2009
ANNUAL REPORT IN BRIEF
AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB
Forty-Fifth
Annual Meeting

ADF
Thirty-Sixth
Annual Meeting

Abidjan, Côte d'Ivoire,
May 27-28, 2010

ANNUAL REPORT IN BRIEF

by the
Boards of Directors

of the
African Development Bank

and the
African Development Fund

Covering the period
January 1 to December 31, 2009

ADB-ADF/BG/AR/2009
## THE AFRICAN DEVELOPMENT BANK GROUP: FAST FACTS

| Constituent Institutions | The African Development Bank (ADB)  
The African Development Fund (ADF)  
The Nigeria Trust Fund (NTF) |
|--------------------------|--------------------------------------------------------------------------------|
| Shareholders             | 53 African countries  
(regional member countries)  
24 non-African countries  
(non-regional member countries) |
| Mission                  | To contribute to the sustainable economic development and social progress of its regional members, individually and jointly |
| Authorized Capital       | UA 22.12 billion |
| at December 31, 2009     | |
| Subscribed Capital       | UA 21.82 billion |
| at December 31, 2009     | |
| Paid-up Capital          | UA 2.36 billion |
| at December 31, 2009     | |
| Approved Operations, 2009| 181 operations totaling UA 8.06 billion, financed as follows:  
ADB: UA 5.60 billion  
ADF: UA 2.43 billion  
NTF: UA 5.7 million  
Special Funds*: UA 27.8 million |
<table>
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<tr>
<th>Of which:</th>
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<tbody>
<tr>
<td>Loans</td>
<td>UA 6.62 billion (64 operations)</td>
</tr>
<tr>
<td>Grants</td>
<td>UA 888.0 million (77 operations)</td>
</tr>
<tr>
<td>HIPC</td>
<td>UA 372.6 million (7 operations)</td>
</tr>
<tr>
<td>Guarantees</td>
<td>UA 11.6 million (2 operations)</td>
</tr>
<tr>
<td>Equity Participation</td>
<td>UA 142.5 million (13 operations)</td>
</tr>
<tr>
<td>Loan Reallocation</td>
<td>UA 4.5 million (1 operation)</td>
</tr>
<tr>
<td>Special Funds*</td>
<td>UA 27.8 million (17 operations)</td>
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<tr>
<th>Sector Approvals, 2009</th>
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<tr>
<td>Infrastructure</td>
<td>UA 3.91 billion (52.1 percent of total loans and grants)</td>
</tr>
<tr>
<td>Multisector</td>
<td>UA 2.19 billion (29.1 percent )</td>
</tr>
<tr>
<td>Finance</td>
<td>UA 808.4 million (10.8 percent)</td>
</tr>
<tr>
<td>Social</td>
<td>UA 228.6 million (3.0 percent)</td>
</tr>
<tr>
<td>Agriculture and Rural Development</td>
<td>UA 218.0 million (2.9 percent)</td>
</tr>
<tr>
<td>Industry &amp; Mining</td>
<td>UA 111.7 million (1.5 percent)</td>
</tr>
<tr>
<td>Environment</td>
<td>UA 44.0 million (0.6 percent)</td>
</tr>
<tr>
<td>Urban Development</td>
<td>UA 0.6 million (0.01 percent)</td>
</tr>
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| Total Cumulative Approvals, 1967-2009 | 3,417 loans and grants totaling UA 52.26 billion |

* Special Funds: These are the approvals for the operations of the African Water Facility and the Rural Water Supply and Sanitation Initiative.
INTRODUCTION

The year 2009 was one that presented many challenges to the Bank and its regional member countries (RMCs) as a result of the ongoing global economic and financial crisis. The key challenge was for the Bank to consolidate its response to the crisis while remaining focused on its long-term strategic direction. The Bank’s swift and effective response took the form of short-term, innovative trade and liquidity facilities to meet the increasing demand for resources from its RMCs. As a result, Bank Group operations at end-December 2009 stood at UA 8.06 billion, which is more than twice the 2008 level of UA 3.53 billion.

