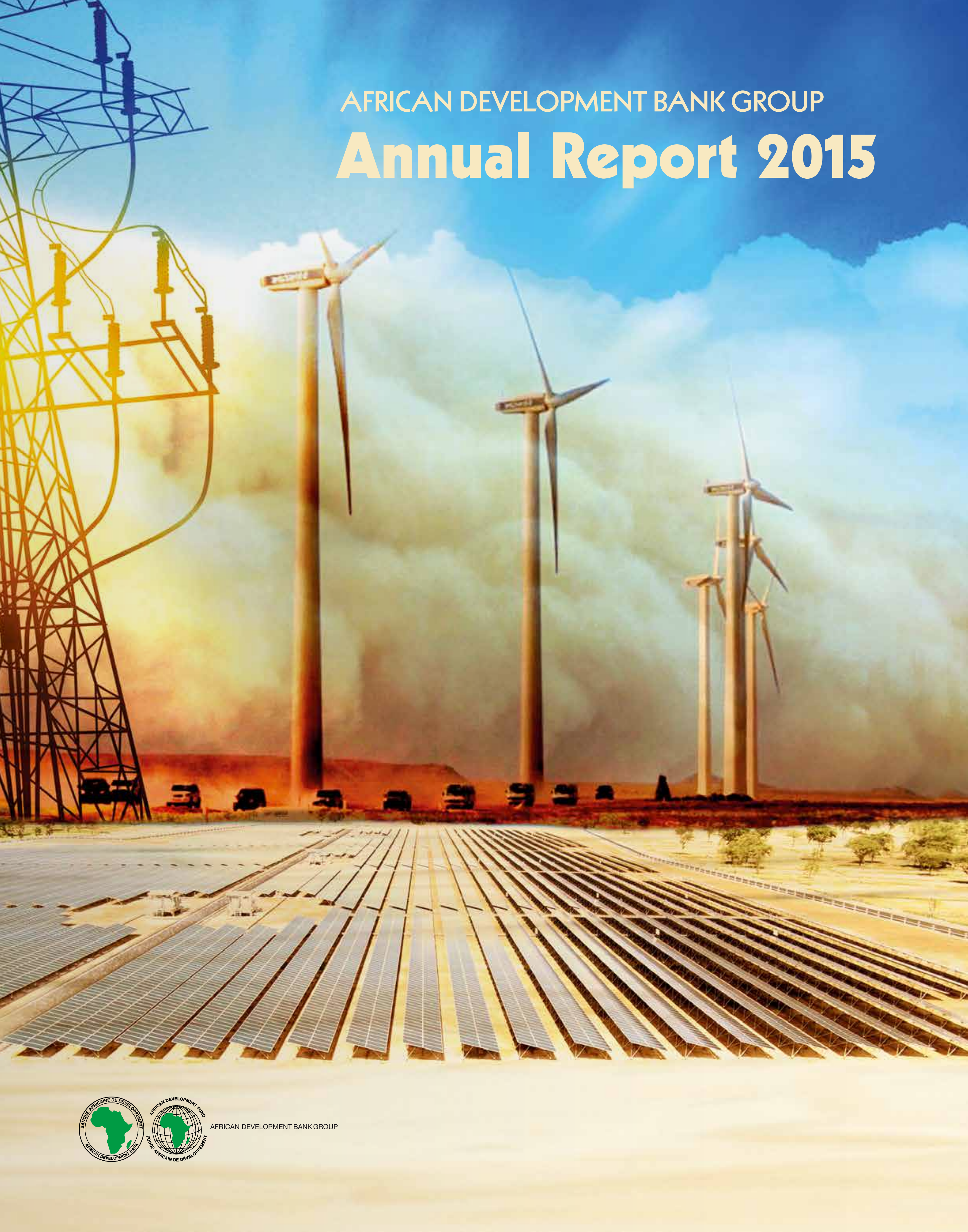
AFRICAN DEVELOPMENT BANK GROUP

Annual Report 2015



AFRICAN DEVELOPMENT BANK GROUP

Regional Member Countries

1 Algeria
2 Angola
3 Benin
4 Botswana
5 Burkina Faso
6 Burundi
7 Cabo Verde
8 Cameroon
9 Central African Republic
10 Chad
11 Comoros
12 Congo
13 Congo, Democratic Republic of
14 Côte d'Ivoire
15 Djibouti
16 Egypt
17 Equatorial Guinea
18 Eritrea
19 Ethiopia
20 Gabon
21 Gambia, The
22 Ghana
23 Guinea
24 Guinea-Bissau
25 Kenya
26 Lesotho
27 Liberia
28 Libya
29 Madagascar
30 Malawi
31 Mali
32 Mauritania
33 Mauritius
34 Morocco
35 Mozambique
36 Namibia
37 Niger
38 Nigeria
39 Rwanda
40 São Tomé & Príncipe
41 Senegal
42 Seychelles
43 Sierra Leone
44 Somalia
45 South Africa
46 South Sudan
47 Sudan
48 Swaziland
49 Tanzania
50 Togo
51 Tunisia
52 Uganda
53 Zambia
54 Zimbabwe

Non-regional Member Countries

1 Argentina
2 Austria
3 Belgium
4 Brazil
5 Canada
6 China
7 Denmark
8 Finland
9 France
10 Germany
11 India
12 Italy
13 Japan
14 Korea
15 Kuwait
16 Luxembourg
17 Netherlands
18 Norway
19 Portugal
20 Saudi Arabia
21 Spain
22 Sweden
23 Switzerland
24 Turkey
25 United Arab Emirates (member of the ADF only)
26 United Kingdom
27 United States of America

AFRICAN DEVELOPMENT BANK GROUP

AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

BOARDS OF GOVERNORS

ADB
Fifty-First
Annual Meeting

ADF
Forty-Second
Annual Meeting

Lusaka, Zambia
23-27 May 2016

REPORT

by the
Boards of Directors

of the
African Development Bank

and the
African Development Fund

Covering the period
1 January to 31 December 2015

ADB-ADF/BG/AR/2015

Acknowledgments

The Annual Report 2015 was prepared by the Development Research Department of the Chief Economist Complex, under the guidance of the Boards' Committee on External Communications and Preparation of the Annual Meetings, comprising P.M.N. Mwangala (Chairperson), M. Turner (Vice Chairperson), and Members: M. Ketsela, M.R.J. Mahomed, D. O'Neill, L. Sentore, and H.S. Tse. The Report Team would also like to thank the Senior Management Coordinating Committee for its guidance during the preparation of the Report.

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Fast Facts

African Development Bank Group

Constituent Institutions	The African Development Bank (ADB) The African Development Fund (ADF) The Nigeria Trust Fund (NTF)
Shareholders	54 African countries (Regional Member Countries) 26 non-African countries (Non-Regional Member Countries)
Mission	To promote sustainable economic growth and reduce poverty in Africa
Authorized Capital as of 31 December 2015 (ADB)	UA 66.98 billion
Subscribed Capital as of 31 December 2015 (ADB)	UA 65.48 billion
Paid-up Capital as of 31 December 2015 (ADB)	UA 4.88 billion
Callable Capital as of 31 December 2015 (ADB)	UA 60.60 billion
Total Reserves as of 31 December 2015 (ADB)	UA 2.92 billion
Approved Operations, 2015	241 operations totaling UA 6.33 billion, financed as follows: ADB: UA 4.52 billion ADF: UA 1.52 billion NTF: UA 12.5 million Special Funds*: UA 288.8 million
Of which:	
Loans	UA 4.77 billion (100 operations)
Grants	UA 471.4 million (87 operations)
HIPC Debt Relief	UA 47.0 million (1 operation)
Equity Participation	UA 64.3 million (4 operations)
Guarantees	UA 696.9 million (7 operations)
Special Funds*	UA 288.8 million (42 operations)
Approvals by Sector, 2015	Infrastructure: UA 3.08 billion (48.6 percent) Finance: UA 1.35 billion (21.3 percent) Multisector: UA 788.9 million (12.5 percent) Social: UA 595.9 million (9.4 percent) Agriculture and Rural Development: UA 514.6 million (8.1 percent) Industry, mining and quarrying: UA 3.1 million (0.05 percent)
Total Cumulative Approvals, 1967-2015	4,974 approvals totaling UA 87.97 billion

Notes:
* Special Funds: These are the approvals for the operations of the African Water Facility, the Rural Water Supply and Sanitation Initiative, the Global Environment Facility, the Global Agriculture and Food Security Program, the Africa Growing Together Fund, the European Union Africa Infrastructure Trust Fund, the Fund for African Private Sector Assistance, the Sustainable Energy Fund for Africa, the Middle East and North Africa Transition Fund, the Organization of the Petroleum Exporting Countries, and the Zimbabwe Multi-Donor Trust Fund.

President

27 April 2016

The Chairperson
Boards of Governors
African Development Bank
African Development Fund

Dear Mr. Chairperson,

In accordance with Article 32 of the Agreement Establishing the African Development Bank and Articles 8, 11, and 12 of the General Regulations made thereunder, and pursuant to Article 26 of the Agreement Establishing the African Development Fund and Articles 8, 11, and 12 of the General Regulations made thereunder, I have the honor, on behalf of the Boards of Directors of the Bank and of the Fund, to submit the audited financial statements of the African Development Bank and the audited Special Purpose Financial Statements of the African Development Fund for the financial year ended 31 December 2015.

This joint report includes the administrative budget for the period commencing 1 January 2016 and ending 31 December 2016, as approved by the Boards of Directors, as well as a review of developments in the African economy and in the operational activities of the Bank Group during 2015.

Please accept, Mr. Chairperson, the assurance of my highest consideration.

Akinwumi Ayodeji Adesina
President
of the
African Development Bank Group
and
Chairperson of the
Boards of Directors

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The President and Executive Directors

African Development Bank Group

Front row (seated), from left to right: Mr. Abdallah MSA (Comoros); Mrs. Soraya MELLALI (Algeria); Mrs. Petronella Mukelabai Nawa MWANGALA (Zambia); Mr. Shahid KHAN (South Africa); Mr. Akinwumi Ayodeji ADESINA (President of the Bank Group, and Chairperson of the Boards of Directors); Mr. Amadou KONE (Côte d'Ivoire); Mr. Mohamed ZAGHLOUL (Egypt); Mrs. Mulu KETSELA (Ethiopia); and Mr. Hau Sing TSE (Canada).

Back row (standing), from left to right: Mr. Bright Erakpoweri OKOGU (Nigeria); Mr. Mariano MUÑOZ-CARPENA (Spain); Mr. Tomoya ASANO (Japan); Mr. Abdelmajid MELLOUKI (Morocco); Mr. Dominic O'NEILL (United Kingdom); Mr. Mahomed Rafique Jusob MAHOMED (Mozambique); Mr. Heikki TUUNANEN (Finland); Mr. Leonard SENTORE (Burundi); Mr. Ronald MEYER (Germany); Mr. Tarik AL-TASHANI (Libya); Mr. Alieu Momodou NGUM (The Gambia); and Mr. Matthew TURNER (USA).

Composition of the Boards of Directors
as of 31 December 2015

The Board of Directors of the African Development Bank
Chairperson: Akinwumi Ayodeji ADESINA

Executive Directors	Alternate Executive Directors
Tarik AL-TASHANI (Libya)	Hussein Abdi HALANE (Somalia)
Tomoya ASANO (Japan)	Saleh BARABBA (Saudi Arabia)
Mulu KETSELA (Ethiopia)	Vacant
Shahid KHAN (South Africa)	Bheki Sibonangaye BHEMBE (Swaziland)
Amadou KONE (Côte d'Ivoire)	Bernado ABAGA NDONG MAYIE (Equatorial Guinea)
Mahomed Rafique Jusob MAHOMED (Mozambique)	Heinrich Mihe GAOMAB II (Namibia)
Soraya MELLALI (Algeria)	Alfredo MENDES (Bissau-Guinea)
Abdelmajid MELLOUKI (Morocco)	Vacant
Ronald MEYER (Germany)	Vacant
Abdallah MSA (Comoros)	Ousman Sougui ABAKAR (Chad)
Mariano MUÑOZ-CARPENA (Spain)	Abdenor BRAHMI (France)
Petronella Mukelabai Nawa MWANGALA (Zambia)	Cornelius Karlens DEKOP (Botswana)
Alieu Momodou NGUM (The Gambia)	Miata BEYSOLOW (Liberia)
Bright Erakpoweri OKOGU (Nigeria)	Maria das Neves Ceita Batista de SOUSA (São Tomé & Príncipe)
Dominic O'NEILL (UK)	Eric HILBERINK (Netherlands)
Leonard SENTORE (Burundi)	Félicité Célestin OMPORO ENOUANY (Congo)
Hau Sing TSE (Canada)	Thamer Mohammad ALFAILAKAWI (Kuwait)
Heikki TUUNANEN (Finland)	Vacant
Mohamed ZAGHLOUL (Egypt)	Ali MOHAMED ALI (Djibouti)
Vacant (USA)	Matthew TURNER (USA)

The Board of Directors of the African Development Fund
Chairperson: Akinwumi Ayodeji ADESINA

Executive Directors	Alternate Executive Directors
Tarik AL-TASHANI (ADB)	Hussein Abdi HALANE (Somalia)
Tomoya ASANO (Japan)	Saleh BARABBA (Saudi Arabia)
Mulu KETSELA (ADB)	Vacant
Shahid KHAN (ADB)	Bheki Sibonangaye BHEMBE (Swaziland)
Amadou KONE (ADB)	Bernado ABAGA NDONG MAYIE (Equatorial Guinea)
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Soraya MELLALI (ADB)	Alfredo MENDES (Bissau-Guinea)
Ronald MEYER (Germany)	Vacant
Abdallah MSA (ADB)	Ousman Sougui ABAKAR (Chad)
Mariano MUÑOZ-CARPENA (Spain)	Abdenor BRAHMI (France)
Dominic O'NEILL (UK)	Eric HILBERINK (Netherlands)
Hau Sing TSE (Canada)	Thamer Mohammad ALFAILAKAWI (Kuwait)
Heikki TUUNANEN (Finland)	Vacant
Vacant (USA)	Matthew TURNER (USA)

Source: AfDB Office of the Secretary General.

Message from the President
of the African Development Bank Group and Chairperson of the Boards of Directors

Dr. Akinwumi Ayodeji Adesina
President of the African Development Bank Group

Following my election as President of the African Development Bank Group and subsequent assumption of duty on 1 September 2015, I have rolled out my vision to accelerate the implementation of the Bank's Ten-Year Strategy during my tenure, building on the achievements of my predecessor, Dr. Donald Kaberuka. Let me take this opportunity to express my appreciation to the Boards of Governors for giving me the privilege and honor to serve the Bank Group and Africa. In fulfilment of the mandate entrusted to me, I have the pleasure of presenting the 2015 Bank Group Annual Report.

The Annual Report notes the resilience of Africa's economic performance in 2015 amid global and regional headwinds, notably the persistent decline in commodity prices and the El Niño weather conditions in several African countries. Real GDP growth averaged 3.6 percent in Africa, the second highest after emerging and developing Asia's 6.6 percent. Africa was also home to five of the world's fastest-growing ten economies in 2015. However, there are numerous challenges confronting the continent. Inequality remains high and poverty, hunger, and malnutrition are deeply entrenched, thus requiring concerted efforts to accelerate inclusive growth and employment creation, especially among the youth.

To overcome these challenges, I have laid out a five-pronged priority development agenda, which I call the High 5s, for a scaled-up implementation of the Ten-Year Strategy. These are: To Light Up and Power Africa, To Feed Africa, To industrialize Africa, To Integrate Africa, and To Improve the Quality of life for the People of Africa.

I am pleased to report that during the last quarter of 2015, the Bank Group worked with partners to develop the New Deal on Energy for Africa, which seeks to build transformative partnerships to underpin the achievement of universal access to energy by 2025. Similarly, the Bank Group convened the Dakar High-Level Conference, which produced an Action Plan to tackle food insecurity and create an agro-industrialization process towards the transformation of Africa's agriculture. We have also launched the "Jobs for Youth in Africa" initiative to increase youth employment, and the "Affirmative Finance Action for Women in Africa" initiative to support women-owned enterprises. In addition, we will address the barriers to integration of Africa's markets by supporting regional value chains and investing in high-quality regional infrastructure.

Despite the unfavorable global financial environment, the Bank Group enhanced the quality of its portfolio while striving to maintain a strong financial position. The Bank Group's AAA credit rating for senior debt was reaffirmed with a stable outlook. This attests to the robustness of the measures put in place to ensure sound capital adequacy and prudent financial and risk management. As a result, the Bank Group was able to maintain the strategic focus on the priority areas of its Ten-Year Strategy. Total commitments in 2015 increased by 25 percent to reach USD 8.8 billion, from USD 7 billion in 2014. Almost half of the total approvals were for infrastructure development, a pre-requisite for inclusive growth.

We are pleased to complete the move to our Headquarters in Abidjan, Côte d'Ivoire, with 1,126 Bank personnel having returned from Tunis by the end of 2015. We remain indebted to the Government and people of Tunisia for their warm hospitality during the 11 years we operated from Tunis. I also thank the Government of Côte d'Ivoire for facilitating the Bank's return to its Headquarters.

Finally, I wish to pay a special tribute to the shareholders and partners for their unequivocal support during the year. I also express my appreciation to our Boards of Directors, to Management, and to staff for their contributions and commitment throughout the year. As we begin consultations for the ADF-14 replenishment cycle, we will count on this support to enable us to carry out the mandate of building an inclusive and sustainable future for the people of Africa.

Akinwumi Ayodeji Adesina
President of the African Development Bank Group and
Chairperson of the Boards of Directors

Executive Summary

The African Development Bank Group's operations, sector strategies and policy engagements in 2015 were guided by the twin objectives of achieving inclusive and green growth as enshrined in its Ten-Year Strategy (TYS). These objectives are critical in creating better opportunities for the people, particularly vulnerable groups, mainly children and women, and in lifting millions out of poverty. In keeping with this objective therefore, the theme of the 2015 Annual Report is "Energy and Climate Change: Implications for Inclusive and Green Growth in Africa".

The Report is presented in three main parts. Part I examines Africa's economic performance and prospects within the context of global developments, and elaborates on the theme of the Report. Part II reviews Bank Group interventions in the operational priority areas of the TYS. It also discusses the development effectiveness of Bank Group operations, examines the corporate management activities of the Bank's organizational units, and presents the governance structure of the Bank Group, paying particular attention to the activities, oversight functions and strategic responsibilities of the Boards. Part III presents the financial management and financial statements. It also outlines the management of financial performance in turbulent times.

Africa Maintained Resilience Amid Global and Regional Headwinds

Africa's economic performance has remained resilient amid global and regional headwinds. Average real Gross Domestic Product (GDP) grew by 3.6 percent in 2015, higher than the global average of 3.1 percent, and the Eurozone average of 1.6 percent. In 2015, five African countries were among the world's ten fastest-growing countries with real GDP growth of 7 percent or higher. Despite this high growth, the number of the poor in Africa has increased and inequalities persist. Structural transformation in sectors that provide livelihoods to the majority, such as agriculture and small businesses, remains a crucial piece of the development puzzle, as it can raise overall productivity, improve living standards, and reduce poverty.

Macroeconomic Stability. The continent's macroeconomic balance has come under pressure due to weakening global economic conditions and other adverse shocks. In 2015, the fiscal deficit is estimated to have risen to 6.6 percent of GDP from 4.8 percent the preceding year. The widening fiscal deficit mainly reflects a fall in revenues due to a decline in earnings from commodity exports, coupled with an increase in capital expenditure. The evolution in the external current account position mirrored the trend of the fiscal balance. For Africa as a whole, the external current account deficit weakened to 7.3 percent in 2015 from 4.8 percent in the previous year.

However, Africa's prospects for 2016 and beyond appear favorable, underpinned by strong domestic consumer demand and fiscal consolidation measures to contain the commodity price shock. The downside risks in the medium term include the continued decline in commodity prices and The El Niño weather conditions that are expected to persist in a number of African countries. On balance, growth in 2016 is therefore projected to increase modestly to 3.7 percent, and accelerate further to 4.5 percent in 2017.

Support from the Bank Group. The Bank Group is ready to assist Regional Member Countries (RMCs) weather the headwinds confronting the continent by providing them with timely countercyclical support to enhance the resilience of economies. The Bank Group has also stepped up its analytical capacity to provide economic intelligence, policy advice and related technical support to strengthen macroeconomic policy management.

Energy and Climate Change Nexus

Energy and climate change. Africa's ability to deliver structural transformation for inclusive growth and achieve the Sustainable Development Goals (SDGs) hinges on access to affordable, reliable, sustainable and modern energy for all. Today, over 645 million people in Africa do not have access to electricity, 700 million have no access to clean cooking energy, and 600,000 die each year from indoor pollution caused by a reliance on biomass for cooking. Energy sector bottlenecks and power shortages are estimated to cost about 2 to 4 percent of GDP annually, undermining economic growth, employment creation, and investment.

Africa is capable of achieving universal access to energy services while reducing the carbon intensity of growth, thus lowering its contributions to global carbon dioxide (CO_2) emissions. About 7.7 percent of the world's proved conventional oil reserves, 7.6 percent of proven natural gas reserves, and 3.7 percent of remaining coal reserves are in Africa. The continent has well over 10 Terawatts (TW) of solar potential, 350 Gigawatts (GW) of hydroelectric potential, 110 GW of wind potential and an additional 15 GW of geothermal potential.

The 2015 Paris Agreement on climate change committed to emission reductions consistent with staying well below the 2°C threshold and to pursue efforts to limit temperature increase to 1.5°C above pre-industrial levels. The intersections between energy and climate-change policies could limit Africa's ability to harness its conventional energy resources, especially oil, gas and coal. This calls for innovative policies and financing models that harness synergies and limit trade-offs. The Bank Group has announced the New Deal on Energy for Africa and a Transformative Partnership on Energy for Africa, to light up and power Africa by 2025, while decoupling the continent's economic productivity from carbon dioxide emissions.

Bank Group Operations, 2015

Bank Group Approvals and Disbursements. As in the previous years, and in line with the Bank Group's TYS, infrastructure operations, mainly transport and energy, received the bulk of the resources. In 2015, total approvals of Bank Group operations amounted to UA 6.33 billion as at end-December 2015, a 25.4 percent increase over 2014 approvals of UA 5.05 billion in 2014. Total Bank Group approvals for 2015 are made up of total African Development Bank (ADB) public and private approvals (UA 4.52 billion), African Development Fund (ADF) approvals (UA 1.52 billion), Nigeria Trust Fund (NTF) approvals (UA 12.5 million) and Special Funds (UA 288.9 million).

In 2015, Bank Group loan and grant disbursements (excluding equity participation, guarantees, and Special Funds), amounted to UA 3.03 billion. Since 2012, actual disbursements against targets have diverged, as indicated by the decline of the disbursement rate from 98 percent in 2012 to 81.9 percent in 2015. Disbursement delays have been caused by weak institutional and management capacity in some RMCs, and the fragility situations and conflicts, among other factors. The Bank Group has been making concerted efforts to address the disbursement delays, including strengthening the monitoring and reporting of recurring issues, and streamlining the operational business processes affecting disbursements.

Ten-Year Strategy Priority Sectors

The TYS emphasizes priority sectors comprising infrastructure (energy, transport, water and sanitation, and communications), private sector development, regional integration, governance, and skills and human development.

Energy. The Bank Group's total approvals for the energy sector in 2015 amounted to UA 871.6 million, made up of loan and grant approvals of UA 841 million (96.5 percent) and other approvals of UA 30.6 million (3.5 percent). The energy sector approvals represented 28.3 percent of total Bank Group infrastructure approvals. To mobilize partnership support and financing to close Africa's huge energy deficit, the Bank held a High-Level Consultative Stakeholder Meeting in September 2015 where the New Deal on Energy for Africa was articulated. The African Renewable Energy Initiative (AREI), was also announced at the Climate Change Conference of Parties (COP21) in December 2015.

Environment and Climate Change. One key area of the Bank Group's activities in 2015 was the support towards climate-change adaptation and mitigation issues. The Bank Group announced that it will triple its financing for climate-change initiatives to reach USD 5 billion a year by 2020.

Transport. In 2015, Bank Group total approvals for transport sector operations amounted to UA 1.72 billion, with loans and grants accounting for UA 1.58 billion (91.9 percent). The remaining UA 139.5 million (8.1 percent) represented financing through Special Funds. Approvals for the transport sector represented the largest share (55.9 percent) of the UA 3.08 billion total Bank Group approvals for all infrastructure operations.

Water and Sanitation. During the year, the Bank Group's interventions contributed to the development of the water supply and sanitation sector in the RMCs, with total operations of UA 398.7 million approved for sustaining livelihoods in several countries. The Bank Group continued to host and support three special and complementary initiatives: the Rural Water Supply and Sanitation Initiative (RWSSI), the Multi-Donor Water Partnership Program (MDWPP), and the African Water Facility (AWF).

Regional Integration. In 2015, total approvals for regional (multinational) operations amounted to UA 1.44 billion, a 34 percent increase from the 2014 approvals of UA 1.08 billion. Of the total regional approvals, the largest share (40.2 percent) was allocated to transport. This was followed by the finance sector (25.3 percent) for lines of credit and trade finance, and the energy sector (23.8 percent), with smaller shares for multisector operations, agricultural, social, and communications sectors.

Private-Sector Operations. During 2015, energy and other infrastructure investments benefited significantly from the Bank's private sector-financing window. Total Bank Group approvals of private sector-financed operations in 2015 amounted to UA 1.56 billion, a marginal decline of 1.9 percent from the UA 1.59 billion recorded in 2014. In 2015, of the total private sector approvals of UA 1.56 billion, finance sector approvals (lines of credit, trade finance, etc.) accounted for the largest share (42.9 percent), followed by energy (22.7 percent), with the remainder going to transport operations (19.5 percent), agriculture (10.2 percent), and other sectors.

Supporting Economic and Governance Reforms. As at end-December 2015, total approvals for governance-related operations amounted to UA 788.9 million. Two of the approved operations include: (i) Niger's Financial Reforms and Food Security Support Programme (PAREFSA I) for UA 20 million; and (ii) Mali's Emergency Governance and Economic Recovery Support Program (EGERSP) for UA 15 million.

Promoting Skills and Human Development. The sum of UA 595.9 million was approved to support various human development and relief operations during 2015. One of the operations highlighted is a grant of UA 23.9 million approved for the Post Ebola Recovery Social Investment Fund Project (PERSIF) for the three worst-affected West African countries (Guinea, Liberia, and Sierra Leone).

Areas of Ten-Year Strategy Special Emphasis

The TYS also emphasizes support to the special areas of agriculture and food security, gender mainstreaming, and addressing fragility and building resilience. Operational activities in these areas during 2015 are highlighted below.

Agriculture. Bank Group approvals in the agriculture sector amounted to UA 514.6 million. In line with the TYS, the Bank Group organized the Dakar High-Level Conference on Agricultural Transformation in October 2015 for over 600 participants, including 155 high-level Government representatives, including Ministers of Agriculture, Finance and Trade, and Central Bank Governors. The conference endorsed an 18-point Action Plan for African Agricultural Transformation, which is guiding the preparation of the continental long-term strategy for agricultural transformation (2016-25).

Gender. Implementation of the Bank Group's Gender Strategy, 2014-2018, was accelerated in April 2015 with the establishment of a network of 85 gender focal points throughout the Bank. Three capacity-building workshops were held to support the focal points in September and October 2015. During the Dakar High-Level Conference on Agricultural Transformation in Africa in October 2015, the AfDB President announced the "Affirmative Finance Action for Women in Africa" targeted at: (i) women-owned micro-enterprises, particularly those of rural women; and (ii) women-owned small- and medium-sized enterprises operating in different economic sectors.

Countries under Fragile Situations. In 2015, the ADF Board approved UA 365.7 million in support of 16 countries considered to be in fragile situations. The Board also approved the Operational Guidelines for the implementation of the Strategy on Fragility and the Transition Support Facility (TSF). In addition, the ADF has revised its approach to using the resources of the TSF meant for critical capacity building interventions.

The Bank Group's new Operational Strategic Orientation. The eighth President of the Bank Group, Dr. Akinwumi Ayodeji Adesina, laid out a new strategic operational agenda for the Bank Group, outlined in the "High 5s", aimed at providing a sharp focus on the Bank Group's work as it implements the TYS. The High 5s are to: Light up and Power Africa; Feed Africa; Integrate Africa; Industrialize Africa; and Improve the Quality of Life for the People of Africa. These operational priorities are consistent with the SDGs and therefore essential in transforming the lives of the people of Africa through rapid, sustained, and inclusive growth.

Implementation of the High 5s will require building on the foundations of the existing Bank Group sector strategies and policies, particularly the regional integration policy and strategy, the private sector development strategy, the human capital strategy, the financial sector development policy and strategy, and the energy policy.

Institutional Reforms, Effectiveness and Corporate Management

Budget Reforms and Administrative Budget. In 2015, the Bank's management of the administrative budget was aimed at achieving strategic prioritization of resources, efficient and effective delivery of its development programs, aggregate fiscal discipline, and establishing clear lines of accountability. In addition, the implementation of budget reforms was an integral part of a broader institutional reform agenda to improve coordination, delivery and corporate performance.

Decentralization. During the year, the implementation of the Decentralization Roadmap Action Plan (2011-2015) included a review of the pilot Regional Resource Centers (RRCs) in Eastern and Southern Africa which were established in 2012. The findings from the review exercise were instrumental in the Boards' decision to approve the establishment of a third RRC for the Northern Africa Region.

Return to the Headquarters (HQ). By end-December 2015, a total of 1,126 staff had been successfully moved and settled in Abidjan. The Bank took advantage of its return to Abidjan to launch several projects for the renovation and rehabilitation of its HQ facilities in Abidjan.

Development Effectiveness. During the year, the Bank Group continued to make progress in establishing quality social and environmental safeguards, enhancing the quality of its operations, and strengthening its ability to measure and manage for development results. The 2015 Annual Development Effectiveness Review was its flagship publication for highlighting development results. The AfDB also broadened its results culture by monitoring the quality and level of confidence in project rating through its readiness reviews (RR), implementation progress and review reports (IPR), and project completion reports (PCRs). Data were published quarterly in the *Quality Assurance Dashboard* and circulated to senior management and departments for follow-up action.

The Bank as a Knowledge Broker. The Bank Group's Knowledge Program in 2015 was implemented through the production and dissemination of several knowledge products, statistical publications, and capacity building activities. The knowledge products include flagship publications, books, journals, working papers, data banks, and advisory services for the benefit of the RMCs.

Policies and Strategies. The implementation of the TYS entered its third year in 2015, with a focus on policies and operational strategies that support inclusive and green growth. In 2015, the Bank Group approved the following five new policies, strategies, and operational guidelines: (i) Procurement Policy and Methodology for Bank Group Funded Operations; (ii) Bank Group Knowledge Management Strategy, 2015-2020; (iii) African Natural Resources Center Strategy, 2015-2020; (iv) Strategic Framework and Operational Guidelines for the Private Sector Credit Enhancement Facility; and (v) Regional Integration Policy and Strategy (RIPoS).

Mid-Term Review of the ADF-13 Replenishment. The ADF Deputies met in Abidjan, Côte d'Ivoire, in November 2015 for the ADF-13 Mid-Term Review. The lower loan and grant disbursement rates, and the slow uptake of innovative financing were of major concern to the ADF Deputies. In addition the Deputies stressed the importance of improving gender balance within the institution, and at management level in particular. On the whole, they agreed that most of the commitments at the Mid-Term Review had been met under the ADF-13 replenishment, and that consultations for the ADF-14 should focus on addressing outstanding elements in ADF-13 and accelerating the implementation of the TYS.

Independent Evaluation of Bank Group Operations. The independent evaluation of Bank Group operations delivered in 2015 provided evidence-based and credible information to shape the AfDB's work in several strategic areas, and contributed to better decision making within the institution. During the year, three flagship evaluations were carried out: (i) Independent Evaluation of General Capital Increase VI, and African Development Fund 12th and 13th Commitments; (ii) Independent Evaluation of Policy and Strategy Making and Implementation; and (iii) Independent Evaluation of Administrative Budget Management of the African Development Bank. Two thematic evaluations were also delivered in 2015: (i) Evaluation of AfDB Assistance to SMEs; and (ii) an Evaluation of the Bank's Private Equity Investments. In addition, country evaluations included an impact evaluation on rural water supply and sanitation in Ethiopia.

Deployment of Human Resources. As at end-December 2015, the total AfDB staff strength stood at 1,841 with 1,168 males (63.4 percent) and 673 females (36.6 percent). The total staff distribution was as follows: 1,215 professional staff, of which 324 (26.7 percent) are female, and 587 general service staff, of which 336 (57.2 percent) are female.

Oversight Functions and Strategic Responsibilities of the Boards

Oversight Functions and Strategic Responsibilities. Shareholder representation and oversight is ensured through the Boards of Governors and the Boards of Directors. The 50th Annual Meeting of the Board of Governors of the Bank and the 41st Annual Meeting of the Board of Governors of the Fund were held in Abidjan, Côte d'Ivoire, from 25 to 29 May 2015. The Annual Meetings coincided with the celebrations of the 50th anniversary of the AfDB.

In the exercise of their statutory duties, the Boards of Governors adopted nine resolutions. Among the highlights were: (i) the election of Dr. Adesina as the eighth President of the African Development Bank Group; and (ii) the vote of Thanks to Dr. Donald Kaberuka, the outgoing President, for the eminent services rendered to the African Development Bank Group. In particular, the Governors paid glowing tribute to Dr. Kaberuka, for his inspiring and visionary leadership in successfully overseeing the major redirection of the Bank Group's strategy over his ten-year presidency.

Financial Management

Strong Financial Position. In the face of continuing turbulence in the financial markets in 2015, the Bank maintained a conservative investment strategy, which helped to limit interest rate and exchange rate sensitivity, thus reducing negative impacts of the Bank's exposure to financial markets. The four key rating agencies, Standard and Poor's, Fitch, Moody's and Japan Credit Rating Agency reaffirmed their AAA/Aaa and AA+/Aa1 ratings of the Bank's senior and subordinated debts respectively, with a stable outlook. The high ratings confirm the Bank's efficient management, strong financial position, membership support, capital adequacy and liquidity.

Table 0.1

Summary of Bank Group Operations, Resources and Finance, 2006-2015
(UA million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Cumulative Total [a]
Operations											
Bank Group Approvals [b]											
Number	137	100	133	181	139	184	199	317	232	**241**	**4,974**
Amount	2,596.88	3,097.64	3,528.73	8,064.49	4,099.75	5,720.29	4,253.75	4,385.78	5,049.92	**6,334.69**	**87,973.15**
of which HIPC	257.49	153.17	159.87	372.56	202.95	1,350.85	248.00	22.32	-	**46.96**	**6,158.28**
Disbursements	1,239.03	1,615.68	1,860.91	4,083.59	2,510.70	3,174.11	3,379.53	3,133.95	3,156.96	**3,025.00**	**51,440.06**
ADB Approvals [b]											
Number	38	29	58	84	59	59	48	65	79	**99**	**1,609**
Amount	1,045.37	1,670.06	1,807.01	5,604.07	2,581.13	3,689.43	2,080.46	1,831.70	3,201.30	**4,518.23**	**51,329.18**
of which HIPC	102.21	-	113.75	112.77	144.14	1,178.04	134.58	9.64	-	**-**	**3,158.22**
Disbursements	548.44	884.75	727.53	2,352.29	1,339.85	1,868.79	2,208.17	1,430.78	1,938.53	**1,619.17**	**29,607.03**
ADF Approvals [b]											
Number	84	54	62	77	65	87	98	156	112	**98**	**2,938**
Amount	1,544.57	1,381.75	1,665.34	2,426.96	1,456.72	1,831.86	1,890.17	2,269.55	1,592.91	**1,515.12**	**34,807.80**
of which HIPC	155.28	153.17	17.95	259.09	29.99	171.93	112.21	12.68	-	**46.96**	**2,936.91**
Disbursements	685.16	725.00	1,124.92	1,726.43	1,165.84	1,296.65	1,169.60	1,702.21	1,215.30	**1,398.36**	**21,583.98**
NTF Approvals											
Number	-	-	2	3	2	3	3	5	2	**2**	**97**
Amount	-	-	28.16	5.70	29.53	10.88	14.10	31.17	11.49	**12.50**	**451.47**
of which HIPC	-	-	28.16	0.70	28.83	0.88	1.20	-	-	**-**	**63.15**
Disbursements	5.43	5.94	8.45	4.87	5.02	8.67	1.76	0.96	3.13	**7.47**	**249.05**
Special Funds Approvals [c]											
Number	15	17	11	17	13	35	50	91	39	**42**	**330**
Amount	6.94	45.83	28.21	27.76	32.38	188.12	269.03	253.36	244.22	**288.85**	**1,384.70**
Resources and Finance (at year's end)											
ADB											
Authorized Capital	21,870.00	21,870.00	21,870.00	22,120.00	67,687.46	66,054.50	66,975.05	66,975.05	66,975.05	**66,975.05**	
Subscribed Capital [d]	21,794.00	21,693.16	21,765.14	21,817.58	23,924.62	37,322.00	65,215.04	65,210.13	65,133.22	**65,482.51**	
Paid-up Portion [d]	2,357.78	2,351.53	2,356.01	2,359.32	2,375.63	3,289.06	4,962.68	4,962.34	4,864.52	**4,884.41**	
Callable Portion	19,436.76	19,341.63	19,409.14	19,458.25	21,548.99	34,032.95	60,252.36	60,247.80	60,268.70	**60,598.10**	
Borrowing (gross)	6,088.75	6,803.17	7,160.81	10,703.22	12,231.34	12,231.39	13,373.32	13,326.00	14,353.42	**16,452.47**	
Outstanding Debt	5,870.47	6,198.87	6,707.28	10,580.64	11,980.57	12,902.96	13,278.80	12,947.44	14,375.95	**16,449.27**	
Cumulative Exchange Adjustment on Subscriptions	(155.74)	(160.08)	(161.03)	(161.97)	(162.57)	(160.63)	(166.83)	(172.65)	(173.54)	**(168.84)**	
Reserves	2,305.48	2,531.80	2,475.47	2,552.96	2,627.28	2,536.18	2,667.44	2,856.88	2,815.32	**2,921.25**	
Gross Income [e]	542.85	578.62	564.45	518.88	519.32	489.18	553.64	479.64	484.73	**491.20**	
Net Income [f]	194.03	323.67	304.66	231.16	213.66	164.51	198.62	180.33	151.69	**93.16**	
ADF											
Subscriptions [g]	14,314.51	15,218.76	16,566.02	17,854.02	19,030.32	20,428.32	21,622.28	23,084.05	24,921.04	**26,122.31**	
Other Resources [h]	(776.38)	(703.50)	(656.59)	(493.44)	(437.23)	(375.27)	(400.28)	(401.16)	(542.91)	**(611.30)**	
NTF											
Resources (gross)	286.12	273.47	286.78	156.73	160.86	162.74	164.62	165.77	168.28	**169.88**	

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

Notes:
(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, guarantee and Post Conflict Country Facility.
(c) These are approvals on the operations of the Africa Growing Together Fund, the African Water Facility and Rural Water Supply and Sanitation Initiative, Global Environment Facility, the Global Agriculture and Food Security Program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African Private Sector Assistance, the Zimbabwe Multi-Donor Trust Fund, the Migration and Development Trust Fund, the Microfinance Capacity Building Fund, the Nigeria Technical Cooperation Fund, the Governance Trust Fund, the Sustainable Energy Fund for Africa, the Middle East and North Africa Transition Fund, the Special Climate Change Fund, and the Organization of the Petroleum Exporting Countries.
(d) Subscribed capital and paid-up capital for 2005 were restated to exclude shares to be issued upon payment of future installments.
(e) Gross income for the year 2013 has been restated for dividend amounts reclassified from Other Income.
(f) Net income is before distributions approved by the Board of Governors.
(g) Subscriptions = Restated for the year 2005 to be amounts paid instead of amounts pledged.
(h) 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:

2006	1 UA = 1.50440 US dollars	2011	1 UA = 1.53527 US dollars
2007	1 UA = 1.58025 US dollars	2012	1 UA = 1.53692 US dollars
2008	1 UA = 1.54027 US dollars	2013	1 UA = 1.54000 US dollars
2009	1 UA = 1.56769 US dollars	2014	1 UA = 1.44881 US dollars
2010	1 UA = 1.54003 US dollars	2015	1 UA = 1.38573 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, 2015
(UA million)

Bank Group Approvals by Sector	ADB		ADF		NTF		Special Funds		Bank Group	
Sector	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agriculture and Rural Development	14	358.80	12	113.40	-	-	5	42.42	31	514.62
Social	11	234.49	18	351.47	1	6.50	5	3.42	35	595.89
Education	2	64.4	5	74.80	-	-	-	-	7	139.20
Health	1	0.30	3	18.47	-	-	3	2.39	7	21.16
Other	8	169.79	10	258.20	1	6.50	2	1.03	21	435.52
Infrastructure	38	2,066.74	38	779.49	1	6.00	26	228.62	103	3,080.84
Water Supply and Sanitation	8	260.18	4	60.60	1	6.00	13	71.89	26	398.67
Energy	9	463.65	18	391.89	-	-	8	16.04	35	871.58
Communication	3	85.72	-	-	-	-	1	1.23	4	86.95
Transport	18	1,257.19	16	327.00	-	-	4	139.46	38	1,723.64
Finance	20	1,322.21	3	19.87	-	-	4	9.35	27	1,351.43
Multisector	14	532.92	27	250.89	-	-	2	5.04	43	788.86
Industry, mining and quarrying	2	3.06	-	-	-	-	-	-	2	3.06
Urban Development	-	-	-	-	-	-	-	-	-	-
Environment			-	-	-	-	-	-	-	-
Total Approvals	**99**	**4,518.23**	**98**	**1,515.12**	**2**	**12.50**	**42**	**288.85**	**241**	**6,334.69**

Bank Group Approvals by Financing Instrument	ADB		ADF		NTF		Bank Group	
Financing Instrument	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	**47**	**2,753.21**	**33**	**787.49**	**2**	**12.50**	**82**	**3,553.19**
Public and Publicly Guaranteed	24	1,567.00	33	787.49	2	12.50	59	2,366.98
Project Loans	23	1,304.69	33	787.49	2	12.50	58	2,104.68
Sector Investment and Rehabilitation	-	-	-	-	-	-	-	-
Lines of Credit	1	262.31	-	-	-	-	1	262.31
Private Non-Publicly Guaranteed	23	1,186.21	-	-	-	-	23	1,186.21
Project Loans	13	667.71	-	-	-	-	13	667.71
Lines of Credit	8	359.38	-	-	-	-	8	359.38
Soft Commodity Finance Facility	2	159.12	-	-	-	-	2	159.12
Policy-Based Lending	**5**	**744.21**	**3**	**144.00**	**-**	**-**	**8**	**888.21**
Sector Adjustment	1	193.97	1	54.00	-	-	2	247.97
Structural Adjustment	-	-	-	-	-	-	-	-
Budget Support	4	550.24	2	90.00	-	-	6	640.24
Grants	**34**	**25.63**	**53**	**445.74**			**87**	**471.37**
Technical Assistance	24	19.01	12	36.10	-	-	36	55.11
Project Cycle Activities	-	-	6	20.75			6	20.75
Institutional Support	-	-	6	15.35	-	-	6	15.35
of which Private Sector	-	-	-	-	-	-	-	-
Middle-Income Countries Grant	24	19.01	-	-	-	-	24	19.01
Project Grants	-	-	16	214.14	-	-	16	214.14
Structural Adjustment Grant	-	-	-	-			-	-
Budget Support Grant	-	-	3	36.86	-	-	3	36.86
African Food Crisis Response Grant	-	-	-	-	-	-	-	-
Transition Support Facility Grant	-	-	22	158.64	-	-	22	158.64
Special Relief Fund	10	6.62	-	-	-	-	10	6.62
Emergency Assistance	10	6.62	-	-	-	-	10	6.62
Emergency Post Conflict	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-
Loans for Institutional Capacity Building	**2**	**234.05**	**1**	**41.00**	**-**	**-**	**3**	**275.05**
Loan for Transition Support Facility	**-**	**-**	**6**	**49.11**	**-**	**-**	**6**	**49.11**
Project Preparation Facility	**-**	**-**	**1**	**0.82**	**-**	**-**	**1**	**0.82**
Debt and Debt Service Reduction	**-**	**-**	**1**	**46.96**	**-**	**-**	**1**	**46.96**
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	-	-	1	46.96	-	-	1	46.96
Post Conflict Country Framework	-	-	-	-	-	-	-	-
Equity Participation	**4**	**64.27**	**-**	**-**	**-**	**-**	**4**	**64.27**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	4	64.27	-	-	-	-	4	64.27
Guarantees	**7**	**696.86**	**-**	**-**	**-**	**-**	**7**	**696.86**
Public Guarantees	1	397.79	-	-	-	-	1	397.79
Partial Risk Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	6	299.07	-	-	-	-	6	299.07
Loan Reallocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Special Funds	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**288.85**
Total Approvals	**99**	**4,518.23**	**98**	**1,515.12**	**2**	**12.50**	**241**	**6,334.69**

Source: AfDB Statistics Department.
Note: The conversion rate used is that for 31 December 2015: 1 UA = USD 1.38573.


