reinforced by its active participation at the Third Korea–Africa Economic (KOAPEC) meeting in September and later at the G-20 Summit in Seoul in November. Another major achievement during the year was resource mobilization, as the Bank tripled its capital resources through a 200 percent Sixth General Capital Increase (GCI-VI), while securing a 10.6 percent increase in contributions from State Participants for the ADF-12 replenishment over the ADF-11 level. Bank Group approvals in 2010 amounted to UA 4.10 billion compared to UA 8.06 billion recorded in the previous year. The approvals in 2010 signaled the lending trend returning to its normal level after the unprecedented demand for Bank Group resources in 2009 due to the global financial crisis.

Overview of the Economic Situation and Outlook

Africa's recovery from the global economic and financial crisis began in 2010 and has been driven by higher domestic demand, stronger export revenues, and increased inflows of foreign direct investment, remittances, and official development assistance. Real GDP growth rose to 4.9 percent in 2010, from 3.1 percent a year earlier, at the peak of the global financial crisis. Growth is expected to fall back to 3.7 percent in 2011 as a result of the sociopolitical unrest in some African countries, before recovering to 5.8 percent in 2012.

Inflation declined from 10.0 percent in 2009 to an estimated 7.7 percent in 2010, as aggregate demand remained subdued. However, the short-term forecast is that it will increase marginally to 8.4 percent in 2011 before improving to 7.4 percent in 2012. This positive outlook may be at some risk, however, if the increases in global commodity prices experienced during the second half of 2010 continue into 2011.

The continent's fiscal deficit narrowed from 5.2 percent of GDP in 2009 to 3.3 percent in 2010. However, owing to the recent sociopolitical unrest in some African countries and the repercussions in other neighboring countries, the forecast is for a fiscal deficit of 3.9 percent in 2011, but narrowing to 3.2 percent in 2012.

Similarly, the current account balance of the continent improved from a deficit of 1.6 percent of GDP in 2009 to a surplus of 0.4 percent in 2010. However, the projection is that the surplus will turn to a deficit of 0.2 percent in 2011 before reverting to surplus of 0.2 percent in 2012. Major variations exist between RMCs in terms of economic performance. Both the fiscal and current account balances of oil-exporting countries strengthened considerably, while oil importers continued to post fiscal and current account deficits well above pre-crisis levels.

All the African subregions posted positive GDP growth rates in 2010. Of the five subregions, East and West Africa were the best performers in 2010, with GDP growth of 6.2 and 6.7 percent respectively.

This reflected a similar growth pattern to 2009, when East Africa's growth was 5.7 percent and that of West Africa was 5.6 percent. For most African economies, growth is yet to return to pre-crisis levels and this subdued trend is set to continue in the short term. Those African countries that are primarily commodity exporters, which had experienced a marked slowdown in 2009, benefited from revived commodity prices and trade in 2010. The rebound in several low-income countries and fragile states was more muted. Overall, more than half the African economies grew at a lower rate in 2010 than during the period 2001–2008.

Bank Group Activities

The Bank Group's current operational focus is shaped by its Medium-Term Strategy (MTS), 2008–2012. The launch of the MTS in 2008 coincided with the onset of the fuel, food, and financial crises, which had a major impact on regional member countries (RMCs). The Bank responded swiftly and flexibly to the pressing needs of its clients during this

period. It frontloaded resources, restructured its loan portfolio, and offered fast-disbursing instruments to help RMCs cope with the short-term effects and to reduce the longer-term impacts. Total Bank Group lending amounted to UA 8.06 billion in 2009 – an increase of 160.3 percent over the 2007 level, and far higher than had been originally planned, prior to the onset of the crisis.

Between 2008 and 2010, the Bank's total investment in the core priority areas of infrastructure, private sector development, governance, and higher education, technology, and vocational training amounted to 88.4 percent of the Bank's commitments. Of the total investments in the core areas, sovereign infrastructure operations during this period accounted for 51.3 percent; private sector, 25.0 percent; and governance, about 22.0 percent. This is broadly in line with the thrust of the MTS. However, operations approved for higher education, science and technology (HEST) were less than 2.0 percent of the total lending, and this needs to be addressed.

The rapid expansion of private sector operations, including those in low-income countries, has characterized the Bank's activities since 2008. A review of the Bank's policy for Private Sector Development is underway, and this will help to fine-tune interventions for the short term. Work has continued in fragile states, with Bank Group support proving crucial to countries' economic and social stability. Investments in regional operations constituted 14.0 percent of total Bank Group lending during the 2008-2010 period, in accordance with MTS expectations.

During the year under review, the Bank Group maintained its focus on the core operational areas of infrastructure development; private sector development; governance; higher education, technology and vocational training. The attention given to these four core areas enabled the Bank to scale up its support for regional integration, fragile states, middle-income countries (MICs), and agricultural and rural

development. The crosscutting themes of gender, environment, climate change, and knowledge management were also mainstreamed into its operational agenda.