During the year, the Bank continued to pursue its mandate by implementing its Medium-Term Strategy (2008-2012), with its emphasis on selectivity of operations, targeted on the core operational priority areas, namely: infrastructure, private sector development, governance, higher education, science and technology. This enabled the Bank to better contribute to the broader development objectives of agriculture and food security, human development, and regional integration, while supporting fragile states and middle-income countries. The institution also scaled up its efforts to mainstream the cross-cutting dimensions of gender, environmental sustainability, and climate change into its operations. In this context, the Bank Group consistently pursued its institutional reforms to strengthen its internal capacity and business processes to maximize the development effectiveness of its operations in support of its overall mission of poverty reduction.
REVIEW OF THE MACROECONOMIC SITUATION AND OUTLOOK FOR AFRICA

The global financial crisis that began in late 2008 had a deep but differentiated impact across Africa. Overall, the continent’s growth in 2009 is estimated at 2.5 percent, less than half the pre-crisis rate, resulting in a decline in real GDP per capita for the first time in a decade. Despite some relief on import bills due to falling food and oil prices, the overall trade balance deteriorated markedly. The continent moved from a current account surplus of 3.8 per cent of GDP in 2008 to a deficit of 2.9 percent in 2009, a drop of 6.7 percentage points. In addition, the decline in export revenues, reduced remittances and, in a few instances, aid flows, exerted a downward pressure on exchange rates. Similarly, the continent’s fiscal balance worsened, as a surplus of 2.2 percent of GDP in 2008 turned into a deficit of 4.4 percent of GDP in 2009.

Although the global economic and financial crisis resulted in a significant decline in Africa’s growth in 2009, the short- to medium-term outlook has improved substantially. With the expected global recovery and sound domestic policy responses, Africa’s growth is projected to rise to 4.5 percent and 5.2 percent in 2010 and 2011 respectively, still well below the growth rates of the pre-crisis years. Going forward, the Bank’s continued support for African countries will be essential to return their economies to a sustained growth path.

The Global Economic Crisis and Bank Group Response

In response to the global financial crisis, the Bank adopted a flexible approach comprising frontloading of resources and restructuring projects to deliver resources where they were most needed. This was effected through the establishment during the year of 3 innovative financing mechanisms. Consequently, in March 2009, the Board
approved the Emergency Liquidity Facility (ELF) amounting to US$ 1.5 billion (UA 0.96 billion) and the Trade Finance Initiative (TFI) of US$ 1.0 billion (UA 0.64 billion) to assist its RMCs. Then in July 2009, the Board approved funding to the tune of US$ 0.5 billion (UA 0.32 billion) for the Global Trade Liquidity Program (GTLP), as the second phase of the TFI. This enabled the Bank to coordinate with other agencies and DFIs to address market constraints and play a countercyclical role in bridging the gap in African trade finance, while continuing to finance long-term development.

Notwithstanding the success of these 3 initiatives, the continued demand for financing from RMCs has demonstrated the inadequacy of the Bank’s current resources envelope. As a result, the Bank began to take measures during 2009 for the Sixth General Capital Increase (GCI-VI) to help meet future demand from its RMCs. Furthermore, the progress achieved at the Mid-Term Review of the ADF-XI paved the way for launching the ADF-XII replenishment consultations for additional concessional resources for the 40 ADF-eligible RMCs.

**BOARDS OF DIRECTORS**

In 2009 the Boards of Directors continued to provide policy guidance in the implementation of the Bank’s operational activities. They held 44 formal meetings, 25 informal meetings, and 5 seminars during which they approved 54 key policies, strategies, and guidelines aimed at enhancing the Bank’s development effectiveness and results. The Boards approved loans, grants, public and private guarantees for sovereign loans, special fund allocations, loan reallocation and HIPC debt relief totaling UA 8.06 billion. Overall, the Boards approved 13 Results-Based Country Strategy Papers, 24 Country Portfolio Reviews, 4 HIPC documents, 17 Humanitarian Emergency Assistance Grants for RMCs, and one Proposal for clearing Côte d’Ivoire’s arrears.
BANK GROUP STRATEGIC DIRECTIONS AND PRIORITIES

Development Effectiveness and Managing for Results

During the year, the Bank continued to strengthen the development effectiveness and results of its operations through an enhanced Results Measurement Framework (RMF) and the Action Plan for Quality and Results (APQR).

In assessing ADF countries’ performance under the RMF during ADF-XI, 19 country outcome indicators were considered. These showed that:

- Real GDP growth was stronger in ADF countries (at around 4 percent per annum) than in African middle-income countries (MICs);
- ADF countries’ governance record remains weak;
- In respect to infrastructure development in ADF countries, there is evidence of slow improvements in access to safe water but a continued rapid growth of information and communication technologies (ICTs).