Bujagali Hydropower Dam, Uganda.

Part I
Thematic Focus of the Report

Support to Agricultural Research for Development of Strategic Crops in Africa.

Chapter 1
Africa's Performance and Prospects in a Period of Global Economic Turbulence

Chapter 1

Africa's economic performance has remained resilient amid global and regional headwinds. Average real GDP grew by 3.6 percent in 2015 compared with 3.7 percent the previous year. Indeed, five of the world's ten fastest-growing economies with real GDP growth of 7 percent or higher were in Africa. It should be noted however, that the continent continues to exhibit significant regional variations in the patterns of growth but medium-term growth prospects appear favorable, mainly underpinned by strong domestic consumer demand and robust public investment in infrastructure. The downside risks to the outlook include the continued decline in commodity prices and the El Niño weather conditions. In view of this, growth in 2016 is projected to increase slightly to 3.7 percent and accelerate further to 4.5 percent in 2017 as global and regional conditions improve and ongoing policy initiatives take hold. To contain the adverse effects of the commodity price shocks on growth and macroeconomic stability, countries are encouraged to implement countercyclical policies and undertake structural reforms in order to create the conditions for growth, necessary to improve human conditions—an imperative for the agenda on Sustainable Development Goals (SDGs).

1.1 Africa's Growth Remains Resilient

Africa has endured the global headwinds, but growth has remained resilient. In 2015, Africa was home to five of the world's ten fastest-growing economies. However, economic activity on the continent still exhibits substantial regional and country variations, portending differences in the drivers of growth, state of macroeconomic prudence, and the virility of policy responses. On average, Eastern African economies have registered faster growth than their peers.

Africa's economic growth has held firm amid global and regional headwinds. This reflects the resilience of its economies, underpinned by years of steely macroeconomic policy implementation and public infrastructure investment. In 2015, real GDP growth in Africa averaged 3.6 percent compared with 3.7 percent in 2014. This growth outturn was higher than the global average and that of Latin America and advanced nations, notably the Eurozone and the United States. Only East Asia and Emerging Economies together posted higher growth than Africa, making Africa the second fastest-growing economy in the world. Table 1.1 below shows Africa's growth performance from a regional and global perspective.

In 2015, Côte d'Ivoire, Democratic Republic of Congo (DRC), Ethiopia, Tanzania, and Rwanda were among the ten fastest-growing countries in the world with real GDP growth averaging 7 percent and above. This number increased from four countries (Côte d'Ivoire, DRC, Ethiopia, and Mozambique) recorded in 2014. Growth in these countries was largely driven by strong public investment in infrastructure, which is expected to remain buoyant in the medium term. Furthermore, strong domestic consumption and expansion in the services sector, especially retail, finance, and information, communications and technology, fortified Africa's resilience. This signifies a gradual diversification of African economies, which if supported by a sound policy environment, could become the continent's bedrock for sustained growth.

The continent's growth also reflects developments in Foreign Direct Investment (FDI) and other external financial flows. The structure of FDI has changed over the years and is no longer concentrated in extractive industries. About 48 percent of total FDI inflows to Africa are now directed to non-resource sectors, which reflects the emergence of other sectors as important investment and growth drivers.

Africa's equity markets recorded net portfolio outflows. In 2014, net inflows amounted to USD 23.1 billion, but this figure decreased to USD 13.4 billion in 2015, which represents an outflow of about USD 10 billion during this period. The decrease was mainly recorded in resource sectors, which have been impacted by the sharp decline in commodity prices. This points to the importance of strengthening policy

Table 1.1

Real GDP Growth (percentage per annum)

	2000-2009	2010-2013	2014	2015(e)
Global Economy	3.9	4.1	3.4	3.1
United States	1.8	2.0	2.4	2.4
Eurozone	1.4	0.7	0.9	1.6
East Asia and Emerging Economies [(a)]	8.1	7.8	6.8	6.6
Latin America and Caribbean	3.2	4.2	1.3	-0.1
Africa	5.3	4.8	3.7	3.6
Memorandum items				
Eastern Africa	6.7	6.4	6.5	6.3
Central Africa	5.1	5.0	6.1	3.7
Western Africa	7.1	6.2	6.0	3.3
Northern Africa	4.6	3.8	1.4	3.5
Southern Africa	4.4	3.7	2.8	2.2
Africa *(excluding Libya)*	5.4	4.5	4.2	3.7
Sub-Saharan Africa (SSA)	5.8	5.3	5.0	3.6
SSA *(excl. South Africa)*	6.6	6.0	5.9	4.2
Oil-exporting Countries	4.5	4.7	3.7	3.5
Oil-importing Countries	5.1	5.0	3.8	3.6

Source: AfDB Statistics Department and IMF (World Economic Outlook, WEO).
Notes: (a) Emerging and developing Asia in WEO's classification. e: estimates.

buffers and sources of domestic revenues in order to contain the destabilizing effects on the economy triggered by volatile external portfolio flows.

1.1.1 Variations in Regional Economic Growth

Africa's growth exhibits significant regional and country variations, reflecting differences in resource endowments, degrees of fragility, exposures to external shocks, and the flexibility and strength of the policy responses to those shocks.

Eastern Africa. Growth in Eastern Africa has been consistently higher than in other regions, despite some specific regional shocks, including security concerns and periodic variations in weather conditions. Average growth in the region is estimated at 6.3 percent in 2015, marginally below the 6.5 percent in 2014. A contraction in output in Burundi and South Sudan, both of which experienced political instability in 2015, weighed down the region's economic performance. However, the full extent of this contraction was moderated by higher growth in other countries within this region, notably Ethiopia, Djibouti, Rwanda, and Tanzania.

Central Africa. Average growth fell sharply to 3.7 percent from 6.1 percent in 2014. The decline in oil prices contributed to the fall in output growth in Congo from 6 percent to 1.2 percent, while lower metal prices led to a marginal decline in output growth of the DRC, whose economy registered 7.7 percent growth in 2015 compared to 9.2 percent in 2014. Still, this growth rate was higher than the 7 percent deemed necessary to significantly improve poverty levels. Thus, translating this growth into tangible development outcomes is the remaining challenge for the DRC, and concerted efforts are required to consolidate the gains achieved so far.

Western Africa. Average growth in the region declined sharply to 3.3 percent in 2015 from 6 percent the previous year. The slowdown in growth was mainly due to weaker performance in the oil sector in Nigeria, the region's largest economy, and in Niger, another commodity-dependent country. Although the share of Ebola-affected countries is smaller in overall GDP in Western Africa, weak growth performance in Guinea (0.1 percent) and Liberia (0.4 percent), and severe contraction in Sierra Leone (-21.5 percent), also capped output growth in the region.

Northern Africa. Growth more than doubled in this region to 3.5 percent in 2015 from 1.4 percent in 2014 on the back of improvements in the political and economic environments, especially in Egypt. Stronger business confidence in Egypt led to an expansion of growth to 4.2 percent in 2015 from 2.2 percent in 2014. However, economic recovery in this region was overshadowed by political instability in Libya, with attendant adverse effects on oil production and, terrorist attacks in Tunisia, which led to a contraction of about 15 percent in the tourism sector in the country.

Southern Africa. In 2015, growth slowed to an average of 2.2 percent from 2.8 percent in 2014, making Southern Africa the slowest growing region on the continent. Without exception, all countries in the region posted slower growth. In general, the region has experienced major structural shocks, stemming largely from an acute shortage of power supply and hostile weather conditions, which adversely affected agricultural production and water levels for hydropower generation. This was compounded by low commodity prices, leading to a reduction in mining activities and lower foreign exchange earnings, and to a depreciation in exchange rates. Even for Mozambique, the region's fastest-growing economy, growth slowed down to 6.3 percent in 2015 from 7.2 percent the previous year. South Africa, the region's largest economy, continued to experience lackluster performance due to subdued demand and low prices of metals, which account for a sizable share of the country's exports. This problem was compounded by challenges in electricity supply, which affected economic activity in many sectors of the economy. In view of these constraints, the country's real GDP growth declined to 1.3 percent in 2015 from 1.5 percent the preceding year.

1.2 Importance of Commodity Prices in Driving Growth in Africa

Africa's growth has largely been ascribed to the commodity super-cycle. However, estimates indicate that only 21.4 percent of Africa's average growth of 4.2 percent over the past decade could be explained by the rise in commodity prices. Therefore, the growth impact of the recent fall in commodity prices will, depend on its intensity and duration, and the strength of internal and external buffers that countries built up during the boom period.

There is broad consensus in global discourse that the commodity price super-cycle has played an important role in the 'Africa Rising' narrative. While this may be true for oil-exporting countries, the effect of other commodities on growth may be less pronounced. As the commodity price boom tapers off, it will be instructive to conduct an assessment of the effect of commodity prices on Africa's real GDP growth. An African Development Bank Group study (forthcoming) shows that, although commodity prices have played a role in driving growth, the magnitude has been lower than previously thought.

1.2.1 Evolution of World Commodity Prices

The pace of the decline in prices of key commodities accelerated in 2015, following a more gradual decline the previous year. The index of crude oil prices declined by about 64 percent on average in 2015 while price indices of metals and agricultural raw materials fell by an average of 26 percent and 15 percent, respectively. Box 1.1 lists commodity classifications while Figure 1.1 depicts the evolution in selected commodity price indices.

Box 1.1
Commodity Classifications

List of all commodities: aluminum, bananas, barley, bovine, coal, cocoa, coffee, copper, cotton, crude oil, fish, fishmeal, hides, iron, lead, logs, maize, natural gas, nickel, olive oil, oranges, palm oil, peanuts, rapeseed, rice, rubber, sawn-wood, soybean meal, soybean oil, sugar, sunflower, tea, tin, uranium, wheat, wool, and zinc.

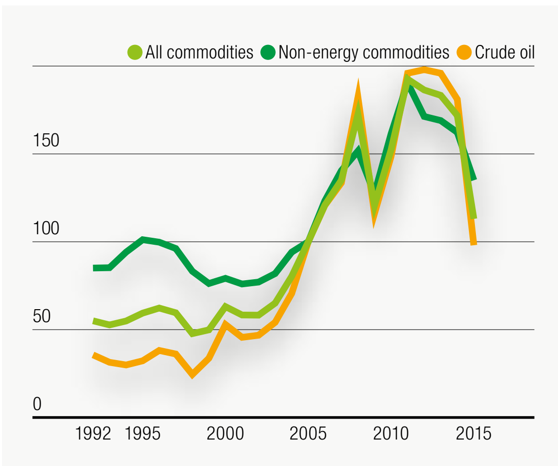
1. **Food and agricultural raw materials:** bananas, barley, bovine, cocoa, coffee, cotton, fish, fishmeal, hides, logs, maize, olive oil, orange, palm oil, peanuts, rapeseed, rice, rubber, sawn-wood, soybean oil, soybean meal, sugar, sunflower, tea, wheat, and wool.

2. **Energy:** coal, crude oil, and natural gas.

3. **Metals:** aluminum, copper, iron ore, lead, nickel, tin, uranium, and zinc.

Source: http://www.imf.org/external/np/res/commod/Table2.pdf

Figure 1.1
Evolution of Global Commodity Price Indices (2005=100)



Source: AfDB, IMF.
Note: Non-energy commodities include food and agricultural raw materials and metals.

The global supply of crude oil is likely to remain high during most of 2016. Besides higher-than-expected production from Organization of the Petroleum Exporting Countries (OPEC) producers, falling costs of the US shale-oil industry also present downside risks to the global oil market. Upside risks include the delayed implementation of the Iran Nuclear Agreement. This could stoke a rebound in prices, although the increase may not be sufficient to offset the impact of the current excess supply. Consequently, prices could remain depressed, as Figure 1.1 shows.

The recovery in the price of non-energy commodities is expected to be equally slow. Downside risks to prices include slower demand in China. For metal prices, upside risks include closures of high-cost mines and delays in bringing on-stream new cost-efficient production capacity. A recovery in global demand, especially in struggling Europe and slowing China, could boost prices in non-fuel commodities.

1.2.2 Short-Term Impact of Changes in Commodity Prices on Growth

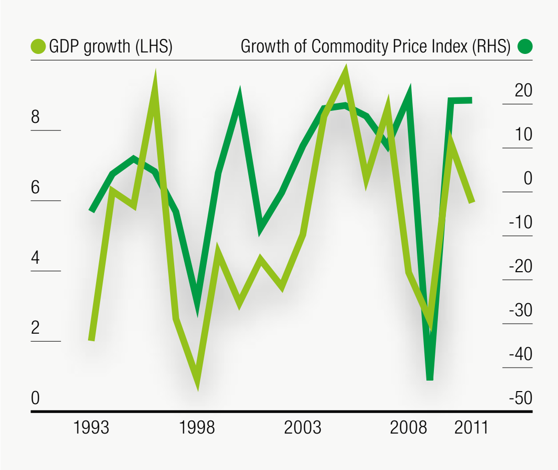
The effect of changes in commodity prices on output in Africa is presented in Figure 1.2, illustrating the evolution of growth in real GDP plotted against percent change in a composite index of commodity prices.

Figure 1.2 highlights co-movement between growth in real GDP and fluctuations in commodity prices. The effect of commodity price shocks on real GDP growth appears to be higher during downturns than in boom periods. This is true even after accounting for other global economic factors. Estimates by the Bank Group show that in the short run, a 1 percent change in the price index of all commodities translates into 0.15 percent growth in real GDP.

Furthermore, since commodity prices increased by an average of 6 percent from 2010 to 2014, this implies that a 0.9 percentage point gain in growth may be attributed to the commodity boom during this period. This accounts for 21.4 percent of Africa's average growth of 4.2 percent recorded during the same period. This figure also correlates with the McKinsey (2010) findings, that 24 percent of growth in Africa between 2000 and 2008 was from natural resources.

With such magnitude of the change in commodity prices on growth, the severity of the fall in commodity prices will depend on its duration and the strength of internal and external buffers countries built up during the boom period. In general therefore, countercyclical policy and adjustment measures may be required for affected countries in order to cushion the economy from a decline in domestic revenues generated by falling commodity prices.

Figure 1.2
Growth in Real GDP and Change in Commodity Price Index (Percent)



Source: AfDB.
Note: Sample of countries: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Congo, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Ghana, Guinea, The Gambia, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé & Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Zambia, and Zimbabwe.

1.3 Medium-Term Economic Prospects

Despite continuing challenges to global growth and volume of trade, growth in Africa is expected to remain favorable on the back of steady diversification, supported by public infrastructure investment. Growth performances will also continue to vary within the different regions of the continent.

Recovery in the global economy is expected to remain weak. Apart from the slowdown in China and other emerging markets, the protracted low commodity price environment continues to raise concerns on global growth in the medium term. The gradual rise in the US benchmark interest rate and prospects of further increases could lead to tightening of global financial conditions, which could result in higher borrowing costs for African countries. Growth in some emerging economies could also weaken, amplified by the slowing economy in China and deep recession in Brazil. Against this background, the global economy is projected to grow by 3.2 percent in 2016 and further strengthen to 3.5 percent in 2017.

Table 1.2

Real GDP Growth Outturn and Projections (percentage per annum)

	2014	2015(e)	2016(p)	2017(p)
Global Economy	3.4	3.1	3.2	3.5
United States	2.4	2.4	2.4	2.5
Eurozone	0.9	1.6	1.5	1.6
East Asia and Emerging Economies [(a)]	6.8	6.6	6.4	6.3
Latin America and Caribbean	1.3	-0.1	-0.5	1.5
Africa	3.7	3.6	3.7	4.5
Memorandum items				
Central Africa	6.1	3.7	3.9	5.0
Eastern Africa	6.5	6.3	6.4	6.7
Western Africa	6.0	3.3	4.3	5.5
Northern Africa	1.4	3.5	3.3	3.8
Southern Africa	2.8	2.2	1.9	2.8
Africa *(excluding Libya)*	4.2	3.7	3.8	4.5
Sub-Saharan Africa (SSA)	5.0	3.6	4.0	4.9
SSA *(excl. South Africa)*	5.9	4.2	4.7	5.6
Oil-exporting Countries	3.7	3.5	3.9	4.6
Oil-importing Countries	3.8	3.6	3.4	4.4

Source: AfDB Statistics Department and IMF (World Economic Outlook, WEO).
Notes: (a) Emerging and developing Asia in WEO's classification.
e: estimates. p: projections.

Despite these factors noted above, growth in Africa is expected to remain favorable. Real GDP is forecast to increase to an average of 3.7 percent in 2016 and further expand by 4.5 percent the following year. The continent's economic growth is poised to continue to outpace that of advanced economies, as well as of Latin America and the Caribbean. Only East Asian economies are likely to expand at a faster rate. In this regard, Africa is likely to maintain its position as the second fastest-growing regional economy in the world, but economic performance will continue to exhibit regional variations (see Table 1.2).

Consumer spending, especially in retail and other services, and public investment in infrastructure will remain key drivers of growth in Africa. Over the past five years, the construction sector (underpinned by large public infrastructure projects) has contributed about 3 percentage points to Africa's growth. The services sector (driven mainly by expansion in retail, financial, and information, communications and technology industries) has contributed about 2 percentage points. In comparison, the extractive industries (mining, quarrying, oil, and gas) accounted for about 1 percentage point. This shows that diversification is taking root in a number of countries, as sources of growth are not wholly anchored on the extractive industries.

Central Africa. Average growth is projected at 3.9 percent in 2016 and it is expected to expand further to 5 percent in 2017. The commodity price boom, which had fueled past growth in the region, is tapering off, and countries in the region must now search for alternative sources of growth. Public investment in infrastructure must continue apace to open up opportunities for private sector participation. Following successful presidential elections in Central African Republic, the peace dividend will be an important factor to underpin growth in the near term.

Eastern Africa. Economic growth is forecast to reach an average of above 6 percent over the next two years, higher than in other African regions. This growth forecast is anchored on strong manufacturing activity, buoyant consumer spending, higher intra-regional trade and continued investment in public infrastructure. Regional shocks, including the conflicts in Burundi and South Sudan, are the main downside risks to growth in the region. Generally favorable growth prospects in Rwanda and Ethiopia should continue to prevail even though the latter is experiencing renewed drought. The Ethiopian Government has, however, taken measures to avert a food and humanitarian crisis. Public infrastructure could be the main lever maintaining growth in 2016 at above 8 percent and 6 percent in Ethiopia and Rwanda, respectively.

Western Africa. Strengthening political stability in Côte d'Ivoire and the declaration of the end of the Ebola crisis in Guinea, Liberia, and Sierra Leone could provide impetus to the region's

Access to electricity allows school children extra time to study at home in Egypt.

economic performance. Average growth for the region is projected to recover to 4.3 percent in 2016, and increase further to 5.5 percent in 2017. Preserving these gains will therefore be key, especially in Côte d'Ivoire where growth in 2016 is projected at more than 8 percent. Guinea and Liberia are also projected to grow by 4 percent and 2.8 percent, respectively, in 2016, signifying the rapid recovery from the harsh effects of the Ebola outbreak. This underscores the importance of countercyclical interventions, which helped limit the impact of the Ebola crisis. In Nigeria and Ghana, the decline in commodity prices could further trim growth and constrain fiscal space for expanded social spending. On the other hand policy reforms are gaining momentum in Ghana, and the economy is projected to expand by 5.8 percent in 2016 and by 8.7 percent in 2017. In Nigeria, the authorities have also instituted wide-ranging measures to deal with the fiscal gap created by the decline in oil revenues and, to consolidate recent improvements in non-oil sectors. However, given the intensity of the oil-price shock, economic growth in Nigeria is forecast to be lower at 3.8 percent in 2016 before picking up the pace to 5 percent in 2017 as current fiscal measures initiated by the Government take effect.

Northern Africa. In this region, economic growth is expected to remain subdued in the medium term. Growth in the region is projected at 3.3 percent in 2016, increasing to 3.8 percent the following year. Foreign Direct Investment, especially in Morocco and Egypt, could be a core driver of this growth. However, the region remains immersed in post-Arab Spring fragility. High rates of youth unemployment and security concerns could be the main challenges to growth and social cohesion in the region. In particular, the tourism sector could experience further setbacks due to recent terrorist attacks in Egypt and Tunisia while the prolonged conflict in Libya also constitutes a risk to medium term economic recovery.

Southern Africa. Growth will continue to be affected by broad-based weakness in the region as the effects of the El Niño weather conditions permeate different sectors of the economy, especially those linked to the performance of the agriculture sector. Furthermore, nearly all countries in the region are exposed to the commodity price shock, which has led to steep depreciation of exchange rates in some countries. Other downside risks include persistent electricity supply shortages across the region, exacerbated by drought. In 2016, average growth in Southern Africa is projected to fall to 1.9 percent but recovery is forecast at 2.8 percent in 2017, the highest in three years. This recovery is predicated on the restoration of reliable electricity supply conditions following the completion of ongoing hydropower investment projects. Recovery is also dependent on the current fiscal consolidation measures in a number of countries taking hold. In South Africa, the region's largest economy, addressing structural challenges and restoring investor confidence will be critical stimulating growth and job creation, especially among the youth.

The Bank Group has an important role to play in assisting countries weather the headwinds buffeting the continent, especially those emanating from the fall in commodity prices and structural problems. The experience gained in dealing with the global financial meltdown and the recent Ebola crisis demonstrates the Bank Group's capability to deploy countercyclical measures in stabilizing internal and external macroeconomic and social conditions in Regional Member Countries (RMCs).

1.4 Macroeconomic Conditions: Performance and Prospects

In the medium term, fiscal and external imbalances will remain high, largely due to domestic factors and external shocks. In resource-rich economies, the persistence of the external current account deficit hinges on the duration of the decline in commodity prices.

1.4.1 Fiscal and External Account Positions

Generally, African countries have maintained sound fiscal and monetary policies, which have contributed to broad macroeconomic stability. However, as noted above, the unfavorable global economic environment threatens to reverse these gains as evidenced by a widening of both fiscal and current account deficits in 2015 (see Table 1.3). The increase in the fiscal deficit mainly reflects a fall in revenues due to a decline in commodity exports, coupled with an increase in capital expenditure.

For oil-exporting countries, a sharp fall in revenues poses the greatest risk to the budget. The fiscal deficit for this group of countries reached 8.1 percent of GDP in 2015 from 5.3 percent in the preceding year, and it is expected to remain at this elevated level in 2016 as the effects of lower oil prices continue to be felt. Similarly, the current account deficit for oil-exporting countries more than doubled to 7.3 percent of GDP in 2015 from 2.9 percent in 2014. Although the fiscal deficit for oil-importing countries also widened to 4.4 percent in 2015 from 4 percent the previous year, this is much lower than in their oil-exporting peers. For oil-importing countries, the increase in the deficit was mainly on account of lower revenues from non-oil commodity exports, especially minerals, whose prices also declined in 2015 but the impact was less severe than for oil-exporting countries. In 2015, the pass-through effect of low oil prices helped to limit the loss in export earnings of other commodities in oil-importing countries. As a result, the current account deficit narrowed marginally to 7.3 percent in 2015 from 7.9 percent in 2014.

In 2016, the current account deficit for net oil exporters is forecast to narrow to 6.4 percent, and tighten further to 5.4 percent of GDP in 2017. The improvement in the external account position is premised on slow recovery in commodity prices and improved foreign inflows. Similarly, in net oil-importing countries, the deficit is projected to narrow but will remain relatively elevated at about 6.4 percent between 2016 and 2017.

1.4.2 Inflation and Exchange Rates

The pressures felt on the fiscal and external account positions were not strongly reflected on the inflation front, largely due to contractionary monetary policy. Thus, in 2015, average inflation for Africa as a whole remained broadly stable at 7.3 percent compared with 7.2 percent recorded in 2014. In oil-exporting countries, average inflation rose to 8.8 percent from 8.2 percent in the previous year, mainly on account of exchange rate depreciations induced by the oil price shock. In oil-importing countries, the benefits of lower oil prices were reflected in the easing of average inflation to 5.2 percent in 2015 from 5.6 percent recorded in 2014. However, in some countries that depend on metal exports, the effect of lower oil prices was mitigated by the fall in prices of these commodities. This resulted in heightened inflationary pressures as decline in revenues from metal exports led to widening of the fiscal deficit and stoked depreciation in the exchange rates, which fueled inflation.

Table 1.3
Regional Macroeconomic Indicators

	2014	2015(e)	2016(p)	2017(p)
Fiscal Balance (Percent of GDP)				
Central Africa	-2.2	-4.2	-4.0	-2.9
Eastern Africa	-3.6	-4.6	-4.4	-3.7
Northern Africa	-11.1	-13.3	-12.1	-11.3
Southern Africa	-4.0	-3.9	-3.9	-3.8
Western Africa	-0.2	-2.9	-3.6	-3.3
Africa	**-4.8**	**-6.6**	**-6.5**	**-5.9**
Memorandum items				
Sub-Saharan Africa (SSA)	**-2.2**	**-3.7**	**-3.9**	**-3.5**
Oil-exporting countries	-5.3	-8.1	-8.1	-7.3
Oil-importing countries	-4.0	-4.4	-4.0	-3.6
External Current Account (Percent of GDP)				
Central Africa	-7.6	-10.2	-10.4	-10.6
Eastern Africa	-9.3	-8.9	-7.1	-7.2
Northern Africa	-5.1	-9.3	-7.5	-6.6
Southern Africa	-5.3	-6.1	-5.8	-5.6
Western Africa	-1.8	-4.6	-4.4	-3.2
Africa	**-4.8**	**-7.3**	**-6.4**	**-5.8**
Memorandum items				
Sub-Saharan Africa (SSA)	**-4.8**	**-6.5**	**-6.0**	**-5.4**
Oil-exporting countries	-2.9	-7.3	-6.4	-5.4
Oil-importing countries	-7.9	-7.3	-6.4	-6.3
Inflation (Percent Change in Consumer Prices)				
Central Africa	2.4	2.1	2.3	2.4
Eastern Africa	12.5	9.3	7.9	8.0
Northern Africa	6.4	7.6	6.3	6.7
Southern Africa	6.3	5.8	7.9	8.0
Western Africa	7.2	8.3	8.7	8.0
Africa	**7.2**	**7.3**	**7.2**	**7.2**
Memorandum items				
Sub-Saharan Africa	**7.6**	**7.2**	**7.8**	**7.6**
Oil-exporting countries	8.2	8.8	8.3	8.4
Oil-importing countries	5.6	5.2	5.6	5.6

Source: AfDB Statistics Department.
e: estimates; p: projections

In the medium term, inflation is expected to remain stable at 7.2 percent both in 2016 and the following year. This stability will be underpinned by a combination of fiscal consolidation measures and tight monetary policy, supported by persistently low oil prices. Although inflationary pressures are likely to ease for oil exporters, average inflation for this group of countries will be higher than their importing counterparts as shown in Table 1.3.

The policy responses to stem the effect of the weakness in domestic currencies varied considerably across different countries. In Ghana and Zambia for example, the authorities intervened in the foreign exchange market to smoothen short-term fluctuations in the exchange rate. The tightening of monetary policy by central banks in these countries supported the policy measures undertaken in the foreign exchange market. In 2016, the authorities in Ghana and Zambia will continue to monitor developments in the foreign exchange market and take appropriate stabilizing measures should further currency depreciations be observed. In Nigeria, the authorities introduced restrictions in the foreign exchange market to manage escalating demand amid reduced inflows. The Nigerian authorities have eased some of the restrictive measures introduced in 2015. The net effect of these measures will largely depend on the pace of the recovery in the price of oil in the year ahead.

1.5 Africa's Resilient Growth and Sustainable Development Goals

For shared prosperity, African governments need to make appropriate policy choices to accelerate structural change and foster employment creation. In this regard, enhancing resource mobilization is crucial for sustaining investment in critical growth enhancing sectors such as energy, and in financing efforts to tackle poverty and the effects of climate change.

Over the past decade and half, Africa's economic growth has been strong and resilient but has also been characterized by episodes of volatility. The remaining challenge is to ensure that growth is further strengthened, sustainable, and less volatile. This will hinge on stimulating structural transformation and fostering diversification away from the extractive sector. In this regard, African countries must make hard choices on the quality of investment by targeting growth-enhancing infrastructure projects rather than spending resources on unproductive public consumption. Ramping up public infrastructure development is essential for creating a conducive business and investment climate for a productive and competitive private sector.

Indeed, Africa's future economic growth will be driven by an active private sector that has the capacity to create jobs and be integrated into the global value chains. Current estimates show that the informal sector absorbs about 30 million of the young people entering the labor force annually and that about 85 percent of poverty in Africa emanates from subsistence agriculture and the informal sector. Thus, efforts to reduce poverty and foster inclusive growth must aim at creating conditions for the transitioning of Africa's small-scale businesses and subsistence farmers from a state of informality to productive economic activities that can generate decent jobs, especially for the youth, and raise incomes.

Students at the local organization in Liberia, *Keep Educational Engagement Project,* set up to provide education support to girls.

Box 1.2

Highlights of Progress Towards the Achievement of Selected Millennium Development Goal Targets

- Poverty declined in 24 out of 30 African countries for which data are available. However, sub-Saharan Africa still grapples with food deficiency, with about 25 percent of its population suffering from malnutrition.

- Overall, most African countries made significant progress in ensuring universal access to, and gender equality in, education. The net enrolment rate in primary education exceeded 90 percent in a number of countries including Algeria, Benin, Cabo Verde, Cameroon, Congo, Mauritius, Rwanda, South Africa, Tunisia, and Zambia. However, primary school completion rates were modest at 67 percent and the quality of education remains low.

- The quality of health outcomes improved in some countries with the under-five mortality rate declining across Africa from 146 deaths per 1,000 live births in 1990 to 65 deaths in 2012. This represents a reduction of almost 56 percent against the MDG target of 66 percent. Infant mortality rate fell from 90 deaths per 1,000 live births in 1990 to 54 deaths per 1,000 live births in 2014, an average decline of 40 percent against a target of 50 percent, albeit with wide variation across countries.

- On gender, the gap between men and women has also narrowed in political and leadership positions. Africa is leading the way in women's representation in national Parliaments across the world. The number of women in national Parliaments has grown annually by about 15 percent over 2000-2014.

- On maternal mortality, Africa still has the highest mortality ratio compared with the rest of the developing world, registering 289 maternal deaths per 100,000 live births in 2014 compared to the global average of 210 maternal deaths per 100,000 live births in 2013. Only a small number of countries have made clear progress towards improving maternal health. Notably, Cabo Verde, Equatorial Guinea, Eritrea, and Rwanda reduced the maternal mortality ratio by more than 75 percent between 1990 and 2013, thereby meeting MDG 5. Overall, Africa lags behind other regions in factors such as the proportion of live births attended by skilled health personnel, high adolescent birth rates, antenatal care coverage and family planning. These factors have contributed to the high maternal mortality ratio on the continent.

- The consumption of Ozone-Depleting Substances declined by 94 percent in Africa between 1986 and 2012, higher than the 86 percent average decrease in developing regions, but still below the 100 percent average for developed regions. In effect, most African countries are on the right track in terms of reducing consumption of these substances.

- Since 2000, about 25 percent of Africa's population has gained access to safe drinking water. However, this is the lowest figure globally. Low initial conditions and fast population growth account for this low rate of increase, and have challenged efforts, especially in sub-Saharan Africa. However, in Northern Africa, access to safe drinking water increased to 91 percent in 2015 from 72 percent in 1990.

Source: UNECA, AU, AfDB, & UNDP (2015). MDG Report 2015: Assessing Progress in Africa Towards the Millennium Development Goals.

Although the proportion of people living on less than USD 1.25 a day declined to an estimated 43 percent in 2014[1] from 56.8 percent in 1990, the absolute number of poor people increased to 420 million from 284 million over the same period. This means that the pace of poverty reduction was not sufficiently high to achieve the Millennium Development Goal (MDG) 1 of reducing poverty by half by the end of 2015 (see also Box 1.2 for highlights on progress towards achieving selected MDGs). Moreover, Africa's high poverty profile is exacerbated by inequality in income and along non-income dimensions: gender, sector, and geography.

Part of Africa's inability to halve poverty and meet most MDG targets stems from the fact that the prescriptions were not fully integrated into National Development Plans. Furthermore, Africa started from a position of disproportionately high level of poverty relative to other regions. This made the task of achieving the agreed MDG targets, especially on poverty, particularly onerous. Tracking progress has also been a major challenge due to a lack of reliable data recording.

Therefore, the endorsement of the SDGs in 2015 by Heads of State and Government is an invitation to rethink traditional development approaches in order to maximize impact. Crucially, and unlike the MDGs, the SDGs are broader in scope, giving greater flexibility for adjusting policy as conditions dictate. They also target underlying causes of poverty and inequality, and prescribe options on tackling different socio-economic and climatic problems in a systematic and broader context.

To achieve the milestones set out in the SDGs agenda, African governments must therefore identify the right policies, and sectoral and infrastructural synergies, to accelerate structural change and enhance productivity for employment creation and shared prosperity. However, in a financially constrained environment, the success of attaining these new ambitious goals will highly depend on enhancing resource mobilization capacity of African countries for investment in critical sectors such as energy, and in financing efforts to tackle the effects of climate change. In this regard, the Addis Ababa agenda on "Financing for Development" agreed upon in July, 2015 heralded a new impetus for innovative sources of financing development by galvanizing the international community to move from 'billions' to 'trillions'. This will be fortified through effective partnerships and enhanced policy dialogue, supported by evidence-based knowledge work alongside capacity building and innovation.

Note:

1. Poverty headcount data are obtained from World Bank's PovcalNet database until 2011. The 2014 statistics are based on AfDB estimates.

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Circle: Africa's response to energy poverty and climate change requires a carefully considered dynamic mix of conventional and renewable energy.
Background: Ouarzazate Solar Power Plant, Morocco.

Chapter 2
Energy and Climate Change: Implications for Inclusive and Green Growth in Africa

Chapter 2

Africa is capable of achieving universal access to energy services by 2025 while reducing the carbon intensity of growth, and cutting carbon dioxide (CO_2) emissions. The continent is endowed with vast renewable and non-renewable sources of energy, and with limited sunk costs in carbon-intensive energy infrastructures. Yet Africa is the continent that is most vulnerable to climate change, while having one of the lowest levels of access to energy in the world. The continent needs energy to grow and to improve the lives of its people. In Africa, 645 million people have no access to electricity, and 700 million have no access to clean cooking energy. Many people use biomass for cooking and 600,000 people die from the resultant indoor pollution. Lack of access means energy usage is insignificant compared with the more developed world. Per capita electricity consumption in Africa averages 181 kWh compared with 13,000 kWh in the United States and 6,500 kWh in Europe. Power cuts and energy bottlenecks add to the problem. Energy access must therefore be increased significantly if the continent is to meet the Sustainable Development Goals (SDGs), especially Goal 7 on universal access to affordable, reliable and modern energy services, and the reduction of CO_2 emissions. African governments must play an increasingly active role by allocating much more funding to the energy sector. It is also imperative to have an enabling environment in which the private sector can operate, either as Independent Power Producers (IPPs) or participants in public-private partnerships. To help expand energy access, the Bank is rallying the continent by spearheading a number of initiatives, especially the New Deal on Energy for Africa that it proposed in September 2015. It is also working on a process that will speed up structural transformation through increasing access to energy. It has initiated processes of working with partners on the New Deal on Energy and also created the Transformative Partnership on Energy for Africa. The goal is to light up and power Africa by 2025. The New Deal on Energy would speed up access to energy, driving inclusive and green growth, and boosting industrialization. It would promote regional power pooling, improve agriculture productivity, and spur job and wealth creation. At the same time, it will work to avoid increasing CO_2 emissions while increasing energy access.

This chapter presents the theme for the Bank Group's 2015 Annual Report, entitled *Energy and Climate Change: Implications for Inclusive and Green Growth in Africa.* The chapter reflects on how Africa can accelerate universal access to energy services and still adapt to climate change and cut CO_2 emissions. The first section discusses the importance of investment in energy infrastructure through its contribution to inclusive growth in Africa. The second section deals with energy access challenges and opportunities for expanding supplies to achieve inclusive and green growth. The third section focuses on the Bank's operational and strategic agenda on climate change and energy. The measures required to facilitate a larger rollout of modern energy for inclusive and green growth are discussed in the fourth section. The final section looks at strategies for fostering sustainable energy supply.

2.1 Energy and Structural Transformation for Inclusive Growth in Africa

Africa is lagging behind in inclusive growth, partly because of the dualistic nature of its economies, where so much activity and employment in the informal sector is casual and poorly paid. For structural transformation to succeed, the traditional agricultural and informal urban sectors need significant technological and institutional upgrades. Energy infrastructure is a key enabler of structural transformation and inclusive growth.

Structural transformation is an important driver of inclusive growth. As noted in Chapter 1, poverty reduction in Africa has been slow compared with the rest of the developing world and has fallen short of the Millennium Development Goal of reducing poverty by half by the end of 2015. The structure of Africa's economies is the main cause of this variance. African countries have a dual economic system—a traditional and subsistence economy, and a modern and rapidly growing economy, with few linkages between them. Close to 70 percent of the labor force is employed in the traditional economy, which includes the agricultural sector in rural areas, and the informal sector in urban areas. In some middle-income countries with relatively advanced and better-organized economic systems, unemployment, particularly among the youth, is also high and chronic. Both types of economic models need to start a process of structural transformation by adopting basic technology and continually upgrading the technology ladders to reverse these trends.

Energy infrastructure is a key enabler of structural transformation. A key lever to Africa's ability to deliver structural transformation for inclusive growth and achieve the SDGs is universal access to affordable, reliable, sustainable and modern energy, both in the home and at the workplace. Such access can help companies penetrate new markets, enable farmers to diversify their income sources, and support agro-processing industries that link agricultural producers to national, regional and global markets. Consistent and steady supplies of energy are essential for the processing of natural resources, such as aluminum, copper, iron and nickel. However, energy poverty remains a major challenge and a considerable gap exists between what is available and what is required to achieve transformation.

2.2 Energy Challenges and Opportunities for Inclusive and Green Growth in Africa

The opportunity costs of the lack of access to modern energy are numerous and include poor agricultural yields and incomes, poor health and educational outcomes, and missed life and business opportunities. However, strategies for expanding energy access should integrate climate-change concerns to generate structural transformation for green growth. Energy resources are more than enough to meet Africa's needs and the continent has major potential for renewable energy—hydro, solar, wind, and geothermal power. Large energy projects have already been installed in some countries. They include continuing efforts in Central Africa to add a third dam (Inga III) of 4.8 Gigawatts (GW) and major hydropower investments in Ethiopia.