One of the Bank's achievements during the year 2010 was the strengthening of its capital base, as detailed below. It was also a year of consolidation, with the Bank implementing its corporate reforms in order to improve its performance, the quality of its operations, and its development effectiveness. The Bank also enhanced its role as a center of excellence for knowledge development and management, while serving as the preeminent voice on Africa's development issues in international fora, for example at the KOAFEC meeting in September and at the G-20 Summit in Seoul in November 2010.

Resource Mobilization

A milestone during the year was resource mobilization, as the Bank tripled its capital resources through a 200 percent Sixth General Capital Increase (GCI-VI). This substantial increase will allow the Bank to sustain a high level of lending, in response to an overwhelming demand from its RMCs. The GCI-VI raised the Bank's authorized capital from UA 24.00 billion (US\$ 35.00 billion) to UA 67.69 billion (US\$ 100.00 billion). Furthermore, the Bank Group secured a 10.6 percent increase in contributions from State Participants for the ADF-12 replenishment. This brings the ADF-12 replenishment level to UA 6.10 billion (US\$ 9.50 billion) for the three-year period 2011-2013.

Through its strategic partnerships at both international and regional levels, the Bank has leveraged additional funding. As a result, cofinancing accelerated, reaching UA 19.16 billion in 2009, with the Bank contributing 20.3 percent. In 2010, a total of 28 cofinancing projects were approved for UA 8.41 billion, with the Bank Group contributing UA 1.28 billion.

The Bank Group's Operational Activities

Bank Group total approvals in 2010 reached UA 4.10 billion, which is a

decrease from the peak of UA 8.06 billion recorded in the previous year. This signaled a return to a more regular lending volume as the global financial crisis receded. Nonetheless, approvals in 2010 were 16.1 percent higher than in 2008.

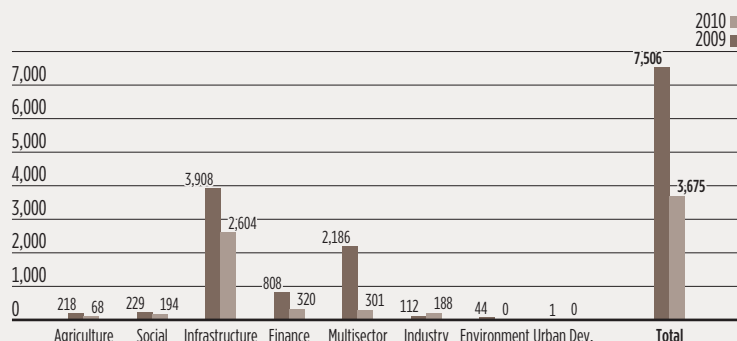
In terms of the financing from the Bank Group windows, (i) the ADB approved UA 2.58 billion (63.0 percent) (of which UA 1.21 billion was for private sector operations), (ii) the ADF approved UA 1.46 billion (35.5 percent), and (iii) the NTF approved UA 29.5 million (0.7 percent). The Special Funds (covering the African Water Facility, the Rural Water Supply and Sanitation Initiative, and the Global Environment Facility) accounted for UA 32.4 million (0.8 percent) of the approvals.

The distribution of total approvals among the various sectors during 2010 reflected the Bank's adherence to its policy of selectivity, project focus and effectiveness. It also aligned to the rising demand for infrastructure support from RMCs. In line with the Medium-Term Strategy (MTS), infrastructure ranked first, with an approvals' allocation of UA 2.60 billion (70.9 percent), followed by finance (mostly comprising private sector operations) with UA 319.9 million (8.7 percent), then multisector (which includes support for governance and public sector management, etc.) with UA 301.2 million (8.2 percent). These three sectors jointly accounted for 87.8 percent of the total operational loans and grants (see Figure 0.1).

The emphasis on infrastructure reveals the Bank's selectivity in targeting high-impact projects that will create an enabling climate for private sector investment, improve competitiveness and productivity in its RMCs, enhance employment opportunities, and support sustainable economic growth.

Bank Group loan and grant approvals for the five subregions (including multinational projects) totaled UA 3.67 billion, compared to UA 7.51 billion approved in

Figure 0.1
Bank Group Loan and Grant Approvals by Sector, 2009-2010*
(UA millions)



* Total loan and grant approvals exclude equity participations, HIPC debt relief, and Special Funds.

2009. The largest share of the approvals was allocated to North Africa, with UA 1.47 billion (40.1 percent), followed by West Africa, UA 595.8 million (16.2 percent); East Africa, UA 560.3 million (15.2 percent); Southern Africa, UA 492.8 million (13.4 percent); Central Africa, UA 234.6 million (6.4 percent); and multinational, UA 319.1 million (8.7 percent).

African Development Bank (ADB)

The approvals from the non-concessionary ADB window in 2010 totaled UA 2.58 billion for 59 operations, compared to UA 5.60 billion in 2009 for 84 operations, which is a 53.9 percent decrease. Notwithstanding, the approvals level for 2010 was 42.8 percent higher than that of 2008. Project lending and private equity participation declined from UA 3.94 billion in 2009 to UA 2.30 billion in 2010, representing a decrease of 41.6 percent. Similarly, policy-based lending decreased significantly over the same period, from UA 1.52 billion to UA 128.6 million.