In 2009 an assessment of outputs and outcomes of all exiting ADF operations during the past 3 years (2006-2008) was undertaken. The assessment indicated positive results, including:

- Improved tracking of outputs and outcomes in 2009 through comprehensive project completion reports (PCRs) (72 percent of all 2006-2008 PCRs were available); and
- A high level of delivery of planned outputs, with nearly 75 percent of all output indicators achieved or surpassing expectations.

The Action Plan for Quality and Results (APQR) focused on 5 areas of reforms, namely:
• Accelerating decentralization and harmonization for better results:
• Enhancing the quality-at-entry of strategies and operations;
• Instilling a results-based supervision culture;
• Enhancing learning and accountability through evaluation; and
• Improving data and systems for results reporting.

Bank Group Approvals by Sector
In 2009 the sectoral distribution of loan and grant approvals for Bank Group operations continued to reflect the priorities of the Medium-Term Strategy (2008-2012). The two sectors that benefitted the most were infrastructure, with an allocation of UA 3.91 billion (52.1 percent) and multisector, with UA 2.19 billion (29.1 percent) (see Figure 1). These two sectors jointly accounted for 81.2 percent of total loans and grants. The third largest beneficiary sector was finance, with an allocation of UA 808.4 million (10.8 percent), the bulk of which went into lines of credit to address the adverse effects of the global financial crisis in RMCs.

Figure 1: Bank Group Loan and Grant Approvals by Sector, 2008-2009
Investing in Infrastructure
The approval of UA 3.91 billion for infrastructure in 2009, compared to UA 1.41 billion in 2008, represents an increase of 177.3 percent over 2008. Among the subsectors, power supply received the largest share (57.2 percent), followed by transportation (33.1 percent), water supply and sanitation (7.6 percent), and communications (2.2 percent) (see Figure 2). The targeting of infrastructure demonstrates the Bank’s selectivity toward high-impact projects that will improve the climate for private sector investment, enhance competitiveness and productivity, increase employment, and support sustainable economic growth.

Deepening Private Sector Investment
In 2009 private sector operations amounted to UA 1.16 billion compared with UA 901.2 million in 2008, an increase of 28.7
percent. The financial instruments consisted of project loans and lines of credit amounting to UA 1.01 billion; private equity at UA 142.5 million; and private guarantees at UA 5.3 million (see Figure 3). The private sector approvals in 2009 represent 20.7 percent of ADB and 14.3 percent of Bank Group total approvals respectively.

While the project loans, in general, aimed to accelerate economic growth and reduce poverty, the lines of credit (LOC) were to deepen domestic financial markets by supporting small and medium-scale enterprises’ (SMEs) access to finance. In addition, the Bank Group’s investments in many sizable multinational projects and programs promoted economic cooperation and regional integration amongst RMCs. The 3 key notable multinational operations comprised financing for: the Global Trade Liquidity Program (GTLP) (UA 322.1 million); the Main One Cable System-Phase I project (UA 44.1 million); and the Emerging Africa Infrastructure Fund (UA 33.2 million).
The distribution of private sector operations for the year is concentrated in regional/multinational projects (51.7 percent), followed by low-income countries (ADF countries) (42.4 percent), and middle-income countries (ADB countries) (5.9 percent) as shown in Figure 4.

**Supporting Economic and Governance Reforms**

In 2009 the Bank Group’s support to governance reforms continued to display greater selectivity and results-orientation, focusing on strengthening economic governance and public financial management at the sectoral, country, and regional levels. The Bank Group prioritizes improvements in the economic and financial regulatory and policy environment as key elements of good governance to promote effective, capable, and accountable states. Sound economic and financial governance also supports a business-enabling environment, thereby enhancing a conducive investment climate in RMCs.
During the year, the Bank Group continued to align and harmonize its support for joint government donor frameworks, and served as the Chair of the joint donor budget support groups in Tanzania, Malawi, and Burkina Faso. Bank Group policy-based operations (loans and grants) grew from UA 597.4 million in 2008 to UA 2.09 billion in 2009, representing a 250.3 percent increase. The Economic Diversification Support Loan to Botswana, in response to the economic crisis, accounted for UA 969.0 million (46.3 percent) of the 2009 total to the sector. Approvals of new institutional support projects in RMCs to strengthen capacity increased by 103.8 percent, from UA 29.1 million in 2008 to UA 59.3 million in 2009.