2.2.1 Low Access to Modern, High Quality, and Reliable Energy in Africa

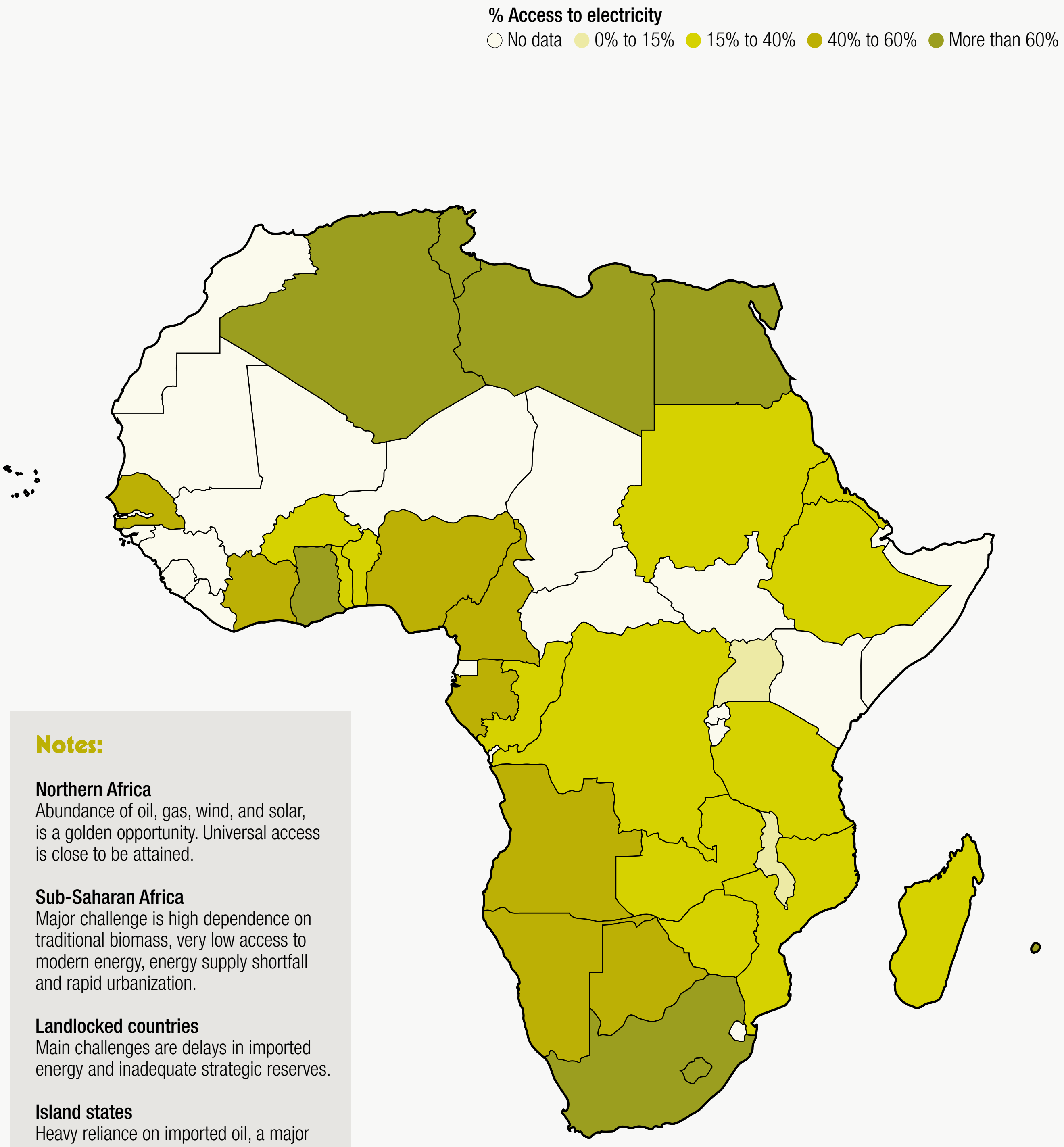
Africa's primary energy demand and final consumption remain relatively low. Energy access and security are at a very low level on the continent. In 2015, Africa's primary energy demand stood at 795 million metric tons of oil equivalent (Mtoe) while total final energy consumption is 577 Mtoe.[(1)] This represents about 6 percent of the share of global primary energy demand and total final energy consumption of 13,898 Mtoe and 9,352 Mtoe, respectively, which is relatively low.[(2)] There is a stark disparity in Africa's energy use compared to that of other regions of the world. Energy use per capita is one-third of the average across the world (2.1 metric tons of oil equivalent per capita) and only half the level of developing Asia, the world's second most energy-poor region.[(3)] However, Africa's total final energy consumption is projected to show cumulative growth of 68 percent between 2007 and 2035, rising annually by 1.8 percent, higher than the expected global average increase of 1.4 percent.[(4)]

Bioenergy dominates primary energy demand and final consumption. The composition of primary energy demand and final consumption in Africa is driven largely by resource endowments and the costs of supply and generation capacity. In Africa, bioenergy is dominant in the energy mix, accounting for about half of total energy use, in contrast to a proportion of about a tenth at the global level.[(5)] Four out of five people in Africa rely on solid biomass for cooking, typically with inefficient stoves in poorly ventilated spaces.[(6)] The extensive use of firewood and charcoal causes deforestation, land degradation and change of land-use, and adds to greenhouse gas (GHG) emissions. One-fifth of global emissions associated with land-use changes originate in Africa.[(7)]

Fossil fuels dominate modern energy consumption. In line with previous trends, fossil fuels such as oil, gas, and coal accounted for about 50 percent of consumption in 2015, and dominated modern energy use in Africa.[(8)] Though high, this is nevertheless better than the global average proportion of 80 percent.[(9)]

All sectors are potentially constrained by lack of energy. In Africa, economic development is at an early stage, and 67 percent of total energy-use occurs in the residential sector compared with an average of 25 percent in other developing countries.[(10)] The transport sector accounts for only 11 percent of final energy consumption while productive uses (including industry, agriculture and services) together account for only 21

Map 2.1
Access to Electricity in Africa



Notes:

Northern Africa
Abundance of oil, gas, wind, and solar, is a golden opportunity. Universal access is close to be attained.

Sub-Saharan Africa
Major challenge is high dependence on traditional biomass, very low access to modern energy, energy supply shortfall and rapid urbanization.

Landlocked countries
Main challenges are delays in imported energy and inadequate strategic reserves.

Island states
Heavy reliance on imported oil, a major challenge that leads to a high cost of energy supply.

South Africa
Despite having the largest energy system, South Africa is grappling with ensuring an adequate energy supply in electricity.

Source: AfDB (2014) Development Effectiveness Report on Energy.

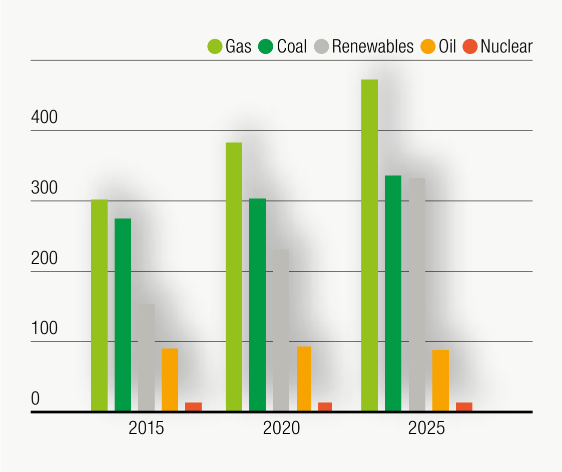
percent.[11] The share of energy consumption in transport and productive uses in the continent is much lower than in other regions of the world. For instance, transport accounts for 27 percent globally and 33 percent in Organisation for Economic Co-operation and Development (OECD) countries, while industry alone accounts for 30 percent globally and 48 percent in China. Electricity comprises just 10 percent of Africa's total final energy consumption, compared with 18 percent globally, and 22 percent in China and OECD countries.[12]

Access to electricity in Africa is low and variable. Africa, which accounts for 16 percent of the world's population, is ranked among the lowest in the world in terms of access to electricity, with 645 million people without access. Nearly 80 percent of people lacking access to electricity across sub-Saharan Africa are in rural areas.[13] As noted, 700 million people have no access to clean cooking energy. The electrification disparities between African countries are also wide (see Map 2.1). In the Democratic Republic of Congo, Liberia, Malawi, and Sierra Leone, fewer than one in ten people have access to electricity.[14] As noted, per capita power consumption in sub-Saharan Africa (excluding South Africa) is the lowest among all continents, and is estimated at 181 kWh per annum, compared with 6,500 kWh in Europe and 13,000 kWh in the United States.[15] On average, electricity consumption per capita is less than what is needed to power a 50-watt light bulb continuously.[16]

Electricity generation capacity in Africa is low. Installed grid-based power generation capacity in Africa has been steadily increasing, reaching 194 GW in 2015.[17] Estimates suggest that gas-fired generation capacity is now 38 percent of the continental total, followed by coal-fired (24 percent), oil-fired (18 percent), renewables including hydropower (17 percent), and nuclear (1 percent).[18] Figure 2.1 portrays actual electricity generation by fuel type.

Power cuts reduce production and slow down growth. Power shortages cost Africa 12.5 percent in lost production time, compared with 7 percent in South Asia. The cost to industry of power cuts is even lower in other regions of the world. More than 30 African countries experience frequent power cuts and load shedding. Resultant opportunity costs amount to as much as 2 to 4 percent of Gross Domestic Product (GDP) annually, and undermine sustainable economic growth, jobs and investment.[19] The lack of reliable grid electricity in many countries often compels companies to use expensive diesel generators that cost about USD 0.40 per kilowatt-hour.[20] The high cost and erratic supply makes doing business in Africa more expensive, with damaging consequences for economic growth, investment and tax revenues.[21]

Figure 2.1
Total Electricity Generation in Africa, by Fuel Type, 2015-2025 (TWh)



Source: International Energy Agency (2014; 2015)

Lack of access to modern energy hampers progressive social outcomes. Agricultural production and productivity in Africa are constrained by limited access to modern energy services. Power is needed for irrigation, agriculture mechanization (e.g. land preparation, cultivation and harvesting), post-harvest storage and processing, and transport facilities. Energy is needed to pump, transport, treat, and distribute water, particularly in the production of drinking water through the use of desalination, and water and waste-water treatment plants. Lack of electricity in over 90 percent of Africa's primary schools is a factor in children's educational under-performance.[22] This undermines their educational outcomes and life chances that lead to productive lives. The health-care sector is also affected because uneven power supply and power cuts prevent the use of life-saving equipment and the refrigeration of medications. In the home, people are forced to use stoves, which are often not just inefficient but harmful—indoor pollution causes an estimated 600,000 fatalities each year,[23] half of whom are children under the age of five years. In many rural areas, where electricity is either unavailable or unaffordable, efficient cooking stoves are often the only alternative way to mitigate the dangers (see example in Box 2.1 of Ghana's Toyola Energy Limited, which promotes efficient cooking stoves).

Box 2.1

Ghana's Toyola Energy Promotes Efficient Cooking Stoves

Most urban households in Ghana cook on charcoal, using inefficient, polluting stoves. Toyola Energy was set up in 2006 to supply efficient charcoal-burning Coalpot stoves and other energy systems to low-income households in Ghana. The Coalpot stove is made in five different sizes. The domestic sizes range from 270 to 360 mm top diameter and their cost ranges from GHC 10 to 12 (USD 6.60 to USD 8). The commercial sizes range from 460 to 510 mm top diameter and their cost ranges from GHC 40 to 50 (USD 26 to USD 33). All retail prices are subsidized by carbon finance. Toyola gives up to two months credit to its direct customers, and to its dealers and sales agents who can pass the credit on to their customers. Seventy-five percent of customers use credit, 20 percent pay cash, and the rest pay through barter. About one-third of credit customers use a "Toyola money box" to reserve their savings on charcoal, and use this money to make their credit payments. Charcoal savings have been assessed using kitchen performance tests with the same households using their original stove and a medium-sized domestic Coalpot. The Coalpot was found to save one-third of charcoal, an average of 0.5 kg per day. Thus, the stoves currently in use are saving about 26,000 metric tons of charcoal each year, which saves on the use of wood to make charcoal.

Source: www.ashden.org/winners/toyola11

2.2.2 The Climate Change–Energy–Structural Transformation Nexus

Climate change affects energy systems. Climate and energy are intrinsically linked, and changes in one are likely to affect the other. Climate change affects energy resource endowments, production, infrastructure and transportation. Droughts or floods can severely affect water inflows, which can have a knock-on effect on the power generation capacity of energy production units. When it comes to production, four major challenges arise: reduced productivity in hydropower, shortage of cooling water for thermal power plants, reduced availability of traditional biomass, and reduced yields for bioenergy projects. Climate concerns will impose a new set of conditions on the design, operation, and maintenance of existing and planned infrastructure.

Energy systems affect climate change. On the other side, an increase in energy usage and output has the potential to affect climate change, hence the climate change–energy nexus. The predominant use of non-renewable energy, such as oil and coal, and traditional wood-based energy, such as charcoal and biomass, increases CO_2 emissions that contribute to climate change. Energy intensity of GDP and carbon intensity of energy systems continue to drive GHG emissions globally. GHG emissions from the energy sector represent roughly two-thirds of all human-created GHG emissions, and CO_2 emissions from the sector have risen over the past century to ever higher levels.[24] Effective action in the energy sector is needed to tackle climate change.

Africa's action on climate and energy is aligned with global action. As the most vulnerable continent, Africa pressed for a binding Agreement at the 2015 United Nations Framework Convention on Climate Change Conference of Parties (UNFCCC COP21) climate negotiations held in Paris. The resultant Paris Agreement on climate change committed to emissions reductions consistent with staying well below the 2°C threshold and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Scientific evidence suggests that, if global average temperatures increase beyond 5°C, large areas of sub-Saharan Africa would not be able to grow crops such as sorghum, millet, and maize. Longer and more severe droughts could occur in some areas. In others, productivity levels would be lower as a result of unpredictable rainfall and/or flooding, induced by global warming. While Africa must also adapt, global activities that reduce CO_2 emissions will be central to the success of the Paris Agreement.

Address the climate change–energy structural transformation nexus. Africa is ranked as the lowest contributor to global CO_2 emissions compared with other continents (below 4 percent). However, increased economic activities have increased its carbon footprint over the past decade.[25] This trend is likely to continue as African countries seek to expand energy supply to sustain increased economic production and meet the needs of its growing middle class and wider populations.[26] To remain on the path to green growth, Africa will have to address the climate change energy problem.

Decouple African GDP from fossil fuels. Given Africa's heavy reliance on fossil fuels, global agreements on climate change are set to adversely affect its structural and industrial transformation

Hydropower Project, Sierra Leone.

by seeking to constrain and penalize fossil fuel combustion. Over time, and with a careful strategy for guaranteed universal access to energy, Africa will need to decouple its GDP from fossil fuels. This is achievable if sustainable ways can be found to significantly reduce the energy intensity of GDP and the carbon intensity of energy systems in the continent. For the first time in at least 40 years outside of an economic crisis,[27] the global economy grew by around 3 percent in 2014, but energy-related CO_2 emissions stayed flat. The drop in energy intensity of the global economy stemmed from improved energy efficiency and structural changes in some economies, such as China.[28] In the same spirit, Africa could initially consider the pursuit of practical measures to improve energy efficiency in the industry, building and transport sectors, e.g. retrofitting buildings, transforming industrial production processes, and deploying more efficient transport systems.[29]

Reduce the carbon intensity of African energy systems. Without necessarily compromising its agenda for universal access to energy, Africa should emulate China's new proactive role on climate change. Existing models show that the externality costs of the path of "grow first and clean up later" are economically, socially, and environmentally unsustainable.[30] Africa should therefore look to "smart" growth, which saves it from costly future environmental externalities.[31] Initially, Africa can use the clean technologies which are being developed to reduce emissions from fossil fuels released into the atmosphere, e.g. chemically washing minerals and impurities in coal-fired electricity generation, and carbon capture and storage technologies to capture CO_2 from flue gases. In due course, Africa can meet most of its future energy needs from renewable sources, thereby allowing for such actions as a gradual reduction in the use of the least-efficient coal-fired power plants and a ban on the construction of new ones.[32]

Flooding—Direct Impacts of Extreme Events in Niger.

Africa needs financial and technological support to deal with energy and climate-change issues. Given Africa's climate vulnerability and relatively clean record on CO_2 emissions, the onus is on the international community to support the continent. Some African countries have already received support from the Clean Technology Fund, which provides resources to scale up the demonstration, deployment and transfer of low-carbon technologies with a significant potential for long-term savings in GHG. In addition to other such funds, Africa should receive the funding pledged under the Paris Agreement. International climate-change regimes and values should be characterized by equity, and should provide funding and technology transfer mechanisms that reach the most vulnerable countries. Accordingly, climate adaptation must be mainstreamed into Africa's development path. The continent will generally need to take advantage of the synergies between energy infrastructure investments and climate financing at the global level to push its agenda for universal access to energy.

2.2.3 Africa's Energy Potential can Support Structural Transformation for Inclusive Green Growth

Africa is capable of achieving universal access to energy services by 2025, while reducing the carbon intensity of growth and lowering its contribution to global CO_2 emissions. The continent is endowed with vast renewable and non-renewable sources of energy, and with limited sunk costs in carbon-intensive energy infrastructure. This provides the potential for cost-effective integration of low-carbon options into the energy mix. There are well over 10 Terawatts (TW) of solar potential, 350 GW of hydroelectric potential, 110 GW of wind potential and an additional 15 GW of geothermal potential.[33] These are supplemented by coal and gas that offer some of its cheapest electricity. Primary energy sources are more than enough to meet Africa's needs in the long run.

Opportunities exist for Africa to add value to commercial energy and meet domestic demand. Africa is a net exporter of commercial energy and produces 7 percent of the world's total.[34] However, the continent is a net importer of refined petroleum fuels. Potential economic value creation is lost, given that crude oil refining could generate downstream economic activity and create jobs. Also, shipping of crude oil across the world and importing refined fuels wastes energy and increases CO_2 emissions. Africa can add value by building refineries to meet domestic demand.

Africa can capitalize on opportunities associated with climate change. The response to climate change offers the continent an opportunity to drive the economic transformation that it needs: climate-resilient transformation includes low-carbon development that boosts growth and bridges the energy deficit, while reducing poverty. The Intended Nationally Determined Contributions (INDCs) have provided African governments with a vehicle to set out their ambition for the transition to development. All African countries prioritized energy in their INDCs as one key sector through which they can achieve low-carbon and climate-resilient development. As a result, the continent's responses to climate change require pragmatic choices of suitable energy mixes that meet development needs, while still reducing CO_2 emissions.[35]

Africa is set to embrace renewable energy for additional generation capacity. Renewable projects can improve energy security by reducing the reliance on imported fuels and diversifying the power mix. The introduction of such projects can be expedited through decentralization. Renewables can also provide access to remote and unserved populations. Hydropower has an important part to play in the deployment of other renewable energy systems. Climate-change impacts and other adverse environmental and social factors would require mitigation. Renewable energy resources are expected to constitute about 50 percent of new power generation capacity to be built in sub-Saharan Africa by 2040. The share of other renewables (excluding bioenergy) in the total energy mix is expected to increase from less than 2 percent to 9 percent by 2040.[36]

Examples of best practice exist on the continent. Several African countries have already embarked on ambitious programs that integrate climate action with sustainable development, and are funding them with their own resources. Ethiopia's Climate-Resilient Green Economy Strategy aims to achieve middle-income-country status by 2025, while developing a green economy where one of the pillars is expanding renewable electricity generation. This should enable the country to leapfrog to energy-efficient technologies in transport, industry, and buildings.[37] Another example is Rwanda. Its climate-resilient, green-growth approach combines sustainable, wealth creation and poverty reduction measures, and includes one of the world's most ambitious renewable energy strategies, with a target of 50 percent of power generated from renewable energy by 2017, from a base of just 4 percent in 2008.[38]

Azito Power Expansion Project, Côte d'Ivoire.

Solar Panel Electricity Generation, Madagascar.

Africa is already investing in more energy generation. These instances of best practice are not isolated. Large energy projects have already been implemented in many countries to enhance energy provision.[39] In Central Africa, there are ongoing efforts to add a third dam (Inga III) of 4.8 GW, under the Grand Inga continental flagship project—a multi-phase hydropower station to be built on the Congo River. The targeted generation potential is approximately 44 GW. Ethiopia has also invested heavily in large-scale hydropower public investments—the Beles II (460 MW), Gilgel Gibe II (420 MW), Gilgel Gibe III (1.87 GW) and the Grand Renaissance (6 GW) dams. The Lake Turkana Wind Power Project in Kenya, which will be one of the largest wind farms in Africa when completed, is constructing a 428-km publicly owned transmission line needed to add 300 MW of power on the Kenyan grid. The Noor I Concentrated Solar Power plant in the Sahara Desert is the first phase of a large solar thermal power plant that is intended to generate 160MW of electricity to benefit more than 1 million people in Morocco.

New business models attractive to the private sector are emerging. As well as the large energy projects, innovation is taking place through smaller energy projects. Innovative companies responding to household demand for lighting and power are driving the renewables revolution from below.[40] An example is M-KOPA in Kenya, which has used a combination of solar and mobile technology to bring affordable solar technologies to off-grid villages. Solar power is now available through home systems paid for through a combination of low deposits and installments rather than the full retail price of USD 200 in one go. These transactions are supported by the mobile-phone payment method M-Pesa, an innovative money-transfer system. In electricity supply, these innovations combine to replicate how mobile phones usage developed in Africa, leapfrogging landline installations. People are able to access off-grid renewable energy immediately instead of waiting for a grid connection.

2.3 The Bank's Operational and Strategic Agenda on Climate Change and Energy

The Bank plays a catalytic role in financing and leveraging additional resources, including concessional climate financing from global funds. It supports both Regional Member Countries (RMCs) and Regional Economic Communities (RECs), through *prioritizing the development of the regional energy infrastructure. Under the Climate Change Action Plan, it supports the RMCs in their quest for climate-change adaptation and mitigation, and hosts special interventions such as the African Renewable Energy Initiative. The Bank is rallying the continent, particularly through the proposed New Deal on Energy for Africa, to support universal access to energy.*

2.3.1 Responding to the Climate Change Challenge

The Bank supports climate adaptation and mitigation in Africa. Under the Climate Change Action Plan (CCAP) (2011–2015), the Bank helped member countries strengthen their capacity for climate-change adaptation and mitigation. This involved the mobilization of resources from existing and proposed sources of climate finance, the private sector, and market mechanisms. (The Bank's interventions in 2015 are described in Chapter 3, Section 3.2 and Chapter 4, Section 4.2).

The Bank played a coordinating role around the COP21 processes. The Bank played a significant role in the lead up to the COP21 negotiations. It co-sponsored the Africa Pavilion in Paris to amplify Africa's voice on climate change from a common standpoint. The Bank also fully supported the Africa Adaptation, and Loss and Damage Initiative, launched in Paris.

The Bank's climate funding will triple to USD 5 billion per year. The Bank has successfully channeled climate finance from global facilities. This includes the Scaling-Up Renewable Energy Program for Low Income Countries (SREP), and the Clean Technology Fund (CTF). These are programs under the aegis of Climate Investment Funds (CIF), as well as from the Global Environmental Facility and the Sustainable Energy Fund for Africa (SEFA). The Bank has announced a commitment to triple its climate finance to reach USD 5 billion per year by 2020, in alignment with the Paris Agreement and the SDGs. Under the second phase of the CCAP (2016-2022), INDCs by African countries will largely influence the Bank's climate change related interventions on the continent.

2.3.2 Support to the Energy Sector

The Bank's lending to the energy sector exceeded USD 1 billion. These lending interventions are guided by the Bank's Energy Sector Policy. AfDB has an active energy portfolio of over USD 11 billion. Lending to energy sector projects, both public and private, exceeded USD 1 billion in 2015. Resources committed to energy by the Bank have contributed to an estimated 145 million people gaining access to electricity since 2000. Over three-quarters of the energy portfolio supports public sector projects. The portfolio is composed largely of generation projects, as well as distribution projects and support for regional energy interconnections. Further details about the Bank's recent operations in the energy sector are provided in Chapter 3, Section 3.2.

The Bank hosts special large energy projects. In addition to these broader initiatives, the Bank hosts the Sustainable Energy for All (SE4ALL) Africa Hub in partnership with the African Union Commission, NEPAD and the United Nations Development Programme (UNDP). It also hosts the Secretariat of the African Energy Leaders Group. The Bank Group is one of the architects of the Programme for Infrastructure Development in Africa (PIDA), and a key financier for the PIDA Priority Action Plan. It is also actively engaged in the new Africa Renewable Energy Initiative (AREI), and is expected to play a key implementation role (Box 2.2). The Bank cooperates with key stakeholders in the energy sector, such as the World Bank Group, the European Commission, and bilateral donors including the USA (especially through the Power

Box 2.2
AfDB to Support the African Renewable Energy Initiative

Africa launched the African Renewable Energy Initiative (AREI) on the sidelines of the Conference of Parties (COP21) in December 2015 in Paris. The initiative's overarching goals are to help achieve sustainable development, enhanced well-being and sound economic development by ensuring universal access to sufficient amounts of clean, appropriate and affordable energy. The initiative aims to produce 300 GW of electricity for the continent by 2030. In addition, the project's goal is to help African countries leapfrog current systems towards renewable energy, particularly those that support low-carbon development strategies while enhancing economic and energy security. The initiative is expected to deliver 10 GW of new and additional renewable energy generation capacity by 2020 and later mobilize potential to generate at least 300 GW. The AREI complements the Bank's proposed New Deal on Energy for Africa that has the target of universal access to energy by 2025.

Africa Initiative launched by US President Obama, which have helped projects expected to generate over 4,300 MW of new, cleaner electricity), the UK, France, Germany, and multilateral agencies such as the International Renewable Energy Agency (IRENA), among others. The Bank works with the United States Agency for International Development (USAID) and the Swedish International Development Cooperation Agency (SIDA) on the provision of co-guarantees.

The proposed New Deal on Energy for Africa. In addition to hosting special large energy projects, the Bank and its partners articulated the New Deal on Energy for Africa.[41] The goal of the New Deal on Energy is universal access to energy in Africa by 2025. At the same time, it aims to decouple Africa's economic productivity from CO_2 emissions in line with the SDGs. Universal access to energy by 2025 requires connecting 205 million households and almost doubling grid generation capacity.[42] To drive and achieve this goal, the Bank has worked with governments, the private sector, and bilateral and multilateral energy sector initiatives to develop and launch a Transformative Partnership on Energy for Africa—a platform intended for Public-Private Partnerships for innovative financing in the continent's energy sector. The New Deal on Energy is designed to coordinate and build on existing and emerging initiatives, which are not always fully aligned with each other, to achieve impact, scale, and speed. The New Deal on Energy is designed to focus on five interrelated and mutually reinforcing principles: raising aspirations to solve Africa's energy challenges; establishing the Transformative Partnership on Energy for Africa; mobilizing domestic and international capital for innovative financing in Africa's energy sector; supporting African governments in strengthening energy policy, regulation and sector governance; and increasing the Bank's investments in energy and climate financing (see Box 2.3).

The specific goal of the New Deal on Energy is to add 160 GW of new generation capacity via the grid, deliver 130 million new grid connections and 75 million off-grid connections and increase access to clean cooking energy for around 130 million households.[43] The New Deal on Energy will play a catalytic role in accelerating structural transformation in the energy sector for inclusive green growth in Africa. It will also help unlock the potential for industrialization and wealth creation, agricultural transformation, regional power pooling to

Box 2.3

What Underpins the New Deal on Energy?

1. **Raising aspirations to solve Africa's energy challenges.** The New Deal on Energy calls on partners to raise aspirations and mobilize the political will and financial support to solve Africa's energy challenges. This is a pre-requisite for achieving the SDGs, and for implementing the global climate-change deal reached at the UN Summit (COP21) in Paris in December 2015.
2. **Establishing a Transformative Partnership on Energy for Africa.** The New Deal on Energy will be implemented through a partnership designed to provide a platform for coordinated action among partners (private and public) and for innovative financing. The Partnership will unlock Africa's energy potential, and eventually foster a transition to low-carbon energy futures. It will help reduce duplication and pool resources to achieve economies of scale in Africa's energy investments.
3. **Mobilizing domestic and international capital for innovative financing in Africa's energy sector.** To achieve universal access by 2025, innovative mechanisms are required to mobilize an additional USD 40 to 70 billion annually in domestic and international capital. This is a significant increase on the USD 22.5 billion invested in the sector in 2014. Achieving this scale of energy financing requires collective action by all stakeholders—public and private—to create enabling conditions for financial flows, to develop bankable projects, reform utilities, and enhance African countries' absorptive capacities.
4. **Supporting African countries in strengthening energy policy, regulation and sector governance.** The New Deal on Energy will build on, and further scale up the Bank's investments in the "soft" infrastructure of national governments and institutions, to enhance energy policies, regulations, incentive systems, sector reforms, corporate governance, and transparency and accountability in the energy sector.
5. **Increasing the African Development Bank's investments in energy and climate financing.** Between 2011 and 2015, AfDB invested some USD 6 billion in the energy sector. Under the New Deal on Energy, the Bank will increase its investments to provide finance and guarantees, co-financing and syndication. Between 2016 and 2020, the Bank will invest about USD 12 billion and leverage about USD 50 billion in public and private financing for investments in the energy sector. In addition, it will triple its climate finance to about USD 5 billion per annum, and leverage about USD 20 billion in private and public sector investments in climate mitigation and adaptation by 2020.

Source: AfDB (2016).

integrate energy supply in Africa, and job creation, ultimately improving the quality of life for Africans.

The New Deal on Energy will leverage financing for energy. The New Deal on Energy must close the finance gap of USD 55 billion a year in sub-Saharan Africa. Potential sources of funding include domestic tax revenue, official development assistance, and other sources such as funds recovered from stemming illicit financial flows out of Africa. Multilateral Development Banks (MDBs) such as the African Development Bank, the World Bank and bilateral finance agencies, could also leverage their balance sheets with greater co-financing arrangements and the use of partial risk guarantees for public and private sector investors. By focusing on project development, pipelines of bankable projects can be developed for financing from the Africa50 Fund (see Chapter 5, Section 5.2.5 for more details on the Africa50 Fund).

2.4 Measures to Facilitate a Rollout of Modern Energy for Inclusive and Green Growth

The Bank has already embarked on a path that demonstrates its commitment to rolling out modern energy for inclusive and green growth. Ways to overcome existing obstacles and thereby expand energy supplies for inclusive and green growth include: setting up the right enabling policy environment; equipping utility companies for success; increasing the number of bankable energy projects; increasing the funding pool to deliver new projects; funding "bottom of the pyramid" energy access programs; accelerating major regional projects and driving integration; and rolling out waves of country-wide energy "turnarounds". What the existing and emerging projects and programs have lacked, and urgently need, is sufficient, innovative, and appropriate financing. They also need to be bankable and supported by appropriate policy and regulatory environments, pricing incentives and coordination in order to increase the scale and speed at which energy is provided to the continent.

This section of the Report outlines the measures required to facilitate a larger rollout of modern energy for inclusive and green growth through principles espoused in the proposed New Deal on Energy for Africa in identifying and overcoming the obstacles to universal access. The New Deal on Energy has identified seven strategic themes, each of which is supported by a series of flagship programs that the Bank intends to launch.[44] These areas are outlined below.

- **Setting up the right enabling policy environment.** A range of critical interventions for the removal of abstacles to universl access to energy include the following: advising and supporting governments on setting up efficient sector regulation and governance, focusing on cost-reflective tariffs, building credible counter-parties, and ensuring appropriate risk allocation. Energy efficiency policies curb inefficient consumption while safeguarding essential supply. Therefore adoption of energy efficiency and saving measures is a key enabler to power sector decarbonization. In some cases, these policies will need to be complemented by other power sector reforms to facilitate the transition to low-carbon technology and maintain system reliability. The required reforms will mostly be around sector deregulation and price policies to attract private sector investment in the energy sector. This has successfully happened in the information and telecommunications sector with transformational results. In particular, African governments need to consider a gradual withdrawal of subsidies to loss-making power utilities and oil-based products such as kerosene and other fuels, then redirect them to productive energy investment, social protection and targeted connectivity for the poor. African governments could bridge the energy investment gap if they channeled approximately 2-3 percent of GDP, corresponding to 7.5-10 percent of fiscal revenues.[45] On the production side, for example, the challenges facing oil and gas operations in Africa continue to be varied and numerous e.g. fraud, corruption, theft, limited infrastructure, protectionist governments, and lack of skilled resources, among others. Regulatory uncertainty and delays in passing enabling laws continue to severely inhibit sector development in many countries around the continent.

- **Enabling utility companies for success.** Power sector utilities constitute a major fiscal burden for many countries. Utilities will need technical assistance to enable restructuring (privatization and concession) for improvement (loss reduction and revenue recovery). This would help to streamline the overly centralized and inefficient energy systems, dominated by publicly run energy utilities. Additionally, the governance of power utilities has been identified as being at the heart of Africa's energy crisis. Therefore, reform remains essential to allow them to capitalize on investment and the low-carbon technological innovation. Two components lie at the heart of creating more efficient and stable energy markets: unbundling power generation, transmission and distribution is one, and privatization is the other. South Africa provides a good example through its Renewable Energy Independent Power Producer Procurement Programme launched in 2011 (see Box 2.4).

Box 2.4

South Africa's Renewable Energy Independent Power Producer Procurement Programme

The Renewable Energy Independent Power Producer Procurement Programme is a flagship project of the Department of Energy launched in August 2011 to contribute towards the renewable energy power generation target, and to stimulate the renewable industry in South Africa. A total of 5,243 MW across the four Renewable Energy Bid Windows has been procured from 79 Independent Power Producers (IPPs) in less than four years. This represents an investment of some USD 16 billion in economic infrastructure, which will contribute to economic growth, job creation and security of electricity supply. The Department has already announced its intention to secure 6,300 MW in future renewable energy bid windows. Bidders are invited on the tariff and identified socio-economic development objectives. Tariffs have dropped over the four bidding phases with average solar photovoltaic tariffs decreasing by 68 percent and those of wind by 42 percent, in nominal terms.

- **Sizably increasing the number of bankable energy projects and increasing the funding pool.** One of the constraints associated with rollouts of modern energy has been the lack of a critical mass of bankable projects. Aggregating project development capital, and channeling it through highly capable private sector organizations involved in world-class project development, including private sector financing and legal institutions, will help increase the number of bankable energy projects. Also, the finance pool needs to be scaled up to create greater leverage on the financial markets by buying down certain categories of risk for the private sector.

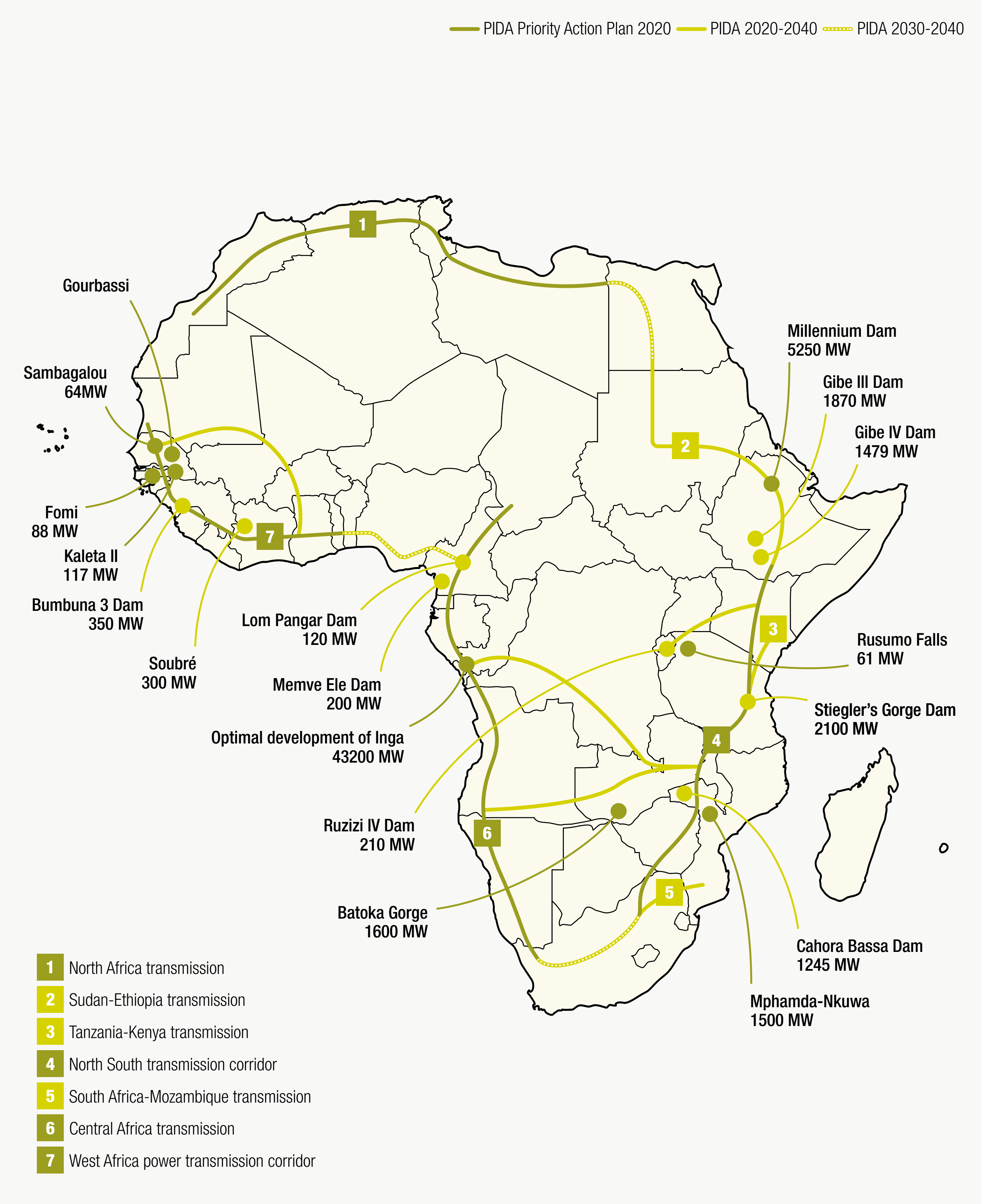
- **Funding "bottom of the pyramid" energy access programs.** Increasing funding for the development of on- and off-grid project organizations will support the acceleration of the rollout plans. Domestic taxes can only realistically cover about half the financing gap in sub-Saharan Africa. The challenge for governments, therefore, is to increase resource mobilization through other measures, such as pension funds and other institutional investors, recover and prevent the loss of finance through illicit financial transfers, combat tax evasion and avoidance, and ensure cautious debt financing. These can be sourced from bond markets (corporate bonds, government infrastructure bonds, diaspora bonds and external sovereign bonds), sovereign wealth funds, resource-backed infrastructure financing and international development finance. Schemes such as sovereign wealth funds and resource-backed infrastructure financing are better tailored for resource-exporting countries.

- **Accelerating major regional projects and driving integration.** Accelerating the plans will also be supported by strategic identification of major regional projects, particularly those with regional interconnections included in their mandate, and systematically drive them to completion. Some of Africa's huge energy resources require collective action. For example, the continent's water resources are mostly shared, so that damming must be negotiated or financed regionally. Examples include the Kariba Hydropower Dam shared by Zambia and Zimbabwe, and the Regional Rusumo Falls Hydroelectric Project on the border of Rwanda and Tanzania. Collective action would reverse the blockages in situations where most regional power pools are hampered by lack of funding, political instability, and weak cross-border regulations. A strong case can be made for a continental approach to energy infrastructure, which is key to integration. This will require strengthening strategic infrastructure—the backbone of the pan-African smart grid—through the support of continental institutions such as the African Development Bank, the African Union and the UN Economic Commission for Africa, in public trust. In that way, regional power pools can be left to handle the feeder and more regional infrastructure. Continental public goods would thus be insulated from the day-to-day conflicts between sovereign nations and future political leaders who may not always act in the interest of their citizens. PIDA provides a strategic framework for the development of regional and continental energy infrastructure in Africa (see Map 2.2).

- **Rolling out waves of country-wide energy "turnarounds".** A central theme bringing all elements together is the systematic implementation of full-country turnaround programs. The Bank plans to coordinate major development institutions to launch end-to-end energy system turnarounds, in close collaboration with the Heads of State, Ministers of Energy and Ministers of Finance. These programs will include energy system planning, restructuring of the national regulatory environments, matching donors to targeted interventions, and bringing in the private sector to drive the development of capacity and connections.

Map 2.2

Energy Generation and Transmission Projects of the Programme for Infrastructure Development in Africa



Source: AfDB (2014) Development Effectiveness Report on Energy.

2.5 Looking Ahead

In looking ahead, the Bank has demonstrated that meeting its transformation goals is achievable. It is clear that regional and continental actions with the support of partners are needed to develop Africa's largely untapped energy potential if the goals of the proposed New Deal on Energy for Africa, and the initiated Transformative Partnership on Energy for Africa to escalate universal access by 2025, are to be met. A large gap exists between investment needs and actual outlays in the power sector, especially in sub-Saharan Africa. In this respect, the Bank is developing strategies towards fast tracking energy. An enabling environment for the private sector to operate in, either as IPPs or participants in Public-Private Partnerships, is a way forward.

Africa should vigorously push its agenda for universal access to energy. The continent should keep its contribution to global CO_2 emissions relatively small as demand for energy grows through: (i) the development of its large hydro resources; (ii) gradual replacement of coal-based power generation with fossil fuels with lower carbon emissions, such as natural gas and nuclear power; and (iii) the development of its significant geothermal, wind, and solar potential. African governments need to show leadership by promoting energy investment as a top priority and creating conditions that are conducive to private sector investment in the energy sector. Appropriate policy frameworks, regulations and incentive structures are required to unlock the huge potential of Africa's energy resources and to meet the development needs for modern energy services. The Bank has already embarked on the path to unlocking this energy potential to provide universal access by 2025.

Notes:

1. International Energy Agency (IEA) (2014). Calculated from 2012 actuals and 2020 projections.
2. IEA (2015). Calculated from 2013 actuals and 2020 projections.
3. IEA (2014).
4. IEA (2014).
5. IEA (2014; 2015); calculated from 2012 and 2013 actuals, and 2020 projections.
6. IEA (2014).
7. Africa Progress Panel (2015).
8. IEA (2014).
9. IEA (2015).
10. IEA (2014).
11. IEA (2014).
12. IEA (2014; 2015).
13. IEA (2014).
14. Africa Progress Panel (2015).
15. African Development Bank (AfDB) (2016).
16. IEA (2014).
17. AfDB (2016); IEA (2014).
18. IEA (2014), calculated from 2012 actuals and 2020 projections.
19. Africa Progress Panel (2015).
20. Wakeford and Urama (2015).
21. Africa Progress Panel (2015).
22. Africa Progress Panel (2015).
23. Africa Progress Panel (2015).
24. IEA (2015).
25. Wakeford and Urama (2015).
26. Hove, Barbi, and Urama (2015).
27. IEA (2015).
28. IEA (2015).
29. IEA (2015).
30. Wakeford and Urama (2015).
31. Wakeford and Urama (2015).
32. IEA (2015).
33. AfDB (2016).
34. IEA (2014).
35. IEA (2014).
36. Wakeford and Urama (2015).
37. Africa Progress Panel (2015).
38. Africa Progress Panel (2015).
39. Africa Progress Panel (2015).
49. Africa Progress Panel (2015).
41. AfDB (2016).
42. AfDB (2016).
43. AfDB (2016).
44. AfDB (2016).
45. ICA Trends 2014; Africa Economic Outlook; World Bank.

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Wakeford, J. and Urama K.C. (2015). Energy and Economic Growth in Africa: Opportunities and Challenges, in Jean-Claude Bastos de Morais, *The Convergence of Nations, Why Africa's time is now.* OMFIF, London, United Kingdom.

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Menengai Geothermal Development Project, Kenya.

Part II

Bank Group Operations, Effectiveness and Governance

Rehabilitation and Expansion of Cuamba City Water Supply System, Mozambique.

Chapter 3
Bank Group Operations

Chapter 3

This chapter presents an overview of the Bank Group's performance during 2015 in its lending operations, and further examines other non-lending areas of interventions. The Bank Group conducts its lending operations for projects and programs through three windows: the African Development Bank ('the Bank', or 'ADB'), the African Development Fund ('the Fund', or 'ADF') and the Nigeria Trust Fund ('NTF'). In 2015, total approvals of Bank Group operations amounted to UA 6.33 billion, for 241 operations, as at end-December 2015, an increase of 25.4 percent over the 2014 approvals.

3.1 Overview of Bank Group Operations

The Bank Group's operations in 2015 were guided by the twin objectives of achieving inclusive and green growth as stipulated in the Ten-Year Strategy (TYS). During the year, Bank Group operations at end-December 2015 increased by 25.4 percent over the operations at year-end 2014. This is significant, compared to the 15.1 percent increase in Bank Group operations at end-2014, compared to 2013, and a 3.1 percent increase at end-2013 over end-2012. As in the previous years, infrastructure operations, mainly transport and energy, received the bulk of Bank Group's resources.