With respect to grants, these decreased from UA 25.1 million in 2009 to UA 11.0 million in 2010. Regarding debt relief to support low-income countries, the Bank's allocation under the Enhanced HIPC Initiative increased by 27.7 percent from UA 112.8 in 2009 to UA 144.1 million in 2010. The distribution of ADB approv-

als in 2010 by financing instrument shows that project lending and private equity participations accounted for the greatest share, at 89.0 percent, while debt relief accounted for 5.6 percent, policy-based lending for 5.0 percent, and grants for 0.4 percent.

During the year, private sector operations increased slightly to UA 1.21 billion, compared with UA 1.16 billion in 2009. The share of private sector operations in ADB and Bank Group total approvals in 2010 stood at 46.7 percent and 29.4 percent respectively. Private, non-publicly guaranteed project loans and lines of credit (LOCs) jointly accounted for UA 1.02 billion of total ADB approvals, while private equity accounted for UA 189.9 million. In general, the project loans were used for accelerating economic growth and reducing poverty, while the LOCs aimed at deepening domestic financial markets for onlending to small and medium-size enterprises (SMEs). Bank Group investments in many sizeable multinational projects and programs took the form of loans, LOCs, and private equity; these supported economic cooperation and regional integration, thereby improving the investment climate in the continent.

Disbursements from the ADB window in 2010 amounted to UA 1.34 billion,

which is a 43.0 percent decrease from the UA 2.35 billion disbursed in 2009. As at December 31, 2010, cumulative disbursements (including nonsovereign loans) totaled UA 21.31 billion. By year-end, 810 loans had been fully disbursed for an amount of UA 18.75 billion, representing 88.0 percent of cumulative disbursements.

African Development Fund (ADF)

ADF total approvals in 2010 amounted to UA 1.46 billion, compared with UA 2.43 billion in 2009. The two main beneficiary sectors were infrastructure, which attracted UA 1.10 billion (77.1 percent) and multi-sector, with UA 214.8 million (15.1 percent). This is consistent with the the Medium-Term Strategy's emphasis on investing in high-impact areas, which will boost growth and encourage investment flows.

Disbursements of ADF loans and grants totaled UA 1.17 billion in 2010, compared to UA 1.73 billion in 2009, which represents a decrease of 32.4 percent. Cumulative disbursements at end-December 2010 amounted to UA 14.77 billion. A total of 1,673 loans and grants were fully disbursed, amounting to UA 11.75 billion, which represents 80.0 percent of cumulative disbursements.

The Nigeria Trust Fund (NTF)

During the year, one loan amounting to UA 0.7 million was approved under the NTF window for Sierra Leone. In addition, UA 28.8 million was approved as debt relief under the HIPC Initiative for Liberia.

NTF disbursements increased to UA 5.02 million in 2010, from UA 4.87 million in 2009, representing a rise of 3.1 percent. By end-December 2010, cumulative disbursements amounted to UA 226.7 million. Altogether, 61 loans were fully disbursed for a total UA 205.3 million, representing 91.0 percent of cumulative disbursements.

Institutional Reforms and Development Effectiveness

Improved Coordination and Corporate Performance: The Senior Management Coordinating Committee (SMCC) has a pivotal role in ensuring that the Bank Group's corporate functions operate with optimal efficiency and effectiveness. It also arbitrates cross-Complex resource allocations in line with strategic priorities. In addition, the Operations Committee (OpsCom) has stepped up its efforts to ensure quality-at-entry in operations, which includes strengthening the upstream peer review and country team structures.

Budget Reforms: In January 2010, the Bank launched its Unit of Account (UA) Budgeting system which is a key component of Phase II of the ongoing budget reforms. UA Budgeting has further decentralized budget management and has also introduced a more rigorous staff planning process aimed at better alignment of staff numbers and profiles to Work Program needs.

Decentralization: By year-end 2010, the Bank had signed Host Country Agreements for its targeted 26 field offices, of which 23 are fully equipped and functional, with differing levels of staffing mix. A comprehensive revision of the Delegation of Authority Matrix was carried out during the year under review, which empowered field offices with the authority to negotiate, sign and administer loans, manage portfolios, supervise projects, and dialogue with RMCs and partners.

Operations Business Processes: As part of its ongoing efforts to improve operations business processes, the Bank undertook an organizational fine-tuning exercise to set up and/or streamline those units responsible for sharpening the Bank's strategic focus, reinforcing its mandate, and supporting its Managing for Results agenda. This exercise included: establishing the Energy, Environment, and Climate Change (ONEC) department and the

new Strategy Office (STRG) within the Presidency; as well as placing the Quality and Results (ORQR) department within the oversight of the Chief Operating Officer. The Bank also put in place a "One Bank" Results Measurement Framework (RMF), which will review progress at four levels: (i) development outcomes in Africa; (ii) contribution to development outcomes; (iii) operational effectiveness; and (iv) organizational efficiency.