**Promoting Social and Human Development**

In response to the global financial and economic crisis, the Bank focused on RMC programs that promote enhanced income opportunities, employment creation, and social protection. In particular, Bank interventions aimed to increase social protection for unemployed youth, provide opportunities for increasing rural incomes, employment enhancement through capacity-building in usable skills, and better access to financial services for the poor.

In 2009 the Bank approved UA 228.6 million for 17 operations in the social sector. Distribution by subsector shows education to be the main beneficiary (UA 199.2 million), followed by poverty reduction and social protection (UA 20.7 million), and health (UA 8.7 million). Notable approvals include the National Education Emergency Support Program in Morocco; the Improvement of Higher Education and Vocational Training in Public Services in Gabon; Rural Income and Employment Enhancement Program in Uganda, and a grant to support the multinational project on the Network of Regional African Institutions of Science and Technology.
Enhancing Regional Integration

In 2009 the Boards of Directors adopted the Bank Group’s Regional Integration Strategy (RIS) (2009-2012) which proposes bolder and better focused interventions for Africa’s regional integration as well as closer collaboration with key stakeholders such as the AUC, ECA, and the RECs. The Strategy hinges on regional infrastructure development and institutional capacity building, with aid for trade, regional financial integration, and the provision of regional public goods (RPGs) as cross-cutting dimensions.

Total approvals for the Bank Group’s multinational operations in 2009 stood at UA 1.17 billion, which is an increase of 57.9 percent over the 2008 level of UA 741.10 million. Figure 5 shows that in 2009, the largest share of multinational approvals went to infrastructure (48.0 percent) followed by finance (45.5 percent).

**Figure 5: Sectoral Composition of Multinational Projects in 2009**
The Bank complements improvements in physical infrastructure with “soft” infrastructure development, through capacity building in national and regional agencies, partnerships, harmonization of legislation, regulations and technical standards, as well as trade facilitation activities. In this regard, in 2009 the Bank provided support to the NEPAD Secretariat and various RECs, including ECCAS, UMA, COMESA, and ECOWAS.

Support for Fragile States
During the year under review, the performance of fragile states was adversely affected by the impacts of the global financial and economic crisis. Falling export earnings and declining capital inflows resulted in current account and budget deficits. The accompanying job losses and falling per capita incomes eroded the hard-won gains that had been achieved from economic and regulatory reforms undertaken in most of these countries. In response to the crisis, the Bank approved UA 364.8 million from the Fragile States Facility (FSF) to finance 12 operations in the Central African Republic, Comoros, Côte d’Ivoire, Guinea-Bissau, Liberia, Sierra Leone, and Togo. In addition, the Bank consolidated its strong partnerships with the Bretton Woods Institutions, UN agencies, and other organizations and took a leading role in supporting governance reforms and implementing technical assistance and capacity-building operations in fragile states.

Support for Middle-Income Countries
The Bank Group’s approved operations for Middle-Income Countries (MICs) in 2009 (excluding multinational projects and programs) stood at UA 4.35 billion, compared to the 2008 level of UA 1.11 billion. This significant increase resulted from the Bank’s response to the surging demand for its resources from its RMCs caused by the global financial and economic crisis.
The sectoral distribution of the approvals shows that infrastructure remains the top priority with 54.2 percent, followed by multisector at 37.2 percent. The remainder is shared among social (3.9 percent), finance (3.6 percent), and agriculture (1.1 percent) (see Figure 6).