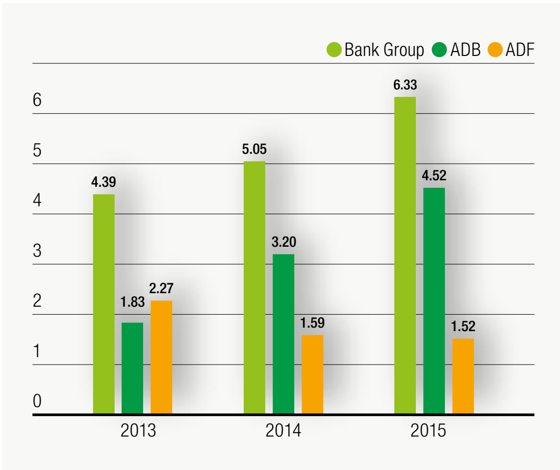
Overview of Bank Group Operations by Financing Window. In 2015, total Bank Group operations amounted to UA 6.33 billion, Figure 3.1 shows the distribution of this amount, compared with those of the two previous years, by financing window.

For the ADB window, total approvals amounted to UA 4.52 billion, comprising public sector approvals of UA 2.97 billion (representing 65.7 percent of the total) and private sector approvals amounting to UA 1.55 billion (34.3 percent of the total). The total approvals for the ADB window in 2015 increased by 41.1 percent compared to 2014. In terms of distribution, ADB public sector operations increased substantially by 78.3 percent in 2015 relative to 2014 while ADB private sector operations increased by only 0.9 percent over the same period (see Table 3.1).

The performance of ADB financing in 2015 for both the public and private windows was equally high relative to the targets for the year. For the public sector, actual approvals amounted to UA 2.97 billion—65 percent above the UA 1.80 billion target. Similarly for the private sector, actual approvals of UA 1.55 billion exceeded the target of UA 1.50 billion by 3.3 percent.

The rise in ADB public sector operations is mainly related to an increase in borrowing from the sovereign window by ADB-eligible countries as well as the accommodation of newly eligible

Figure 3.1
Bank Group Total Approvals by Window*, 2013-2015 (UA billion)



Source: AfDB Statistics Department.
* Notes:
1. There are three Financing Windows: ADB, ADF and NTF.
2. NTF approvals are not shown as they are negligible, measured in UA millions, when compared to ADB and ADF scales measured in UA billions. NTF approvals were: UA 31.2m (2013), UA 11.5m (2014) and UA 12.5m (2015).
3. For completeness, the Special Funds financing mechanism is included in Total Bank Group Approvals. Special Funds approvals, also not shown in the chart, were: UA 253.4m (2013), UA 244.2m (2014), and UA 288.9m (2015).

ADF countries from sub-Saharan Africa for ADB resources. The revision of the Bank Group's credit policy enabled ADF-eligible countries to access ADB resources, and thus contribute to lowering the risk of concentration of Bank lending mainly towards countries in Northern Africa. The increase in the level of activities of the ADB private sector window is linked to the Bank's scaling up of its non-sovereign operations, including through the trade finance facility, the partial credit guarantee instruments, and the Private Sector Credit Enhancement Facility.

Table 3.1 shows that ADF approvals stood at UA 1.52 billion, representing a decrease of 4.9 percent against the 2014 position. This performance was 5.4 percent below the ADF target of UA 1.6 billion for 2015. The relatively lower level of approvals in 2015 can be explained by the ADF-13 cycle financing modalities, which permitted front-loading of the ADF resource envelope in 2014, the first of the three-year cycle, with allocations declining gradually in subsequent years.

For the Nigeria Trust Fund (NTF), two operations were approved in 2015 amounting to UA 12.5 million: (i) The allocation of UA 6.5 million loan was for Support for Youth Employability and Integration in Growth Sectors in Togo; and (ii) the UA 6 million loan for the Water Loss Reduction and Performance Improvement of Drinking Water Systems in Benin. These approvals were 8.8 percent above the UA 11.5 million approved in 2014 (see Table 3.1).

Figure 3.1 shows that approvals for Special Funds accounted for UA 288.9 million and represented 4.6 percent of total Bank Group approvals. These were for the African Water Facility (AWF), the Rural Water Supply and Sanitation Initiative (RWSSI), the Global Agriculture and Food Security Program (GAFSP), the Africa Growing Together Fund (AGTF), the European Union–Africa Infrastructure Trust Fund (EU-AITF), the Fund for African Private Sector Assistance (FAPA), the Enhanced Private Sector for Africa (EPSA), the Middle East and North Africa (MENA) Trust Fund, and the Zimbabwe Multi-Donor Trust Fund (ZimFund). Others included the Global Environment Facility (GEF) and the Sustainable Energy Fund for Africa (SEFA), specifically related to energy and climate-change operations.

Table 3.2 on financing instruments shows that total loans and grants amounted to UA 5.24 billion, representing 82.7 percent

Table 3.1
Bank Group Total Approvals by Window, 2014-2015 (UA million)

Window	2014 Operations	2015 Operations		Percentage Change (%)	
		Actual	Target	Against 2014 Operations	Against 2015 Target
ADB Private	1,536.21	1,549.54	1,500.00	0.9	3.3
ADB Public	1,665.09	2,968.68	1,800.00	78.3	64.9
ADB Total**	3,201.30	4,518.23	3,300.00	41.1	36.9
ADF	1,592.91	1,515.12	1,602.00	-4.9	-5.4
NTF	11.49	12.50	25.00	8.8	-50.0
Special Funds (SF)*	244.22	288.85	-	18.3	-
Bank Group	5,049.92	6,334.69	4,927.00	25.4	28.6

Source: AfDB Statistics Department.
* SF: see the list in the text above.
** ADB total amount may not add up due to rounding.

Table 3.2
Bank Group Total Approvals by Financing Instruments in 2015 (UA million)

Financing Instruments	ADB	ADF	NTF	Bank Group
Loans & Grants	3,757.10	1,468.16	12.50	5,237.76
Other Approvals	761.13	46.96	-	1,096.94
of which: Special Funds				288.85
Private Equity Participation	64.27			64.27
Public & Private Guarantees	696.86			696.86
HIPC Debt Relief		46.96		46.96
Total Approvals	**4,518.23**	**1,515.12**	**12.50**	**6,334.69**

Source: AfDB Statistics Department.
* Total approvals amount may not add up due to rounding.

of total approvals. The remaining UA 1.10 billion (17.3 percent) comprised approvals for Special Funds (discussed above), ADB private equity participation, ADB public and private sector guarantees, and approvals for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The private equity participation of UA 64.3 million went to finance the following four multinational operations: CEC Africa Investments Limited, Atlantic Coast Regional Fund, AfricInvest Fund and Alitheia Identity Fund. Total ADB guarantees of UA 696.9 million were made up of a public partial credit guarantee (UA 397.8 million) to Cameroon and ADB private guarantees (UA 299.1 million). The private guarantees were provided in support of five multinational financial intermediaries and a heavy-fuel oil-power project in Sierra Leone. The UA 47 million for debt relief was provided to Chad, following the country's attainment of the HIPC completion point.

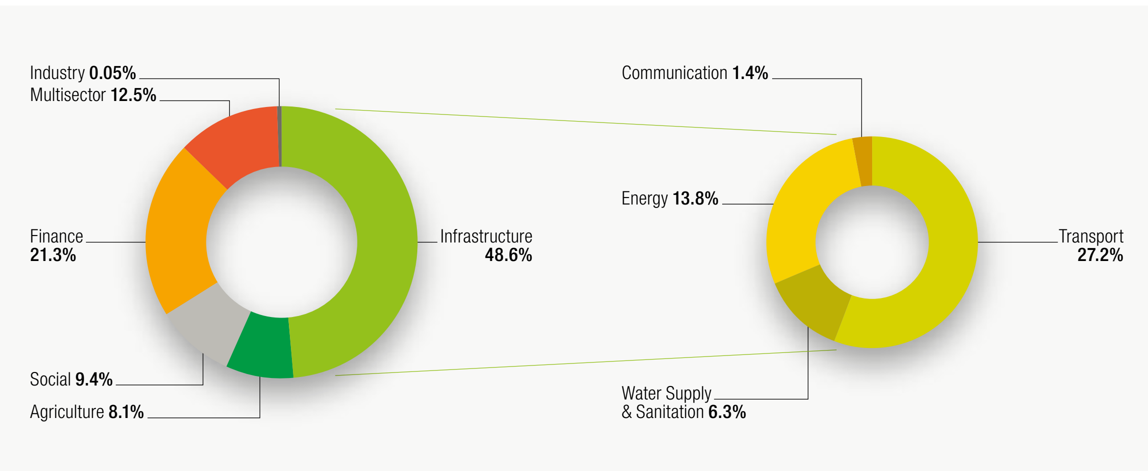
Sector Distribution of Bank Group Operations. In 2015, Bank Group operations continued to be aligned with the TYS, which emphasizes infrastructure investment in the key sectors of transport, energy, water and sanitation, and communications for the transformation of African economies. Figure 3.2 depicts the distribution of total Bank Group approvals to various sectors. The chart shows that, of total Bank Group approvals of UA 6.33 billion, UA 3.08 billion (48.6 percent) was allocated to infrastructure projects, with transport (27.2 percent) and energy (13.8 percent) accounting for the largest share. This was followed by water and sanitation (6.3 percent) while allocations to the communications sector accounted for only 1.4 percent. The relatively large allocation to infrastructure investment demonstrates the importance that the Bank Group attaches to addressing Africa's infrastructure deficit and its commitment to promoting inclusive and sustainable development.

Figure 3.2 also shows that the finance-sector operations received an allocation of 21.3 percent of the total Bank Group approvals. These were mainly in the form of lines of credit (LOCs), guarantees and trade finance targeted at alleviating credit constraints faced by businesses on the continent especially micro-, small-, and medium-sized enterprises (MSMEs). The MSMEs account for more than 45 percent of employment and 33 percent of GDP in Africa. Hence, the Bank Group's participation through lines of credit therefore serves to guarantee MSMEs access to financing from financial intermediaries. The resources allocated to multisector operations, including public finance management and other governance-related operations, represented 12.5 percent of total Bank Group approvals. These approvals strengthen governments' fiscal control, transparency and accountable use of public resources, modernize the taxation system and enhance revenue collection, boost domestic resource mobilization, and facilitate the restoration of public service delivery.

The chart also shows that the social sector received 9.4 percent of total Bank Group approvals for interventions in skills development, technological innovation and infrastructure improvement. Trends based on evidence suggest that Africa's structural transformation has been held back by low human

Figure 3.2

Sectoral Distribution of Total Bank Group Approvals, 2015 (UA 6.33 billion)

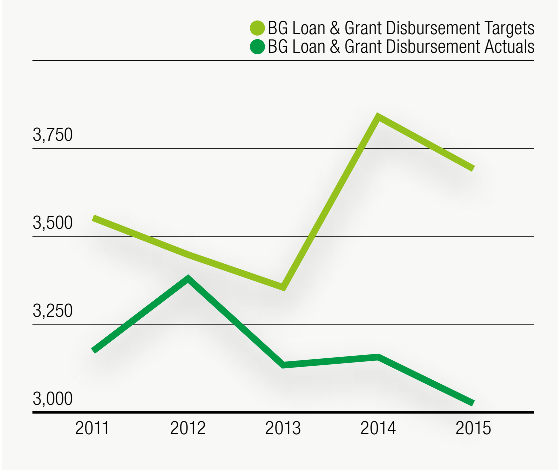


Source: AfDB Statistics Department.

capital, especially a shortage of appropriate skills. By helping to ease the skills constraint faced by the private sector, the Bank Group continues to demonstrate its commitment to facilitate sector-wide structural transformation in Africa.

In Figure 3.2, the agriculture sector accounted for 8.1 percent of total Bank Group approvals. This does not take into account investments in rural infrastructure that indirectly support agriculture but are included in the share of the infrastructure sector. However, this share is relatively low and should be increased to boost rural incomes and improve food security. Equally, the share of the sectoral allocation to industry is relatively insignificant at less than 1 percent. This should be scaled up in order to catalyze the pace of industrialization in Africa. Accordingly, the Bank Group also needs to support private sector operations and financial market development to increase Africa's share in global value chains.

Figure 3.3
Bank Group (BG) Loan & Grant Disbursement Targets vs. Actual Achievements, 2011-2015*



Source: AfDB Budget and Programming Department.
* Total loan and grant disbursements exclude Special Funds, equity participation, and guarantees.

Bank Group Disbursements. The performance of Bank Group disbursements has varied over time. In 2015, Bank Group loan and grant disbursements, excluding equity participation, guarantees, and Special Funds, amounted to UA 3.03 billion (Figure 3.3)—a 4.2 percent decrease compared to 2014. Over the past five years, the actual disbursement closely matched the target only in 2012. However, between 2012 and 2015, actual disbursements against targets showed a wider margin, as indicated by the decline of the disbursement rate from 98 percent in 2012, to 81.9 percent in 2015. The recent decline in the disbursement rate must be addressed.

Table 3.3 presents Bank Group actual and target loan and grant disbursements by financing window for 2015. It shows the disbursement rate for ADF operations at 92.2 percent compared with 74.9 percent for the ADB window, and only 49.8 percent for the NTF window. The disbursement rate for all Bank Group interventions was 81.9 percent during the year.

The relatively low disbursement rate was mainly due to delays occasioned by a number of factors. Notable among these were the weak institutional and management capacity in some Regional Member Countries (RMCs), and delays in procurement and in meeting disbursement conditions. Other causes of disbursement delays included fragility situations, conflicts, political transitions, and, in a few cases, anti-corruption investigations. In other cases, delays arose from complex country processes for obtaining parliamentary ratification for contracting loans. To address the delays in disbursements, the Bank Group has made concerted efforts, including strengthening the monitoring and reporting of recurring issues, and streamlining of operational business processes to improve disbursements. An inter-departmental working group was also tasked to update disbursement profiles and fine-tune the process for setting targets at

Table 3.3
Bank Group Disbursements in 2015: Actual vs. Targets (UA million)

Window	Actual Disbursements	Target Disbursements	Disbursement Rate (%)
ADB Private	602.39	842.00	71.5
ADB Public	1,016.78	1,319.00	77.1
ADB Total	1,619.17	2,161.00	74.9
ADF	1,398.36	1,516.00	92.2
NTF	7.47	15.00	49.8
Bank Group	3,025.00	3,692.00	81.9

Source: AfDB Statistics & Financial Control Departments.

regional, country, and sector levels. Accordingly, institutional disbursement targets have been objectively reviewed and further cascaded down to country offices and sector divisions. The purpose is to promote ownership and accountability across all business segments and ensure that the Bank Group achieves more robust and realistic disbursement targets.

ADB Approvals by Country. Of the UA 3.76 billion ADB loan and grant approvals, 68.4 percent was allocated to public sector operations and the remaining 31.6 percent went to private sector operations. Figure 3.4 illustrates the distribution of these approvals by recipient countries. Among these, in 2015, Congo was classified as an ADB country in transition, and Cameroon, Kenya, and Zambia became blend countries—eligible for both ADB and ADF resources. Also, following approval of the Bank Group's revised credit policy in May 2014, a number of ADF-only RMCs (Senegal, Tanzania, and Uganda) were able to access the ADB public non-concessional resources for financing their operations. These countries used the additional ADB resources to finance their operations in infrastructure, particularly transport, energy, water and sanitation (including climate-resilient sanitation programs), and in agriculture, skills development and entrepreneurship, among others. These reflect the areas of priority in the Results-based Country Strategy Papers of the respective countries.

ADF Approvals by Country. From the total ADF loan and grant approvals of UA 1.12 billion, 43.8 percent was allocated to multinational operations, while the remaining 56.2 percent benefited 28 ADF recipients. The distribution of loans and grants to these 28 RMCs is illustrated in Figure 3.5. Based on ADF performance-based allocation (PBA) and debt-sustainability analysis (DSA) criteria, the figure shows that some ADF countries (Tanzania, Kenya, Ghana, Madagascar, etc.) received only concessional loans. Others, including Sudan, Democratic Republic of Congo (DRC), Mali, and Côte d'Ivoire, received only grants. The rest, including Burkina Faso, Malawi, and Eritrea received a combination of loans and grants. The three blend countries, Cameroon, Kenya, and Zambia, which are eligible for ADF performance-based allocations, are not reflected in Figure 3.5 because they did not use their ADF allocations to finance any projects in 2015. For example, Zambia had front-loaded its 2015 allocation earlier in 2014 to partly finance the Kariba Dam Rehabilitation Project. Similarly, the records show that the two ADB countries in transition during 2015, Congo and Nigeria, did not use

Figure 3.4
ADB Loan and Grant Approvals by Country, 2015 (UA million)

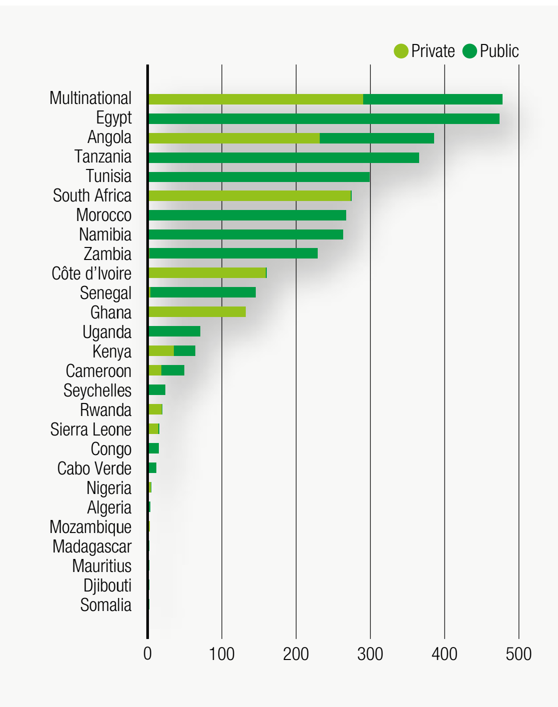
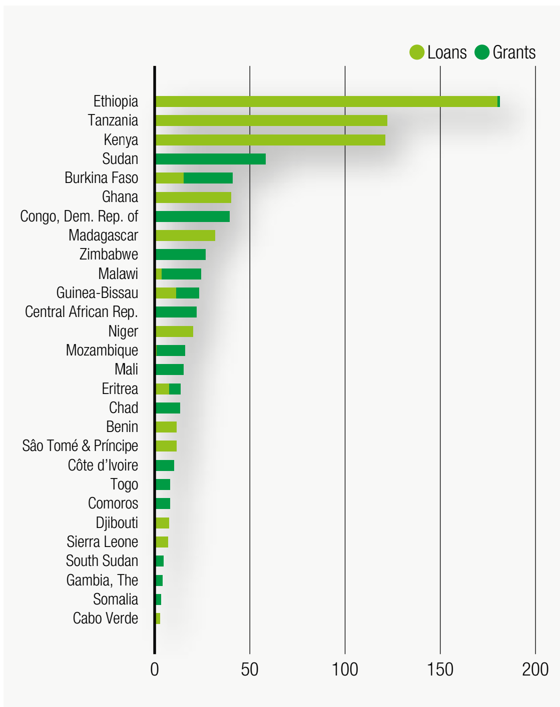


Figure 3.5
ADF Loan and Grant Approvals by Country, 2015 (UA million)



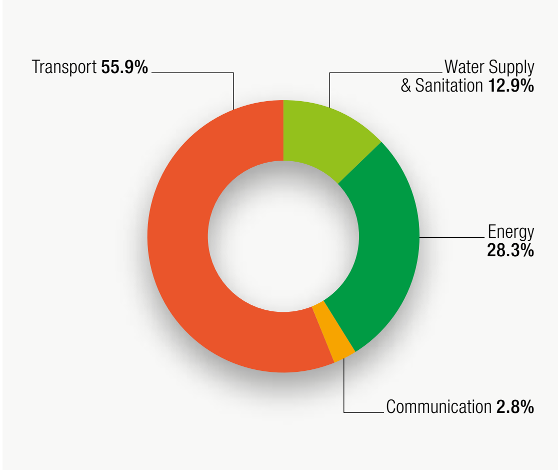
Source: AfDB Statistics Department.
Note: Private sector amounts exclude Equity Participation, Special Funds and Guarantees.

their ADF allocations to finance any projects in 2015, as their relatively smaller ADF allocations had also been front-loaded for financing operations in 2014.

3.2 Bank Group Operations by Priority Sectors and Areas of Special Emphasis

This section reviews Bank Group operations with a focus on priority sectors and areas of special emphasis in the TYS. The areas of focus include infrastructure (energy, transport, water and sanitation, and communication); private sector development; regional integration; governance and accountability; and skills and technology. The three areas of special emphasis under the TYS are gender, agriculture and food security, and States in fragile situations. States in fragile situations specifically benefit from budget support operations to address fragility and other socio-economic challenges in some of the deprived areas of the continent.

Figure 3.6
Total Bank Group Approvals for Infrastructure, 2015 (UA 3.08 billion)



Source: AfDB Statistics Department.

Energy. During the year, the Bank Group continued to play its leading role in Africa's energy sector, in partnership with other African institutions and international partners. This was facilitated through the Programme for Infrastructure Development in Africa (PIDA), the African Hub for the Sustainable Energy for All (SE4ALL) initiative, and the African Energy Leaders Group. The Bank Group's focus on energy highlights the extent of Africa's energy deficiency—a considerable impediment to the continent's development. To mobilize partnership support and financing to close Africa's huge energy deficit, the AfDB held a High-Level Consultative Stakeholders Meeting in Abidjan, Côte d'Ivoire in September 2015, where the New Deal on Energy for Africa was presented and discussed. The ambitious goal of this initiative is to ensure universal access to energy by all the RMCs by 2025. Details of the New Deal on Energy are discussed above in Chapter 2.

The proposed African Renewable Energy Initiative (AREI), was announced at the Climate Change Conference of Parties (COP21). It received endorsement from African Heads of State and Government and Ministers of Environment, the G7 (Elmau Summit), and the G20 (Energy Summit). At the Conference, the AfDB announced that it would triple its financing to climate-change initiatives by 2020 up to USD 5 billion a year.

Bank Group total approvals for the year in the energy sector amounted to UA 871.6 million, with UA 841 million (96.5 percent) in the form of loans and grants. The remainder (UA 30.6 million) was financed through equity participation, guarantees and Special Funds, particularly from the EU-AITF and SEFA. Energy-sector approvals represent 28.3 percent of total infrastructure approvals (Figure 3.6). Some of the key energy sector projects approved include: (i) the Kenya–Tanzania Power Interconnection Project (UA 102.8 million); (ii) the Uganda Rural Electricity Access Project (UA 80.2 million); and (iii) The Gambia River Basin Development Organisation (OMVG) Energy Project (UA 97 million). These projects are expected to ease the energy requirements in each of these countries.

The Kenya–Tanzania Power Interconnection Project will improve the supply, reliability, and affordability of electricity across the Eastern Africa region. It will allow the linkage of the Eastern Africa Power Pool to the Southern African Power Pool. It is also projected to link Egypt and Sudan in Northern Africa which will help the two countries to replace some of the high costs of thermal energy production with cheaper and cleaner hydropower while also reducing greenhouse gas emissions.

The Uganda project is envisaged to improve access to electricity for rural households, small- and medium-sized enterprises and public institutions (rural health centers, schools and local administration offices) in the project area. In a country where only 8 percent of the rural population has access to electricity, this project is aimed at contributing to inclusive growth and poverty reduction, especially among the rural poor.

Box 3.1
Renewable Energy Project for OMVG States

Approved in September 2015, this renewable energy project seeks to provide the four OMVG member states with renewable, clean, and affordable energy, while simultaneously promoting regional integration through the sharing of energy and improved electricity supply quality.

By increasing electricity supply, the project will expand household access to more reliable energy, boost business competitiveness in each of the countries, stimulate economic growth and create jobs, thereby contributing to poverty reduction. The interconnection network will also contribute to the expansion of the power pool system, creating a regional electricity market that will reduce the average cost of electricity generated in each of the OMVG member states. Further, the effects of using hydropower will curb fossil fuel consumption by a significant margin and consequently reduce greenhouse gas emissions in support of the COP21 objectives.

Box 3.2
Selected Transport Operations Approved in 2015

The *Transport Sector Support Program* in Tanzania comprises interventions mainly in the roads subsector, but also includes feasibility studies in the railway and air transport subsectors. The road improvements will provide access to agricultural products in Tanzania, thereby spurring growth in productivity. The roads will also serve as links to neighboring Malawi, Mozambique, Zambia, and DRC, and will facilitate cross-border trade, and deepen regional integration.

The *Chinsali–Nakonde Road Project* forms part of the Trans-Africa Highway and the North–South Corridor (NSC). The NSC is a priority corridor, which services eight countries in the region—Tanzania, DRC, Zambia, Malawi, Botswana, Zimbabwe, Mozambique, and South Africa.

The *Tunisia Road Infrastructure Modernization Project (PMIR)* seeks to rehabilitate 719 km of classified roads, most of which are in the country's inland governorates. The project will also upgrade some civil engineering structures on the classified network to make them more resilient to the effects of climate change.

The environmentally friendly OMVG Energy Project targets The Gambia, Guinea, Guinea-Bissau, and Senegal. The project is designed to harness the immense potential for clean energy, thus fostering affordable energy for the region's inhabitants (Box 3.1).

Environment and Climate Change. Climate change mitigation and adaptation are at the core of the landmark Paris Agreement reached at the December 2015 Climate Change Conference (COP21) in which the Bank Group participated actively. For details on Bank Group's 2015 activities in this area and at COP21, see section 2.3.

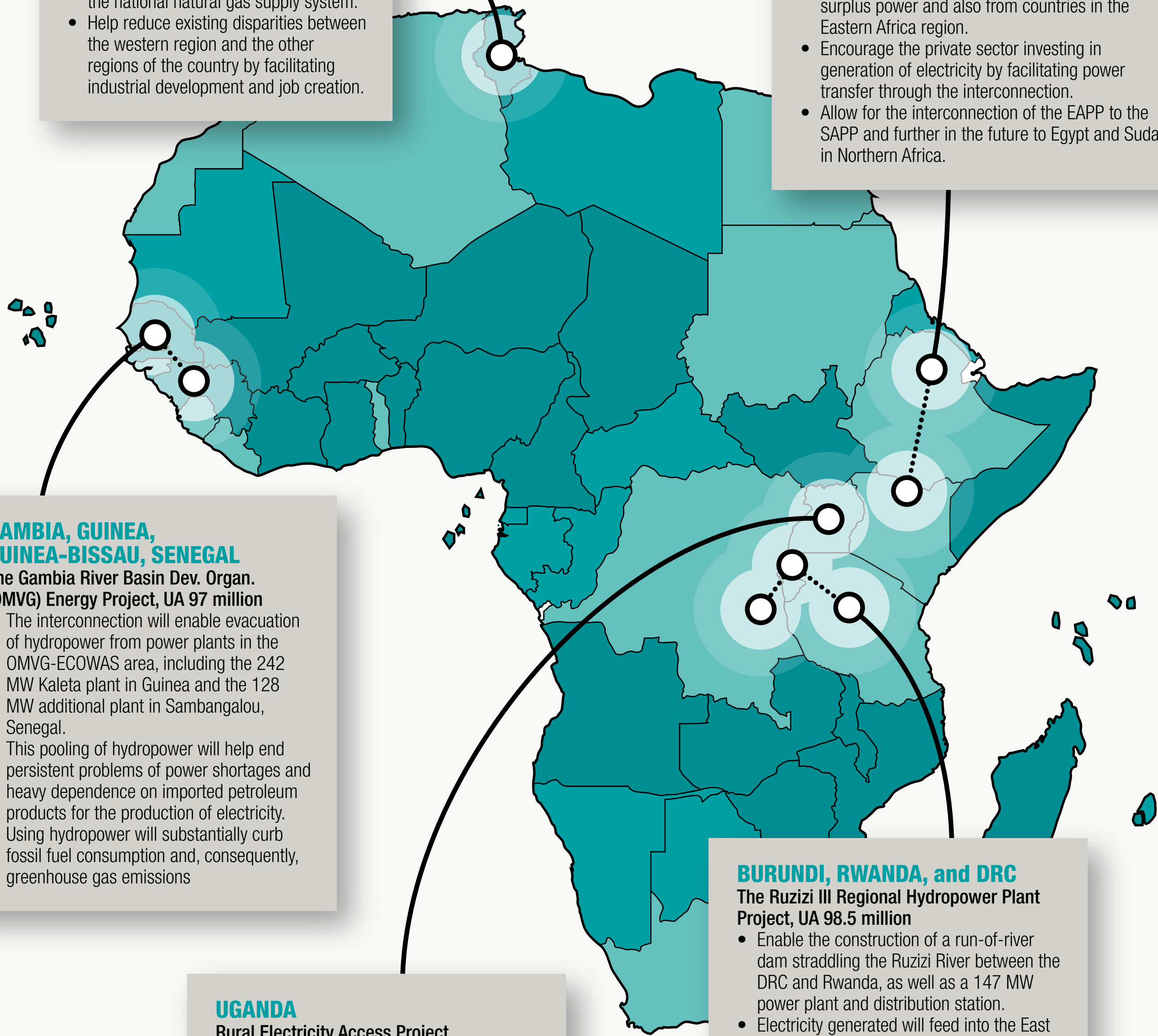
Transport. In November 2015, the Bank Group organized the first AfDB Transport Forum: "Sustainable Transport for an Integrated Africa". The Forum noted that green and inclusive transport is critical in stimulating sustainable growth, given that green transport means cleaner and more efficient vehicles, less air pollution, less congestion and more green jobs. These goals are in line with the objectives of the recently concluded COP21 on Climate Change. At the Transport Forum, the AfDB also reiterated its commitment to work with the RMCs in ensuring that transport plays a catalytic role in promoting Africa's participation in agribusiness and global manufacturing value chains, facilitating regional integration, and providing opportunities for social inclusiveness.

In 2015, Bank Group total approvals for transport sector operations amounted to UA 1.72 billion, with loans and grants accounting for UA 1.58 billion (91.9 percent). The remaining UA 139.5 million (8.1 percent) represented Special Funds financing, specifically from the Africa Growing Together Fund (AGTF). Approvals for the transport sector represented the largest share (55.9 percent) of the UA 3.08 billion total Bank Group approvals for all infrastructure operations (see Figure 3.6 above).

In Box 3.2, three approved transport operations are highlighted: (i) the Tanzania Transport Sector Support Program (UA 248.0 million); (ii) the Chinsali–Nakonde Road Rehabilitation Project in Zambia (UA 172.8 million); and (iii) the Tunisia Road Infrastructure Modernization Project (UA 152.9 million).

Water Supply and Sanitation. The importance of water security for sustainable economic and social development in Africa is highlighted in the TYS. During 2015, the AfDB continued to support water supply and sanitation infrastructure services and institutions that contribute to socio-economic development and resilience to water-related disasters and climate change in

Map 3.1
Major National and Regional (Multinational) Energy Sector Projects Approved by the Boards in 2015



TUNISIA
Natural Gas Transport and Distribution Network Dev., UA 38.5 million
- Construction of natural gas transportation and distribution networks in order to connect 19 local communities in the western region to the national natural gas supply system.
- Help reduce existing disparities between the western region and the other regions of the country by facilitating industrial development and job creation.

KENYA-TANZANIA
Power Interconnection Project, UA 102.8 million
- Improve the supply, reliability and affordability of electricity in the two countries through cross-border exchange of cheap and cleaner surplus power and also from countries in the Eastern Africa region.
- Encourage the private sector investing in generation of electricity by facilitating power transfer through the interconnection.
- Allow for the interconnection of the EAPP to the SAPP and further in the future to Egypt and Sudan in Northern Africa.

GAMBIA, GUINEA, GUINEA-BISSAU, SENEGAL
The Gambia River Basin Dev. Organ. (OMVG) Energy Project, UA 97 million
- The interconnection will enable evacuation of hydropower from power plants in the OMVG-ECOWAS area, including the 242 MW Kaleta plant in Guinea and the 128 MW additional plant in Sambangalou, Senegal.
- This pooling of hydropower will help end persistent problems of power shortages and heavy dependence on imported petroleum products for the production of electricity.
- Using hydropower will substantially curb fossil fuel consumption and, consequently, greenhouse gas emissions

BURUNDI, RWANDA, and DRC
The Ruzizi III Regional Hydropower Plant Project, UA 98.5 million
- Enable the construction of a run-of-river dam straddling the Ruzizi River between the DRC and Rwanda, as well as a 147 MW power plant and distribution station.
- Electricity generated will feed into the East African Power Pool (EAPP).
- Provide reliable and affordable power and increase the region's access to electricity by about 300 percent.

UGANDA
Rural Electricity Access Project, UA 71.2 million
- Improved access to electricity for households, commercial and business enterprises and public institutions (health centers, schools, and administration offices) in the proposed project areas.
- Improve the livelihoods and economic opportunities in rural communities, and provide better access to social services.
- Connect Bugala Island to the national grid.

Box 3.3
The Three Water Initiatives

African Water Facility (AWF). The AWF is owned by the African Ministers' Council on Water (AMCOW), and has been operational since 2006. The AWF mobilizes funds for water resources development activities in Africa. Since 2006, AWF has funded 96 national and regional projects in 51 countries. In 2015, it celebrated ten years of operation and prepared its new long-term strategy to guide its future focus and operations. The AWF, which views itself as a "Project Preparation Facility", was named the Project Preparation Facility of the Year at the Africa investor (Ai) CEO Infrastructure Developers and Investment Summit in 2015. The AWF's achievements in 2015 include: (i) three new project approvals, one of which is supporting the DRC, considered a State in a situation of fragility; (ii) EUR 100 million mobilized for strengthening the financial base for the sector; and (iii) a Special Initiative for Climate Change which will trigger further investments to improve water supply and sanitation.

Rural Water Supply and Sanitation Initiative (RWSSI). This initiative was conceived by the Bank in 2002 and adopted by the RMCs and donors in 2005 as the framework for increased financing to water supply and sanitation (WSS) in rural areas in Africa, with a view to universal access. Indeed, the launch of the RWSSI saw an increase in the demand for rural WSS funding. In addition to the new approval in 2015 by the RWSSI Trust Fund (TF) for the Water Sector Reforms and Institutional Capacity Development Program in Sudan (UA 15.6 million), the RWSSI-TF contributed EUR 3 million to support the implementation of the National Post Ebola Recovery Strategies in Guinea, Liberia, and Sierra Leone. This was in response to building resilience to Ebola in the countries affected by the epidemic through the sustainable improvement of water and sanitation for the most-vulnerable segments of the population. The RWSSI-TF is also co-financing the "Sanitation Atlas" project that will provide evidence-based policy support to facilitate decision-making for boosting and sustaining sanitation service delivery throughout Africa.

Multi-Donor Water Partnership Program (MDWPP). This program was also launched in 2002 to operationalize the AfDB's Integrated Water Resources Management (IWRM) Policy in AfDB-supported operations in the RMCs. The MDWPP catalyzed the establishment of both the above key initiatives—the AWF and the RWSSI—that have resulted in strengthening AfDB and RMC capacity for IWRM. The MDWPP also enabled the AfDB to play a key role in promoting dialogue with regional actors on critical water-sector issues.

In 2015, the MDWPP financed: (i) the editing and publication of the report entitled: "Unlocking Africa's Transboundary Water Potential" on AfDB's role in achieving regional integration through transboundary basin development and management; (ii) a study on the Investment Guarantee Fund for the Water Sector; and (iii) co-financing the "Sanitation Atlas" project referred to above.

urban, peri-urban, and rural areas. In carrying out this mandate, as in previous years, the AfDB continued its administrative and support roles for the three special and complementary initiatives: the Rural Water Supply and Sanitation Initiative (RWSSI), the Multi-Donor Water Partnership Program (MDWPP) and the African Water Facility (AWF) depicted in Box 3.3.

During the year, the Bank Group took action to tackle the lack of access to water of acceptable quality in both urban and rural areas. Its interventions contributed to sustaining livelihoods in several countries with total operations worth UA 398.7 million, approved for the development of the water supply and sanitation sector in the RMCs. Total approvals comprised UA 326.8 million (82 percent) for loans and grants, with the remaining UA 71.9 million (18 percent) drawn from Special Funds, comprising the African Water Facility (AWF), the Global Environment Fund (GEF), the Organization of Petroleum Exporting Countries (OPEC), the Rural Water Supply and Sanitation Initiative Trust Fund (RWSSI-TF), the Africa Growing Together Fund (AGTF), and the Zimbabwe Multi-Donor Trust Fund (ZimFund).

Two of the largest Water Supply and Sanitation operations approved—one in Tanzania and another in Angola—are highlighted: (i) the Arusha Sustainable Urban Water and Sanitation Delivery Project (UA 150.2 million); and (ii) the Angola Institutional Support for the Sustainability of Urban Water Supply and Sanitation Service Delivery (UA 89.7 million). The Arusha project provides safe, reliable and sustainable water and sanitation services thus contributing to improved health and social well-being, and raising the living standards of the beneficiaries. The Angola project aims to improve water-sector governance, and strengthen institutional capacity and efficiency in the water- and sanitation-sector institutions at the central and provincial level.

Regional Economic Integration. The Bank Group continues to foster regional and economic integration on the continent by increasing the effectiveness of its support to the RMCs, Regional Economic Communities (RECs) and other regional organizations, and the private sector. Through policy and strategic commitment, the Bank Group promotes regional integration to create larger, more attractive markets, link landlocked countries to international markets, and support intra-African trade. These interventions are aimed at realizing the AfDB's vision for stability, integration, and prosperity in its RMCs by growing African economies that are robust, competitive, diversified and sustainable, and able to participate fully in global trade and investment.

In November 2015, the Boards of Directors approved the new Regional Integration Policy and Strategy (RIPoS) for the period 2014-2023. Its focus is on creating larger and more attractive markets, linking landlocked countries to international markets, and supporting intra-African trade to foster the continent's development. The RIPoS will operationalize the TYS, which reaffirms the Bank Group's commitment to promote regional integration in Africa, identified as one of the five core operational areas.

In 2015, total Bank Group approvals for regional (multinational) operations amounted to UA 1.44 billion, a 34 percent increase over the 2014 approvals of UA 1.08 billion. The total approvals in 2015 were made up of loans and grants of UA 1.07 billion (74 percent), with the remaining UA 375.3 million (26 percent) financed by equity participation, guarantees, and five Special Funds. The Special Funds were made up of the Global Environment Facility (GEF), the Rural Water Supply and Sanitation Initiative (RWSSI), the African Water Facility (AWF), the Fund for African Private Sector Assistance (FAPA), and the Sustainable Energy Fund for Africa (SEFA).

Of the total multinational (regional) Bank Group approvals of UA 1.44 billion, the largest share (40.2 percent) was allocated to transport. This was followed by the finance sector (25.3 percent), for lines of credit to MSMEs, trade finance, guarantees, and equity participation; the energy sector projects (23.8 percent); and with the remaining 10.7

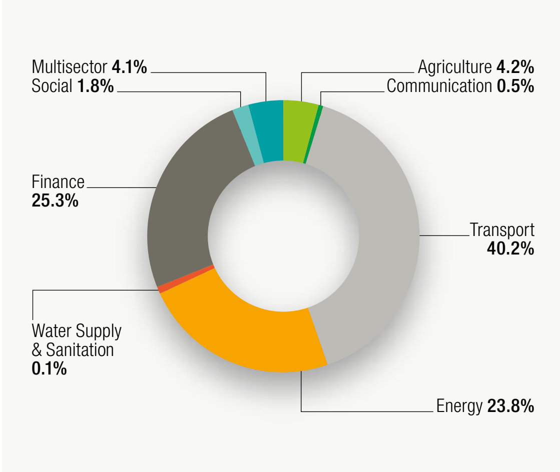
Investment in climate-resilient road infrastructure, Zambia.

percent allocated in smaller shares to operations in agriculture, multisector, social, communications, and water supply and sanitation sectors (Figure 3.7).

Among the regional operations, the largest approved project was Phase II of the Ketta–Djoum Road Corridor (UA 147.0 million), an important segment of the highway linking the capitals of Congo (Brazzaville) and Cameroon (Yaoundé). Apart from helping to boost trade between the two countries, the project is aimed at consolidating regional integration in Central Africa by providing highway interconnectivity linking Cameroon, Congo, DRC, Gabon, Equatorial Guinea, and Central African Republic. This project also has a biodiversity component aimed at raising the awareness of the local community on protective measures to safeguard classified forests and parks, and strengthening land management capacity, thereby fostering green growth.

Figure 3.7

Sectoral Composition of Regional Operations Financed in 2015



Source: AfDB Statistics Department.

Two of the largest regional project approvals offering lines of credit to MSMEs and trade finance were: (i) FirstRand Bank in Southern Africa (UA 72.5 million), discussed below under the section on Private Sector Operations, and (ii) Standard Chartered Bank (SCB) Risk Participation (UA 71.1 million). The goal of the SCB approval is to increase its risk participation agreement (RPA) facility from USD 200 million to USD 300 million coinciding with the maturity of the original facility in May 2016. The facility is an unfunded risk-sharing arrangement that requires the AfDB to disburse funds only when there is a payment default on a guaranteed trade transaction. The increase in the facility limit would enable issuing banks on the continent to receive more trade finance support from SCB. This is the largest RPA facility the Bank has signed with any confirming bank under the Bank's Trade Finance Program.

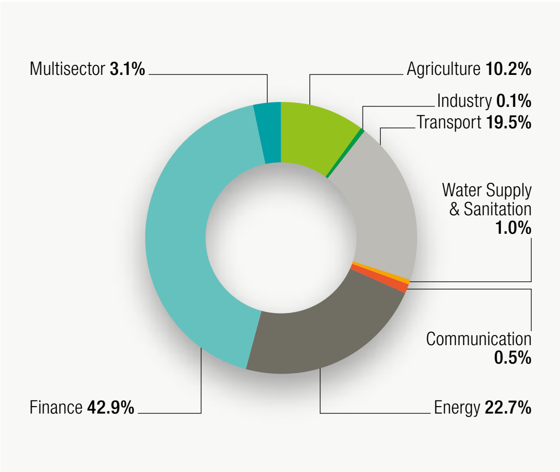
The AfDB's support for regional power pools is in line with the TYS emphasis on energy (infrastructure) and regional integration for Africa. A key regional project approval in this regard was the Kenya–Tanzania Power Interconnection Project (UA 102.8 million), which is to be connected to the Ethiopia–Kenya transmission system. This forms part of the Eastern Africa Electricity Highway with a transfer capacity of 2,000 MW. When completed, it will serve as a major link for power transfer between the Eastern Africa Power Pool, and countries in the North such as Sudan and Egypt. The expected power line's completion is in early 2017. The project will contribute to: (i) improved power supply in Kenya and Tanzania and in the Eastern African region in general; and (ii) reduced operation costs of energy production by replacing some of the high cost thermal energy production with cheaper hydropower. This will also help to reduce greenhouse gas emissions.