Knowledge Development and Management

Operational Knowledge

Knowledge derived from the Bank's operational activities provides lessons to guide the Bank's future interventions and improve its efficiency and development effectiveness. In this regard, the knowledge development products can be grouped into three categories: (i) economic and sector work (ESW), (ii) strategic products and events, and (iii) operational lessons and best practices. Examples of all three types of knowledge products are given below.

The ESW undertaken in 2010 included a portfolio review of the "Evaluation of Public Revenue Potential" in Senegal. This review revealed that between 2009 and 2010, adequate institutional arrangements and enhanced training in financial management and procurement for Project Implementation Units resulted in a number of positive outcomes. For example, there were significant reductions in time-lines for processing procurement documents and in the number of projects at risk, which led to improvements in project effectiveness. There was also an overall increase in disbursement and supervision rates.

Turning to the second category of strategic knowledge products, a number of thematic background studies were undertaken to feed into the preparation of the Regional Integration Strategy Paper (RISP) for Southern Africa, 2011-

2015. These in-depth studies, conducted through a wide consultative process with stakeholders in the subregion, related to: (i) trade performance, challenges, and opportunities; (ii) economic performance of countries in the subregion; (iii) private sector financing of infrastructure; and (iv) development in the sectors of transportation, energy, and ICT.

As an example of the third category of operational knowledge development, a review of private sector development in Gabon furnished a number of recommendations for the Bank to consider:

- (i) Multifaceted support needs to be given to streamlining private enterprise structures, so as to improve their performance, thereby reducing costs and boosting their productivity.
- (ii) The quality of appraisal reports should be improved through a clarification of objectives and activities, and by the preparation of detailed implementation schedules.
- (iii) Institutional support should be provided, including the training of project managers before the official launch of projects, to strengthen the capacity for procurement and for the supervision of works.
- (iv) The physical and financial monitoring of projects should be enhanced.

Research and Capacity Building

Development Research: Significant progress has been made in enhancing the Bank's visibility through the mainstreaming of knowledge development in Bank Group operations. The process encompasses the following:

- research on the development challenges facing the continent;
- strengthening the network of economists through more frequent interactions, and professional exchange (seminars and workshops); and
- increased collaboration with the Operations Complexes, especially in the preparation of knowledge products related to ESW.



The Bank made a major contribution to policy dialogue in RMCs during the year, providing analytical and policy support to the Committee of Ten (C-10) African Ministers of Finance and Central Bank Governors. This helped to build an African consensus for the Third Korea-Africa Economic Cooperation (KOAFEC) meeting in September 2010 and the G-20 Summit in Korea in November. In addition, the Bank made significant improvements to the quality of its flagship reports, the *African Economic Outlook* (AEO), the *African Development Report* (ADR), and the *African Competitiveness Report* (ACR), which provide useful information for development policy analysis.

Capacity Building and Training in RMCs: Activities in this area centered on the two key pillars of the Bank Group Capacity Development (CD) Strategy, namely: *Pillar 1* – enhancing the development effectiveness of Bank Group operations; and *Pillar 2* – strengthening the capacity of RMCs for policy design and development management. Altogether, 1,395 participants attended the Bank’s seminars and workshops delivered under Pillars I and II of the CD Strategy.

Statistical Capacity Building and Data Dissemination in Support of Results Measurement: The statistical activities of the Bank focused on: (i) building capac-

ity in 52 RMCs, five subregional organizations, and six regional training centers, (ii) mainstreaming results measurement in Bank operations, including developing the Data Portal (DP); and (iii) deepening collaboration with other bilateral and multilateral partners for the coordination of statistical activities in the region. During the year, the Bank collaborated with the Economic Commission of Africa (ECA), the African Union Commission (AUC), and the United Nations Development Program (UNDP) in preparing the *2010 MDGs Progress Report for Africa*. The Bank also continued to coordinate the data collection under the International Comparison Program (ICP) statistical initiative in RMCs. In addition, the process of preparing Country Statistical Profiles (CStPs) was launched, to provide the necessary baseline data for country programming in the Bank’s Data Portal. To this end, nine CStPs and one Regional Integration Statistical Profile (RiStP) were prepared.

Support to Fragile States

Under the Fragile States Facility (FSF), the Bank approved UA 110.7 million for budget support, rehabilitation, and reconstruction of basic infrastructure, governance, capacity building, and human resource development in six states (Burundi, Guinea Bissau, Democratic Republic of

Congo, Liberia, Sierra Leone, and Togo). The results from these commitments cannot yet be fully quantified, partly because they are at differing stages of implementation. However, early indicators show improvements in Country Policy and Institutional Assessment (CPIA) ratings and in portfolio performance indicators, such as disbursement ratios and the number of operations supervised.

At the final ADF-12 replenishment consultations in September 2010, the ADF Deputies agreed to a replenishment amount of UA 764.0 million to be transferred to the FSF, for the ADF-12 period (2011–2013). Then in October, the Bank operationalized the Zimbabwe Multidonor Trust Fund (the Zim-Fund). By the end of December, an estimated UA 26.6 million (US\$ 42.0 million) had been paid into the fund by donors.