The geographic distribution of the MICs’ financing program in 2009 recorded a major shift. Departing from the pattern of the previous 6 years, Sub-Saharan Africa received the larger share of approvals (78.2 percent) compared with North Africa (21.8 percent), as reflected in Figure 7. This shift is the result of the 2 large loans approved for South Africa (UA 1.73 billion to the Medupi Power Project) and Botswana (UA 969.0 million Economic Diversification Support Loan).
The Bank Group’s strategy for supporting African agriculture and rural development is aligned with the Comprehensive Africa Agriculture Development Program (CAADP) framework, which sets the priorities for revitalizing agricultural growth, rural development, and food security in the continent. This is in line with the Bank Group’s Medium-Term Strategy (MTS) 2008-2012, which seeks to promote food security by encouraging investments in irrigation infrastructure and systems, transportation networks, storage facilities, markets, and related equipment. In 2009 the Bank approved UA 218.0 million for 25 agricultural operations. Most approvals aimed to increase food security through productivity enhancement, infrastructure development, improved management of natural resources, and measures to mitigate climate change. To improve portfolio supervision and delivery on operations in ARD and other sectors, the Bank is progressively delegating authority and strengthening the skills mix in its Field Offices.
During 2009 the Bank allocated UA 415.6 million to finance the Africa Food Crisis Response (AFCR) short-term program. From this facility, UA 339.0 million, representing 81.6 percent of the allocated amount, has been disbursed. The program has shown positive outcomes: by the end of the program (July 2009) about 2.1 million beneficiaries (34 percent women) in 28 RMCs had received agricultural inputs from the AFCR interventions. Preliminary results for the support provided during the 2008/2009 planting season show significant increases in productivity during 2009/2010, as a result of the program.

Cross-cutting Activities

*Environment and Climate Change:* During 2009, the Bank approved the Climate Risk Management and Adaptation (CRMA) Strategy, as a follow-up to the Clean Energy Investment Framework (CEIF) for Africa. The Bank began implementation of the CRMA in 2009 through a preliminary assessment of 206 projects approved since 2007 in infrastructure, energy, water and sanitation, and agriculture, to determine the extent to which they were exposed to climate risks. Sixty-six of these projects (32 percent) were classified as susceptible to climate change. Furthermore, in 2009, the Bank secured UA 4.5 million of the Global Environmental Facility (GEF) resources to “climate-proof” some of its projects. At the country level, the Bank carried out capacity building for mainstreaming climate change risk reduction into the National Development Plans of 3 RMCs. It also mobilized GEF resources to build climate resilience into projects in 6 RMCs, and in one regional operation.

In preparing for the Copenhagen Conference on Climate Change, the Bank provided technical and analytical support in legal, finance, and policy areas to equip African negotiators on the key issues to be discussed. The Copenhagen Accord that emerged from the
conference endorsed the establishment of the Copenhagen Fund, consisting of a US$ 30 billion short-term funding for immediate actions until 2012, and US$ 100 billion annually by 2020 in long-term financing.

*Gender Mainstreaming:* The Bank approved the Updated Gender Plan of Action 2010–2012 (UGPA) in July 2009. During the year, gender assessments were conducted in poverty reduction, health, and education projects; in addition a multinational study was conducted on gender-responsive budgeting. In order to strengthen the resilience of gender statistics at the country level, to feed into decisionmaking and policy formulation, RMCs were sensitized on the need to provide gender-disaggregated data at all levels. Furthermore, Country Gender Profiles were prepared for South Africa and Kenya. In terms of capacity building, in 2009 Bank staff were given training in the use of gender mainstreaming checklists, the design of appropriate gender-responsive strategies, and in how to identify appropriate entry points for gender mainstreaming during project design.

**RESOURCE MOBILIZATION, COFINANCING, AND BILATERAL FUNDS**

**Enhanced HIPC Initiative: Progress Report**

The enhanced HIPC Initiative provides debt relief to the poorest and most heavily indebted countries after they have reached their decision and completion points. During 2009, Burundi and the Central African Republic (CAR) reached their completion points, while Togo and Côte d’Ivoire reached their decision points. As of end-December 2009, 21 RMCs had reached their completion points and qualified for irrevocable HIPC debt relief, 8 were in the interim period between decision and completion points, and 4 were at the pre-decision point (see Figure 8).
Irrevocable HIPC debt relief of UA 161.6 million and UA 65.9 million were approved for Burundi and the Central African Republic respectively for reaching their completion points. Similarly, HIPC relief of UA 11.6 million and UA 133.3 million were approved for Togo and Côte d’Ivoire respectively, for attaining their decision points. In addition, MDRI debt relief of UA 3.2 million and UA 59.9 million were approved for Burundi and the Central African Republic respectively, upon reaching their completion points. The MDRI debt relief will be spread over a 50-year period.