Private Sector Operations. The establishment of the Africa50 Infrastructure Fund in 2013 and its eventual incorporation in Morocco in 2014 was a significant stage in the Bank's shift towards mobilizing innovative private and public sector financing for infrastructure development, from both in Africa and externally. Today, Private investments in the energy sector in Africa are also benefiting from a rapid growth in Independent Power Projects, in which over USD 4 billion is allocated annually by private sector investors across sub-Saharan Africa. As a result, during 2015, energy and other infrastructure investments have been beneficiaries of private sector operations.

Total Bank Group approvals for the private sector in 2015 amounted to UA 1.56 billion—a marginal decline of 1.9 percent from the UA 1.59 billion private sector-financed operations in 2014. The 2015 approvals were made up of loans and grants, equity participation and guarantees amounting to UA 1.55 billion, and two Special Funds totaling UA 10.93 million. The two Special Funds were the GEF and FAPA.

In 2015, of the total private sector approvals of UA 1.56 billion, finance operations accounted for the largest share of 42.9 percent, followed by energy (22.7 percent), with the remaining shares going to transport operations (19.5 percent), agriculture (10.2 percent), and other sectors (see Figure 3.8).

Figure 3.8
Private Sector Operations by Sector, 2015



Source: AfDB Statistics Department.

The large share for finance came in the form of lines of credit mainly to MSMEs, trade finance, and guarantees to some of the largest financial intermediaries for on-lending activities to financially constrained firms that would otherwise not have had access to financing due to the lack of guarantees.

Three projects supported by private sector funding in the finance, transport, and energy sectors are highlighted. The first, in finance, is Banco de Poupança e Crédito in Angola (UA 231.5 million), the largest project. A second example, the Ghana Airports Company Limited Project (UA 85.5 million), is in transport, and the third is the multinational CEC Africa Investments Limited (UA 36.2 million) Project, which is an energy operation. An outline of each of the three selected projects is provided below.

The Banco de Poupança e Crédito (BPC) was granted a ten-year (with a two-year grace period) Government-guaranteed line of credit (LOC) of up to USD 325 million to enable it to increase its loan portfolio by USD 800 million over the next five to seven years. The BPC will target mainly medium-sized enterprises and some large corporations involved in priority sectors including water, agriculture, and industry. To enhance the effectiveness of its interventions, the AfDB will also provide advisory services to BPC, especially in setting up Environmental and Social Management Systems. The project will contribute to stimulating the diversification and competitiveness of the Angolan economy, which largely depends on oil.

The Ghana Airports Company Limited (GACL) capital investment program entails the construction of a new modern terminal at Kotoka International Airport in Accra to increase its capacity from 2.4 million to 5 million passengers per year, and the rehabilitation of other airports that it also manages in Kumasi, Tamale, Ho, and Wa. The project will strengthen the transport sector in Ghana and in the region as a whole by increasing the capacity of existing airports and improving the quality and efficiency of airport operations.

The final private sector example, CEC Africa (CECA), was established in 2013 as a pan-African company with a mandate to develop, finance and operate power projects across sub-Saharan Africa. In 2015, the Board approved CECA's "Blue Flare" project in Sierra Leone. CECA is strategically placed across the energy value chain, with investments in distribution, hydropower and thermal generation, and renewable energy. CECA also benefited from the Private Sector Credit Enhancement Facility to provide support for the high-risk environment in the country. The Bank's investment will support the growth of local African utility and offer a platform for additional project development as well as job creation.

Supporting Governance and Accountability. Overall, the Bank made notable progress in delivering governance support in 2015. As at end-December 2015, total approvals for governance-related operations amounted to UA 788.9 million. Of this amount, UA 689.3 million (87.4 percent) represented loan and grant approvals, and the remaining UA 99.6 million (12.6 percent) was from other approvals made up of UA 47 million for HIPC debt relief at completion point for Chad, UA 47.6 million from the Private Sector Risk Participation Agreement Facility (PSF-RPA), and UA 52 million from the Middle East and North Africa (MENA) Trust Fund. Almost three-quarters of the volume of lending for 2015 were Program-Based Operations (PBOs) against 27 percent for institutional support projects.

The Governance Strategic Framework and Action Plan 2014-2018 (GAP II), approved by the Boards in 2014, serves as the key programming instrument for governance operations within the overall framework of the TYS. The GAP II outlines three main pillars that enable the Bank Group to deliver its work and improve the quality of governance in Africa. These include: (i) public sector and economic management; (ii) sector governance; and (iii) investment and business climate. In addition, governance interventions have also contributed to other priority areas of the Bank Group's TYS, encompassing private sector development, gender mainstreaming, programs addressing states of fragility, and the bolstering of economic resilience.

Public Sector and Economic Management (PSEM). Bank Group interventions for PSEM have been directed at the continued strengthening of government policies and institutional capacity to enhance the transparent and accountable use of public resources, and the ability of citizens to hold governments accountable. In this regard two key operations were undertaken in 2015. In Niger, the Bank Group supported the implementation of the Financial Reforms and Food Security Support Programme (PAREFSA I) through a PBO loan worth UA 20 million using the ADF window. Its objective is to support the creation of conditions conducive to inclusive growth through enhanced food security. The Bank Group also approved a total of UA 15 million financing of Mali's Emergency Governance and Economic Recovery Support Program (EGERSP). The financing was drawn from the Transition Support Facility (TSF). The EGERSP is part of a coordinated effort by the international community to restore the Government's authority and support economic recovery to reverse the deteriorating humanitarian situation resulting from the various crises over the last three years. These PSEM interventions reflect the Bank Group's commitment, responsiveness, and flexibility in addressing fragility and emergency situations.

Sector Governance. In continued efforts to improve sector governance specifically aimed at addressing procurement-related corruption at the sector level, the Bank Group provided support towards the strengthening of procurement policies and the legal frameworks in a number of the RMCs. For example, a PBO totaling UA 50 million drawn from the ADF was approved for the Power Sector Reform and Governance Support Programme in Tanzania. This operation was aimed at enhancing the competitiveness of Tanzania's power sector that has historically suffered from weak economic and financial governance.

Investment and Business Climate. Interventions in this area have focused on strengthening legal and institutional frameworks through improved investment codes, and the creation of robust judicial systems for better contract enforcement and resolution of disputes. The Bank has also supported the strengthening of policy, legal, and institutional frameworks for Public-Private Partnerships (PPPs). Examples include the technical assistance grants for the Ethiopia Institutional Support Project for Public-Private Partnerships (ISP-PPP) for USD 1.6 million, and the Namibia Institutional Strengthening for Public-Private Partnerships Project (ISPPP) for USD 2.8 million.

Promoting Skills and Human Development. In 2015, implementation of the AfDB's Human Capital Strategy (2014-2018) gathered pace. This strategy provides a framework for the Bank Group's vision to harness human resources to support the competitiveness of African economies. For the review period, the AfDB approved various innovative operations aimed at capacity building, including skills development, promoting entrepreneurship, creating jobs, and promoting equal opportunities for men and women. As exemplified below this also included consolidating the gains attained during the campaign against the Ebola virus disease in 2014, with the Post Ebola Recovery Social Investment Fund Project (PERSIF). In total, as at end-December 2015, UA 595.9 million had been approved for various operations. The bulk of the financing—UA 592.5 million (99.4 percent)—was through loans and grants. The remaining UA 3.4 million (0.6 percent) was sourced from the RWSSI Trust Fund and FAPA. Box 3.4 provides a summary

Box 3.4

Selected Approved Projects in 2015 for Skills Development

The Kenya Support to Technical Vocational Education and Training Project (UA 41 million) will train middle-level engineering and applied sciences faculties in 33 Technical Training Institutes (TTIs). The Skills Development and Entrepreneurship Project in Zambia (UA 21.4 million) will contribute to job creation, the promotion of gender equality and poverty reduction, in particular supporting women and youth through skills development and entrepreneurship. In Sudan, the Capacity Building for Improved Quality of the Education System (UA 15.3million), aims to enhance skills development among teachers and education managers and promote the use of technology to enhance the quality of education. The Support Project for Youth Employability and Integration in Growth Sectors in Togo (UA 14.5 million) will contribute to creating conditions for more inclusive economic growth by boosting youth employability and promoting entrepreneurship in growth sectors. In Eritrea, the Support to Skills Development for Employability and Entrepreneurship Project (UA 13.5 million) aims to improve formal technical/vocational education and training, and to offer basic skills training programs to youths and adults, with an emphasis on gender equality.

Catering trainees at the Zanzibar Institute for Tourism Development with the Support of the Alternative Learning and Skills Development Project, Tanzania.

of this genre of interventions within the different operations undertaken in Eritrea, Kenya, Sudan, Togo, and Zambia.

The single largest operation for job creation was the UA 144.3 million approved for Tunisia's Regional Development and Job Creation Support Programme (PADRCE). This seeks to establish a climate that is conducive to accelerated job creation and inclusive growth through regional development. This program is expected to bridge regional disparities as well as reduce Tunisia's unemployment, which stands at 13.3 percent, with youth unemployment at an a particularly high level of 31.2 percent. Specifically, the program's beneficiaries will include: (i) the inhabitants of the interior region; (ii) about 58,000 higher-education graduates annually; (iii) women and youth beneficiaries of microcredit interventions; and (iv) the 235,000 families targeted by social assistance to alleviate the burden of high unemployment.

Other social sector operations approved in 2015 were aimed at supporting reconstruction efforts in Central African Republic (CAR), and the protection of basic services in Malawi. In CAR, the Support Program for Reconstruction of Grassroots Communities, Phase 1 (PARCB-1) totaling UA 15 million, was AfDB's most significant intervention in support of the country's transition, following outbreaks of unrest. The program involves the rehabilitation of vocational training and learning centers to promote the socio-economic reintegration of communities, including the half a million unemployed and out-of-school youth in the project area, as well as facilitate increased access to social services. In Malawi, the AfDB approved a project of UA 19 million for the Protection of Basic Services. Among other objectives, this project is expected to: (i) improve access to quality health and education services; (ii) increase the participation of poor households in the Public Works Program; and (iii) increase transparency in the delivery of basic social services.

Three countries in West Africa (Guinea, Liberia, and Sierra Leone) had suffered from the outbreak of the Ebola virus disease in 2014, which damaged their economic and social fabric. In 2015, the ADF Board approved a grant of UA 20.4 million for the Post Ebola Recovery Social Investment Fund Project (PERSIF). PERSIF complements the Bank Group's earlier interventions for alleviating the pressure resulting from the outbreak, and strengthening subsequent responses to future epidemics. It is also geared at restoring basic social services and improving people's livelihoods.

3.2.1 Ten-Year Strategy: Areas of Special Emphasis

In addition to the five operational priorities, the TYS also emphasizes support to the special areas of agriculture and food security, gender mainstreaming, and States in situations of fragility. Operational activities in these areas during 2015 are highlighted below.

Agriculture. Agriculture employs 65 percent of Africa's labor force and accounts for 32 percent of its GDP. It is therefore a key priority for reducing poverty and hunger, raising household

NERICA Rice Project, Benin.

incomes, spurring GDP growth, and creating jobs. In line with its emphasis on agriculture as one of the TYS focal areas, the Bank Group organized the Dakar-High Level Conference on Agricultural Transformation in October 2015 for over 600 participants, including 155 high-level Government representatives, ranging from Ministers of Agriculture, Finance, and Trade, and Central Bank Governors, as well as other policy makers, business leaders, members of civil society, and other stakeholders. The conference endorsed an 18-point plan of action, summed up in "Feeding Africa: An Action Plan for African Agricultural Transformation: Summaries Work Streams 1-26". The Action Plan is guiding the preparation of the continent's long-term strategy for agricultural transformation (2016-2025).

The Action Plan called on governments to demonstrate strong commitment, and to take critical steps towards the transformation of Africa's agriculture (Box 3.5).

Box 3.5

Feeding Africa: An 18-point Action Plan for African Agricultural Transformation

In October 2015, African leaders met in Dakar, Senegal, at a high-level conference called to kick-start agriculture as an engine of growth by mapping out an ambitious action plan. The conference outlined a shared vision for African agricultural transformation, based on the following goals:

- Eliminating extreme poverty.
- Ending hunger and malnutrition.
- Turning Africa into a net food exporter.
- Moving Africa to the top of global value chains.

The Action Plan is to be implemented with AfDB as the focal point, working closely with co-conveners and development partners: AU, FAO, UNECA, and the World Bank. Highlights of the 18-point Action Plan, include the following:

- The conference agreed to increase the number of nutrition programs across Africa to end malnutrition and hunger. The synergy needed was created for effective partnerships to achieve this objective.
- The program will involve establishing a strategic partnership with US President Obama's Feed the Future Initiative, Grow Africa of the World Economic Forum, the Big Win Philanthropy, the FAO, Scaling Up Nutrition, the World Food Programme, the Bill and Melinda Gates Foundation, the Global Panel on Agriculture and Food Systems for Nutrition, as well as the private sector in general, to deploy innovative approaches to addressing malnutrition.
- The Bank Group will work with partners to leverage USD 3 billion in financing for women farmers, agribusinesses, and other women-owned enterprises. This will include the establishment of a USD 300 million facility to de-risk financing to women-owned businesses by commercial banks and microfinance institutions.
- The Bank Group will also triple its climate financing to USD 5 billion annually by 2020 by working closely with the African Union, the African Ministerial Conference on the Environment, the United Nations Environmental Programme, and the G7 for the establishment of the Africa Renewable Energy Initiative.
- Under the plan, Central Banks in Africa will set aside Special Funds to allow farmers to access credit at reduced interest rates, and also for long-term agricultural loans with longer-term maturity.
- The Bank Group will scale up skills enhancement for youth in agriculture and establish an African Youth in Agriculture Financing Facility to support young commercial farmers and other youth in agriculture.

Source: AfDB.

Other stakeholders who attended the conference included program and task managers, entrepreneurs, women and youth leaders of non-governmental agricultural organizations in rural and urban communities in Africa. Their testimonies revealed their experiences at the conference, and what they perceived to be the benefits they expect to derive from it (Box 3.6).

In 2015, Bank Group approvals in the agricultural sector amounted to UA 514.6 million. Of this, UA 472.2 million (91.8 percent) was through loan and grant approvals and the remaining UA 42.4 million (8.2 percent) was financed through Special Funds, specifically the Global Agriculture and Food Security Program (GAFSP), the Global Environment Fund (GEF), and the Fund for African Private Sector Assistance (FAPA). One of the largest operations approved was the Green Morocco Plan Support Programme (PAPMV-2), a public sector initiative, for UA 94 million. Phase 2 of the Programme aims at improving sustainable natural resource management through green governance in the agricultural sector and development of agricultural sector value chains (see Box 3.7).

Box 3.6
Testimonies from Stakeholders at the Dakar Conference on Feeding Africa

On 23 October 2015, delegates attending the Dakar conference on transforming African agriculture expressed enthusiasm about the new commitments to agribusiness.

"You need high-profile events like these to get things done. It was important for the new President of the AfDB to make this strategic decision at this early stage on assuming office because it has drawn attention across Africa and encouraged political and technical buy-in" said Ikhide Imumorin, Program Leader at Cornell University's College of Agriculture. Imumorin continued: "By bringing in Central Bank Governors, Ministers of Finance and Agriculture, and regional development banks, this will certainly achieve results."

During the conference, the AfDB President announced the creation of a USD 300 million financing facility to channel more funds to African women in agribusiness and provide bank guarantees. Claudius Kurtna, a youth agribusiness entrepreneur from Kenya, who also attended the conference, hailed the President for emphasizing the role of the youth and women in agriculture. He added: "It was not a youth event on agriculture, but the President has driven it like one and we are very happy. This has marked the start of a big change in Africa." Kurtna noted that his organization managed to sign agreements for business expansion and was looking for further commitments in agribusiness.

Oluwatosin Ariyo, who is currently overseeing an initiative funded by the British Government to improve the status of women in agriculture in rural Nigeria said his organization hoped to "tap into the strong commitments reached at the conference to bolster programs under implementation in Nigeria". He continued: "This conference has brought agriculture to the fore. The financial sector will begin to connect the dots that have been missing in the whole value chain, and the fund created by the AfDB will help to reduce interest rates on agribusiness loans. This will enable more women to benefit."

Source: AfDB.

Box 3.7
Green Morocco Plan Support Programme, Phase 2

In October 2015, the Bank approved a sector budget support loan of UA 94 million to Morocco to finance the second phase of the Green Morocco Plan Support Programme. This is in line with the Bank Group's TYS. Adopting a participatory, inter-sector approach, this support recognizes agriculture as an innovative business sector, which complements and creates synergies with other sectors, but also gives value to its stakeholders, especially women and youth. The program's specific objective is to improve sustainable natural resource management through green governance in the agricultural sector and the inclusive development of agricultural sector value chains.

The program includes an insurance scheme for women farmers in cooperatives to promote equality with men over access to this scheme. It also promotes gender budgeting in the area of agricultural value chains. Land tenure for women is encouraged in the allocation of valuable agricultural plots to women farmer groups through Public-Private Partnerships, as well as the provision of accessible and affordable financing to rural women.

Source: AfDB.

Gender. Following the approval of the Gender Strategy, an action plan to operationalize it was developed and adopted in December 2014. The implementation of the strategy was accelerated in 2015 with the establishment of a network of 85 gender focal points throughout the Bank in April 2015. The role of the focal points is to ensure that gender equality and empowerment are: (i) integrated into the Bank Group's day-to-day operational business processes; and (ii) that these are appropriately addressed in the AfDB's projects, Country Strategy Papers (CSPs), Regional Integration Strategy Papers (RISPs) and Project Appraisal Reports (PARs), through mainstreaming. Three capacity-building training workshops were held to support the focal points in September and October 2015. The aim of the workshops was to equip focal points with common skills and tools to enable them to effectively champion gender mainstreaming in their departments/units. In all, 62 of the 85 gender focal points appointed received training. Of these, 27 are based in the field offices. In addition, the gender focal points have formed an institutional network for information sharing, joint approaches, and peer support. This will be further strengthened through a Gender Community of Practice, scheduled for launch in 2016.

The Coordinating Committee on Gender Equality was established to address specific needs for better results measurement and reporting of Bank Group operations. The Bank Group is the secretariat of the African Finance Ministers Community of Practice (CoP) on financing for gender results. The first meeting of the CoP took place at the AfDB's Annual Meetings in Abidjan in May 2015. Another initiative supporting the Gender Strategy involves reform of the AfDB's approaches in relation to the Country Gender Profile (CGP). The CGP seeks to identify gaps and propose revisions for improving the quality and inclusivity of operations. As part of the CGP, three separate work streams have been developed, each focusing on a key operational need or product of the AfDB. The first is aimed at supporting CSP preparation (e.g. Uganda's new Country Gender Profile). The second proposes addressing sector- and project-specific issues from a gender perspective (e.g. energy sector in Côte d'Ivoire's Gender Profile). The third

Leaders of various community-based organizations that have been instrumental in the Ebola response in Liberia.

addresses gender and economic issues to promote inclusive growth (e.g. Rwanda's Country Gender Profile).

Additionally, the Africa Gender Equality Index was launched at the Bank Group Annual Meetings in Abidjan in 2015. The index is a compilation of data from various sources, reflecting the status of women around Africa along three dimensions of equality: economic opportunity, social development, and laws and institutions. Its purpose is to track progress along these dimensions to determine whether over time there is improvement or deterioration in the status of women.

At the Dakar High-Level Conference on African Agricultural Transformation held in October 2015, the President announced a new initiative called the Affirmative Finance Action for Women in Africa (AFAWA). This is a proposed USD 300 million facility that will leverage USD 3 billion to de-risk financing of women-owned businesses by commercial banks and microfinance institutions. The objectives of this initiative are in line with the 18-point Action Plan of the Dakar Conference and the target beneficiaries are: (i) women-owned micro-enterprises, particularly for rural women involved in small-scale and commercial agriculture and along the agriculture value chain; and (ii) women-owned small- and medium-sized enterprises (SMEs) operating in several sectors of the economy (agribusiness and food industry, technology and telecommunications, extractive and creative industries, and energy).

In 2015, work began on the development of a Gender Marker System to systematize mainstreaming of gender in the AfDB's operational business processes. The Gender Marker System seeks to codify existing practices and identify clear entry points to strengthen existing provisions. As part of this exercise, operations that have potential for high gender impact will receive attention through the adoption of gender action plans for specific project designs.

Countries in Situations of Fragility. The 16 countries eligible for Pillar I of the Transition Support Facility (TSF) are the RMCs considered to be in fragile situations. These countries are: Burundi, CAR, Comoros, Côte d'Ivoire, DRC, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Sierra Leone, Somalia, South Sudan, Sudan, Togo, and Zimbabwe. Pillar I refers to supplemental top-up (additional) resources to ADF performance-based allocations. Accordingly, the ADF Board approved UA 365.7 million for these countries to finance their operations. Pillar II of the TSF represents funds that are set aside to support arrears clearance for eligible countries with arrears, while Pillar III of the TSF constitutes resources set aside for capacity building and technical assistance.

To strengthen the Fund's support for all the RMCs eligible for the TSF resources, the ADF Board had approved a new Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) in June 2014. This was one of the outcomes from the recommendations of the consultative process conducted by the High-Level Panel for Addressing Fragility in Africa. In January 2015, the Board approved the Operational Guidelines for the implementation of the Strategy and the Transition Support Facility (TSF). Therefore, 2015 marked the first year that the ADF began implementing a new operational framework in its engagement with countries in fragile situations. The conceptual framework of the Operational Guidelines contains several innovations that shaped the Fund's engagement with countries in fragile situations in 2015. This includes the introduction of a traffic light system for all the RMCs to monitor fragility and guide the Fund's engagement in countries, in states of fragility.

The systematic application of the new traffic light system has changed the AfDB's business model. Thus, in 2015, all CSPs and RISPs were informed by fragility assessments using the traffic light system, and more than 80 percent of operations approved in 2015 in high-risk countries integrated a fragility perspective. For instance, in Madagascar, the new Interim Country Strategy Paper approved in 2014 was prepared, and all short and medium term projects approved since then, respond to the priorities of the fragility assessment based on the traffic light system. The new projects underscore access to basic social services, private sector participation, youth employment, food security, and women's empowerment.

With the approval of the Operational Guidelines, the Fund has also revised its approach to using Pillar III resources of the TSF, meant for critical capacity-building interventions, building on lessons learned from the past and the findings of the Independent Evaluation conducted in 2014. One of the beneficiaries of the application of the new model was a technical assistance project (UA 1. 4 million) in Zimbabwe for the "Support to the Beef and Leather Value Chain", which leverages co-financing from the Fund for African Private Sector Assistance (FAPA). This project seeks to address fragility and build resilience in the country, placing emphasis on value-addition and employment creation.

Special Programs to Address Fragility. The AfDB has developed special flagship programs and initiatives focusing on

Box 3.8
The Special Programs in the Horn of Africa and the ECOWAS Region

The Horn of Africa Initiative. In June 2015, the Boards approved Phase III of the Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa (DRSLP III) for USD 30 million, targeting Djibouti and Sudan. The DRSLP is a long-term program to build the resilience of communities to drought and climate change, improve their livelihoods and promote regional integration in the Horn of Africa. The Bank Group had committed USD 115.6 million to Phase I under the DRSLP approved in December 2012, and USD 104.3 million for Phase II (DRSLP II) in November 2014.

Based on wide consultations and studies, the program addresses the root causes of the drought, which drives the fragility of the region. In this regard, Phase III of the program will develop infrastructure for: (i) water harnessing and management; and (ii) agriculture and livestock production, health, and marketing. It is also designed to build the capacity of the inhabitants and governments of the participating countries to better cope with the effects of climate change, resource scarcity and related resource-based conflicts. Direct and indirect beneficiaries of the overall program are estimated at 20 million agro-pastoralists affected by drought and land degradation, half of whom are women.

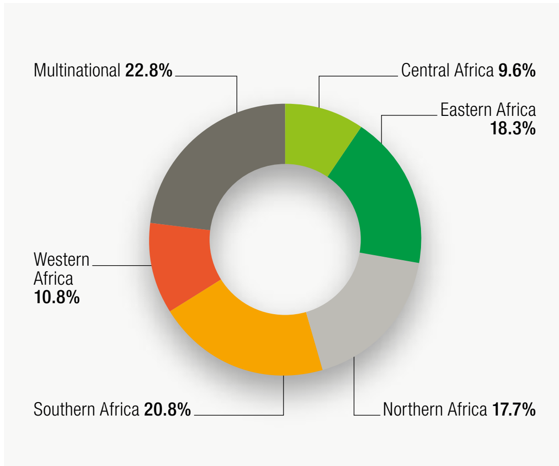
ECOWAS Region Programs. The Boards approved two Special Programs in this region in the energy and transport sectors. The energy sector operation, discussed earlier, is The Gambia River Basin Development Organisation (OMVG) Renewable Energy Program (UA 97 million), approved in September 2015, which seeks to deal with fragility and provide the four OMVG member states with renewable, clean and affordable energy. At the same time, it aims to promote regional integration through the sharing of energy and improved electricity supply quality. The second is the multinational road project linking Mali to San-Pédro in Côte d'Ivoire (UA 140.4 million), to address fragility situations in both countries in the region. It will contribute to improving competitiveness, diversifying their economies as well as reducing poverty, and further assist in the emergence of San-Pédro as a key transit port for neighboring landlocked countries such as Mali and Burkina Faso.

development challenges facing the vulnerable and disadvantaged populations in regions and countries affected by disasters and fragility. In 2015, the Boards approved three such special programs, including one in the Horn of Africa, and two in the ECOWAS region (Box 3.8).

3.3 Bank Group Operations by Region

This section of the Report presents the regional distribution of Bank Group resources. In 2015, among the regions, the largest share of Bank Group operations was undertaken in the Southern Africa region. The largest approvals were in infrastructure, despite variations in the sector distribution of other operational priorities within the regions. The emphasis on regional integration is also highlighted by the approval of key projects and programs in energy inter-connections and inter/intra-regional transport networks.

Figure 3.9
Total Bank Group Approvals by Region, 2015 (UA 6.33 billion)



Source: AfDB Statistics Department.

Bank Group Approvals by Region. As outlined above, the Bank Group operations cover all 54 RMCs and the five regions. However, variations exist in terms of the volume of operations accross the regions. As reflected in Figure 3.9, the regional distribution of total Bank Group approvals shows that, among the regions, the largest share of 20.8 percent of approvals was allocated to Southern Africa. This was followed by Eastern Africa (18.3 percent), Northern Africa (17.7 percent), Western Africa (10.8 percent), and Central Africa (9.6 percent). The

Table 3.4
Total Bank Group Approvals by Region, 2014-2015

Regions	Countries			2014 UA million	2014 Share	2015 UA million	2015 Share	% Change in Approvals 2015
Central Africa	Cameroon** Central African Rep. Chad	Congo* Congo, Dem. Rep. of Equatorial Guinea*	Gabon* Sâo Tomé & Príncipe	371.35	7.4	606.23	9.6	63.3
Eastern Africa	Burundi Comoros Djibouti Eritrea Ethiopia	Kenya** Rwanda Seychelles* Somalia	South Sudan Sudan Tanzania Uganda	652.11	12.9	1,158.75	18.3	77.7
Northern Africa	Algeria* Egypt*	Libya* Mauritania	Morocco* Tunisia*	391.36	7.7	1,121.20	17.7	186.5
Southern Africa	Angola* Botswana* Lesotho Madagascar	Malawi Mauritius* Mozambique Namibia*	South Africa* Swaziland* Zambia** Zimbabwe	1,220.70	24.2	1,318.33	20.8	8.0
Western Africa	Benin Burkina Faso Cabo Verde* Côte d'Ivoire Gambia, The	Ghana Guinea Guinea-Bissau Liberia Mali	Niger Nigeria*** Senegal Sierra Leone Togo	1,337.05	26.5	686.61	10.8	-48.6
Multinational				1,077.36	21.3	1,443.58	22.8	34.0
Total				**5,049.92**	**100.0**	**6,334.69**	**100.0**	**25.4**

Source: AfDB Statistics Department.
Notes:
* ADB countries.
** Blend countries.
*** In transition to ADB in 3-5 years.
( ) ADF countries.

share of multinational operations was the largest overall at 22.8 percent, and is worthy of specific note as it reflects the significance of projects and programs in the Bank Group's regional integration agenda.

Table 3.4 provides a breakdown of operations in 2014 and 2015 for beneficiary countries in each of the five regions. By comparison with 2014, Northern Africa recorded the highest increase in total Bank Group approvals followed by Eastern Africa and Central Africa. Western Africa recorded a decrease in approved operations in 2015, as explained below.

Central Africa Region. Of the eight countries in Central Africa, two (Gabon and Equatorial Guinea) are ADB-eligible countries while Cameroon is a blend country, eligible for both ADB and ADF resources. Congo was in transition towards ADB eligibility up to end-2015 when it became an ADB country. The remaining four countries (CAR, Chad, DRC, and Sâo Tomé & Príncipe) are ADF-eligible, and borrow mainly from the ADF window. The four ADF-eligible countries are also classified as countries in fragile situations, which also makes them eligible for financing from the Transition Support Facility (TSF). For the Central Africa region, total Bank Group approvals amounted to UA 606.2 million in 2015, a 63.3 percent increase over the level in 2014.

In terms of sector distribution of the region's total Bank Group approvals, the largest share of 65.6 percent was allocated to the finance sector, followed by 20.1 percent to support multisector operations, while the remaining 14.3 percent was allocated in smaller shares to operations in communications, energy, social, agriculture, and water and sanitation sectors.

The finance sector support included the partial credit guarantee of UA 397 million provided to Cameroon for currency risk-hedging to cover the country's payment related to cross-currency swaps executed with commercial banks. The partial credit guarantee was to finance Cameroon's development projects, in particular its Three-Year Emergency Plan, and certain long-term investment projects identified in the country's 2015 budget. For the multisector operations, one of the larger approvals, worth UA 38 million, was allocated for an institutional support project in DRC, mainly aimed at enhancing private sector development through skills transfers in beneficiary institutions and businesses, especially the youth and women. Another large operation was the UA 30.9 million allocated for the Central African Backbone Information and Communication Technology (ICT) project, also in Cameroon. This project was one of the two ICT operations that the Bank Group approved in 2015. It is aimed at extending coverage of the national optical fiber network in the neighboring countries—Congo, Nigeria, and CAR.

Eastern Africa Region. Among the 13 countries in this region, Seychelles is the only country eligible to access financing from the ADB window. Six other countries—Burundi, Comoros, Eritrea, Somalia, South Sudan, and Sudan—are ADF-eligible and also classified as countries in fragile situations. This means that they are eligible for TSF financing as well. Kenya qualified to become a blend country in September 2015, which makes it eligible for both ADF and ADB financing. Tanzania and Uganda were assessed as eligible for ADB financing under the revised Bank Group Credit Policy, and received some non-concessional ADB resources for financing parts of their infrastructure projects.

Bank Group total approvals for Eastern Africa amounted to UA 1.16 billion, which was 77.7 percent more than the amount approved in 2014 (see Table 3.4). Infrastructure financing in transport, water and sanitation, and energy accounted for the largest share (66.3 percent) of total Bank Group approvals for the region. An additional 24.8 percent was allocated to the social sector to support technical and vocational skills development, employment, drought and other emergency relief operations. The remaining 8.8 percent was allocated to the finance sector in the form of locs to MSMEs, agriculture, and multisector operations.

One of the signature projects for this region was the Arusha Sustainable Urban Water and Sanitation Delivery Project in Tanzania (UA 150.2 million). This project was designed to increase access to safe, reliable and sustainable water and sanitation services in Arusha. This will also lead to reduction of water-borne diseases and associated health-care costs (Box 3.9).

Box 3.9

Arusha Sustainable Urban Water and Sanitation Delivery Project

The objective of the project is to provide safe, reliable, and sustainable water and sanitation services in Arusha city, Tanzania, and thereby contribute to better health, improved social well-being, and higher living standards for the beneficiaries. The project will improve the existing infrastructure and enhance the operational, commercial, and service delivery efficiency of the public utility company, the Arusha Urban Water Supply and Sanitation Authority (AUWSA).

About one million people will benefit over the project's lifespan. Improved access to water and sanitation services will complement other social services and boost socio-economic activities in the city while providing an environment that is conducive to business. The project will also provide climate adaptation benefits in relation to water sources management and should lead to the reduction of water-borne diseases and associated health-care costs. Furthermore, the construction phase will offer job opportunities. The project will provide capacity building to AUWSA and will support the public utility in adopting the National Gender Policy and in the provisions addressing the needs of vulnerable groups.

Northern Africa Region. Home to six countries, the Northern Africa is one of Africa's most developed region. However, it still faces numerous socio-economic challenges since the upheavals that began in Tunisia in December 2010. These events reverberated in other countries in the region in the ensuing "Arab Spring". Although five of the six countries are ADB-eligible (only Mauritania is an ADF-only country), neither Libya nor Algeria has borrowed from the Bank in recent years. To help with the new social problems in the region, Bank Group total approvals increased by 186.5 percent to UA 1.12 billion from UA 391.4 million in 2014. Multisector operations for public finance management and governance-related operations had the largest share (40.6 percent) of the regional Bank Group total approvals, followed by infrastructure (34.2 percent), mainly transport and energy, while social sector operations in regional development and job creation interventions accounted for 12.9 percent. Bank Group approvals to agriculture took a 12.1 percent share while the remaining small share (0.2 percent) went to the finance and industry sectors.

Two large operations were the key highlights of interventions in Northern Africa. As mentioned above, the operations include the Regional Development and Job Creation Support Programme (PADRCE) in Tunisia (UA 144.3 million), and Phase 2 of the Green Morocco Plan Programme (UA 94 million). The PADRCE programme is expected to bridge regional disparities as well as reduce the rate of unemployment. The Green Morocco Plan Support Programme will contribute to the strengthening of agricultural sector competitiveness for inclusive and green growth in the country as noted above. A third project, the Tunisia Natural Gas Transmission and Distribution Network Development Project, was financed at UA 38.5 million. This project will enhance climate-change mitigation and adaptation, especially among the SMEs, the tertiary sector and households in the project area through increased access to more-affordable and less-polluting fuel (Box 3.10).

Southern Africa Region. Of the 12 countries in the region, half are ADB-eligible; five are ADF-only countries, and the other, Zambia, was classified in 2014 as a blend, eligible for both ADB and ADF financing. The 12 countries are members of the regional economic bloc, the Southern African Development Community (SADC). In 2015, total Bank Group approvals for the region increased by 8 percent to UA 1.32 billion from the UA 1.22 billion approvals made in 2014. The largest share of 47.6 percent of total Bank Group approvals for the region was for the financing of infrastructure operations (energy, transport, and water and sanitation). This was followed by the finance sector, with a share of 37.6 percent for operations covering mainly LOCs and trade finance for the benefit of MSMEs. The remaining 14.8 percent was allocated to the social, agriculture, industry, and multisector interventions.

Box 3.10
Natural Gas Transmission and Distribution Network Development Project in Tunisia

This project aims to connect 19 municipalities in Tunisia to the natural gas supply system (STEG) through the construction of 260 km of transmission network and 404 km of distribution network. The main beneficiaries of the project will be small- and medium-sized industries, small businesses and 13,450 households in the project area. They will substitute natural gas for the currently used heavy fuel, diesel, and Liquefied Petroleum Gas (LPG). Consumption of natural gas instead of these fuels would help the project beneficiaries to cut expenditure on fossil fuels and reduce air pollution by limiting the emission of the equivalent of 47,000 metric tons of CO_2 per year. In the construction phase, about 1,900 direct temporary jobs will be created and in the operational phase, 900 jobs will be created, 200 of which will be direct permanent jobs.

The highlights were the two large LOCs, of which UA 262.3 million was offered to the Development Bank of Namibia (DBN), and UA 231.5 million was made to Banco de Poupança e Crédito (PBC) of Angola, profiled above. The purpose of the LOC to the DBN was to finance projects in key priority sectors, including infrastructure, manufacturing, logistics and tourism. The financing approved to PBC was aimed at targeting mainly medium-sized enterprises that often face financing constraints. Some large corporations involved in the country's priority sectors, including water, agriculture, and industry, are also expected to benefit from this financing. The approval of UA 172.8 million for Zambia's Chinsali–Nakonde Road Rehabilitation Project has already been mentioned above. This road is a segment of the Trans-Africa Highway and the North–South Corridor (NSC)—a priority transport route servicing eight countries, and important for promoting trade in the region.

Western Africa Region. As the largest region, with 30 percent of Africa's population, the Western Africa region comprises 15 countries and also has the highest number of countries classified as States in fragile situations, with access to both ADF and TSF resources. Of the 15 RMCs in this region, 13 are ADF-eligible; the remaining two—Cabo Verde and Nigeria—were in the transition phase of becoming ADB-eligible countries up to end-2015 when Cabo Verde became an ADB country, but Nigeria remains in transition until end-2018, when it will also become an ADB country. The seven countries in fragile situations are Côte d'Ivoire, Guinea, Guinea-Bissau, Liberia, Mali, Sierra Leone, and Togo.

In 2015, total Bank Group approvals for the Western Africa region amounted to UA 686.6 million, 48.6 percent lower than in 2014. The year 2014 was exceptional as the approvals included some large private sector-financed projects (UA 503 million) for Nigeria. In 2015, infrastructure operations took up 45.6 percent of the regional Bank Group approvals channeled to transport, energy, and ICT projects. Agriculture was allocated 28.9 percent of the approvals while 15.9 percent went to multisector operations. Lines of credit to the finance sector for MSME, and support to the social sector, accounted for 7.4 percent and 2.3 percent, respectively.

In infrastructure financing, a total of UA 85.5 million was approved for the Ghana Airports Company Project to improve the country's aviation industry and enhance regional integration, while UA 48.7 million was allocated to the Digital Technology Park Project in Senegal. This project aims to promote Senegal as a call-center destination (see Box 3.11). The Budget Support Program for the energy (infrastructure) sector in Burkina Faso attracted UA 20 million financing and seeks to make the supply of electricity and petroleum products more efficient in the country.

Box 3.11

Senegal Digital Technology Park

This Digital Technology Park allocation of UA 48.7 million is the larger of only two ICT project approvals in 2015. The other is the Central Africa Optical Fiber Backbone Project—Cameroon Component (UA 30.9 million).

The Digital Technology Park, to be set up in the rapidly urbanizing Diamniadio Commune of Senegal, will include a data center, business process outsourcing facilities, an ICT enterprise incubator, training, research, and audio-visual and content-production centers. The project is expected to produce 35,000 direct jobs and a further 105,000 indirect jobs by 2025, modernize government ICT services, diversify the economy into tech-enabled businesses, support academic technology-based research, and simplify provision of ICT services for the people in Senegal. It will also attract inward investment, providing a focal point for the development of an ICT cluster in Francophone West Africa.

3.4 Leveraging Resources and Partnerships

This section reviews the resources mobilized through Thematic and Bilateral Trust Funds which represent other sources for financing, particularly for pre-investment feasibility studies, project cycle work, and capacity-building activities. While the largest share of Thematic Trust Fund approvals was allocated to infrastructure operations, in 2015 the largest share of Bilateral Trust Fund approvals went into financing capacity-building activities.

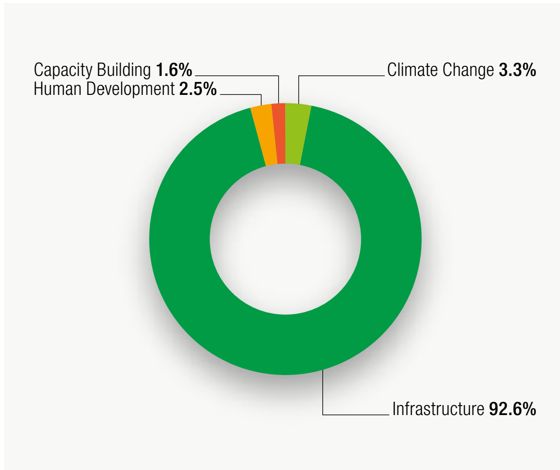
The bulk of Bank Group financing for low-income RMCs is largely through the ADF replenishment. For the three-year ADF-13 cycle (2014-2016), available resources from the replenishment for allocation to the 40 ADF-eligible RMCs amount to UA 5.11 billion, with a third (UA 1.7 billion) estimated to be available in 2015 for financing projects and programs in ADF-eligible RMCs. In addition, the Bank Group has continued to leverage other sources of financing, mainly through Special Funds and Technical Cooperation Trust Funds. These resources are used mainly for financing pre-investment feasibility studies, enhanced project cycle work, and capacity-building activities.

In March 2015, the Board of Directors approved the establishment of the Bill and Melinda Gates Trust Fund to be hosted by the Bank. This is the first bilateral fund with a non-sovereign entity, and is aimed at providing a formal structure to the long-standing collaboration between the two institutions in order to increase activities in agriculture, water and sanitation, and health-related areas.

In 2015, the Bank Group managed 40 Trust Funds (TFs) in different currencies for a cumulative total value of UA 865

Figure 3.10

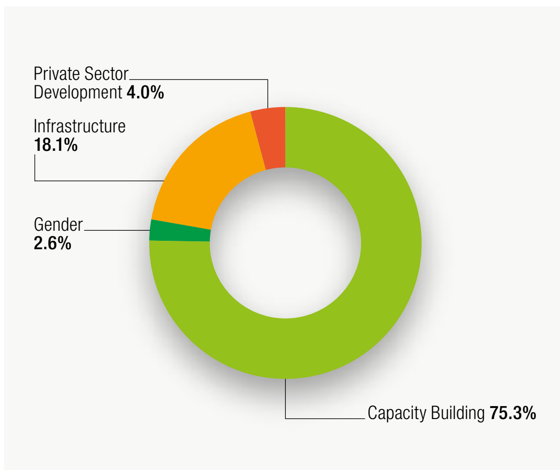
Sectoral Distribution of Thematic Trust Fund Approvals in 2015



Source: AfDB Statistics Department.

Figure 3.11

Sectoral Distribution of Bilateral Trust Fund Approvals in 2015



Source: AfDB Statistics Department.

million. Thematic Trust Funds (TTFs), which are linked to themes aligned with the TYS operational priorities, represented 87 percent of total TF resources, and Bilateral Trust Funds (BTFs) accounted for the remaining 13 percent.

As at end-December 2015, Thematic Trust Fund (TTF) approvals amounted to UA 17.7 million. Similar to 2014, TTF approvals in 2015 for infrastructure operations made up the largest share (92.6 percent). This included the single largest approval (UA 11.5 million) by ZimFund for the Zimbabwe Urgent Water Supply and Sanitation Rehabilitation Project, Phase 2. The remaining smaller share (7.4 percent) was for operations in support of climate change, human development, and capacity building (Figure 3.10).

Approvals by Bilateral Trust Funds stood at UA 11.8 million as at end-December 2015. The largest share (75.3 percent) supported capacity-building operations, including UA 3.8 million for a strategic partnership to address fragility in the RMCs; and UA 1.7 million support to the ADF Policy Innovation Lab during the ADF-13 Mid-Term Review and the preparations for the ADF-14 consultation processes. Figure 3.11 shows that smaller Bilateral Trust Fund shares were allocated to support infrastructure (18.1 percent), private sector development (4 percent), and gender (2.6 percent).

