I. INTRODUCTION

The African Development Bank (AfDB) Group is a regional multilateral development finance institution, comprising three distinct entities under one management: The African Development Bank, (AfDB) is the parent institution, and has two affiliates, the African Development Fund (ADF) and the Nigerian Trust Fund, (NTF).

1. AfDB

The African Development Bank (AfDB) was created on 4 August 1963 in Khartoum, Sudan, where 23 newly independent African countries signed the agreement establishing the institution. On 10 September 1964, the Agreement came into force when 20 member countries subscribed to 65% of the Bank`s capital stock of US$ 250 million. The inaugural meeting of the Board of Governors (mostly Ministers of Finance) was held from 4-7 November 1964 in Lagos, Nigeria. The Bank Headquarters was opened in Abidjan, Cote D'Ivoire, in March 1965, and the Bank commenced operations in July 1966 with ten (10) members of staff. When the Bank was established, only independent African countries were eligible to join. Thus, for 19 years up to 30 December 1982, the African Development Bank depended on African countries for its capital. The decision to open the Bank's capital to non-African participation proved very positive, in terms of membership and capital structure. As a result of the admission of non-regional members, the AfDB's capital increased from about US$ 2.9 billion in 1982 to US$ 6.3 billion in 1983, and further to US$ 22. 3 billion, following a 200% Fourth General Capital Increase concluded in Cairo Egypt, in June 1987.

2. ADF

The Agreement Establishing the African Development Fund was signed on 29 November 1972, by the African Development Bank and 13 non-regional countries, referred to as State

Participants. The Fund emerged as the solution to two major constraints which became apparent after the Bank had commenced operation: the limited amount of resources which the Bank could provide and the nature as well as terms of the loans to the poorest of its member countries, especially for projects with long-term maturities or non-financial returns such as roads, education and health.

3. NTF

The Nigeria Trust Fund was set up in 1976 by an agreement signed between the Government of the Federal Republic of Nigeria and the Bank Group. Its objective is to assist the development efforts of low-income Regional Member Countries (RMCs) whose economic and social conditions and prospects require concessionary financing.

The NTF became operational in April 1976 following approval of the agreement establishing it by the Board of Governors.

B. Objectives and functions

The overall objective of the AfDB Group is to provide financing to African countries, individually and collectively, for projects that will effectively contribute to their economic and social development, particularly projects that have the strongest poverty reduction impact on the economies and can improve the living conditions of the population.

The Bank Group operates in such a way that its objectives are synchronized with those of the borrowing countries. Projects and programmes submitted for funding by the borrowing member countries must be in conformity with the jointly agreed development policies and strategies of the countries and the institution.

The Bank Group assists in mobilizing additional resources through co-financing with bilateral and other multilateral development agencies as well as from the financial markets. It

promotes international dialogue and understanding on development issues concerning Africa. It promotes government and private investment in Africa through policy reforms and dialogue, and provides such technical assistance needed in Africa for the selection, study and preparation of development projects.

Overview of core operational focus since 2006

Over the years, the Bank Group's operational vision has changed in keeping with the prevailing development conditions of the majority of the borrowing member countries. It has shifted from a purely sector approach to a country-focus and client-responsive approach to enhance stakeholder commitment, ownership and a bottom-up participatory approach that is likely to be more sustainable in the long-term.

Since 2006, there has been a greater focus on investment and knowledge generation to build a knowledge-based development approach on the continent in the four sectors in line with its new priority actions – infrastructure, governance, regional integration and private sector development.

Infrastructure

- Critical for economic growth, private sector development and investment, increased competitiveness
- Catalyst for the development of other sectors and the achievement of key MDGs
- Power supply, water and sanitation, transport and communication accounted for over UA 16. 6 billion (US$ 25.6 billion) or nearly 38.5% of cumulative Bank Group commitments at the end of 2008
- Infrastructure financing options of the Bank Group include normal AfDB/ADF/resources, NEPAD (IPPF), Infrastructure Consortium for Africa, Rural Water Supply and Sanitation Initiative (RWSSI Trust Fund), African Water Facility, MDWPP, Post-Conflict Countries Facility, EPSA (JBIC), FAPA, ACFA

Governance

- Supports efforts to improve the systems of governance by strengthening institutional capacities and by helping countries adopt and implement policy reforms
- Provides support to the African Peer Review Mechanism through technical and financial assistance
- Focuses on strengthening transparency, accountability and due processes in public resources management

Regional integration

- Increase competitiveness and productivity and allow for greater regional economies of scale
- Actively promote regional economic communities through cooperation, trade expansion and capacity building
- NEPAD Infrastructure Project Preparation Facility in energy, transportation and ICTs
- Connect Africa Initiative to bridge major gaps in ICT infrastructure across the continent
- At the end of December 2008, the Bank Group had committed over UA 2. 3 billion or US$ 3. 5 to multinational projects and programmes