**ADF-XI Resources, Allocation, and Utilization**

The total resources for the ADF-XI cycle amount to UA 5.63 billion, made up of UA 3.57 billion of donor contributions and UA 2.06 billion of the Advanced Commitment Capacity (representing internally generated resources). After various adjustments, UA 4.14 billion was available in 2009 for allocation to the 40 ADF-eligible
RMCs under the Performance-Based Allocation (PBA) process. As of end-December 2009, UA 2.70 billion (65.2 percent) of the available resources had been allocated and committed using the PBA.

**ADF-XI Mid-Term Review**

The meeting for the ADF-XI Mid-Term Review was held in Helsinki, Finland, on October 20-21, 2009 between ADF Deputies, Bank Management, observers from other MDBs, and 4 Ministers of Finance representing RMCs. The meeting broadly endorsed the implementation of Management’s commitments and priorities agreed for ADF-XI, and the progress achieved at mid term. The meeting also paved the way for the launching of the consultative process for additional concessional resources through the ADF-XII replenishment.

**Sixth General Capital Increase (GCI-VI)**

African countries’ capacity to raise funds for their development programs and investments in capital markets has been severely impacted by the global financial crisis. At the 2009 Annual Meetings held in Dakar, Senegal, the Boards of Governors authorized the Governors’ Consultative Committee (GCC) to meet and make a compelling case for a Sixth General Capital Increase in response to the increasing demand for resources from RMCs. Consequently, the GCC held a meeting in Tunis on September 11, 2009 to launch the GCI-VI consultative process. It was underscored that a significant capital increase with a substantial paid-in portion would be required for the Bank to continue to deliver on its mandate.

**Cofinancing**

During 2009 the Bank approved 36 cofinancing projects compared to 31 in 2008. The total cost of these projects amounted to UA 19.16 billion, against UA 8.05 billion in 2008, representing a rise of 138.0 percent. The Bank Group’s share amounted to UA 3.89
billion (20.3 percent of the total); Government and other local contributions represented UA 3.61 billion (18.8 percent), while external partners contributed the remaining UA 11.66 billion (60.9 percent). The total amount invested by the Bank Group in cofinancing projects in 2009 was by far the highest since the start of its activities, mainly due to the pooling of efforts by multilateral and bilateral agencies to mount an effective joint response to the negative impact of the global financial crisis.

The UA 11.66 billion mobilized from its external partners was used to cofinance 28 national projects and 8 multinational projects compared with UA 4.74 billion mobilized in 2008 – a rise of 141.8 percent. Among the multilateral partners, the main cofinanciers were: the World Bank, the European Union (EU), the European Investment Bank (EIB), the Islamic Development Bank (IsDB), and the OPEC Fund (OPEC). The principal bilateral cofinanciers were France, United Kingdom, Japan, the Netherlands, and Germany.

**Bilateral Trust Funds**

As of December 31, 2009, a total of UA 12.0 million had been approved under the bilateral trust funds for 64 activities, compared with UA 12.5 million in 2008. These activities were mainly in the priority areas of the Bank, namely infrastructure, governance, and private sector development. Other projects aimed to support regional integration and climate change. Italy was the largest donor (UA 2.6 million), followed by Korea (UA 1.7 million), and Finland (UA 1.4 million).

**OPERATIONAL ACTIVITIES**

The Bank Group’s total loan, grant, and other approvals in 2009 amounted to UA 8.06 billion, compared with UA 3.53 billion in 2008, representing more than a twofold increase (see Figure 9).
Of the total approvals for 2009, UA 7.51 billion was in the form of loans and grants, compared to UA 3.17 billion in 2008; while the remaining UA 558.8 million went to debt relief, private sector equity participation, guarantees, loan reallocation and special fund allocations.

The distribution of total approvals among the Bank Group windows indicates that the ADB accounted for UA 5.60 billion (69.5 percent), the ADF for UA 2.43 billion (30.1 percent), and the NTF for UA 5.7 million (0.1 percent). Special funds accounted for UA 27.8 million (0.3 percent).

**African Development Bank (ADB)**

In 2009 the nonconcessional ADB window approved a total of UA 5.60 billion, compared with UA 1.81 billion in 2008, representing a significant increase of 209.4 percent. This was mainly due to an rising demand for resources from RMCs, for both project lending and policy-based loans. Policy-based lending rose from UA 136.4 million in 2008 to UA 1.52 billion in 2009, mainly as a result of
the 2 budget support loans to Botswana (UA 969.0 million) and Mauritius (UA 437.3 million). The share of the various financing instruments in ADB total loans in 2009 was as follows: 70.4 percent for project lending; 27.2 percent for policy-based lending; 2.0 percent for HIPC debt relief; and 0.4 percent for grants.