3.5 The Bank Group and the Heavily Indebted Poor Countries Initiative

The status of the Bank Group's participation in implementing the Heavily Indebted Poor Countries (HIPC) initiative and Multilateral Debt Relief Initiative (MDRI) is examined in this section. The highlight of activities in this domain during the year was the Bank Group's approval that Chad had reached the HIPC completion point. This qualified the country for irrevocable HIPC debt relief and MDRI debt relief simultaneously.

The Bank Group is a key participant among multilateral development banks in debt-relief programs within the framework of the Enhanced HIPC Initiative, and the MDRI. The objective of these initiatives is to reduce the external debt burden of eligible countries to a sustainable level in order to free up resources for poverty reduction and development projects and programs. Under the Enhanced HIPC Initiative, eligible countries are relieved of up to 80 percent of their annual debt servicing obligations to the Bank Group until the debt relief committed is fully delivered in the final year of the debt relief schedule. Under the MDRI, however, countries that have reached their HIPC completion points receive 100 percent cancelation of their ADF loans disbursed as at end-2004 and the debt still outstanding is canceled when the RMCs reach their respective HIPC completion points.

In April 2015, Chad became the 30th RMC to reach the HIPC completion point, and this was the major development within the HIPC/MDRI debt-relief initiatives. Of the total amount of HIPC debt relief provided to Chad, the Bank Group's assistance amounted to UA 47 million. This amount will provide Chad with the much-needed resources and leverage to address the numerous socio-economic challenges facing the country. In reaching the completion point, Chad had also fulfilled the requirements for additional debt relief under the MDRI from the African Development Fund, the International Development Association (IDA) of the World Bank, and the European Union.

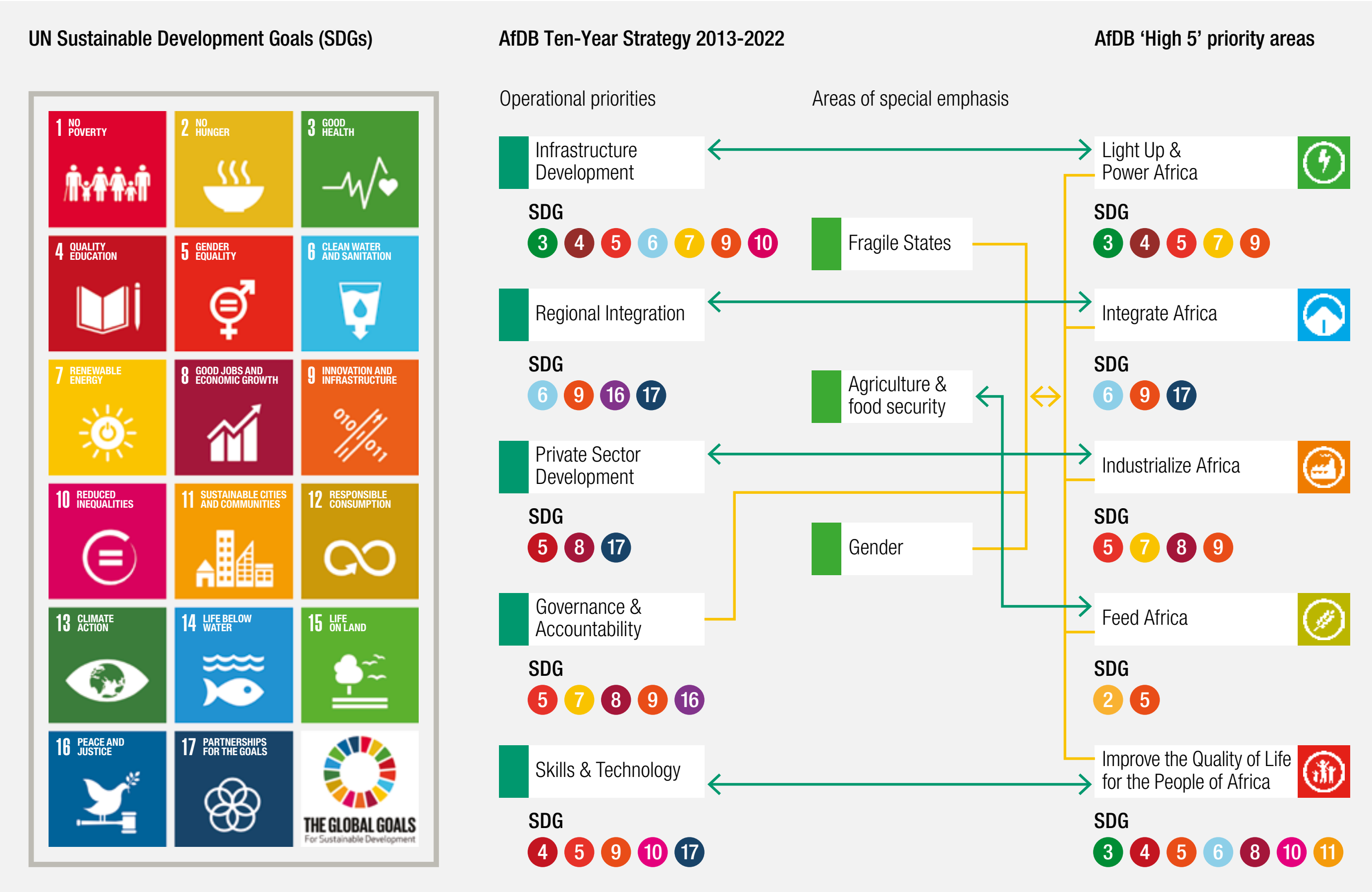
Three pre-decision point countries—Eritrea, Somalia, and Sudan—are yet to start the process of qualifying for debt relief under the HIPC Initiative. Progress towards HIPC decision points by these countries has been slow. Zimbabwe, on the other hand, has made some progress, and intensified its efforts during the year to reach the HIPC decision point. This was through the assistance of the Bank Group under its Transition Support Facility to achieve full re-engagement with the Bank and the broader international financial community.

3.6 Looking Ahead: The Bank's New Strategic Operational Orientation

In looking ahead, the new President, Dr. Akinwumi Ayodeji Adesina, laid out his agenda for the Bank Group and Africa as a whole in what is expressed as the High 5s: Light Up and Power Africa; Feed Africa; Integrate Africa; Industrialize Africa; and Improve the Quality of Life for the People of Africa. These strategic operational priorities provide a sharp focus on the Bank Group's work as it implements the TYS. The objectives are also consistent with the United Nations Sustainable Development Goals (SDGs), thereby creating a platform for transforming the lives of the people of Africa through rapid, sustainable, and inclusive growth.

Africa has made significant progress in the last decade and a half, during which per capita incomes increased by nearly 50 percent in many countries. It has now reached a point for

Figure 3.12
Alignment of the High 5s with the Ten-Year Strategy and the Sustainable Development Goals



Source: AfDB Strategy and Operational Policies and External Relations and Communications Departments.

bold actions and determination to harness the full potential of the continent to end hunger, extreme poverty and malnutrition. Increasing investment in infrastructure, especially in the power sector. Leveraging on Africa's agriculture potential to foster an agro-industry-led industrialization, and accelerating regional integration are part of the critical areas that need renewed commitment and bold visions. In this connection, the High 5 priority areas underpin the TYS and the SDGs.

Figure 3.12 is a schematic illustration representing the linkages between the High 5s, the TYS and the SDGs. A brief review is presented below on each of the High 5s.

Light Up and Power Africa. Energy is a strategic sector, indispensable for modernizing and transforming economies. Africa is the lowest energy producing and utilizing region in the world. Yet, it has vast untapped energy potential, which, if fully exploited, can address its energy needs as well as generate foreign exchange through exports to other regions of the world. By increasing investment and know-how in the energy sector, the Bank Group will contribute to unlocking the continent's energy potential, both conventional and renewable sources, in order to drive the much-needed industrialization. The Bank Group will work with various partners to develop a framework that takes into account the different energy sources, geographic conditions, regulation and pricing, technologies, distribution mechanisms, and beneficiary characteristics in line with its Energy Policy and future Energy Strategy. In this regard, a number of initiatives were lined up and announced in 2015. These include the New Deal on Energy for Africa, the Transformative Partnership on Energy for Africa, and the Africa Renewable Energy Initiative. All of these initiatives entail a change in the Bank Group's approach to the development of the energy sector, and will be critical for achieving the ambitious target of providing universal access to energy by 2025.

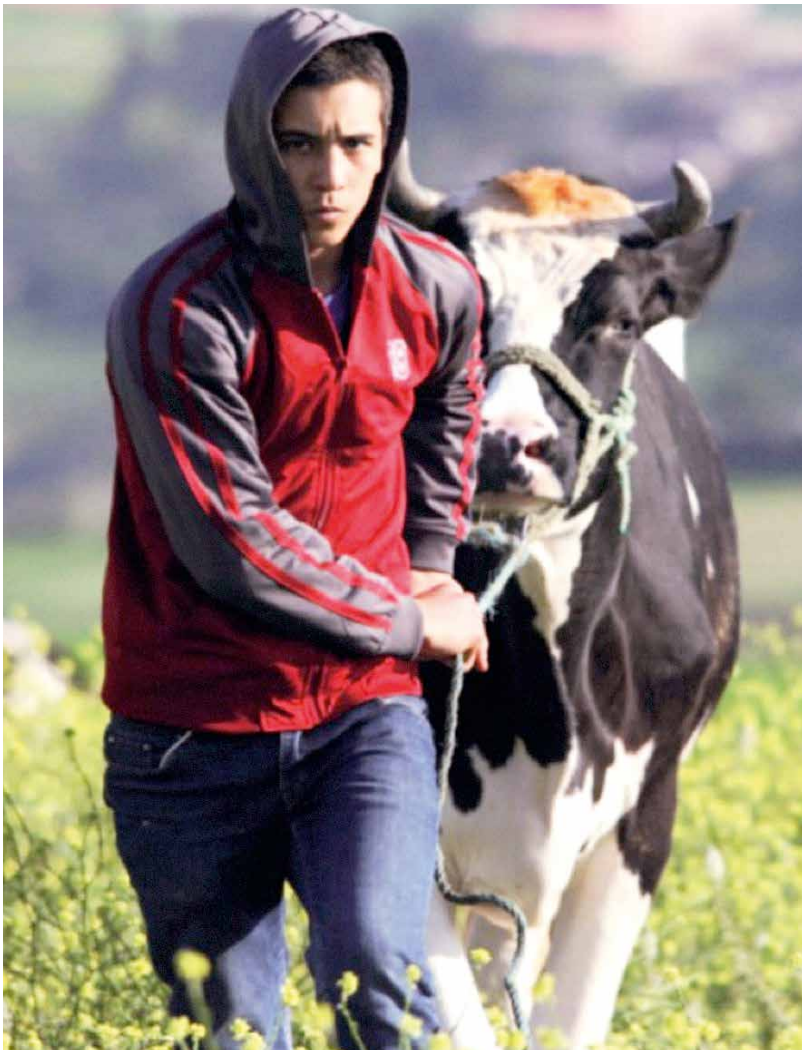
Feed Africa. Africa has enormous potential for agricultural production to feed itself and the world, yet it is a region with one of the largest populations of malnourished and hungry people. Africa's food market is projected to increase to USD 1 trillion in 2030 from USD 313 billion in 2010. However, poor infrastructure, inadequate mechanization, limited access to credit, fertilizers, and technologies, as well as insecure land tenure systems and gender disparities in land ownership, undermine the attainment of this potential. The AfDB is uniquely positioned to lead broad-based regional and international partnerships to transform Africa's agriculture and agribusiness. The Bank Group will accelerate support for agricultural transformation across Africa to increase productivity, lower food prices, and thus enhance food security, revive rural areas and, in particular, create productive jobs. All of this is in line with the recently adopted Dakar Action Plan for African Agricultural Transformation (October 2015). In rolling out the Action Plan, the Bank Group's investments in agriculture are envisaged to quadruple from a current annual average of USD 612 million to about USD 2.4 billion.

Industrialize Africa. As a primary commodity exporter, Africa remains at the base of the global value chain. This cannot continue if Africa is to be primed as a global growth pole. Harnessing Africa's commodities for industrialization involves adding value to soft and hard commodities and developing forward and backward linkages to the commodity sector. The Bank Group is well positioned to lead other partners in the process of industrializing Africa and developing the African private sector to create wealth from natural assets. In line with the Bank Group's Private Sector Strategy, the AfDB will target improving the capacity of Africa's producers, particularly manufacturers and related industries, to compete with imported products in local markets, linking them to regional and international markets. It will also support the development of small- and medium-sized enterprises, special economic zones, and foster access to social and economic infrastructure as the basis for industrial growth.

Integrate Africa. Integrating Africa's economies is key to achieving competitiveness and broadening and strengthening the quality of growth. Yet regional integration continues to face policy, regulatory, institutional, and infrastructure challenges. Overcoming these challenges requires increasing availability of quality regional infrastructure services, particularly in energy, transport, transboundary water and ICT. The Bank Group's Regional Integration Policy and Strategy (RIPoS) 2014-2023, acknowledges the opportunities provided by regional integration in boosting infrastructure to defragment Africa's small markets, increase regional trade, stimulate industrialization, and enhance the movement of people and investment flows. The Bank Group will focus on addressing the barriers separating African countries, creating regional value chains and leveraging complementarities in order to tap into the continent's huge market potential. By working together with the RMCs, the AfDB will build on the lessons learned by investing in high-quality regional infrastructure.

Improve the Quality of Life for the People of Africa. Despite sustained positive economic performance in Africa for nearly a decade and half, many countries still face widespread poverty, socio-economic inequality and gender disparities. Lack of economic opportunities for the youth also fuels migration, both internaly and externaly. Across Africa, the high level of youth unemployment has become a key driver of fragility and political instability, thereby pushing Africa's young people to migrate mainly to Europe and United States. Decades of research across developing countries and advanced economies show that employment is the main pathway out of poverty. Creating jobs could improve the quality of life by providing incomes to meet the basic necessities (such as shelter, food, health, and education), and reducing poverty and inequality.

Accordingly, the Bank Group aims to accelerate the creation of jobs, particularly for the youth, across the continent. This will both improve their living conditions and help to stem the perilous journeys made by some of them particularly across the Mediterranean to Europe in an attempt to escape poverty and growing unemployment. The Bank Group proposes to develop innovative flagship programs within the context of the Jobs for Youth in Africa Strategy to open up opportunities for youth employment. Notably, these flagship programs will create jobs for the youth in key job-rich sectors such as agriculture, industry, and ICT. For example, industrialization schemes such as Skills Enhancement Zones will link industrial clusters with talented young graduates to ensure that skills match the needs of the labor market. These initiatives are targeting over 50 million young people over a ten-year period and the creation of 25 million direct jobs, which could inject an additional USD 30 billion into African economies. The Bank Group will also continue to invest in programs for improving access to basic services such as water and sanitation, strengthening health systems, higher education, science and technology, while creating economic opportunities for the extreme poor through effective social-protection mechanisms. The Ebola



A Young Cattle Farmer, Ben Arous, Tunisia.

crisis was a wakeup call for the continent and the Institution. The Ebola crisis required a coordinated international response to be mounted. Other areas that need attention are the public health-care systems and the challenges of rapid urbanization, especially urban housing, to ensure a slum-free Africa.

Once finalized and fully operational, these High 5s will represent a new strategic orientation for the Bank Group in the implementation of the TYS. However, the High 5s and the TYS are not mutually exclusive and their implementation will require building on the foundations of existing sector strategies and policies, particularly the Regional Integration Policy and Strategy, Private Sector Development Strategy, Human Capital Strategy, and Financial Sector Development Policy and Strategy. It will also be anchored on the Energy Policy and the future Energy Strategy, underpinned by the proposed New Deal on Energy for Africa initiative.

3.7 Conclusion

This chapter has presented an overview of the performance of the Bank Group during 2015 in its lending operations, highlighting the key achievements, both by sector and within the framework of Africa's five regions. Considerable strides have been made, laying a strong foundation for the ongoing delivery of the TYS, while also addressing actual and potential fragility in Africa. It also outlines the alignment of the High 5s with the TYS.

Among the major achievements of the year is the 25.4 percent increase in Bank Group operations in 2015 over the level in 2014. During 2015, Bank Group operations were aligned with the TYS, which emphasizes infrastructure investments, as nearly half (48.6 percent) of total Bank Group approvals was allocated to infrastructure projects, with transport (27.2 percent) and energy (13.8 percent) accounting for the largest share. Another major achievement was the leadership role played by AfDB in introducing the New Deal on Energy for Africa initiative to achieve universal access to energy by 2025, and announcing the African Renewable Energy Initiative at the Climate Change Conference of Parties (COP21) in Paris, France, in December 2015. The AfDB provided technical assistance to the RMCs and logistical support for delegates during the COP21 negotiation processes. Accordingly, the AfDB played a significant role in contributing to the positive outcome of the COP21 global agreement, which reflects Africa's interests on issues of climate change. The Bank Group also organized a High-Level Ministerial Conference in Dakar, Senegal, which produced an 18-point Action Plan to tackle food insecurity and create an agriculture-led industrialization process in Africa.

The low disbursement rates constitute a major challenge to the Bank Group. While in 2012 the actual disbursement closely matched the target level, from 2012 to 2015 actual disbursements against targets showed a wider margin, with the disbursement rate declining from 98 percent in 2012, to

81.9 percent in 2015. The Bank Group is addressing this challenge by strengthening the monitoring and reporting of disbursement delays, while streamlining its operational business processes through institutional and management capacity building to improve the disbursements rates. Also, among the pre-requisites for rapid industrialization and regional integration, the Bank Group continues to provide support to the RMCs through policy advice and dialogue to promote and encourage diversification into processing and small manufacturing of primary products and away from sole reliance on primary commodity exports.

Headquarters Building: Internal Office Space and External View.

Chapter 4

Institutional Reforms, Effectiveness and Corporate Management

Chapter 4

This chapter reports on the institutional reforms, development effectiveness, and the corporate management activities of the AfDB's organizational units in 2015. On institutional reforms, it highlights the Bank's budget reforms and presents updates on its decentralization, the return to Headquarters, information technology, business continuity, and the 2013 Institutional fine-tuning exercise. Regarding development effectiveness, the chapter examines Bank Group activities on climate change and environmental sustainability, enhancing the quality of operations, and managing for development results. It also presents the summary performance scorecard in 2015 and how the AfDB contributes to Africa's development effectiveness, while highlighting the role that the Bank Group played in advocating for Africa's development interests in regional and global platforms. Further, on corporate management activities, the chapter presents a summary of the Bank Group's policies and strategies approved in 2015, outlines the activities of the independent evaluation function and those of the different fiduciary and accountability units that provide intermediate recourse mechanisms, examines the Bank Group's role as a knowledge broker, while also presenting its knowledge products. In addition the chapter covers progress made in implementing the ADF-13 replenishment commitments. An update on the deployment of human resources for the implementation of corporate activities is also provided towards the end of the chapter.

4.1 Institutional Reforms and Related Enhancements

This section outlines the status of institutional reforms undertaken in 2015, enhancements in information and communication technology, business continuity risk-mitigation plan, and implementation of changes associated with the 2013 fine-tuning of the organizational structure.

Budget Reforms and Administrative Budget. In 2015, Bank Management undertook a reform of the administrative budget to achieve strategic prioritization of resources, efficient and effective delivery of its development programs, aggregate fiscal discipline, and establish clear lines of accountability. In this regard, the Bank in recent years instituted several initiatives to reform the broader institutional agenda to improve coordination, delivery and corporate performance.

Provision was made for intensive staff training and workshops on key budgeting tools and processes such as the Activity Time Recording System (ATRS), the Cost Accounting System (CAS) and the Strategic Resources Assessment System (SRAS). This included the following actions:

(i) Establishment of a network of department-level budget focal points to assist managers with budget planning and management. Each Complex has been assigned a budget coordinator to ensure that the right level of technical capacity is available for better budget planning, execution, monitoring and reporting.

(ii) Commencement of preparation of budget procedures and business process guidelines to create a common understanding of process-related reforms. Once completed, the guidelines were to be disseminated to all staff through training and workshops.

(iii) Preparation of comprehensive Complex Framework Papers (CFPs) that discuss strategic orientation and resource needs at each Complex level, which are designed to better align work programs with corporate priorities. The use of CFPs has been further consolidated by linking them to performance contracts signed by Vice Presidents at the beginning of the budgeting exercise. Based on the CFPs, execution of Complex work programs, budget efficiency and effectiveness are monitored regularly.

The Cost Accounting System (CAS). The first half of 2015 was dedicated to familiarization, testing and the further fine-tuning of the new CAS system introduced in 2014. The second half of the year focused on the generation and dissemination of various reports to managers for budgeting the unit costs of deliverables, efficiency analysis and benchmarking to support decision-making.

The Activity Time Recording System (ATRS). Greater effort was made to improve the rate of utilization of the ATRS, which is the cornerstone for the success of the CAS. Group training and monthly personalized walk-in sessions were conducted to assist staff in filling time sheets in the ATRS. These sessions have contributed to the increase of the proportion of staff completing their ATRS from an average of 64 percent in 2014 to 73 percent in 2015. The Bank aims to continue with training and other capacity-building initiatives to reach a target of 80 percent in 2016.

Budget Policies, Processes, and Procedures. Preparation of the Budget Manual began in 2015 and is expected to be completed and published by end-2016. The manual will increase knowledge and understanding of the Bank's budget policies, processes, and procedures by budget stakeholders and focal points, and also facilitate capacity building for managers, budget staff, and new staff.

The Strategic Resource Assessment Software (SRAS). This software is meant to assist managers to validate budget submissions. SRAS is also instrumental in the preparation of the Program and Budget Document (PBD). Therefore, the Bank intensified training sessions on SRAS for its management staff. To achieve full integration of its budget infrastructure, the Bank has started preparatory work to bridge SRAS, CAS, and SAP (Systems, Applications and Products)—the Bank's current main management software.

Decentralization. In 2015, Bank Group operations were enhanced as it was the final year of implementing the Decentralization Roadmap (2011-2015). Implementation of the Roadmap Action Plan included a review of the pilot Regional Resource Centers (RRCs) in Eastern and Southern Africa that were established in 2012. The outcomes of this review reinforced many of the findings from the 2014 Mid-Term Review of the Roadmap. The establishment of the RRCs has become an essential platform for Bank Group support of its activities in Regional Member Countries (RMCs). The RRCs have also provided the AfDB with the opportunity to be better engaged in regional policy dialogue and regional portfolio management, as Bank staff now work more closely with Regional Economic Communities (RECs) and other regional bodies. The positive findings from the review have been instrumental in the Boards of Directors' approval for the establishment of a third RRC for the Northern Africa Region, thus marking an endorsement of the full-fledged operationalization of the RRC model. Going forward, this decision will assist the AfDB in improving the efficiency and effectiveness of the delivery model.

In consolidating the gains from decentralization, the Bank Group maintained its presence in 38 RMCs and is working on enhancing the 2012 delegation of authority to the field. The revision aims at improving the AfDB's capacity for timely support to operations and decision-making by field-based staff. Strengthened Field Offices (FOs) managed a larger share of the AfDB operations portfolio, with projects managed locally increasing from 51 percent in 2014 to 60 percent of the total active portfolio in 2015. Although operational staff in the field decreased from 49.6 percent in 2014 to 40.6 percent of the total staff in 2015, project supervision led by FOs increased slightly from 52.5 percent in 2014 to 53 percent in 2015.

Return to Headquarters. The return of the Bank and its staff to the Headquarters in Abidjan, which began in September 2013, continued throughout 2014 and 2015. By end-December 2015, a total of 1,126 staff had been successfully moved and settled in Abidjan. Only 79 staff members were still in Tunis, awaiting relocation to Abidjan once the necessary arrangements are completed. The Bank took advantage of its return to Abidjan to launch several projects to renovate and rehabilitate its facilities in Abidjan. The rehabilitation of the Headquarters building included the renovation of fire safety systems, electrical and thermal installations, modernization of interior fixtures (partitions, false ceilings, floors, walls, etc.) and procurement of more ergonomic furniture for enhanced staff comfort. Other infrastructure renovation projects being finalized include: (i) the rehabilitation of Cité BAD's 81 apartments; (ii) the rehabilitation of the President's villa; and (iii) the construction of a new 300-spot parking lot at the Headquarters building to be completed in 2016. This will complement the rented 230-spot parking lot adjacent to the Centre de Commerce International d'Abidjan (CCIA) building.

Information Technology. During the year, the Bank continued the implementation of key priority projects in its Information Technology Strategy (ITS), with focus on the supervision of the installation and provision of IT infrastructure in the Headquarters building. Installation of the Bank's network connectivity services and a unified wireless network has been completed for all locations (Tunis, Abidjan, Pretoria, Nairobi, and all FOs). The use of a unified communication system has improved the Bank's overall performance and greatly contributed to sustaining the staff productivity during the return to Abidjan.

The capacity for videoconferencing improved with 1,000 simultaneous connections, including 500 units installed at the CCIA and Headquarters buildings. This resulted in an increase in the number of corporate meetings held via videoconferencing which rose to 2,895 in 2015, a 20 percent increase relative to the previous year. Almost all recruitment interviews for candidates based outside Côte d'Ivoire were held via videoconferencing. The enhancement of facilities, especially for meetings and corporate interviews, led to savings of about UA 18.8 million in 2015 in travel and related expenses.

Business Continuity Management. As part of the Business Continuity (BC) risk-mitigation plan, a Bank-wide BC review process was initiated in 2015. This comprised training workshops and Business Impact Analysis (BIA). The review process involved managers, Directors and BC coordinators from all departments at Headquarters (HQ).

Following the strong measures taken by the Bank in 2014 both at its HQ and FOs to prevent the risk of staff and their families contracting the Ebola Virus Disease (EVD), the Bank took further steps in 2015, principal among them the establishment of an EVD isolation unit outside the CCIA building in Abidjan. The Bank also developed and instituted special guidelines to handle potential cases of contagion in its community. To support staff, learn how it was coping and how best to provide help, the Bank sent delegations to the FOs in Liberia and Sierra Leone where the disease had struck. The visit enabled specialists and Management to dialogue with their counterparts, learn lessons for dealing efficiently with issues arising from the disease, and prepare for the future should similar situations arise.

Other achievements included delivery of normal BC activities as planned for in the BC work program for 2015:

(i) Conducting BC workshop/training sessions in FOs (Burundi, Malawi, Rwanda, Mozambique, Tunisia, Uganda, Zambia, Zimbabwe, and Ethiopia);

(ii) Chairing weekly meetings of the Emergency Management Team to manage crisis situations (terrorist shootings in Bardo, Tunis); the effect of the political crisis in Burundi on the Burundi FO, and the evacuation of international staff family members to safer locations while ensuring a minimum disruption of activities;

(iii) Conducting the mandatory yearly Bank-wide BC testing and exercises at the Bank's BC site in South Africa, to reaffirm the Bank's readiness to cope with major disruptions and to consolidate the resilience of its infrastructure and BC risk-mitigation response.

Update on the Fine-Tuning of the Organizational Structure. The Bank Group's organizational structure has undergone some institutional fine-tuning since 2013 when reforms were instituted to enhance its capacity to implement its Ten-Year Strategy (TYS). The following is an update on the 2015 activities of the newly created organizational units.

- *The Transition Support Department (ORTS)* continues to be an effective focal point for all issues related to Bank Group operations in States under fragile situations. The ORTS has been fully staffed and is responsible for applying the Transition Support Facility (TSF) and conducting all fragility analyses.

- *The Business Development Department (COBD)* was established to proactively build the Bank's business. However, its first and primary mandate was to design, structure, operationalize and raise funds for Africa50—the new innovative infrastructure project delivery vehicle. This primary mandate of COBD expired when Africa50 was incorporated and held its Constitutive General Assembly meeting on 29 July 2015 at its host location in Casablanca, Morocco. The COBD still exists, but its work in business development is limited and is currently focused on establishing regional Public-Private Partnership hubs that would support business development in the regions. Its full mandate will be decided in the ongoing reforms in 2016 on the new Business Delivery Model.

- *The Group Chief Risk Officer (GCRO)* consolidated the Bank's risk management activities in 2015 through: (i) actively monitoring the loan portfolio and providing periodic reports on credit risk, to the Board Committee including the Annual Portfolio Credit Review;

(ii) co-leading implementation of the Private Sector Credit Enhancement Facility (PSF) framework approved by the Board; (iii) producing an annual Market Risk Review presented to the Audit and Finance Committee (AUFI), ensuring internal consistency of the Bank's asset and liability management policies and guidelines; and (iv) providing assessment of the Bank's Internal Controls for Financial Reporting (ICFR) and Fiduciary Risks (FR). In addition, GCRO led the preparation of the Multilateral Development Bank (MDB) exposure exchange with the Inter-American Development Bank and the World Bank, which was approved by their respective Boards of Directors and jointly signed in 2015.

- *The African Natural Resources Center (ANRC)* delivered a number of products in 2015 to build the RMCs' natural resource management capacity. First, in collaboration with the African Legal Support Facility (ALSF) and the African Development Institute (EADI), guidelines were provided for governments to improve the capacity to negotiate mega extractive contracts. A training manual intended to guide contract negotiations was also produced. Second, a simplified tool to manage compliance with European Union regulations to deal with illegal fishing was introduced. This is expected to secure revenue and jobs, and to boost trade. Third, the ANRC provided a policy guide on options to leverage extractive projects to improve human development. Further, the ANRC initiated country support programs in Guinea's mining sector, as well as in Tanzania's and Mozambique's gas sectors. The programs are designed to strengthen the capacity of governments to implement extractive projects. The ANRC strategy was approved in 2015.

- *The Financial Sector Development Department (OFSD)* prepared the Financial Sector Development Policy and Strategy (2014-2019), approved by the Board in 2015. The OFSD's mandate is to facilitate Africa's growth financing. This mission rests on two pillars: (i) financial inclusion of the underserved; and (ii) extending Africa's financial systems. During the year, OFSD continued to support on-lending to priority sectors such as agribusiness and micro-, small-, and medium-sized enterprises (MSMEs) through lines of credit to financial institutions and the use of guarantees largely derived from executed risk participation agreements (RPAs) under the Bank's Trade Finance Program.

- *The Delivery and Performance Management Office (COPM)* continued to support Senior Management and Operations Departments through its flagship reports produced in 2015, namely, the Executive Dashboard and the Portfolio Flashlight Report. These provide early warning on delivery slippage or poor performance, and propose corrective measures. Through such publications, the COPM assisted in instilling a higher sense of urgency for delivery and greater transparency on performance. Accordingly, COPM contributed to the strong Bank Group performance of UA 6.33 billion at end-2015, exceeding the annual target of UA 4.93 billion by 28.6 percent, and representing a 25.4 percent increase over the 2014 approvals of UA 5.05 billion.

4.2 Development Effectiveness and Quality Assurance

During the year, the Bank Group continued to make progress in establishing quality social and environmental safeguards, enhancing the quality of its operations, and strengthening its ability to measure and manage for development results. Notably, the AfDB contributed to the positive outcome of the COP21 global agreement, which reflects Africa's interests on issues of climate change, as also addressed elsewhere in this Report.

Climate Change, Environment, and Social Sustainability. Africa's economic transformation underpins the vision of the Bank Group and the RMCs. The focus is to ensure that growth is socially inclusive and pursued in a manner that is both economically empowering and environmentally sustainable. The AfDB acknowledges that achieving this vision is contingent on implementing environmental, social and climate-change safeguards. Following the Boards' approval of an Integrated Safeguards System (ISS) in 2013, the AfDB has made considerable progress in streamlining procedures and guidelines that make the ISS fully operational and effective. These achievements include the following:

(i) Both the Environmental and Social Assessment Procedures (ESAP) and Guidance Materials were formally endorsed by Management in 2014; the ESAP is currently publicly available online;

(ii) Relevant knowledge documentation on key issues of upgrading and use of country systems and involuntary resettlement have also been published to strengthen the capacity of the AfDB operational staff;

(iii) The capacity of the RMCs has been enhanced through regional training programs organized in Tunis, Nairobi, Dakar, and Pretoria. The programs drew upon a broad spectrum of experts in these countries and from elsewhere in Africa.

With the rollout of the ISS, the AfDB continues to ensure that all its operations are assessed up-front and managed according to the established environmental and social sustainability objectives. In the area of climate change, the AfDB continued to play a key role in championing the African agenda in 2015 as demonstrated by the following outcomes:

(i) Over 60 climate change-related knowledge products, comprising books, working papers, briefs, flagship documents, and newsletters were produced. The AfDB also provided technical assistance to the RMCs and logistical support of up to USD 2 million for delegates during the COP21 negotiation processes. The AfDB has invested a similar amount per annum over three years, beginning with COP19, held in Warsaw, Poland, in 2013.

(ii) Effective and full implementation of the Climate Safeguards System (CSS) tool, which enables the AfDB to better manage climate change risks, vulnerability, and adaptation across all of its interventions on the continent.

(iii) The implementation of the AfDB's Climate Change Action Plan (CCAP) for 2011-2015, which has led to the mobilization of about USD 6.5 billion. Based on Climate Finance Tracking, USD 3.8 billion of this amount has so far been allocated to mitigation activities while USD 1.6 billion has been allocated to adaptation operations.

(iv) Training of more than 600 international development experts in Africa in climate-change-related issues and support to eight countries to help mainstream climate-change issues into their Results-Based Country Strategy Papers (RBCSPs).

(v) Training of more than 150 AfDB staff, officials and private sector practitioners from the RMCs on integration of green growth measures in project development. Ten projects, which were presented during training sessions, are being provided with technical assistance and advisory services to integrate green growth measures and to secure funding from climate funds to handle the incremental costs of green growth measures. Four of these projects are from the private sector.

Enhancing the Quality of Operations. The Bank Group is continuously improving the quality-at-entry of strategies and operations by promoting a strong results culture. The ultimate objective is to improve the effectiveness and efficiency of AfDB interventions.

As part of broadening the ownership of results in the Bank Group, *the Readiness Review* (RR) is in the process of being fully delegated to the Vice President, Operations for Country & Regional Programs & Policy (ORVP). Several training sessions for Country Program Officer (CPO) focal points have been organized to ensure sufficient capacity to coordinate and undertake the RRs by the RRCs. The RR methodology was also aligned to the new Presidential Directive (PD 02/2015) on implementation and cancelation of Bank Group Sovereign Operations.

With the support of the UK's Department for International Development (DfID) Trust Fund, the Bank Group is progressing steadily with the *Task Manager Academy.* This initiative provides a comprehensive training program for all Task Managers in charge of designing, approving, and supervising operations. Initial modules on concepts, business practices and instruments have already been designed. Consultations with departments on the content and rolling-out modalities are currently being undertaken. In addition, the AfDB is developing an *online Results-Based Logical Framework e-course* for projects.

The Bank Group is also working on reviewing the preparation and drafting of Country Strategy Papers (CSP). One of the main innovations in the new approach is the adoption of the *new results tools for country strategies,* which will improve the AfDB's strategic alignment and tracking of results in a comprehensive manner at the country level. These results tools were discussed in-depth by experts at the *MDB meeting on Country Strategies: Emerging Practices to Enhance Quality and Results,* hosted by the AfDB in Abidjan in June 2015. The new CSP process is being piloted in Mozambique, and key lessons learned will inform upon prior to Bank-wide implementation.

The Bank Group is enhancing its results culture by monitoring the quality and level of confidence in project rating through its RR, Implementation Progress and Results report (IPR), and Project Completion Reports (PCRs). Data are published quarterly in the *Quality Assurance Dashboard* and circulated to Senior Management and departments for follow-up action.

Lastly, the AfDB is continuing to support operations staff in their endeavor to enhance quality-at-entry of operations through the *Quality Assurance Helpdesk* and on-demand requests for support and training for departments. In view of the success of these initiatives, the Bank Group is currently in the process of institutionalizing the *quality assurance clinics,* which provide tailor-made support to Task Managers.

Managing for Development Results (MfDR). The AfDB has significantly strengthened its focus on measuring and managing for development results. In addition to the 2015 Annual Development Effectiveness Review (ADER), the AfDB also produced a thematic report on energy and two country reports on Ethiopia and Sierra Leone.

The ADER series are structured around the AfDB Results Measurement Framework (RMF), which is a corporate management tool designed to demonstrate how the Institution's operations impact development effectiveness in the RMCs. The RMF tracks about 100 performance indicators aggregated into four interconnected criteria: (i) development progress in Africa (Level 1); (ii) AfDB's contribution to development in Africa (Level 2); (iii) operational performance (Level 3); and (iv) organizational efficiency (Level 4).

The 2015 ADER focused on "Driving Development through Innovation". The report showed that Africa's growth prospects remain positive, driven by a rapidly growing and urbanizing population, shifting patterns of trade and investment, and improvements in economic management. However, to accelerate the pace of change and improve lives, Africa needs innovation and new home-grown ideas. The AfDB can play an important role to catalyze their pace, especially in shifting agriculture from mere subsistence farming to agribusiness. It can also foster the right conditions for quality job creation and business opportunities in manufacturing.

The thematic report on "2014 Development Effectiveness Review on Energy", launched in April 2015 and covering the period 2009-2013, shows that the Bank committed over USD 13 billion over the past two decades to develop the energy sector in Africa. These commitments were directed towards building national generation capacity and developing distribution networks, with emphasis on rural electrification. As noted in Chapter 2, the focus on rural electrification is in line with the TYS energy infrastructure pillar, aimed at bringing reliable and affordable power to rural areas, where access remains particularly limited.

The "Development Effectiveness Review on Ethiopia, 2015" evaluated the AfDB's contribution to the country's development by examining progress in inclusive growth and poverty reduction, and the challenges encountered in the process. The report notes that from 2005 to 2013, AfDB investments have made a substantial contribution towards expanding Ethiopia's road infrastructure and improving access to transport for over 7.5 million people. Further, the Bank Group's contribution helped the country to provide nearly 40,000 people with electricity.

The "Development Effectiveness Review on Sierra Leone, 2015", provided a review of the country's progress in managing the transition from conflict, and of the lessons that the AfDB learned from delivering support effectively in a fragile environment. For example, during the Ebola crisis, the AfDB swiftly mobilized emergency budget support and technical assistance amounting to USD 60 million for the country's emergency relief and reconstruction.

During 2015, the AfDB continued to reinforce the tools, processes, and systems that underpin its Results Measurement Framework, including the Results Reporting System (RRS), developed in 2013. The RRS tracks portfolio performance by sector, region, and country, providing management with critical information to improve performance. The framework was refined in 2015 and will be ready for a full rollout once the SharePoint infrastructure to integrate the information technology applications (SAP, Microsoft Exchange, and Oracle, among others) is complete. Further, in fulfilment of the its commitment to transparency and accountability in the use of its resources, the Bank continued to publish monthly data in the International Aid Transparency Initiative (IATI) registry. To fully establish a results-oriented culture across the institution, a training workshop on Results Based Management was developed and delivered to 25 Bank staff in Abidjan.

As a development institution, the AfDB is committed to delivering value for money (VfM) and results to its clients, both public and private. In this respect, it led an initiative with five of its partner MDBs to improve a collective understanding of value for money, and commissioned a Concept Paper on VfM.

In addition, the AfDB continued to invest in strengthening national statistical capacity in the RMCs for evidence-based policy making, within the framework of the Africa Community of Practice for Managing for Development Results (AfCoP). This is carried out through: (i) strengthening capacity on managing for development results in the RMCs and RECs, such as the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (WAEMU), in partnership with the Africa Capacity Building Foundation; and (ii) its flagship program, the Africa for Results initiative (AfriK4R), which aims to strengthen MfDR capacity to build capable States and at enhancing regional integration through the use of MfDR.

Progress made at the four levels in the Results Measurement Framework mentioned above is presented in Tables 4.1 and 4.2 below. The tables use a traffic light system to determine scores on the progress made at the four levels: (i) Development progress in Africa (Level 1); (ii) the Bank Group's contribution to development in Africa (Level 2); (iii) the Bank Group's operational performance (Level 3); and (iv) AfDB's organizational efficiency (Level 4).

Table 4.1

Summary Performance Scorecard 2015

LEVEL 1: IS AFRICA MAKING DEVELOPMENT PROGRESS?	
Inclusive growth	**Transition towards green growth**
🟡 Economic inclusion	🔴 Building resilience
🟢 Spatial inclusion	🟡 Managing natural assets
🟢 Social inclusion	🟢 Reducing waste and pollution
🔴 Political inclusion	
🟢 Sustainable growth	

LEVEL 2: ARE THE AfDB OPERATIONS MAKING AN IMPACT?		
Regional integration		**Private sector development**
🟢 Cross-border transport		🟢 Private Sector
🟢 Cross-border energy		🟢 Agriculture
Infrastructure development	**Skills & technology**	**Governance & accountability**
🟢 Transport	🔴 Vocational training	🟢 Financial management
🟢 Water	🟡 Education	🟡 Public sector transparency
🟢 Energy	🟡 Health	🟡 Competitive environment
🟢 ICT		

LEVEL 3: ARE THE AfDB OPERATIONS MANAGED EFFECTIVELY?		
Country-level results	**Effective & timely operations**	**Gender & climate change**
🟢 Country engagement	🟢 Quality of operations	🟡 Gender-informed operations
🟡 Aid effectiveness	🟢 Portfolio performance	🔴 Climate-informed operations
	🟡 Learning from operations	

LEVEL 4: IS THE AfDB AN EFFICIENT ORGANIZATION?		
Moving closer to our clients	**Engaging & mobilising staff**	**Value for money**
🟢 Decentralization	🟡 Human resources	🟡 Cost-efficiency
🟢 Connectivity	🟡 Gender	🟢 IT services

Source: AfDB Department for Quality Assurance and Results.

For Level 1, Africa's relative performance is measured by comparing the continent's progress with progress in its peer group (low and middle-income countries around the world); for Level 2, the Bank's performance is measured by comparing expected and actual achievements for all operations that have been completed, and for Levels 3 and 4, the Bank's progress is measured against its performance in achieving its 2013 targets, set out in the Bank's Results Measurement Framework. The traffic lights denote the following:

- 🟢 Good progress: On average, the group of indicators improved over baselines or reference groups.
- 🟡 Moderate progress: Results are mixed; on average, the group of indicators show moderate improvement.
- 🔴 Progress stalled or regressed: On average the group of indicators stalled or regressed.
- ⚫ Progress could not be measured.