Support to Middle-Income Countries

During the year, the Bank Group’s approvals for operations in middle-income countries (MICs) (excluding multinational projects and programs) amounted to UA 1.88 billion. Although this falls below the 2009 level, it represents an increase of 69.4 percent over 2008, thereby reflecting the Bank’s commitment to enhance its engagement in MICs.

The sectoral distribution for Bank Group lending to MICs in 2010 confirms infrastructure to be the largest recipient, attracting 72.7 percent of all financing, followed by industry (7.9 percent), social (7.7 percent), finance (7.1 percent), and multisector (4.6 percent). The geographic distribution of financing to MICs shows that North Africa accounted for the largest share (78.3 percent), while Southern Africa received 21.7 percent. Regarding financing instruments, project lending continued to predominate in 2010, accounting for 92.8 percent of total approvals for MICs, compared to the 65.3 percent share in 2009. On the other hand,

there was a significant decline in policy-based loans, from 34.1 percent in 2009 to 6.9 percent in 2010. Grants from the MIC Technical Assistance Fund (MIC-TAF), the African Water Facility (AWF), and the Special Relief Fund (SRF) represented a marginal 0.4 percent of the financing.

2011 Administrative Expenses and Capital Expenditure Budgets

In December 2010, the ADB Board of Directors approved an Administrative Expenses and Capital Expenditure Budget for 2011 comprised as follows: Administrative Expenses of UA 289.1 million, a Capital Expenditure of UA 40.0 million, and a contingency budget of UA 2.9 million. The ADF Board of Directors approved an indicative Administrative Budget of UA 201.3 million for the Fund for the financial year ending December 31, 2011.

Income Allocation and Distribution

The 2010 financial statements highlight the robustness of the Bank Group's financial position. Despite the volatile market conditions and a low interest rate environment experienced in 2010, the Bank generated a level of income reasonably comparable to the strong results of 2009. The Bank earned income before distributions approved by the Board of Governors of UA 213.7 million and allocable income of UA 236.1 million in 2010, compared to the income before distribution of UA 231.2 million and allocable income of UA 238.7 million earned in 2009. Distribution from income for other development initiatives in the Bank's regional member countries is approved by the Board of Governors, typically at the Annual Meetings.

Having been satisfied that adequate provisions have been made to reserve, the Board of Governors, during the Annual Meetings in May 2010, approved an allo-

cation of UA 27.8 million from the 2009 income to Surplus Account. The Board of Governors also approved the distributions from the 2009 allocable income to the following development initiatives: (i) UA 50.0 million for ADF-11; (ii) UA 66.0 million for the Democratic Republic of Congo (DRC) Special Account; and (iii) UA 5.0 million for the Technical Assistance Fund for the Middle Income Countries. During the course of 2010, the Board of Governors also approved income distribution from the Surplus Account to other development initiatives for a total amount of UA 25.4 million. In addition, the Governors approved the distribution of UA 0.3 million from the 2009 income of NTF to the HIPC initiative.

Credit Ratings

The ratings agencies, Standard & Poor's, Moody's, Fitch Ratings, and the Japan Credit Rating Agency reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debt, respectively, with a stable outlook. Their ratings reflect the Bank's strong membership support, its preferred creditor status, sound capital adequacy, and prudent financial management and policies. Ratings agencies have noted positively the approval by the Board of Governors in May 2010 to triple the Bank's capital base as a sign of strong shareholder support for its development mandate, and growing franchise value in the continent.

Borrowings

The 2010 funding program in capital markets was approved for a maximum amount of UA 3.62 billion, including up to UA 140.0 million under the Enhanced Private Sector Assistance for Africa (EPSA) initiative. The Bank raised UA 2.82 billion during the year, including UA 14.9 million under the EPSA initiative. At December 31, 2010, the outstanding borrowing portfolio of the Bank stood at UA 11.98 billion.

The Bank has used various markets and instruments to meet its borrowing requirements. The Bank issued its annual USD 1 billion global bond transactions during the year in February. Private placements, uridashi transactions (public issues sold to the Japanese retail market), themed bond transactions (described below), and African currency-linked bonds in Zambian Kwacha complete the range of markets utilized in 2010.

Themed Bond Transactions

The retail bond market in Japan has seen a flurry of activity where investors wish to invest in bond issues that have a social theme and carry top-notch credit ratings. In 2010, the Bank established its own niche by issuing bonds under the themes of clean energy, education, and water. During the year, the Bank issued 16 themed bond transactions, with maturities ranging from 3 to 10 years, raising UA 398.9 million to support projects in these priority areas. Of this total, UA 261.5 million was issued as clean energy/green bonds; UA 98.1 million as bonds linked to education; and UA 39.3 million as bonds linked to water.