In 2009 private sector operations financed from the ADB window totaled UA 1.16 billion compared to UA 901.2 million in 2008, an increase of 28.5 percent. The private sector approvals in 2009 represent 20.5 percent of ADB and 14.3 percent of Bank Group total approvals respectively.

Disbursements under the ADB window during the year totaled UA 2.35 billion compared to UA 727.5 million in 2008, an increase of 223.0 percent. Cumulative disbursements (including nonsovereign loans) amounted to UA 20.03 billion by year-end 2009. A total of 785 loans were fully disbursed for an amount of UA 17.55 billion, representing 87.6 percent of cumulative disbursements.

**African Development Fund (ADF)**

In 2009 ADF approvals (comprising loans, grants, debt and debt service reduction, project preparation facility, and loan reallocation) amounted to UA 2.43 billion compared to UA 1.67 billion in 2008 – a rise of 45.5 percent. With respect to financing instruments, ADF project lending in 2009 showed an increase of 39.5 percent over the previous year. On the other hand, policy-based lending (for financing sector activities and budget support) declined from UA 413.0 million in 2008 to UA 349.2 million in 2009. Overall, approvals for project and policy-based lending by the Fund increased by 18.8 percent from UA 1.09 billion in 2008 to UA 1.30 billion in 2009.

At year-end 2009, the disbursements of loans and grants from the ADF window amounted to UA 1.73 billion, compared to UA 1.13 billion at year-end 2008 – a rise of 53.1 percent. Cumulative
disbursements as at end-December 2009 amounted to UA 13.61 billion. A total of 1,583 loans and grants were fully disbursed, for an amount of UA 10.67 billion, representing 78.4 percent of cumulative disbursements.

The Nigeria Trust Fund (NTF)
Following the conclusion of the initial period of 30 years of the Nigeria Trust Fund (NTF) in April 25, 2006, the Bank and the Federal Republic of Nigeria subsequently agreed to a 10-year extension of the NTF commencing on April 26, 2008. As a result of the approval of the NTF Operational Guidelines by the Boards of Directors in December 2008, the NTF lending program recommenced in 2009. During 2009 one loan was approved, amounting to UA 5.0 million, for The Gambia. In addition, UA 0.7 million for debt relief under the HIPC initiative was approved for Burundi and Togo.

Disbursements from the NTF window decreased by 42.43 percent, from UA 8.46 million in 2008 to UA 4.87 million in 2009. The fall in the level of disbursements in 2009 is due to the absence of loan approvals from this window during 2007 and 2008. At end-December 2009 cumulative disbursements amounted to UA 221.69 million. Altogether, 60 loans were fully disbursed for a total amount of UA 200.20 million, representing 90.31 percent of cumulative disbursements.

INSTITUTIONAL REFORMS AND CORPORATE MANAGEMENT

Institutional Reforms
The implementation of institutional reforms in 2009 has: (i) strengthened the linkage between institutional priorities and resource allocation; (ii) enhanced institutional budget flexibility through increased fungibility and devolved authority; (iii) reinforced the new account-
ability and performance framework by linking deliverables to Key Performance Indicators (KPIs); and (iv) introduced a consolidated multi-year programming and budgeting framework. The institutional reforms cover enhanced corporate services delivery, budget reforms, decentralization, and improved operations business processes.

- **Corporate Performance Monitoring:** In 2009, in accordance with commitments made in the 2008-2012 Medium-Term Strategy (MTS), the Bank established and filled the position of Chief Operating Officer (COO). The COO’s role is multifaceted: to ensure overall coherence and coordination across Complexes, the alignment of resources along strategic priorities, and improved monitoring and management of corporate performance. The Bank’s corporate performance has been further enhanced through strengthening the role of the Senior Management Coordinating Committee (SMCC) and the Operations Committee (OpsCom).