Private Sector Development

- Cognizant of the essential role that the private sector plays in stimulating economic growth and reducing poverty, the Bank is mainstreaming private sector development activities into all aspects of its operations, as outlined in the Private Sector Development (PSD) Strategy
- The PSD Strategy, which is in line with the Bank's new strategic orientations and priorities, is built on three pillars: (i) country ownership of the private sector development process; (ii) partnership with development partners and other economic operators; and (iii) selectivity of intervention sectors, as defined in the Bank's country

strategy papers

- Increased support of private enterprises including SMEs
- Strengthen financial systems and intermediaries
- Build competitive infrastructure
- Promote trade and integration
- Improve investment climate
- Private sector approval in 2008 stood at UA 855.5 million or US$1.3 billion
- In 2008, as many as 30 private sector activities were financed, including 8 project loans, 9 lines of credit, 10 private equity participation and 3 private guarantees.

C. Membership

AfDB Membership

At the end of December 2008, membership of the Bank comprised fifty-three (53) African (i.e. regional) States and twenty-four (24) non-African (i.e. non-regional) States.

African or Regional member countries

Algeria, Angola, Benin, Botswana, Burkina-Faso, Burundi, Cameroon, Cape-Verde, Central African Republic, Chad, Comoros, Congo, D.R. Congo, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

Non-African or Non-Regional Member Countries

Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, United Kingdom and United States of America.

ADF Membership and Composition

To become AfDB members, non-regional States first have to become ADF members. Only one ADF member state, the United Arab Emirates, is yet to accede to AfDB membership. Hence, at the end of December 2008, the ADF comprised the AfDB itself and all the 24 non-regional member of the AfDB plus the United Arab Emirates, bringing the number to 25. South Africa is also a State Participant in ADF. Turkey, whose membership was approved by the Board of Governors in Maputo, Mozambique, in May 2008, is in the process of completing the requirements of state participation in the ADF.

AfDB non-regional members or ADF State Participants include not only most of the developed industrial economies, notably 17 OECD countries, but also a number of OPEC countries as well as some middle income South American and Asian countries – on the whole 14 countries from Europe, 4 from North and South America, 4 from Asia and 3 from the Middle East. The membership composition of the Fund demonstrates the geographic diversity of international support for African development.

D. Resources

AfDB Capital

At the end of December 2007, the Bank's authorized capital stood at UA 21.87 billion ($ US 33.69 billion) while the subscribed capital stood at UA 21.69 billion ($US 33.40 billion, as at 31st December 2007. Sixty percent of the AfDB capital is subscribed by regional and 40% by non-regional countries. The year-to-year dollar equivalent of the authorized capital which is denominated in the Bank's Unit of Account (UA) depends on the annual rate of the UA, which in December 2008 was on average US$ 1.54027. The institution has never recorded a loss and has consistently boosted its reserves. Gross borrowings of the Bank at the end of 2007 amounted to UA 6.8 billion or

US$ 10.5 billion, while gross reserves amounted to UA 2.4 billion or US$ 3.7 billion.

Sources of funds

The resources of the Bank come from ordinary and special funds. The ordinary resources include:

i. Capital subscriptions by member countries
ii. Incomes generated from loan repayments
iii. Funds raised through borrowings in the international financial markets,
iv. Other incomes received by the Bank through bilateral and multilateral donors, or incomes from investment

ADF Resources

The Fund's resources come from contributions and periodic replenishments by State participants, usually on a 3-year basis. ADF-XI (2008-2010) realized a record replenishment of UA 5.76 billion, a 52 percent increase over ADF-X replenishment. The replenishment level includes UA 3.70 billion donor contributions and UA 2.06 billion of advance commitment capacity. At the end of 2007, cumulative ADF subscriptions and other resources amounted to UA 15.22 billion or US$ 23.44 billion

ADF replenishments

Funds are derived mainly from periodic replenishments and special contributions by State Participants, as indicated below. The successive 3-yearly replenishments of the Fund were as follows.

Replenishments	Years	Amount Appx. (US$ billion)
ADF-I	1976-1978	0.327
ADF-II	1979-1981	0.712
ADF-III	1982-1984	1.00
ADF-IV	1985-1987	1.50

ADF-V	1988-1990	2.80
ADF-VI	1991-1993	3.42
ADF-VII	1996-1998	3.20
ADF-VIII	1999-2001	3.38
ADF-IX	2002-2004	3.50
ADF-X	2005-2007	5.40
ADF XI	2008-210	8.90

NTF Capital

Its initial capital of US$ 80.0 million was replenished in 1981 with US$ 71.0 million. NTF resources rose to about UA 425.4 million or US$ 655 million. The Fund's resources stood at UA 273.5 million or US$ 421.3 million at the end of December 2007.