Under the terms of these bond issues, the Bank will use its best efforts to direct an amount equal to the net proceeds to projects related to the relevant theme, subject to and in accordance with the Bank's lending standards. Further, it is specified that the proceeds of the bonds will be included in the ordinary capital resources of the Bank and will be used for the general operations of the Bank.

Table 0.1
Summary of Bank Group Operations, Resources, and Finance, 2001-2010
 (UA millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010	Cumulative Total (a)
Operations											
Bank Group Approvals (b)											
Number	134	118	145	124	102	137	100	133	181	139	3,801
Amount	2,372.27	2,038.95	1,766.31	2,786.70	2,293.63	2,596.88	3,097.64	3,528.73	8,064.49	4,099.75	62,228.72
of which HIPC	611.22	451.52	1.85	1,009.13	508.68	257.49	153.17	159.87	372.56	202.95	4,490.16
Disbursements	860.47	1,048.14	1,022.83	1,315.54	1,289.81	1,239.03	1,615.68	1,860.91	4,083.59	2,510.70	35,570.51
ADB Approvals (b)											
Number	26	31	28	23	34	38	29	58	84	59	1,259
Amount	986.66	1,068.06	745.84	1,519.54	868.73	1,045.37	1,670.06	1,807.01	5,604.07	2,581.13	36,008.07
of which HIPC	174.93	187.98	-	707.77	75.99	102.21	-	113.75	112.77	144.14	1,835.95
Disbursements	488.33	499.77	652.32	630.23	595.35	548.44	884.75	727.53	2,352.29	1,339.85	20,541.59
ADF Approvals (b)											
Number	107	84	112	99	65	84	54	62	77	65	2,387
Amount	1,380.51	960.74	997.96	1,257.91	1,421.71	1,544.57	1,381.75	1,665.34	2,426.96	1,456.72	25,708.19
of which HIPC	436.29	263.34	1.85	301.37	429.49	155.28	153.17	17.95	259.09	29.99	2,593.13
Disbursements	369.14	545.02	368.07	680.50	691.06	685.16	725.00	1,124.92	1,726.43	1,165.84	14,801.85
NTF Approvals											
Number	1	3	5	2	3	-	-	2	3	2	82
Amount	5.10	10.14	22.51	9.25	3.19	-	-	28.16	5.70	29.53	371.33
of which HIPC	-	0.26	-	-	3.19	-	-	28.16	0.70	28.83	61.07
Disbursements	2.99	3.35	2.44	4.81	3.39	5.43	5.94	8.45	4.87	5.02	227.07
Special Funds Approvals (c)											
Number	-	-	-	-	-	15	17	11	17	13	73
Amount	-	-	-	-	-	6.94	45.83	28.21	27.76	32.38	141.12
Resources and Finance (at year end)											
ADB											
Authorized Capital	21,889.34	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	21,870.00	22,120.00	67,687.46	
Subscribed Capital (d)	21,510.01	21,509.88	21,563.71	21,597.90	21,717.67	21,794.00	21,693.16	21,765.14	21,817.58	23,924.62	
Paid-up Portion (d)	2,097.66	2,134.36	2,180.94	2,223.26	2,269.06	2,357.78	2,351.53	2,356.01	2,359.32	2,375.63	
Callable Portion	19,412.35	19,375.52	19,382.77	19,374.63	19,376.00	19,436.76	19,341.63	19,409.14	19,458.25	21,548.99	
Borrowing (gross)	5,397.94	4,617.29	6,058.95	6,057.52	6,560.11	6,088.75	6,803.17	7,160.81	10,703.22	12,231.34	
Outstanding Debt (e)	5,215.89	4,455.04	5,778.39	5,638.89	5,940.40	5,870.47	6,198.87	6,707.28	10,580.64	11,980.57	
Cumulative Exchange Adjustment on											
Subscriptions (f)	(129.73)	(141.99)	(145.33)	(147.20)	(151.76)	(155.74)	(160.08)	(161.03)	(161.97)	(162.57)	
Reserves (g)	1,716.90	1,464.63	1,507.50	1,486.44	2,266.39	2,305.48	2,531.80	2,475.47	2,552.96	2,627.28	
Cumulative Currency Translation Adjustment	(449.53)	(454.84)	(451.71)	(467.97)	-	-	-	-	-	-	
Gross Income	569.64	488.83	425.22	446.67	479.61	542.85	585.31	564.45	518.88	519.32	
Net Income (h)	125.46	188.85	178.33	145.53	221.32	194.03	323.67	304.66	231.16	213.66	
ADF											
Subscriptions (i)	10,924.42	11,421.12	11,989.14	12,654.44	13,261.76	14,314.51	15,218.76	16,566.02	17,854.02	19,030.32	
Other Resources (j)	(776.68)	(617.48)	(540.57)	(571.34)	(476.02)	(776.38)	(703.50)	(656.59)	(493.44)	(437.23)	
NTF											
Resources (gross) (g)	425.42	399.78	375.46	366.93	409.08	286.12	273.47	286.78	156.73	160.86	

Sources: AfDB Statistics Department for data on operations; AfDB Financial Control Department for data on Resources and Finance.