- **Budget Reforms:** Managers now have discretionary use of their budgets in a cost-effective manner and have the flexibility to change the mix of inputs as they consider appropriate, instead of having to justify their decisions and seek approval from Senior Management. Performance and efficiency indicators have been developed at institutional and Complex levels, and performance monitoring is now the central tool for enforcing accountability. The Key Performance Indicators (KPIs) were used to monitor institutional effectiveness in 2009 by comparing the targets to actual implementation results.

- **Decentralization:** In accelerating the decentralization process, a total of 26 Field Offices (FOs), including a Regional Office (RO) in South Africa, had been opened as at December 31, 2009. However, only 23 of these FOs were fully staffed and functioning. The other 3 are operational but not fully func-
tional. Following the implementation strategy proposed by a Presidential Working Group in 2008, in 2009 the Bank established a Task Force to formulate a decentralization roadmap. The results of this Task Force will be presented to the Boards of Directors in 2010.

- **Operations Business Processes**: The outcomes of the operations business processes reforms undertaken in 2009 include enhanced cross-Complex coordination, empowered country teams and streamlined processes for greater strategic alignment and delivery. Furthermore, during the year, a comprehensive revision of the Delegation of the Authority Matrix was carried out. Within this framework, FOs now have the authority to handle loan negotiations and signature, loan administration, portfolio management, project supervision, and dialogue and communication with RMCs and partners.

**Knowledge Management and Development**

In 2009 the Bank enhanced its visibility, strengthened its knowledge management role, and mainstreamed intellectual capacity into its operations within the framework of the Knowledge Management and Development (KMD) Strategy (2008-2012). The Bank benefited from seminars organized for a network of economists, and contributed to improvements in quality-at-entry of private sector operations (PSO) projects through the implementation of the ex-ante Additionality and Development Outcomes Assessment (ADOA) framework. The Bank continued to consolidate its knowledge generation from Economic and Sector Work (ESW) and Project Completion Reports (PCRs), to underpin its operational and country programming work.

**Internal Audit, Integrity, and Anti-Corruption**

The Internal Audit of the Bank provides independent and objective assurance, advisory, and consulting services for Bank Group operations, finance, and corporate administrative activities. In 2009 the
Bank conducted audits of 11 finance and corporate Complexes, 20 trust and grant funds, 9 projects in RMCs, and 6 Field Offices. Training and advisory services on the auditing of Bank-funded projects were also extended to a number of RMCs’ project implementation personnel and Bank staff.

**Procurement and Project Financial Management (PFM)**

The key objective of the PFM streamlining and restructuring exercise was to support the Operations Complexes in improving service delivery, while minimizing fiduciary risks and enhancing accountability. During 2009 the Bank continued its PFM reform initiatives by undertaking the following activities, amongst others:

- Revising and completing the PFM Delegation of Authority Matrix (DAM) in conformity with the Bank’s decentralization policy. DAM strongly supports the delegation of fiduciary powers to skilled experts positioned in the Field Offices;
- Drafting of manuals, guidelines, and standard bidding documents to help Bank staff in the implementation of corporate policies and to ensure consistency in the application of the rules; and
- Developing new training materials, and conducting training and sensitization sessions, to build the capacity of the various stakeholders, including executing agencies of RMCs.

In line with the policy of positioning of key PFM staff in Field Offices, both international and local staff were recruited in 2009 to improve project delivery and effectiveness. A comprehensive Bankwide training program was organized during the year in which 22 procurement specialists, 296 task managers and technical specialists, as well as 20 managers, were inducted in the new procurement policies and instruments.
NET INCOME ALLOCATION AND BUDGETS

Net Income Allocation
The 2009 financial statements of the Bank Group highlight the robustness of the Bank’s financial position, manifested in the combined net income before transfers approved by the Boards of Governors of UA 239.05 million and an allocable income of UA 246.64 million.

Credit Ratings
The triple A ratings of the Bank’s senior debt by the major rating agencies reflect the Bank’s strong membership support, its preferred creditor status, sound capital adequacy, and prudent financial management guidelines and policies.

The 2010 Administrative Expenses and Capital Expenditure Budgets
In December 2009, the ADB Board of Directors approved an Administrative Expenses and Capital Expenditure Budget for 2010 comprised as follows: Administrative Expenses UA 264.0 million, Capital Expenditure of UA 28.8 million, and a contingency budget of UA 2.6 million. The ADF Board of Directors approved an indicative Administrative Budget of UA 187.9 million for the Fund for the financial year ending December 31, 2010.