Table 4.2

How the AfDB Contributes to Africa's Development (Level 2)

	2013-2015			2016-2018
	EXPECTED	DELIVERED		EXPECTED
INFRASTRUCTURE DEVELOPMENT				
Transport—Roads constructed, rehabilitated or maintained (km)	10,172	8,818	87%	21,375
Transport—Staff trained/recruited for road maintenance	15,051	14,512	96%	34,195
Transport—People educated in road safety, etc.	3,872,763	3,905,515	101%	1,120,966
Transport—People with improved access to transport	24,283,187	25,569,494	105%	49,666,553
of whom women (2)	12,160,862	12,817,804	105%	20,791,134
Energy—Power capacity installed (MW)	1,421	1,422	100%	3,961
of which renewable (MW)	71	72	102%	1,205
Energy—Staff trained/recruited in the maintenance of energy facilities	20	20	100%	8,821
Energy—People with new or improved electricity connections	4,061,795	3,997,308	98%	37,695,068
of whom women (2)	2,071,047	2,037,428	98%	15,679,239
Energy—CO_2 emissions reduced (metric tons per year)	523,721	523,721	100%	9,406,435
Water—Drinking water capacity created (m^3/day)	143,924	109,115	76%	3,644,919
Water—Workers trained in maintenance of water facilities	20,131	21,655	108%	51,782
Water—People with new or improved access to water and sanitation	3,779,862	3,696,741	98%	40,422,942
of whom women (2)	1,864,476	1,816,940	97%	22,702,609
ICT—People benefiting from improved access to basic ICT services	3,767,987	3,767,987	100%	852,939
of whom women (2)	1,883,993	1,883,993	100%	426,469
REGIONAL INTEGRATION				
Transport—Cross-border roads constructed or rehabilitated (km)	1,339	1,281	96%	6,858
Energy—Cross-border transmission lines constructed or rehabilitated (km)	-	-		2,556
PRIVATE SECTOR DEVELOPMENT				
Government revenue from investee projects and sub-projects (USD million)	442	992	225%	1,334
SME effect (turnover from investments) (USD million)	170	205	121%	1,324
Microcredits granted (number)	138,879	153,047	110%	36,321
Microfinance clients trained in business management	1,437	1,436	100%	34,945
Jobs created	1,272,876	1,256,809	99%	1,228,218
of which jobs for women (2)	343,873	334,624	97%	609,924
People benefiting from investee projects and microfinance	5,671,500	5,714,164	101%	4,138,708
of whom women (2)	2,860,577	2,884,218	101%	2,070,287
Agriculture—Land with improved water management (ha)	149,786	136,634	91%	217,116
Agriculture—Land whose use has been improved: replanted, reforested (ha)	177,200	257,592	145%	397,312
Agriculture—Rural population using improved technology	599,113	1,217,056	203%	1,305,926
Agriculture—People benefiting from improvements in agriculture	15,238,996	17,435,967	114%	43,317,170
of whom women (2)	7,274,400	8,348,802	115%	22,728,895

Table 4.2 — *Continued*

How the AfDB Contributes to Africa's Development (Level 2)

	2013-2015			2016-2018
	EXPECTED	DELIVERED		EXPECTED
SKILLS & TECHNOLOGY				
🔴 People benefiting from vocational training	15,158	7,819	52%	562,603
🔴 of whom women (2)	6,454	3,330	52%	278,453
🟡 Classrooms and educational support facilities constructed	1,357	1,237	91%	679
🟡 Teachers and other educational staff recruited/trained	22,435	18,383	82%	21,057
🟢 People benefiting from better access to education	1,172,365	1,158,515	99%	1,411,864
🟢 of whom women (2)	704,288	707,319	100%	688,594
🟡 Primary, secondary, and tertiary health centers	784	697	89%	279
🟢 Health workers trained	12,640	15,243	121%	26,110
🟡 People with access to better health services	53,143,133	44,856,570	84%	7,364,838
🟡 of whom women (2)	29,423,468	25,118,433	85%	3,131,850
GOVERNANCE AND ACCOUNTABILITY				
🟢 Countries with improved quality of budgetary and financial management	17	16	94%	
🟢 Countries with improved quality of public administration	6	6	100%	
🟡 Countries with improved transparency, accountability and corruption mitigation in the public sector	19	14	74%	
🟡 Countries with improved procurement systems	9	5	56%	
🟡 Countries with improved competitive environment	14	8	57%	

Source: AfDB Department for Quality Assurance and Results.

Notes:
.. = data not available; ha = hectares; km = kilometers; MW = megawatts; m^3 = cubic meters; SME = small- or medium-sized enterprise; USD = United States dollars, ICT = information and communication technology.

(1) The performance indicator for governance applies different thresholds. Given the nature and attribution distance, the levels for the traffic lights are different from other indicators: green, 75 percent and above, amber, 50-75 percent, and red, below 50 percent.
(2) Gender-disaggregated figures are extrapolated from a subset of projects that have available data with baseline and actual data built in. As more projects have started to include gender-informed design, these data are expected to become increasingly robust and complete.
(3) UA figures from material converted at UA 1 = USD 1.38.

Legend:
- 🟢 Bank operations achieved 95% or more of their targets.(1)
- 🟡 Bank operations achieved 60-94% of their targets.
- 🔴 Bank operations achieved less than 60% of their targets.
- ⚪ Data not available to measure performance.

The Bank Group's Engagement with Civil Society Organizations (CSOs). The CSO Engagement Framework (CSO Framework) offers areas to deepen and improve development results. Under the CSO Framework, the AfDB interacts continually with numerous CSOs across the continent, engaging with them through information sharing, consultation, operational collaboration, and institutional partnerships. As a result of the CSO Framework, the AfDB has institutionalized CSO participation at its Annual Meetings. This commitment provides the forum to discuss specific topics and/or highlight some key achievements linked to the TYS. At the 2015 Annual Meetings, the Bank Group and the CSOs discussed and shared experiences on transparency, accountability, and climate change, and on the broader relationship between them and the Bank Group. The AfDB has started to develop a *Plan of Action to operationalize the CSO Framework.*

In 2015, the Bank Group launched the *AfDB-CSO Committee,* which has the mandate to advise and inform the AfDB on how to implement the CSO Framework. The institution is working towards adopting an *AfDB-CSO "Charter"* to re-energize the relationship and renew the compact between the AfDB and CSOs. The CSO Charter would demonstrate the Bank Group's determination to focus more on CSOs and help them to contribute to AfDB's operations. To increase collaboration with CSOs, the AfDB has elaborated a *mapping of CSOs* in Africa to provide a broad overview of CSOs on the continent. The process has led to the establishment of an *AfDB-CSO database* that was launched during the 2015 Annual Meetings.

To improve *communications with CSOs,* a dedicated portal has been established on the Bank Group's website. The Bank Group has also taken measures to increase the number of CSOs able to access AfDB information and contribute to building CSOs' knowledge and capacity, as well as consolidating the work of the Bank Group in its role as a knowledge broker.

4.3 Policies and Strategies

Implementation of the Bank Group's TYS entered its third year in 2015, with a focus on policies and strategies that support inclusive growth in Africa, and Africa's transition to green growth. Acknowledging the changing global aid architecture, policies and strategies that enhance the financing of Africa's development received special attention. During the year, the Bank Group approved new policies, strategies, and operational guidelines, as outlined below.

Procurement Policy and Methodology for Bank Group Funded Operations. The Boards of Directors approved a new Procurement Policy Framework in October 2015. The new Framework comprises: (i) Procurement Policy for Bank Group Funded Operations (Policy); (ii) Methodology for Implementation of the Procurement Policy of the African Development Bank (Methodology); (iii) the Operations Procurement Manual for the African Development Bank (OPM); and (iv) the Procurement Toolkit (Toolkit). The OPM and the Toolkit will be uploaded on the Bank's website as soon as they become available. The new Procurement Framework will be implemented in 2016.

The Procurement Framework is designed to support AfDB-financed operations and enhance procurement systems in the RMCs to enable them to obtain optimal value for money based on the mutually reinforcing principles of economy, efficiency, effectiveness, and equity. The key feature of the framework is the achievement of value for money by borrowers, based on a dynamic and differentiated fit-for-purpose approach to procurement transactions. This approach includes the full use of borrower procurement systems for certain contracts, and customized methods and procedures for more complex instances.

Bank Group Knowledge Management Strategy. In June 2015, the Boards of Directors approved a Knowledge Management Strategy (KMS) for 2015-2020. With its ability to combine knowledge with funding, the AfDB increasingly complements its financing with knowledge products and services, including analytical, advisory, and policy work. The strategic objective of the KMS is to raise the AfDB's development effectiveness by providing and exchanging innovative knowledge solutions for Africa's transformation with African countries. The KMS has two pillars: (i) reflecting the role of knowledge in enhancing the effectiveness of Bank Group operations to address Africa's pressing development needs; and (ii) strengthening the quality of the AfDB policy dialogue, advisory services, and involvement in the development debate. The implementation of the KMS will build on the AfDB's established knowledge assets, including its flagship publications, policy dialogues, capacity-building programs, and the knowledge management and learning ICT platform.

African Natural Resources Center (ANRC) Strategy. The ANRC strategy (2015-2020) was approved by the Boards in July 2015. The strategy proposes two pillars: (i) integrated natural resource development planning to protect the environment through sustainable development; and (ii) good governance of natural resources to support negotiations, local content and transparency through public participation. With respect to the value chain, the Center's program plans to focus on the raw material stage that includes project development, but excludes the processing and post-processing stages. From a governance perspective, the program embodies the provision of advice on policies, laws, and institutional frameworks that regulate projects at the raw material stage.

Strategic Framework and Operational Guidelines for the Private Sector Credit Enhancement Facility (PSF). In May 2015, the Board approved the Framework and Guidelines for the PSF. This provides an avenue for the African Development Fund (ADF) to invest in development results through the private sector by leveraging the Bank's Private Sector Operations (PSO) capability to support private sector projects in ADF-eligible countries. To establish the PSF, the ADF provided a seed contribution of UA 165 million under ADF-13. The PSF is financially autonomous with a total separation of its resources from those of the African Development Bank (ADB) and the ADF. The Bank's triple-A rating would ensure a highly catalytic PSF that leverages approximately three times its capital resources. Accordingly, the UA 165 million seed capital grant to the Facility will guarantee up to UA 495 million of PSO in ADF-eligible countries. The Operational Guidelines Manual for the implementation of the Facility is intended to guide staff and management in the day-to-day processing and management of PSF operations. In addition to the PSF capability, the Board also approved a list of projects to benefit from the PSF. Furthermore, the administrator of the PSF was appointed in 2015.

Regional Integration Policy and Strategy (RIPoS). In November 2015, the Boards approved the new Regional Integration Policy and Strategy (RIPoS) for the period 2014-2023. This will help to operationalize the TYS, which reaffirms the Bank Group's commitment to promote regional integration in Africa. To this end, the strategy focuses on two complementary areas: supporting regional infrastructure development, and enhancing the continent's industrialization and trade. The new policy and the strategy both focus on creating larger and more-attractive markets, linking landlocked countries to international markets, and supporting intra-African trade to foster the continent's development. The RIPoS will guide the AfDB's support to countries and regional institutions in economic integration by leveraging the institution's roles as a financier, catalyst, and knowledge broker. It places increased emphasis on enhancing trade and industrial development to create jobs and foster inclusive growth. It also places greater emphasis on "soft" infrastructure issues such as trade facilitation, policy reforms, and regional harmonization of policies and regulations on infrastructure, trade, and investment.

4.4 Mid-Term Review of the ADF-13 Replenishment

The ADF Deputies agreed that most of the commitments at the Mid-Term Review had been met under the ADF-13 replenishment. They stressed the importance of improving gender balance within the institution, in particular at management level.

ADF Deputies met in Abidjan, Côte d'Ivoire, in November 2015 for the ADF-13 Mid-Term Review. They were joined by Governors and Representatives from Côte d'Ivoire, Ghana, and Malawi, and observers from other MDBs and International Financial Institutions.

The Deputies highlighted a number of achievements made by the Bank at the ADF-13 Mid-Term, starting with the significant progress in delivering on most of its commitments. They also noted that the PSF was fully operational and there is evidence of strong demand. They commended the AfDB Transition Support Facility's vigorous response to crises such as the Ebola outbreak in Guinea, Liberia, and Sierra Leone, as an example of the TSF's value added in country-specific situations.

However, the Deputies drew attention to some areas that needed closer attention. The lower loan disbursement rates and the slow uptake of innovative financing instruments (partial credit guarantee and partial risk guarantee) were of major concern. Moreover, given the urgent need to offset the effects of climate change, the Bank Group needed to play a key role in mobilizing climate financing. They recommended that the Fund continue supporting the RMCs through policy-based financing and promoting domestic resource mobilization. The Deputies welcomed the fact that the Bank Group has made significant progress in gender advocacy and mainstreaming in its operations. Nevertheless, they stressed the need to improve the gender balance within the Institution, particularly at management level. They also noted that consultations for ADF-14 should focus on addressing outstanding elements in ADF-13 and articulating the new areas of emphasis to accelerate implementation of the TYS.

4.5 Independent Evaluation of the Bank Group

During 2015, the Independent Development Evaluation of the Bank Group completed 12 influential evaluations (not including project-level evaluations). This marked the highest number in the Bank Group's 30-year history of independent evaluation. These evaluations provided evidence-based and credible information that helped to shape the Bank Group's work in several strategic areas. The evaluations also helped the AfDB to demonstrate accountability to its stakeholders and contributed to better decision-making. In addition, the AfDB stepped up efforts to foster learning from, and use of these evaluations, through stronger communications, knowledge management, outreach, and dissemination—both inside and outside the institution. Activities to promote an evaluation culture, boost the supply of evaluations in the RMCs, and strengthen the demand for evaluation products were also enhanced.

The Bank Group completed three thematic evaluations, five Country Strategy and Program evaluations (of Cameroon, Senegal, Togo, Ethiopia, and Tanzania), three corporate evaluations, and one cluster evaluation of power interconnection projects. The thematic evaluations were the Evaluation of the AfDB's Assistance to SMEs, the Evaluation of the Bank's Private Equity Investments and a report on the Bank's Utilization of the Public-Private Partnership Mechanism.

The most notable independent evaluation conducted during 2015 was an overall assessment of the Bank's implementation of the Sixth General Capital Increase (GCI-VI) and the African Development Fund 12th and 13th Replenishment (ADF-12 and ADF-13) commitments. This evaluation comprised three components: (i) Independent Evaluation of General Capital Increase VI and African Development Fund 12 and 13 Commitments: Overarching Review; (ii) Independent Evaluation of Policy and Strategy Making and Implementation; and (iii) Administrative Budget Management of the ADB: An Independent Evaluation. Highlights of the three commitment evaluations are provided below:

Independent Evaluation of General Capital Increase VI and the African Development Fund 12 and 13 Commitments. The objectives of this evaluation were to draw conclusions and lessons about: (i) the relevance of the agreed commitments vis-à-vis the Bank Group's challenges and priorities; (ii) the efficiency of the process in reaching agreement on a coherent and realistic portfolio of commitments; (iii) delivery of commitments (outputs such as documents and the establishment of new structures or processes); and (iv) effectiveness of their implementation.

Overall, the evaluation found that the Bank Group is delivering on its commitments with respect to preparation of agreed documents and establishment of agreed structures. However, about half the commitments are delivered late. Furthermore, although the AfDB's reform agenda is on course, the evaluation could not conclude positively on the AfDB's ability to resource these initiatives and ensure effective implementation to achieve the desired benefits. It recommends that the Bank Group should focus on designing a thorough and robust planning, execution and resourcing strategy before embarking upon new and major reforms.

Independent Evaluation of Policy and Strategy Making and Implementation. This evaluation assessed the formulation, management and implementation of the AfDB policies and strategies—the core regulatory instruments that govern operational and institutional activities and programs. The primary purpose of the evaluation was to support improvement in the preparation and implementation of Bank Group policies and strategies, which serve as building blocks for its organizational and development effectiveness. The evaluation found that there is generally a comprehensive coverage of issues of relevance to the AfDB and its RMCs in Bank Group policies and strategies. However, it highlighted a few concerns, especially the lack of a clear framework and agreed nomenclature to guide the preparation of these documents, and the failure to clearly distinguish between the purpose and content of strategies and policies, and what should trigger their formulation. The evaluation also found that the AfDB lacked an easy-to-navigate repository of active policies and strategies.

Administrative Budget Management of the African Development Bank: An Independent Evaluation. The objective of this evaluation exercise was to assess the extent to which the management of the Bank's administrative budget provides efficiency and effectiveness in delivering on its strategic priorities and areas, to identify areas for further improvements. The evaluation also assessed the extent to which key actions recommended by the 2012 review of the budget reform had been implemented. The evaluation found that budget reform was relevant and adequately articulated, and integrated with other components of the Bank's reforms. However, overall implementation has been challenging, and the chronology and sequencing have not always respected either for the timetable set out in 2007, or the overall logic of the reform. Although budget tools have been enhanced, more effort is needed to refine and improve the procedures for implementation. Furthermore, because behavioral changes required for effective implementation of the reforms were not adequately addressed, the reform has had limited effect on Institutional efficiency and on key processes, notably the planning of budgets and work programs. Resource allocation and strategic objectives have been aligned but up-front strategic priority setting and use of results data should be strengthened.

This evaluation of administrative budget management drew four key lessons that are also relevant for other institutional reforms. These are, ensuring: (i) external coherence; (ii) better sequencing of the reforms; (iii) cultural and behavioral change; and (iv) sponsorship and reform of the management structure by Senior Management.

4.6 Procurement and Fiduciary Services

Procurement and Fiduciary Services are provided as direct assistance to the RMCs through rigorous assessments and well-designed training and capacity-building activities in public financial management and procurement. These services generate positive impacts on other areas of the Bank Group's work, such as project implementation and financial governance.

Sustainable economic development and social progress in the RMCs can be successfully achieved with better utilization of the funds disbursed for development projects and programs.

Hence, the Bank Group continues to systematically support capacity building and systems enhancement for proper public finance management and procurement. In specific cases of the RMCs in transition, Bank staff work with the authorities on AfDB-financed projects to put in place adequate mitigation measures for successful project outcomes.

In 2015, as in previous years, the AfDB's Procurement and Fiduciary Services contributed to the design, preparation, appraisal, supervision, and completion of projects and programs financed by the Bank Group. An additional area of focus was the development of a new Procurement Policy Framework, approved by the Boards of Directors in October 2015. Developed after wide consultations with the relevant stakeholders, the framework aims to support AfDB-financed operations and enhance procurement systems in the RMCs.

During 2015, the AfDB's Financial Management arm continued to monitor compliance with safeguards related to the prudent financial management of projects and programs supported by the Bank. This included the framing and revision of financial management policies, guidelines, and rules to support the financial services function in the Bank. The AfDB's emphasis on prompt submission of project audit reports resulted in an improvement in the quality and timeliness of these reports.

A number of fiduciary clinics were conducted in the RMCs, in collaboration with the Bank Group's African Development Institute (EADI), to build capacity for procurement and financial management. The training emphasized the achievement of value for money for Bank-funded projects, and fitness-for-purpose arrangements.

4.7 The Bank as a Knowledge Broker

In line with its Knowledge Management Policy, the Bank Group's Knowledge Program in 2015 was implemented through production and dissemination of development research products, statistical publications, and training and capacity-building activities. The knowledge products included flagship publications, books, working papers, data banks, training and capacity building, and policy advisory services for the benefit of the RMCs.

4.7.1 Development Research Activities

During the year, the Bank Group's research activities aimed at delivering high-quality knowledge products that reflect the socio-economic realities in the RMCs. Some of the research work was demand-driven. Core flagship and thematic knowledge products to gain deeper understanding of the continent's development priorities, opportunities, and challenges were also produced. During the peak of the Ebola crisis, for instance, a study was conducted highlighting the economic impact of the disease. The evidence from the study facilitated internal discussion by Senior Management, and this enhanced the AfDB's dialogue and advocacy in the affected countries. Overall, significant progress was also made in delivering on the core mandate of development research. Some of the knowledge products generated during the year included the following:

(i) *Key flagship publications:* 2014 Bank Group Annual Report; 2015 African Development Report; 2015 African Economic Outlook; 2015 Africa Competitiveness Report, and five editions of the African Development Review, including a special issue on Aid and Employment.

(ii) *Other publications:* These included 34 economic briefs; 12 journal articles published in internationally reputed journals by staff; a book titled "Urbanization and Socio-economic Development in Africa: Challenges and Opportunities"; four chapters by staff in books published; and 20 working papers on issues relevant to Africa's socio-economic development. Two books on the low level of industrialization in Africa were also published through the "Learning to Compete (L2C)" project, a collaboration between the Bank Group's Development Research Department, the Brookings Institution, and UNU-WIDER. The L2C project, which addressed the theme "Why little industrialization in Africa?", resulted in the publication of the two books by Brookings Publishing House and Oxford University Press.

(iii) *Workshops and Conferences:* 45 presentations were made to external stakeholders, including policy makers in Africa, development partners, investors interested in Africa's development prospects, think tanks, and research centers working on issues relevant to Africa. Within the Bank, more than 30 research seminars were organized, showcasing research work by Bank staff across different organizational units. High-level guest speakers were also invited to address key issues that were relevant to Africa's development. Bank researchers and experts also attended other fora and international conferences, including the UNU-WIDER Annual Conference in Helsinki; the African Econometrics Society Conference in Lusaka, and the African Economic Conference (AEC) in Kinshasa. These events brought together researchers, policy makers, and development practitioners, including Africans in the Diaspora, to exchange knowledge and experiences on different aspects of Africa's Renaissance. For the first time, the African Economic Outlook was disseminated in three Nordic countries—Norway, Finland, and Denmark—at the initiative of the Authorities in these countries. In general, the different events held in 2015 also provided Bank staff with the opportunity to present their ongoing research work and flagship publications, thereby furthering the Bank's information management.

The Bank Group also launched another path-breaking research initiative on Structural Transformation of African Agriculture and Rural Spaces (STAARS). This multi-year research project is being implemented in collaboration with the African Economic Research Consortium (AERC), Cornell University, the Partnership for Economic Policy (PEP), and the World Bank. Further, the Bank Group is finalizing the publication of findings from a study on "Housing Market Dynamics in Africa", jointly undertaken with UN-Habitat. The output from this study will shape the Bank's strategy and interventions in Africa's housing sector.

A number of research initiatives focusing on different aspects of the TYS have been launched or concluded. These include: (i) an analysis of the electricity markets in Africa; (ii) the operationalization of inclusive growth and financial inclusion; (iii) the assessment of the impact of centralized cash registers on tax evasion, and a randomized experiment on the impact of detection probability on the behavior of tax payers, both in Ethiopia; (iv) a study on the impact of community-based health insurance for the utilization of modern health-care services by self-employed people in Rwanda; and (v) revisiting development planning for Africa's structural transformation, and leveraging macroeconomic modeling and debt sustainability analysis for policy dialogue and capacity building, among others. The studies on Ethiopia and Rwanda lay the groundwork for the replication of the impact evaluation (IE) methodologies and the use of the technical expertise gained in other parts of the continent.

To strengthen development effectiveness, projects considered for financing by the Bank are reviewed and assessed from the perspectives of additionality and development outcomes. In 2015, the Board revised and endorsed the Additionality and Development Outcomes Assessment (ADOA) Framework for impact assessments of the Bank's private sector projects. A total of 62 ADOA notes were issued for some 40 private sector operations, representing an achievement of 103 percent against the 2015 target. This performance reflects the growth in the number of operations in the active portfolio resulting, in part, from the increased support to financial intermediaries in the RMCs. The current ADOA framework was used to review 14 regional operations presented for the 2015 prioritization cycle.

4.7.2 Statistical Knowledge Products and Activities

Statistical capacity and knowledge work by the Bank Group has grown in focus and relevance in recent years, with some MDBs using it to benchmark their own activities.

In September 2015, the Boards approved UA 10 million for financing the Multinational Statistical Capacity Building Program for Managing for Development Results (SCB-MfR) Phase 4.2, covering the period 2015-2016. The program's aim is to provide technical assistance and financial support to all the RMCs and regional organizations at the national and regional level. Its objective is to provide for continued improvement in the quality, timeliness, and reliability of statistics to support more effective economic management, inclusive growth monitoring, better-informed policy making, and design of programs and projects in the RMCs.

Some of the statistical knowledge products produced and/or managed by the AfDB in 2015 include the following:

- *The Africa Information Highway (AIH).* The AIH was created by the AfDB in 2012 to increase the collection, management and dissemination of quality statistics on Africa, in response to calls by various stakeholders to improve the availability and quality of statistics across the continent. The AIH has since enhanced data management and dissemination in Africa significantly and in 2015 was recognized by the OECD-Paris21 (Partnership in Statistics for Development in the 21st Century) as one of the most-innovative data initiatives in the world for informing the UN Sustainable Development Goals (SDGs). Furthermore, the Board of the International Monetary Fund (IMF) decided that they will rely on the AfDB's AIH for implementing the new enhanced General Data Dissemination System (e-GDDS), which was approved during the year. The IMF and the AfDB will jointly implement the e-GDDS in all the RMCs using the AIH infrastructure. In 2015, Botswana became the first country in the world to implement the IMF's e-GDDS using the AIH as the core data platform. The IMF also plans to use the AfDB AIH system as best practice to be replicated in other regions of the world.

- *The International Comparison Program for Africa (ICP-Africa).* This is part of the global program to generate Purchasing Power Parity (PPP) statistics to facilitate cross-country comparison of Gross Domestic Product and related economic aggregates. Managed by the AfDB, Africa's program is the largest component of this global initiative. The PPP statistics were used in 2015 for poverty measurement in the context of the MDGs and the SDGs.

- *The Action Plan to Improve Food and Agricultural Statistics in Africa (2011-2015).* This program seeks to improve availability and quality of core data and indicators to inform agricultural policies in the RMCs. The Africa Action Plan, designed by the AfDB, the UN Economic Commission for Africa (ECA), the UN Food and Agriculture Organization (FAO), and the African Union Commission (AUC), is part of the Global Strategy for Improving Agricultural and Rural Statistics that was endorsed in February 2010 by the United Nations Statistical Commission. In July 2013, the Boards of Directors approved the AfDB's participation in the program as lead agency for the Action Plan, which is partly funded by the EU, the DfID, and the Bill and Melinda Gates Foundation. Since 2011, a total of 48 RMCs have benefited from the initiative and are being assisted in developing Strategic Plans for Agriculture and Rural Statistics (SPARS), intended to help mobilize and harness resources to generate the statistics necessary to inform national development policies. One of the components of this program is the farm registration system, which has been rolled out in four RMCs. This system is expected to improve farm productivity, including the selection of suitable crops for given types of soil and rainfall patterns.

- *Estimating the Investment Needs for the Power Sector in Africa.* In 2015, the AfDB continued to manage the energy sector diagnostic studies program that, among other issues, aims at estimating the investment needs for Africa's power sector. In 2010, the Bank took over leadership of this program from the World Bank and has developed the Africa Infrastructure Knowledge Program, based on the Africa Infrastructure Country Diagnostic (AICD) methodology—a framework used to maintain a database of infrastructure indicators. In the energy sector, the purpose of the approach is to update previous data assessments on performance, and institutional and fiscal spending, while supporting the AICD's view of providing a more-inclusive energy dialogue. The results from individual runs will be made accessible through the AfDB's AIH.

4.7.3 Training, Other Knowledge Management and Capacity Development Activities

In 2015, a review of the Bank Group's training, capacity-building, and knowledge-sharing activities was undertaken with a view to improving the ability of the RMCs to respond to development challenges and strengthen their capacity for policy dialogue on key development issues, while enhancing the development effectiveness of Bank-funded operations. Some of the activities undertaken during the year and the related achievements are outlined below.

- *2015 Annual Meetings.* The Permanent Committee for Annual Meetings (PECAM) organized the statutory Annual Meetings of the Boards of Governors under the theme: "Africa and the New Global Landscape". PECAM also organized five "High-Level Events" on topical issues (such as climate change, Our Bank at 50), and an additional 30 "Knowledge Events" that provided a forum for policy makers and thought leaders to interact and exchange experiences on key development opportunities and challenges on the continent.

- *Seminars and Workshops.* Under the Joint Partnership for Africa (JPA) program, seven seminars on various aspects of macroeconomic forecasting and modeling were conducted jointly by EADI and the IMF. These seminars provided a forum for participants to exchange country experiences and challenges in different areas of macroeconomic policy management. EADI also partnered with the Bank's other functional units for work on different capacity-building activities, including 19 fiduciary clinic workshops. Two seminars focusing on Procurement, Financial Management and Disbursements were held, with the aim of building capacity for the definition of robust and focused country programs through well-articulated Country Strategy Papers (CSPs). Four other workshops were also organized in the RMCs on a variety of issues, including infrastructure, governance, fragility, and project performance. In addition, EADI organized three sessions on SME policies during a special training workshop held in Seoul, Korea. This was designed to promote SMEs and develop capacity in the RMCs.

- *Special Projects.* The AfDB approved UA 5 million financing to the African Economic Research Consortium (AERC). The funds will be used for graduate training, enhancing the quality of research, increasing the capacity of academic institutions under the AERC's training program, and enhancing communication and dissemination of its research activities. Support to the AERC represents a viable partnership between the AfDB and an external stakeholder involved in capacity development and generation of knowledge-based regional public goods. A PCR was also finalized following a project review of the Bank's support to the African Capacity Building Foundation (ACBF). Among the lessons learned from the PCR is that the AfDB member countries are showing increased interest in hands-on, country-specific training and technical support. In addition, there is continuous demand for effective macroeconomic, financial governance and accountability, and debt-management capacity in the RMCs. Accordingly, ACBF will continue to respond to the needs and priorities of African countries in these areas.

The Bank Group continued to provide support to its e-Institute. The e-Institute is an online knowledge portal developed within the Bank and comprises a Learning and Course-Management System. It provides a continent-wide distance and e-learning platform geared towards building a culture of continuous learning and helping to sustain knowledge exchange networks among course participants.

4.8 Intermediate Recourse Mechanisms and Administrative Tribunal

The intermediate recourse mechanism units of the AfDB continued to perform their roles as agencies of corporate restraint and responsibility in resolving conflicts and disputes, and improving working relations among staff and management. This helped to enhance the effectiveness of Bank Group operations.

Audit. To ensure a systematic and disciplined approach to the evaluation and improvement of risk management, control and governance processes of Bank Group activities, the Office of the Auditor General (OAGL) developed a Long-Term Coverage Plan (LTCP) 2015-2019. This aims at rationalizing allocation of audit resources by concentrating them on the high business risk and medium business risk areas of the Bank.

During the year, the OAGL conducted audits of 17 high-, ten medium-, and six low-risk activities. The high-risk areas include the Board, the Presidency, the Finance, and the Corporate Services Complexes. Areas deemed to be of medium risk include the Treasury, Financial Control, Financial Risk Management, and the Information, Communication, and Technology Services. All the other areas are classified in the low-risk category.

The OAGL also undertook six sovereign country portfolio-related assignments in the RMCs. These country portfolio audits are aimed at allowing the Bank to form an overall opinion as to the adequacy and effectiveness of the systems of controls for Bank-financed projects. The Office also conducted risk assessments in five FOs.

Staff Integrity and Ethics. In 2015, the Staff Integrity and Ethics Office attended to all cases of allegations on staff conduct reported, within three months at most. In all cases, Management's response and action was swift, sending a powerful message within the AfDB of zero tolerance for any unethical acts or misconduct. The investigations are now guided by an Internal Investigation Manual and a computerized Case Management System. This has contributed to enhanced management and monitoring of staff investigations. In addition, a new reporting mechanism, the "speak up helpline number", accessible at no cost from all telephone operators in Côte d'Ivoire, has been established to help Bank staff and interested entities to report alleged misconduct. An awareness campaign on misconduct for all FOs was also launched in the last quarter of 2015, with completion expected in 2016.

The Staff Integrity and Ethics Office also undertook a Bank-wide Staff Survey, and a proposed new Code of Ethics was submitted to management for consideration. The proposed new Code takes into account all the changes and developments that have occurred in the Bank since the existing Code of Ethics was adopted in 1999.

Ombudsman. During 2015, the Office of the Ombudsman received a number of grievance reports ranging from abuse of authority to concerns with career development. As at end-December 2015, the Office had handled a total of 64 cases of which 28 percent were brought to closure within four weeks of complaint. Of the 64 cases, 21 cases (33 percent) were related to career development and job security.

Upon the return to Headquarters, the Office held various coaching and empowerment sessions on issues of confidentiality in order to facilitate the settling in of staff. As part of the Outreach and Needs-based Mission, the Office undertook a field mission to the Senegal Field Office (SNFO) to attend to a number of staff grievances. Most of the issues raised were resolved and settlements made.

Integrity and Anti-Corruption (IACD). The Bank strengthened its integrity and preventive strategy in 2015 while building on the lessons learned through its investigations in 2014. In collaboration with Interpol and the Commonwealth Africa Anti-Corruption Centre, the Bank organized Asset Recovery training for participants from ten National Anti-Corruption Agencies from the East African Association of Anti-Corruption Authorities (EAAACA) and the Southern African Forum Against Corruption (SAFAC). Further, the Bank engaged CSOs in Western Africa and joined the United Nations Office on Drugs and Crime to train civil society and government agencies in Africa on the United Nations Convention Against Corruption (UNCAC).

The Bank continues to receive complaints through its confidential hotlines and referrals from various Bank departments. As at end-December 2015, 66 cases were received and 38 of these went into the investigations process following initial reviews for credibility, verifiability, and materiality.

Investigations during 2015 led to the closure of 19 cases, and four reports of "Findings of Sanctionable Practices" on entities found to have engaged in these were submitted for the Sanction Commissioner's determination. Three entities concluded Negotiated Settlement Agreements with the Bank to resolve allegations of sanctionable practices in Bank-financed projects. These settlements resulted in debarments for the entities and the imposition of fines totaling over USD 13.6 million, which will be used exclusively to finance integrity and anti-corruption programs and activities in the RMCs. Four debarred companies are undergoing implementation of an integrity compliance program. The program guarantees that companies strengthen their integrity systems to ensure clean business practices before they can bid for AfDB-financed projects.

The Sanctions Appeals Board (SAB). The SAB is the appeals body of the Bank Group's new sanctions system. It is mandated to sanction companies that have committed acts of corruption, fraud and/or collusion during procurement under Bank-financed projects and programs, following a decision of the Sanctions Commissioner (SANO) and investigation by the Integrity and Anti-Corruption Department (IACD).

The first two Appeal Cases were filed for consideration with the SAB in August 2015. Furthermore, the Secretariat established fruitful collaboration and built strong network relationships with counterparts in other MDBs, resulting in valuable experience sharing. These were organized through quarterly conference calls and annual meetings held at the Headquarters of each institution on a rotational basis. In that context, SAB was invited in May 2015 by the Inter-American Development Bank (IADB) to present and discuss the Bank Group's newly established Sanctions Systems. The SAB officials also participated in a panel discussion covering the issue of MDBs' sanctions systems during the 33rd Cambridge International Symposium on Economic Crime, organized in Cambridge (UK) in September 2015, as well as in the Annual Meeting of MDBs in October 2015 in Geneva.

Compliance Review and Mediation (CRM). The CRM Unit administers the Bank Group's Independent Review Mechanism (IRM), which receives complaints from people who are, or are likely to be, adversely affected by AfDB-financed projects. The IRM registered three new complaints in 2015 while the monitoring of five was ongoing. Several lessons emerged from the handling of these complaints. First, there is a need for comprehensive environmental and social-impact studies to align the Bank's operations with its vision for inclusive growth, particularly when projects are developed in highly dense urban areas and occupied by vulnerable and poor people. Second, it is necessary to streamline compensation processes through applying the AfDB policies in concurrence with respective national laws, careful consideration of resettlement options, and community engagement and consultation.

In 2015 also marked the conclusion of the second review of the IRM that led to the adoption by the Boards of a revised IRM Resolution together with Operating Rules and Procedures. The Rules are now characterized by: (i) simplified requirements for accessing the IRM; (ii) removal of the earlier limitation on the IRM in handling complaints related to private sector projects; and (iii) expansion of the IRM mandate to include an advisory function in addition to its problem-solving and compliance-review mandate.

Administrative Tribunal. As an autonomous body, the Bank's Administrative Tribunal's decisions are binding, final and without appeal. The Tribunal continued to perform its function of settling disputes related to the AfDB staff. The Tribunal comprises six judges, three of whom are needed to form a quorum to hear a case. The Statute of the Tribunal provides for the independence of the Judges. In June 2015, the 25th Judicial Session of the Tribunal took place in Abidjan. During the Session, one Application filed in 2014 was heard and concluded. A total of six new Applications on disputes are pending for the next Judicial Session in April 2016.

The Secretariat of the Administrative Tribunal conducted its outreach and training programs in Uganda and Tanzania in March 2015, in collaboration with partners in the Staff Council (SCO) and the Staff Appeals Committee (APCU). The second part of the same program was conducted in the Angola, Rwanda, and Malawi Field Offices during October and November 2015. The program was organized to dialogue, share, enlighten, and inform participants about the AfDB's recourse mechanisms, including its internal rules and regulations, as well as formal and informal avenues for resolving disputes among staff, and between staff and management. The reciprocal duties, obligations, and responsibilities of staff towards the Bank were also covered. Ethical issues and Bank policies on whistle-blowing, harassment, corruption, and conduct befitting staff status as international civil servants, were discussed and appropriate feedback obtained.

4.9 Deployment of Human Resources

The Human Resources Action Plan is the business plan for the management of the Bank's human resources, focused on establishing an attractive culture of professional satisfaction and personal advancement. Aspects of the Action Plan were implemented during 2015.

The AfDB Human Resources Action Plan (HRAP) was launched in 2013 and covers the human resources element of the Bank Group's TYS. The HRAP was to be implemented in two phases, with Phase 1 starting from 2013 to end of 2014, and Phase 2 from 2015 to end-2017. In February 2015, a retreat was held to review the scope of the HRAP and its five focus areas referred to as the HRAP strategic levers, namely Lever 1: *Strategic Staff Planning and Workforce Structure; Lever 2: Selection, Onboarding, and Staff Retention;* Lever 3*: Talent Management, Learning, and Development;* Lever 4: *Performance Management;* and Lever 5: *Reward and Recognition.* During 2015, aspects of Levers 2, 3 and 4 of the HRAP were implemented and are outlined below.

Lever 2: *Selection, Onboarding and Staff Retention.* The implementation of this lever of the HRAP involved the recruitment for the 2015 Young Professionals (YP) Program which, for the first time, was undertaken through an in-house pilot Assessment Center. Selected staff from various Complexes were trained at the Center on competency-based interview and assessment skills. They were taken through a facilitated session for the selection of successful candidates who would be placed in a pipeline for selection by the Complexes that requested new YPs. The pilot Assessment Center was rolled out in the third quarter of 2015 and will continue to be strengthened and improved, based on feedback received. Increased efforts were made to recruit a more diverse YP workforce, encourage female applicants and ensure their retention.

Lever 3: *Talent Management and Learning and Development.* The HRAP Lever 3 implementation took the form of enhanced staff learning through the placement of more products on the AfDB electronic portal, the Knowledge and Learning Management Services (KLMS). The KLMS portal was upgraded with more learning menus and offerings made available to all staff, no matter their location, with real-time access to all learning and training opportunities. To facilitate this process, the Bank set up collaborative arrangements with two external partners: (i) the Korean Development Institute Masters Studies program; and (ii) the YP Post-Graduate Certification Program with Bradford University. In addition, several in-house tailor-made training courses were offered to upgrade the skills of staff from various departments, namely, African Development Institute (EADI), Procurement and Fiduciary Services Department (ORPF), Private Sector Department (OPSD), Results and Quality Assurance Department (ORQR), and Transition Support Department (ORTS).

Lever 4: *Performance Management.* In the context of Lever 4, implementation of the HRAP included a second relatively lighter Staff Survey conducted in April 2015, following the one undertaken in 2013. The results of this new survey indicated a slight decrease in "staff engagement" with the 2015 staff engagement index at 64 percent compared to the 2013 survey of staff engagement at 66 percent. To address this challenge and motivate staff members to ensure that they are fully engaged, three town hall meetings were held, including two with the new President. The aim was for him to share with staff and Management the 2015 Staff Survey results. These town hall meetings also served as fora to continue to inform staff on the progress of the return to Headquarters, and share insights on the rationale for the proposed vision of the new High 5 priorities within the context of the TYS.

Staffing Ratio by Country and Gender. As at end-December 2015, the total AfDB staffing stood at 1,841 with 1,168 males (63.4 percent) and 673 females (36.6 percent), compared with a total staff of 1,932 at end-December 2014. The total staff at end-December 2015 is distributed as follows: 1,215 professional staff, of which 324 (26.7 percent) female, and 587 general service staff, of which 336 (57.2 percent) female. The breakdown also shows that, of the 587 general service staff, 395 were at Headquarters, of which 252 (63.8 percent) were female. There were 192 general service staff in the FOs, of which 84 (43.8 percent) were female.

In relation to the institutional key performance indicators (KPIs), female managerial staff (including three at Executive Level (EL)) totaled 39, representing 29.3 percent of 133 managerial staff, against a target of 30 percent. Also, of the 720 total professional staff, female staff numbered 220, representing 30.6 percent of the total and above the 30 percent target. For details, see Table 4.3 below on Staffing and Employment Data by Country, as at end-December 2015.