Notes:

- Magnitude zero

* A year of exceptional demand for Bank Group resources due to the global financial crisis.

(a) The cumulative figures go back to the initial operations of the three institutions (1967 for ADB, 1974 for ADF and 1976 for NTF).

(b) Approvals include loans and grants, private and public equity investments, emergency operations, HIPC debt relief, loan reallocations and guarantee, Post Conflict Country Facility, and Fragile States Facility.

(c) These are approvals on the operations of the African Water Fund, Rural Water Supply and Sanitation Initiative, and the Global Environment Facility.

(d) Subscribed capital and paid up capital for 2005 were restated to exclude shares to be issued upon payment of future installments.

(e) Outstanding debt for 2004 was restated for fair value option.

(f) CEAS were restated in 2001 for prior years to adjust for translation gains and losses on subscriptions.

(g) Reserves for 2004 were restated following the application of the IFRS.

(h) For the years 2001 to 2003 net income excluded net gains/losses on non trading derivatives (IAS 39 adjustments). Also for the years 2005 and 2006 net income the same basis as in prior years, thereby ensuring comparability between 2001 figures and those of prior years, excluded income transfers approved by Board of Governors.

(i) Subscriptions = Restated for years 1997-2005 to be amounts paid instead of amounts pledged.

(j) Other Resources = Accumulated Reserves/Loss + Net Income/Loss for the year + Miscellaneous.

The conversion rates are those for 31 December of each year.

The conversion rates of the ADB, ADF and NTF Unit of Account (UA) to US Dollar for various years are as follows,

2001 1 UA = 1.25562 US dollars	2006 1 UA = 1.50440 US dollars
2002 1 UA = 1.35952 US dollars	2007 1 UA = 1.58025 US dollars
2003 1 UA = 1.48597 US dollars	2008 1 UA = 1.54027 US dollars
2004 1 UA = 1.55301 US dollars	2009 1 UA = 1.56769 US dollars
2005 1 UA = 1.42927 US dollars	2010 1 UA = 1.54003 US dollars

Percentages in the charts and tables of the Report may not add up to 100 due to rounding

Table 0.2

 Summary of Bank Group Approvals, 2010
 (UA millions)

Bank Group Approvals by Sector								
Sector	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture and Rural Development	5	27.85	4	40.47	-	-	9	68.32
Social	8	146.59	4	47.00	-	-	12	193.59
Education	2	1.28	4	47.00	-	-	6	48.28
Health	2	1.15	-	-	-	-	2	1.15
Other	4	144.16	-	-	-	-	4	144.16
Infrastructure	14	1,503.35	33	1,099.50	-	-	48	2,603.55
Water Supply and Sanitation	1	179.08	12	264.99	-	-	13	444.07
Energy Supply	4	494.61	9	392.33	1	0.71	14	887.65
Communication	2	32.43	-	-	-	-	2	32.43
Transport	7	797.23	12	442.18	-	-	19	1,239.41
Finance	6	314.93	1	5.00	-	-	7	319.93
Multisector	7	86.39	19	214.76	-	-	26	301.15
Industry, mining and quarrying	6	167.96	1	20.00	-	-	7	187.96
Urban Development	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	-	-
A. Total Loans and Grants	46	2,247.07	62	1,426.73	1	0.71	109	3,674.50
B. Other Approvals	13	334.05	3	29.99	1	28.83	30	425.25
HIPC Debt Relief	2	144.14	3	29.99	1	28.83	6	202.95
Post Conflict Country Facility	-	-	-	-	-	-	-	-
Equity Participation	11	189.92	-	-	-	-	11	189.92
Guarantees	-	-	-	-	-	-	-	-
Loan Reallocation	-	-	-	-	-	-	-	-
Special Funds*	-	-	-	-	-	-	13	32.38
Total Approvals (A + B)	59	2,581.13	65	1,456.72	2	29.53	139	4,099.75

Bank Group Approvals by Financing Instrument								
Financing Instrument	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	22	2,107.47	25	801.63	1	0.71	48	2,909.81
Public and Publicly -Guaranteed:	5	1,091.75	25	801.63	1	0.71	31	1,894.09
Project Loans	5	1,091.75	25	801.63	1	0.71	31	1,894.09
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-
Lines of Credit	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed:	17	1,015.72	-	-	-	-	17	1,015.72
Project Loans	12	701.39	-	-	-	-	12	701.39
Lines of Credit	5	314.33	-	-	-	-	5	314.33
Policy-Based Lending	2	128.65	2	38.95	-	-	4	167.60
Sector Adjustment	1	44.65	-	-	-	-	1	44.65
Structural Adjustment	1	84.00	-	-	-	-	1	84.00
Budget Support	-	-	2	38.95	-	-	2	38.95
Grants	22	10.95	34	585.65	-	-	56	596.60
Technical Assistance	17	7.61	17	205.34	-	-	34	212.95
Project Cycle Activities	-	-	10	158.66	-	-	10	158.66
of which Private Sector	-	-	-	-	-	-	-	-
Institutional Support	-	-	7	46.69	-	-	7	46.69
Middle Income Countries Grant	17	7.61	-	-	-	-	17	7.61
Project Grant	-	-	8	257.88	-	-	8	257.88
Structural Adjustment Grant	-	-	1	10.00	-	-	1	10.00
Budget Support Grant	-	-	1	1.70	-	-	1	1.70
African Food Crisis Response Grant	-	-	-	-	-	-	-	-
Fragile States Facility Grant	-	-	7	110.73	-	-	7	110.73
Special Relief Fund	5	3.34	-	-	-	-	5	3.34
Emergency Assistance	5	3.34	-	-	-	-	5	3.34
Emergency Postconflict	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	-	-	-	-	-	-	-	-
Project Preparation Facility	-	-	1	0.50	-	-	1	0.50
Debt and Debt Service Reduction	2	144.14	3	29.99	1	28.83	6	202.95
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	2	144.14	3	29.99	1	28.83	6	202.95
Post Conflict Country Facility	-	-	-	-	-	-	-	-
Equity Participation	11	189.92	-	-	-	-	11	189.92
Public Equity	-	-	-	-	-	-	-	-
Private Equity	11	189.92	-	-	-	-	11	189.92
Guarantees	-	-	-	-	-	-	-	-
Public Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	-	-	-	-	-	-	-	-
Loan Reallocations	-	-	-	-	-	-	-	-
Special Funds*	-	-	-	-	-	-	13	32.38
Total Approvals	59	2,581.13	65	1,456.72	2	29.53	139	4,099.75

Source: AfDB Statistics Department, Economic and Social Statistics Division.

Note:

- Magnitude zero

* These are approvals on the operations of the African Water Fund, Rural Water Supply and Sanitation Initiative and lately the Global Environment Facility.

Figure 0.2
Bank Group Loan and Grant Approvals and Disbursements, 2001-2010
(UA millions)

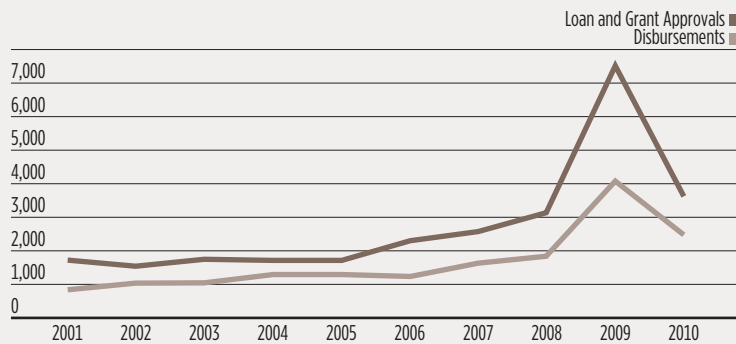


Figure 0.3
Cumulative Bank Group Loan and Grant Approvals by Institution, 1967-2010

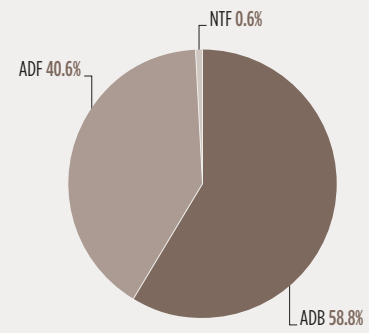


Figure 0.4
Cumulative Bank Group Loan and Grant Approvals by Sector, 1967-2010

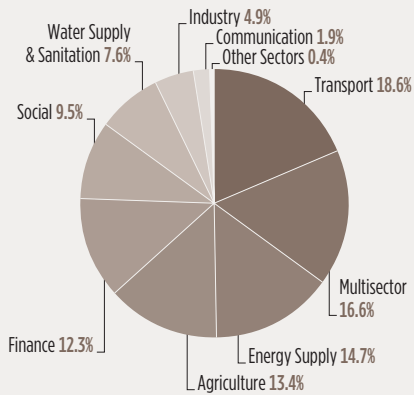
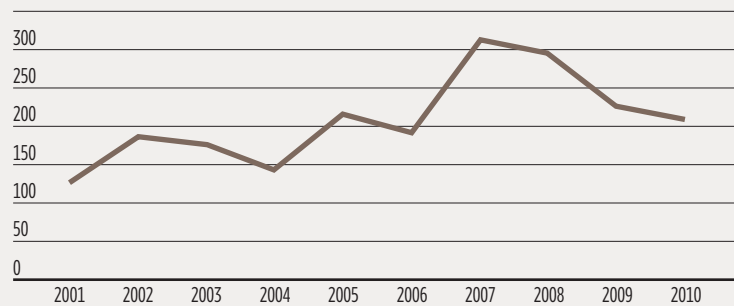


Figure 0.5
ADB Net Income, 2001-2010
(UA millions)



BANK GROUP SECTOR DEFINITIONS

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

* Infrastructure development comprises: Transportation, Communications, Water Supply and Sanitation, and Energy Supply.