Table 4.3

Staffing and Employment Data by Country (Management, Professional, and General Services Staff) as at 31 December 2015

	Management and Professional Staff At post as at 31 December 2015									Other Bank Staff at Post		
					Field Office Based Staff					GS Staff		
					International							
Regional Member Countries	VP/EL3	Dir.	Man.	Other PL	FO ResRep	FO Intnl. PL Staff	Field Office LP	Total EL & PL & LP	% of total PL	HQ Reg GS	FO Local GS	SABD Advisors to EDs
Algeria	-	-	-	5	1	-	3	9	0.7%	5	4	1
Angola	-	-	-	1	-	-	2	3	0.2%	-	5	-
Benin	-	-	3	25	-	5	-	33	2.7%	18	-	-
Botswana	-	1	-	4	-	4	-	9	0.7%	-	-	-
Burkina Faso	-	1	1	37	-	3	5	47	3.9%	19	7	-
Burundi	-	-	1	8	1	-	3	13	1.1%	1	4	-
Cameroon	1	3	5	30	3	4	8	54	4.4%	9	9	1
Cabo Verde	-	-	-	1	1	-	1	3	0.2%	1	-	-
Central African Republic	-	-	-	2	1	-	2	5	0.4%	-	4	-
Chad	-	-	-	9	1	2	4	16	1.3%	7	7	-
Comoros	-	-	-	2	-	-	-	2	0.2%	-	-	-
Congo	-	1	-	9	-	-	-	10	0.8%	-	-	-
Congo, Democratic Republic of	-	1	1	4	-	1	7	14	1.2%	3	7	1
Côte d'Ivoire	-	2	6	76	-	5	-	89	7.3%	105	-	1
Djibouti	-	-	1	4	-	1	-	6	0.5%	-	-	-
Egypt	1	-	-	9	-	1	7	18	1.5%	-	6	2
Equatorial Guinea	-	-	-	-	-	-	-	-	0.0%	-	-	-
Eritrea	-	-	-	-	-	1	-	1	0.1%	1	-	-
Ethiopia	-	-	3	10	-	10	11	34	2.8%	2	7	-
Gabon	-	-	-	5	-	2	4	11	0.9%	2	6	1
Gambia, The	-	3	2	12	1	2	-	20	1.6%	-	-	-
Ghana	2	1	3	21	-	9	8	44	3.6%	23	6	1
Guinea	-	1	-	8	-	4	-	13	1.1%	6	-	1
Guinea-Bissau	-	-	-	3	-	1	-	4	0.3%	-	2	-
Kenya	-	-	4	30	1	9	11	55	4.5%	10	7	-
Lesotho	-	-	-	3	-	1	-	4	0.3%	-	-	1
Liberia	-	-	-	4	-	-	3	7	0.6%	1	5	-
Libya	-	-	-	-	-	-	-	-	0.0%	-	-	1
Madagascar	-	-	-	8	-	-	5	13	1.1%	1	8	1
Malawi	-	-	1	10	1	5	7	24	2.0%	-	6	1
Mali	-	1	4	15	2	5	8	35	2.9%	5	8	-
Mauritania	1	-	-	7	2	2	-	12	1.0%	1	-	1
Mauritius	-	1	-	5	-	-	-	6	0.5%	-	-	1
Morocco	-	1	1	7	-	1	7	17	1.4%	3	5	-
Mozambique	-	-	-	-	-	1	6	7	0.6%	-	8	-
Namibia	-	-	-	2	-	-	-	2	0.2%	-	-	-
Niger	-	-	2	7	1	3	-	13	1.1%	2	-	1
Nigeria	1	2	7	28	-	5	7	50	4.1%	22	8	2
Rwanda	-	-	2	18	-	3	5	28	2.3%	2	7	1
Sâo Tomé & Príncipe	-	-	-	-	-	-	-	-	0.0%	-	1	-
Senegal	-	2	3	30	1	4	8	48	4.0%	9	8	-
Seychelles	-	-	-	-	-	-	-	-	0.0%	-	-	-
Sierra Leone	-	-	-	8	1	2	8	19	1.6%	7	5	1
Somalia	-	-	-	1	-	-	-	1	0.1%	-	-	-
South Africa	1	-	1	10	-	3	4	19	1.6%	-	6	-
South Sudan	-	-	-	-	-	-	2	2	0.2%	-	3	-
Sudan	-	1	1	2	-	2	3	9	0.7%	-	3	-
Swaziland	-	-	-	-	-	1	-	1	0.1%	-	-	1
Tanzania	-	-	1	11	-	3	9	24	2.0%	3	5	1
Togo	-	-	1	5	-	2	2	10	0.8%	6	5	1
Tunisia	-	1	-	29	1	3	-	34	2.8%	106	-	1
Uganda	1	3	3	13	1	14	8	43	3.5%	2	6	-
Zambia	-	2	5	9	1	6	6	29	2.4%	-	5	-
Zimbabwe	-	1	1	16	1	4	2	25	2.1%	1	6	1
TOTAL REGIONAL	**8**	**29**	**63**	**563**	**22**	**134**	**176**	**995**	**81.9%**	**383**	**189**	**25**

Table 4.3 — *Continued*

Staffing and Employment Data by Country (Management, Professional, and General Services Staff) as at 31 December 2015

	Management and Professional Staff At post as at 31 December 2015									Other Bank Staff at Post		
					Field Office Based Staff					GS Staff		
					International							
Non-Regional Member Countries	VP/EL3	Dir.	Man.	Other PL	FO ResRep	FO Intnl. PL Staff	Field Office LP	Total EL & PL & LP	% of total PL	HQ Reg GS	FO Local GS	SABD Advisors to EDs
Argentina	-	-	-	-	-	-	-	-	0.0%	-	-	1
Austria	-	-	-	-	-	-	-	-	0.0%	-	-	1
Belgium	-	-	1	4	-	1	-	6	0.5%	-	-	1
Brazil	-	-	-	-	-	-	-	-	0.0%	-	-	-
Canada	1	-	2	29	1	2	-	35	2.9%	1	-	-
China	-	-	-	5	-	-	-	5	0.4%	-	-	1
Denmark	-	1	-	2	-	1	-	4	0.3%	-	-	1
Finland	-	-	-	1	-	-	-	1	0.1%	-	-	-
France	-	2	7	45	2	7	-	63	5.2%	8	-	1
Germany	-	-	-	5	-	2	-	7	0.6%	-	-	-
India	1	2	-	9	-	3	-	15	1.2%	-	-	-
Italy	-	-	-	5	-	-	-	5	0.4%	-	-	1
Japan	-	1	-	6	-	1	-	8	0.7%	-	2	-
Korea	-	-	-	2	-	1	-	3	0.2%	-	-	1
Kuwait	-	-	-	-	-	-	-	-	0.0%	-	-	-
Netherlands	-	-	1	3	-	-	-	4	0.3%	-	-	1
Norway	-	-	-	-	-	1	-	1	0.1%	-	-	1
Portugal	-	-	-	2	-	1	-	3	0.2%	1	-	1
Saudi Arabia	-	-	-	-	-	-	-	-	0.0%	-	-	-
Spain	-	-	1	1	-	-	-	2	0.2%	-	-	-
Sweden	-	-	-	1	1	-	-	2	0.2%	-	-	-
Switzerland	-	-	-	3	-	1	-	4	0.3%	-	-	1
Turkey	-	-	-	-	-	-	-	-	0.0%	-	-	-
United Kingdom	-	2	3	8	-	-	-	13	1.1%	2	1	-
United States of America	-	3	5	26	-	5	-	39	3.2%	-	-	2
TOTAL NON-REGIONALS	**2**	**11**	**20**	**157**	**4**	**26**	**-**	**220**	**18.1%**	**12**	**3**	**14**
GRAND TOTAL	**10**	**40**	**83**	**720**	**26**	**160**	**176**	**1,215**	**100.0%**	**395**	**192**	**39**
Number of Female Staff per Category	3	11	25	220	8	26	31	324		252	84	13
Percentage of Female Staff per Category	30.0%	27.5%	30.1%	30.6%	30.8%	16.3%	17.6%	27%		64%	44%	33.3%

Source: AfDB Human Resources Management Department.

* Abbreviations:
EL: Executive Level
PL: Professional Level
GS: General Service
SABD: Advisors to Boards of Directors
HQ: Headquarters
FO: Field Offices

Executive Directors' Mission to Mozambique.

Chapter 5
Oversight Functions and Strategic Responsibilities of the Boards

Chapter 5

Shareholder representation and oversight is ensured through the Boards of Governors and the Boards of Directors. This chapter highlights how the oversight functions of the Boards were discharged in 2015, including key decisions made and strategic directions provided to the Bank Group. All the activities reported in the previous chapters were undertaken by Management under the guidance of the Boards.

5.1 The Roles and Highlights of Major Activities of the Boards of Governors

The highest decision-making organs of the ADB (the Bank) and the ADF (the Fund) are the respective Boards of Governors. Each member country is represented on these Boards by a Governor, usually a Minister of Finance or Planning, or a Central Bank Governor, or a duly designated Alternate. This section outlines their roles and major activities in 2015.

5.1.1 The 2015 Annual Meetings

As mandated by the respective constitutive instruments, the Boards of Governors of the Bank and the Fund meet once every year at the Annual Meetings. During these meetings, they engage in dialogue with Bank Group Management on the financial health and performance of operations undertaken by the Bank Group. The Boards of Governors also approve major policies and adopt resolutions on other key decisions and conclusions of the Annual Meetings. The Governors execute their mandate with the support of the following five subsidiary organs: (i) the Bureau; (ii) the Joint Steering Committee; (iii) the Steering Committee on the Election of the President of the Bank; (iv) the Standing Committee on the Conditions of Service of Elected Officers; and (v) the Governors' Consultative Committee.

The 50th Annual Meeting of the Boards of Governors of the African Development Bank and the 41st Annual Meeting of the African Development Fund were held in Abidjan, Côte d'Ivoire, from 25 to 29 May 2015. A number of events and activities were organized during this period, under the theme "Africa and the New Global Landscape". They included the Governors' Dialogue and two high-level events on the sub-themes of "Climate Change: The Last Mile to Paris", and "Financing Africa's Transformation: From Billions to Trillions". The Annual Meetings were held in conjunction with the African Development Bank's marking of its 50th Anniversary.

The Governors' Dialogue presented an opportunity for the Governors to discuss with Bank Group Management the Bank's experience in implementing the Ten-Year Strategy (TYS), the return to the Headquarters in Abidjan, and other major developments on the continent. The Governors noted with satisfaction that the African Development Bank Group had exceeded its lending targets for 2014, in spite of the challenges associated with the return to Headquarters. This was a clear demonstration of the Institution's resilience. They commended the Boards of Directors, Management, and staff for this accomplishment. They also applauded the Bank Group's quick response to the Ebola crisis in parts of Western Africa, in particular the rapid mobilization of emergency funding to support treatment and stop the spread of the disease. The Governors acknowledged the joint efforts of the international community in the region. They also underlined the importance of continuing coordinated support to contain the disease. They stressed the importance of mitigating its direct and long-term economic impacts, and of strengthening health systems and building capacity for interventions in case of future or similar outbreaks. The Governors recommended a continued focus on poverty reduction, inclusive, and sustainable growth, internal and external human capital development, increased cooperation with regional Development Finance Institutions (DFI), and support for the commercialization of the agriculture sector. The Governors noted that a continued emphasis on the infrastructure sector by the Bank Group, especially energy, would help address the crippling energy crises in several African countries.

Further, in line with the *Financing for Development* agenda, the Governors called for increased innovation to crowd in private finance, as well as greater support for efforts aimed at improving domestic resource mobilization and curbing illicit financial flows. They urged the AfDB to continue investing in programs and projects that promote climate resilience and low-carbon development in Africa, and to channel climate-change financing resources to the RMCs. In this regard, the Governors commended the AfDB for supporting the active participation of African negotiators and other stakeholders in the design of the New Climate Change Agreement adopted for COP21. The Governors expressed strong support for AfDB's participation in the proposed innovative sovereign exposure exchange among selected Multilateral Development Banks (MDBs), and urged a speedy conclusion of the transaction. Agreements on the implementation of the exposure exchange were concluded in December 2015 and signed by all the MDBs involved.

In exercising their statutory duties, the Boards of Governors adopted resolutions pertaining to the following: (i) Updated Revised Procedure for the Designation of the Members of the Bureau and the Joint Steering Committee of the Board of Governors; (ii) By-Election of Executive Directors of the African Development Bank; (iii) Updated Rules for the Designation of Members of the Standing Committee of the Boards of Governors on the Conditions of Service of Elected Officers; (iv) The Annual Report and Audited Financial Statements for the Financial Year ended 31 December 2014; (v) Allocation and Distribution of Allocable Income of the African Development Bank for the Financial Year-Ended 31 December 2014; (vi) Distribution of Part of the Income of the Nigeria Trust Fund for the Financial Year-Ended 31 December 2014; (vii) Annual Report and Audited Special Purpose Financial Statements for the Financial Year-Ended 31 December 2014; (viii) Election of the President of the African Development Bank; and (ix) Vote of Thanks to the outgoing Bank Group President, Dr. Donald Kaberuka, for his eminent services to the Bank Group.

The Governors paid glowing tribute to Dr. Kaberuka for his inspiring and visionary leadership in successfully overseeing the major redirection of the Bank Group's strategy over his ten-year tenure. In particular, the Governors commended the various accomplishments in the intervening period, including: (i) the successful mobilization of USD 25 billion in the preceding three replenishments of resources of the African Development Fund and the historical tripling of the Bank's Capital Stock; (ii) the establishment of the Africa Growing Together Fund and Africa50 initiatives; (iii) the scaling up of the Bank's private sector operations from USD 200 million to USD 2 billion per annum; (iv) the renewed focus on the economic integration of the continent's physical infrastructure; (v) the enhancement of the Bank Group's role in helping countries in fragile situations achieve political stability and, additionally, sustained and inclusive economic development; (vi) the maintenance of the Bank's "triple A" rating, despite the global financial crisis; (vii) the maintenance of a strong field presence by operating in 38 countries, where 50 percent of the AfDB's portfolio was managed; and (viii) the promotion of inclusion, notably through the appointment of a Special Envoy on Gender to champion the Bank's agenda on gender equality within the Institution and through the mainstreaming of gender in its projects and programs in the RMCs.

5.1.2 Election of a New Bank Group President

The highlight of the 2015 Annual Meetings was the election of Dr. Akinwumi Ayodeji Adesina by the Board of Governors as the eighth President of the Bank Group.

Dr. Adesina, a Nigerian national, assumed office on 1 September 2015 after taking the oath of office administered by the AfDB Governor and Minister of Finance for Zambia, the Hon. Alexander Chikwanda, in his capacity as Chairperson of the Board of Governors.

In his inaugural speech, the new Bank Group President presented his five-point vision, the High 5s, to drive the implementation of the Bank's TYS: Light Up and Power Africa, Feed Africa, Integrate Africa, Industrialize Africa, and Improve the Quality of Life for the People of Africa.

5.1.3 The Bank's 50th Anniversary Celebrations

Under the patronage of His Excellency Alassane Dramane Ouattara, President of Côte d'Ivoire, the Bank's host country, two major events were held on the sidelines of the 2015 Annual Meetings to mark its 50th anniversary. These meetings deliberated on the topics "A Single Market for Africa in our Lifetime" and "Our Bank at 50".

The Governors commended the Bank's founders for their foresight, and the past and present Boards of Directors and staff for their immense contributions to the growth and maturity of the Institution. They acknowledged the Bank Group's status as Africa's premier development financial institution. They expressed confidence in the Bank Group's ability to maintain its leading role in addressing Africa's developmental issues in the post-2015 era, its transformative agenda and growing financing activities.

5.2 Roles of the Boards of Directors and Highlights of their Major Activities

The day-to-day decision-making organs of the Bank Group are the resident Boards of Directors of the Bank and the Fund, which act on delegated authority from the respective Boards of Governors. This section provides an overview of the roles and highlights of the major activities undertaken in 2015.

5.2.1 Working Modalities and Supporting Committees of the Boards of Directors

In 2015, the work of the Boards of Directors was supported by seven standing committees: (i) the Committee on Administrative Affairs and Human Resource Policy Issues (CAHR); (ii) the Audit and Finance Committee (AUFI); (iii) the Committee on Operations and Development Effectiveness (CODE); (iv) the Committee on Administrative Matters Concerning the Board of Directors (AMBD); (v) the Committee of the Whole on the Budget (CWHOLE); (vi) the Committee for the Enforcement of the Code of Conduct for Executive Directors (Ethics Committee); and (vii) the Committee for the Preparation of the Bank Group Annual Report (ANRE). In addition, the Ad Hoc Working Group on the Return to the Headquarters continued to operate.

5.2.2 Work Program of the Boards of Directors

The year 2015 was a particularly busy and productive period for the Boards of Directors. Executive Directors participated in 152 formal and informal meetings, seminars, and briefings. They approved a total of UA 6.28 billion in loans, grants, equity investments, guarantees, technical assistance, and Special Funds. Total Bank Group approvals, including other Special Funds, and technical assistance that are approved by Senior Management, amounted to UA 6.33 billion. To support and strengthen their strategic responsibilities, the Boards took other actions which fall under the following broad categories: (i) enhancing the effectiveness and efficiency of the Boards; (ii) ensuring business continuity and response to urgent and unexpected events; (ii) overseeing the budget and institutional reforms and effectiveness; (iv) approving strategies and policies to enhance operations; (v) assuring the developmental thrust of country strategy papers; (vi) overseeing the implementation of the TYS; (vii) undertaking Board field engagements; and (viii) supporting the Boards of Governors.

5.2.3 Enhancing the Effectiveness and Efficiency of the Boards

In 2015, the Boards approved the reforms presented below relating to a number of its instruments, procedures and processes.

Revisions to the terms of reference (TORs) of the Standing Committees of the Board. The Board approved comprehensive revisions to the TORs of its Standing Committees to: (i) better align the committees to the structure and operations of the Bank, which had significantly evolved and expanded since the TORs were last reviewed in 1992; (ii) clarify the role of the committees as purely advisory organs whose conclusions and recommendations were ultimately to be submitted to the Board for decision-making, where necessary; and (iii) streamline the modus operandi of each committee.

Streamlining of procedures and processes for operations approval. Following extensive deliberations, the Boards adopted reforms to simplify the processes and procedures for approval of Bank Group operations by the Boards of Directors (see Box 5.1 below). A review would be conducted by Management after 12 months to take stock of the lessons learned and, if necessary, effect improvements. The reforms became necessary in order to: (i) better manage the significant increase in the work program of the Boards; (ii) strengthen rigor in the review processes; (iii) increase efficiency by ensuring that more of the Boards' meeting time is devoted to consideration of strategic issues of policy, planning, monitoring and results; and (iv) harmonize Bank practices and procedures with those of other MDBs.

5.2.4 Business Continuity and Response to Unexpected Events

Return to Headquarters. Through its Working Group on the Return to Headquarters, the Board continued to oversee the implementation of the roadmap for the effective return of the Bank's operations to its statutory Headquarters in Abidjan, Côte d'Ivoire. The Board provided guidance on measures to safeguard the interests of staff and sustain morale. It also provided guidance on the adoption of realistic yet robust schedules, for the timely delivery of renovation works to avoid cost overruns. Furthermore, the Board oversaw the preparation and submission of a report on the implementation of the roadmap for the return to Headquarters as at April 2015. The final report will be submitted to Governors in 2016.

Sustaining the Bank's Response to the Impact of the Ebola Outbreak. In 2015, the Boards supported the Bank Group's efforts and its development partners in dealing with the effects of the Ebola crisis in some parts of Western Africa. The Boards approved several programs, including budget support and emergency and technical assistance to strengthen the health systems of the affected countries, particularly Guinea, Liberia, Sierra Leone and the neighboring countries.

Box 5.1
Provisions for Further Simplification of the Board Approval Process

A. Revised Lapse-of-Time Basis (LOTB) approval is based on the size of operations. This procedure is applicable to operations below or equal to a threshold amount of UA 30 million, including Multinational Operations and Private Sector Operations. With respect to Policy-Based Operations, the threshold amount is UA 10 million.

B. Approvals Based on Pre-Determined Criteria (PDC) other than size. This procedure takes into consideration pre-determined criteria, specifically risk, complexity, and innovativeness, instead of the size of operations. In this case, non-risky, simple, or non-innovative operations, though submitted for consideration at a Board meeting, will not be discussed, regardless of the size.

C. Approval through Agenda Setting. The agenda of Board meetings will be used to complement the LOTB and PDC approval processes. In this case, items will be listed on the agenda as follows:

i) for consideration and discussion;
ii) for consideration but not for discussion (PDC operations);
iii) for information.

5.2.5 Budget, Institutional Reforms and Effectiveness

Budget Framework 2016-2018 and Three-Year Rolling Work Program. The Board considered the Budget Framework 2016-2018, together with a Three-Year Rolling Work Program, and approved the administrative budget for 2016. However, the Board felt that it was incumbent upon Management to maintain the financial sustainability of Bank Group operations, especially through the rationalization of costs and the growth of the revenue base. The Board called for an expeditious finalization and implementation of the Bank Group's new business-delivery model under preparation, and the improvement of services and work processes. It also emphasized the need to: (i) improve institutional effectiveness, including strengthening the field offices for greater delivery on the ground; (ii) focus on States in fragile situations; and (iii) pay attention to staff welfare.

Second Review of the Independent Review Mechanism (IRM). The Board considered the second review and accepted the recommendations for the improvement of the IRM. These include: (i) the need for Board oversight, for which CODE was designated as the appropriate committee; and (ii) the expansion of the mandate of the Compliance Review and Mediation Unit (CRMU) and the IRM to include the provision of advisory services to the Bank Group.

Mid-Term Review of ADF-13. The Board oversaw the Independent Development Evaluation unit (IDEV)'s comprehensive evaluation of the extent to which the Bank Group had met its commitments under GCI VI, ADF-12 and ADF-13. The results provided the basis for the ADF-13 Mid-Term Review meeting held in Abidjan, Côte d'Ivoire, from 11 to 13 November 2015. ADF Deputies were satisfied with the progress made towards meeting the commitments under ADF-13. They supported the Bank's heightened focus on the High 5s. The Deputies agreed that consultations on the fourteenth replenishment of ADF (ADF-14) could commence in March 2016.

Africa50. The AfDB established Africa50 as an investment platform for the promotion and financing of infrastructure projects mainly on energy, transport, water and sanitation, and information technology. It was designed to be a profitable investment that pays dividends to its shareholders. Africa50 was incorporated at the Constitutive General Meeting on 29 July 2015 in Casablanca, Morocco, by 20 African countries and the AfDB. A key decision taken at that meeting was the appointment of members of the Boards of Directors of the Project Finance and Project Development vehicles of Africa50.

As at end-December, 2015, the subscribed capital of Africa50 from 21 African countries and the AfDB had reached USD 860 million, including USD 100 million from the AfDB. Arrangements were being finalized for the mobilization of about USD 1 billion additional subscriptions from international financial organizations, pension funds, insurance and reinsurance companies, as well as sovereign wealth funds. In 2015, when it became operational, Africa50 entered its active staff recruitment phase, including the recruitment of a Chief Executive Officer and senior staff. The exercise was to be concluded in early 2016. The project pipeline preparation began in 2015, as did the fundraising in member countries. Additional preparations included plans to raise funds from African Central Banks. Discussions were started with the regional Central Banks, namely, Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), Banque des États de l'Afrique Centrale (BEAC), and Bank Al Maghreb of Morocco.

The development prospects of the organization are promising. Africa50 has established strategic partnerships with project developers in the conventional and renewable energy sector, as well as the transport sector, which gives it strategic relationships in the development of high impact projects. In addition, Africa50 has established partnerships with other international financial institutions such as the International Finance Corporation (IFC) of the World Bank, Agence Française de Développement (AFD), and the China-Africa Development (CAD) Fund. Through its shareholding and strategic position, Africa50 is ideally placed to play an important role in infrastructure development financing in Africa.

5.2.6 Strategies and Policies to Enhance Operations

Bank Group Knowledge Management Strategy, 2015-2020. As noted in Chapter 4, the Board approved this Strategy in 2015. Board Members expressed satisfaction with the selective nature of the Strategy, the particular emphasis on the Bank Group's comparative advantages and the framework for assessment of results. They also stressed the need for a centralized IT platform to ensure information sharing, both internally and externally.

African Natural Resources Center (ANRC) Strategy, 2015-2020. In approving this strategy, described in greater detail in Chapter 4, Board Members stressed the importance of endowing the ANRC with the requisite financial and human resources to make it a Center of Excellence and the first port of call for policy advice on issues relating to the natural resources sector. The Board further suggested the importance of rigorous monitoring and evaluation of the Strategy's implementation by Management.

Strategic Framework and Operational Guidelines for the Private Sector Credit Enhancement Facility (PSF). In 2015, the Board also approved the PSF, an innovative facility, designed to facilitate private sector development in Africa. The facility is a timely and welcome initiative intended for maximum impact, and the Board therefore recommended speedy implementation.

Procurement Policy and Methodology for Bank Group Funded Operations. The Board approved this framework document and particularly hailed the introduction of the "value-for-money" concept. The Board encouraged the Bank to use borrower procurement systems where these processes are deemed sufficiently robust. It also called for urgent measures to finalize the implementation of the Operations Procurement Manual and other auxiliary tool-kits.

Programs in Support of Implementation of the Governance Strategic Framework and Action Plan (GAP II), 2014-2018. In 2015, the Board approved several programs to further the objectives of this strategy, intended to strengthen governance and accountability on the continent. These include the Investment Climate and Forest Governance Support Project (PACIGOF) which aims to strengthen the capacity of private sector support institutions, promote private initiatives and improve forestry sector governance in Congo. The Board called for close collaboration with the authorities in the country in the implementation of this project in order to eliminate illicit practices and corruption in the forestry sector. The Board also welcomed the Emergency Economic and Financial Reform Support Programme (PUAREF), which seeks to contribute to the creation of a favorable environment for the safe and efficient management of the budget in Guinea-Bissau. Executive Directors identified country leadership as a key to the success of the operation. The Power Sector Reform Governance Support Program (PSRGSP) for Tanzania was also approved. The PSRGSP underscores the importance the Bank places on reforms to improve public finance management and strengthening of institutional frameworks. In welcoming this operation, the Executive Directors stressed the importance of better management of parastatals and public utility agencies to foster economic development, efficiency and social equity.

Programs to Support Implementation of the Financial Sector Development Policy and Strategy, 2014-2019. The Board approved several programs that align with the objectives of this Policy and Strategy, especially those that foster financial inclusion by increasing access to financial services, deepening and expanding the African financial markets, and preserving the stability of the African financial system. The most notable program was an equity investment in Alitheia Identity Fund, based in Mauritius. The Fund aims to raise USD 100 million for equity investments in high-growth established small- and medium-sized enterprises (SMEs) targeting those led and/or managed by women in ten African countries (Botswana, Ghana, Lesotho, Malawi, Namibia, Nigeria, South Africa, Swaziland, Zambia, and Zimbabwe). The Fund will contribute to inclusive growth on the continent by promoting women's access to risk capital and enhancing the capacity of women fund managers in Africa.

5.2.7 Developmental Thrust of Country Strategy Papers

Country Strategy Papers (CSPs). In 2015, the Board approved several CSPs and emphasized the importance of the alignment of CSPs with the Ten-Year Strategy. The Board also asked for CSPs to be tailored to each country's specific circumstances, to be focused on regional integration where necessary, to emphasize strong policy dialogue, and to address economic diversification and inclusion. The Board recommended that CSPs need to be underpinned by strong fragility analyses. For instance, in considering the CSP for Guinea-Bissau (2015-2019), the Board called for better donor coordination and close monitoring of Bank interventions. Regarding the 2015-2020 Joint CSP and Country Portfolio Performance Review (CPPR) for Cameroon, the Board stressed the need for greater attention to green growth as well as policy dialogue to elicit greater government commitment towards debt sustainability. In the case of the CSP (2015-2019) for Botswana, the Board underlined the importance of Bank support for the country's efforts to diversify its economy from dependence on diamond mining to the promotion of infrastructure projects, public-private partnerships, regulatory reforms, capacity building, and the use of renewable energy.

5.2.8 Implementing Aspects of the Ten-Year Strategy

Enhancing Development Impacts in Private sector Interventions. The Boards continued their support for the Bank Group's operations aimed at fostering the growth of the private sector, particularly the SMEs. To get a better perspective on the role of the private sector, they called for the determination of the development impact of projects supported by lines of credit. In line with this, the Boards approved a number of lines of credit for disbursement to financial intermediaries and on-lending to SMEs. Since SMEs are seen as Africa's engine of growth and job creation, the Boards emphasized the need to study the impact of these interventions on job creation, economic transformation and the potential risks to market distortion. Accordingly, the Boards called on Management to include such indicators in future proposals.

Renewed Focus on Agriculture and Food Security. In 2015, the Boards approved a number of projects in support of AfDB's endeavor to place agricultural development and food security at the top of its transformative agenda, including the following: (i) the São Tomé & Príncipe Infrastructure Rehabilitation for Food Security Support Project (PRIASA II), which aimed to modernize production systems, improve processing and storage conditions as well as value chains, and create employment for women and youth; (ii) the Green Morocco Plan Support Programme (PAPMV-2), which was designed to foster economic diversification, improve livelihoods and sustainable natural resource management in the country; (iii) the Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa (DRSLP III), which is intended to strengthen the resilience of communities to drought and climate change, improve the means of subsistence and promote regional integration in the region; and (iv) the BAGRE Growth Pole Support Project (PAPCB), which will support Burkina Faso's growth strategy, in particular the development of value chains as part of the vision to modernize agriculture, economic growth, and food security.

Enhancing Skills Development, Entrepreneurship, Employability and Inclusion. In furtherance of the Bank Group's Human Capital Strategy (2014-2018), the Boards approved several programs targeting capacity building for skills development, entrepreneurship and employment. These include the second phase of a program for Support to Technical Vocational Education and Training for Relevant Skills Development (TVET) for Kenya. The TVET aims to increase access and equity, improve the quality and relevance of technical vocational education and training, and equip young people with the relevant skills to compete in the labor market. The Boards commended the continuity demonstrated by this project, but stressed the need for a thorough evaluation of the first phase and the application of lessons learned to similar projects in other countries. They also underlined the importance of financial sustainability to ensure that the program continued long after the Bank's exit. Similarly, the Boards welcomed the Support to Skills Development for Employability and Entrepreneurship in Eritrea. The objective of this project is to assist the Eritrean Government to fulfill its commitment to improving equitable access to quality and relevant technical education and vocational training in the country.

The Boards also welcomed the Building Capacity for Inclusive Service Delivery project in Sudan. This project aims to build capacity and develop human capital to improve employability and extend access and coverage of safety nets and health services to the poor, particularly women and the youth. The Boards affirmed the Bank Group's continued engagement in Sudan despite the difficult operating environment. They emphasized the need for the evaluation of project risks and the Bank Group's capacity to manage them.

5.2.9 Field Missions

Boards' Consultative Missions. Within the framework of annual consultations, members of the Boards undertook

Field Mission in Zimbabwe.

missions to Congo, Mozambique, and Zimbabwe. The country selection for these visits was informed by the theme chosen by the Boards for the missions: "Natural Resources Management and Governance, Finance Sector Management, and Private Sector Development".

The visits were undertaken to assess the progress of Bank Group financed projects and to engage governments, development partners, the business community, and civil society actors on the relevance and effectiveness of the Bank's strategy and presence, and the ways that the Bank could help the three countries meet their economic and developmental challenges. Recommendations made following the missions included: (i) developing skills for more-effective policy dialogue with governments and civil society; (ii) strengthening coordination with other development partners; (iii) supporting the creation of strong national institutions; (iv) building capacity in economic governance; (v) developing the infrastructure necessary for social, spatial and economic inclusion; (vi) exploring ways to expedite country ratification processes for Bank Group projects, and ways for supporting other governments to meet their obligations on counterpart-funding in a timely fashion; and (vii) reforming the Bank's procurement and other processes to address the slow implementation of projects.

Educational systems in Africa are increasingly offering information and communication technology in junior schools.

Part III
Financial Management and Financial Statements

Chapter 6

ADB, ADF, and NTF Financial Management and Financial Statements

Management's Report Regarding the Effectiveness of Internal Controls Over External Financial Reporting

External Auditor's Report Regarding the Effectiveness of Internal Controls Over External Financial Reporting

African Development Bank

Financial Management
Financial Results
Financial Statements and Report of the Independent Auditor
Administrative Budget for Financial Year 2016

African Development Fund

Financial Management
Financial Results
Special Purpose Financial Statements and Report of the Independent Auditor
Administrative Budget for Financial Year 2016

Nigeria Trust Fund

Financial Management
Financial Results
Financial Statements and Report of the Independent Auditor

Management's Report Regarding the Effectiveness of Internal Controls Over External Financial Reporting

Date: 30 March 2016

The Management of the African Development Bank Group is responsible for the preparation, fair presentation and overall integrity of the published financial statements of the African Development Bank, the African Development Fund and the Nigeria Trust Fund (The Bank Group). The financial statements for the African Development Bank and the Nigeria Trust Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, while those of the African Development Fund were prepared on a special purpose basis.

The financial statements have been audited by the independent audit firm KPMG, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Boards of Directors and committees of the Boards. Management believes that all representations made to the external auditors during their audit were valid and appropriate. The external auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal controls over external financial reporting in conformity with the basis of accounting. The system of internal control contains monitoring mechanisms and actions that are taken to correct deficiencies identified. Internal controls for external financial reporting are subject to ongoing scrutiny and testing by Management and internal audit and are revised as considered necessary. Management believes that such controls support the integrity and reliability of the financial statements.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable, as opposed to absolute, assurance with respect to financial statements' preparation and presentation. Furthermore, the effectiveness of an internal control system can change over time.

The Boards of Directors of the Bank Group have established an Audit and Finance Committee (AUFI) to assist the Boards, among other things, in their oversight responsibility for the soundness of the Bank Group's accounting policies and practices and the effectiveness of internal controls. AUFI, which is comprised entirely of selected members of the Board of Directors, oversees the process for the selection of external auditors and makes a recommendation for such selection to the Board of Directors, which in turn makes a recommendation for the approval of the Board of Governors. AUFI meets periodically with Management to review and monitor matters of financial, accounting or auditing significance. The external auditors and the internal auditors regularly meet with AUFI to discuss the adequacy of internal controls over financial reporting and any other matter that may require AUFI's attention.

The Bank's assessment of the effectiveness of internal controls was based on criteria established in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this assessment, Management asserts that the Bank Group maintained effective internal controls over its financial reporting as contained in the financial statements as of 31 December 2015. Management is not aware of any material control weakness that could affect the reliability of the 2015 financial statements.

In addition to providing an audit opinion on the fairness of the financial statements for 2015, the external auditors of the Bank Group conducted an independent assessment of the effectiveness of the Bank Group's internal control over financial reporting as of 31 December 2015 and their opinion thereon is presented separately in this annual report.

Akinwumi A. Adesina
President

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Independent Auditor's Report to the Board of Governors of the African Development Bank Group regarding the effectiveness of internal control over financial reporting

Year ended 31 December 2015

Scope
We have examined the internal control over financial reporting of the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF) (together the "Bank Group") as of 31 December 2015, based on criteria established in "Internal Control – Integrated Framework"(2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibilities
The management of the Bank Group is responsible for implementing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of such internal control. Management has asserted the effectiveness of internal controls over financial reporting as of 31 December 2015.

Independent Auditor's responsibilities
Our responsibility is to express an opinion on the Bank Group's internal control over financial reporting based on our procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, effective internal control was maintained over financial reporting.

An assurance engagement includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk. It also includes performing such other procedures as considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitation

An entity's system of internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. An entity's system of internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank Group, in all material respects, maintained effective internal control over financial reporting as of 31 December 2015, based on criteria established in "Internal Control – Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have audited the financial statements of the African Development Bank, the African Development Fund and the Nigeria Trust Fund as of and for the year ended 31 December 2015, in accordance with the International Standards on Auditing, and we have expressed unqualified opinions on those financial statements.

Paris La Défense, 30 March 2016

KPMG Audit
A division of KPMG S.A.

Valéry Foussé
Partner

THE AFRICAN DEVELOPMENT BANK

FINANCIAL MANAGEMENT

Capital Subscription

The capital stock of the Bank is composed of paid-up and callable capital. The paid-up capital is the amount of capital payable over a period determined by the Board of Governors' resolution approving the relevant General Capital Increase. The Bank's callable capital is subject to payment as and when required by the Bank to meet its obligations on borrowing of funds for inclusion in its ordinary capital resources or guarantees chargeable to such resources. This acts as protection for holders of bonds and guarantees issued by the Bank in the unlikely event that it is not able to meet its financial obligations. There has never been a call on the callable capital of the Bank. A member country's payment of the first installment triggers the issuance of the shares corresponding to the entire callable capital portion, and shares representing the paid-up portion of subscriptions are issued only as and when the Bank receives the actual payments for such shares.

Following the Board of Governors' approval of a 200 percent increase of the Bank's capital base in 2010, the authorized capital of the African Development Bank was increased to UA 67.69 billion with the creation of 4,374,000 new shares with a par value of UA 10,000 each. Six percent of the shares created under this Sixth General Capital Increase (GCI-VI), (UA 2.62 billion), are paid-up, while 94 percent (UA 41.12 billion) are callable. In accordance with the resolution governing this capital increase, the GCI-VI shares were allocated to regional and non-regional members in such proportions that, when fully subscribed, the regional group holds 60 percent of the total capital stock and the non-regional group 40 percent.

The paid-up portion of the GCI-VI subscription is payable in eight equal annual installments for non-regional member as well as regional member countries eligible to borrow from ADB, and twelve equal annual installments for Regional Member Countries eligible to borrow only from ADF. Some member countries have elected to pay their subscription in fewer installments, opting for an advance payment scheme, and will receive a discount on their GCI-VI subscription payment accordingly.

Prior to the GCI-VI and by resolution B/BG/2008/07 and B/BG/2009/05, the Board of Governors authorized two special capital increases to allow the Republic of Turkey and the Grand Duchy of Luxembourg to become members of the Bank. On 29 October 2013, the Republic of Turkey was formally admitted as the 78th member country of the Bank (the 25th Non-Regional Member Country) after completing the formalities specified in the Agreement establishing the Bank and in the General Rules Governing the admission of Non-Regional Countries to membership of the Bank. On 29 May 2014, the Grand Duchy of Luxembourg became the 79th member country of the Bank – the 26th Non-Regional Member Country.

On 31 May 2012, by its Resolution B/BG/012/04, the Board of Governors approved a special capital increase to permit the membership of South Sudan. In April 2015, South Sudan completed its membership process and became the 80th member country of the Bank and the 54th Regional Member Country.

As at 31 December 2015, the paid-up capital of the Bank amounted to UA 4.99 billion, with a paid-in capital (i.e. the portion of paid-up capital that has been actually paid) level of UA 3.73 billion, compared with UA 4.96 billion and UA 3.44 billion of paid-up and paid-in capital, respectively, at the end of 2014. The Bank's callable capital at 31 December 2015 stood at UA 60.60 billion including UA 21.65 billion from non-borrowing member countries rated A- and higher, compared with UA 60.27 billion and UA 21.57 billion, respectively, as at the end of the previous year. The evolution of the Bank's capital over the past five years is shown in Table 6.1 below.

Table 6.1
Bank Authorized and Subscribed Capital, 2011-2015
(UA millions)

	2011	2012	2013	2014	2015
Authorized Capital	**66,055**	**66,975**	**66,975**	**66,975**	**66,975**
Paid-up Capital	3,289	4,963	4,962	4,865	4,884
Callable Capital	34,033	60,252	60,248	60,268	60,598
Total Subscribed Capital	**37,322**	**65,215**	**65,210**	**65,133**	**65,482**

In accordance with the Bank's Share Transfer Rules, shares for which payment have become due and remain unpaid are forfeited after a prescribed period and offered for subscription to member countries within the same membership group (i.e. regional or non-regional).

Details of the Bank's capital subscriptions at 31 December 2015, are shown in the Statement of Subscriptions to the Capital Stock and Voting Powers, which forms part of the Financial Statements included elsewhere in this Report.

Bank Rating

The Bank monitors and manages its key financial strength metrics in a stringent manner and is rated by four major international rating agencies. The Bank continues to attract high ratings from all these agencies. For 2015, the rating agencies, Standard & Poor's, Moody's, Fitch Ratings and the Japan Credit Rating Agency have once again reaffirmed their AAA and AA+ rating of the African Development Bank's senior and subordinated debts respectively, with a stable outlook. Their rating reflects and confirms the Bank's strong liquidity and capital position, strong membership support, its preferred creditor status, sound capital adequacy and prudent financial management and policies.

Borrowings

The Bank raises resources from the capital markets mainly to provide cost-effective resources to finance development projects and programs in regional member countries. The top-notch credit ratings enjoyed by the Bank enables it to issue securities at attractive interest rates.

The 2015 borrowing program was approved for a maximum of UA 4,507 million, made up of two components: up to UA 4,302 million to be raised in the capital markets, and an envelope of UA 205 million under the Enhanced Private Sector Assistance (EPSA) facility. At year-end 2015, a total amount of UA 3,030.5 million was raised, representing 67.2 percent of the 2015 borrowing program with a weighted average maturity of 6.1 years.

Targeted efforts were made to canvass new investors, new currencies and new markets throughout the year. As a consistent and regular issuer of global benchmark transactions, the Bank successfully priced two global benchmarks in 2015 for USD 1 billion each, with a 5 and 2-year maturity, and also tapped its benchmark transaction maturing in October 2018 twice, for a total amount of USD 325 million, taking the new outstanding of the line to USD 1,325 million. The year also saw the Bank return to the green bond market with a new green bond maturing in December, 2018. It also continued to build its curve in Australian dollars with a new AUD 300 million transaction due February 2020 and three long-dated taps of existing lines for a total value of AUD 75 million.

The Bank has also been active with various private placements, African currency-linked notes and uridashi transactions into Japan. Euro Commercial Paper borrowings complete the range of markets utilized during the year.

As at 31 December 2015, the Bank's outstanding borrowing portfolio stood at UA 16.45 billion compared to UA 14.38 billion in 2014.

The 2016 borrowing program was approved for a maximum amount of up to UA 6,192 million to be raised from debt markets plus an additional envelope of USD 300 million (UA 214 million equivalent) under the Enhanced Private Sector Assistance (EPSA) facility.

Green Bonds

The Bank is committed to supporting climate-smart and low carbon investments on the continent that produce visible and sustainable outcomes. It is in this context that the Bank launched its green bond program in 2013, targeting socially responsible investors (SRI) across the globe who want to make a difference with their investments by helping to finance climate change solutions in Africa.

Taking advantage of the global focus on the United Nation's 21st Conference on Climate Change (COP21) held in Paris, France in December 2015, the Bank issued a new USD 500 million 3-year green bond transaction, highlighting its firm commitment to leveraging climate finance to support African countries in their transition towards green growth. This represented the Bank's return to the USD green bond market, following two successful Swedish Krona transactions executed in 2014, and a USD 500 million 3-year green bond issued in October 2013. The transaction was oversubscribed and benefited from the strong interest from 32 different investors, 70 percent of which integrate environmental considerations in their investment strategy. Proceeds of the Bank's green bonds support the financing of low carbon and climate resilient projects. The total amount of ADB green bonds outstanding at the end of 2015 (including past private placement/uridashi issuance) stands at USD 1,329 million (UA 959 million). Full details of the Bank's eligible projects benefiting from green bond proceeds can be found on its green bond website and annual newsletter.

Table 6.2
Overview of Themed Bond Activity in Each Sector
(Amounts in UA millions)

	Cumulative Disbursements	Total Bonds Issued	Total Bonds Outstanding	Maturity Range of Bonds Issued
Education	170.2	310.3	220.1	3 to 6 years
Food Security	244.6	134.3	134.3	3 to 5 years
Infrastructure	756.7	143.6	143.6	7 to 10 years
Water	119.0	39.5	-	4 years
Total	**1,290.5**	**627.7**	**498.0**	

Themed Bonds

In addition to its green bond program, the Bank is also active in issuing bonds linked to various social themes. Demand from Japanese retail investors in 2015 has been focused around the theme of food security with the Bank successfully printing a new food security-linked uridashi bond in Australian Dollars and raising UA 56 million in the process. The Bank has also issued an infrastructure-themed note to institutional investors in Japan for UA 14 million. The proceeds of these themed bonds are included in the ordinary capital resources of the Bank and under the terms of the bonds, an amount equal to the net proceeds of the sales are directed on a 'best-efforts' basis towards lending to projects related to the relevant theme, subject to and in accordance with the Bank's lending standards and guidelines.

Table 6.2 above provides a snapshot of the Bank's activity in the sectors financed.

Financial Products

The ADB offers an attractive and diversified menu of financial product options that allows borrowers to tailor their financing requirements to their circumstances. The Bank's financial products comprise loans (including those denominated in local currency, and syndicated loans), lines of credit (including for trade finance), agency lines, guarantees, equity and quasi-equity, trade finance, and risk management products. In addition to the aforementioned financial products, the Bank provides technical assistance to its clients through grant funds. Each of these products is briefly discussed below.

Loans

The ADB provides loans to its clients on non-concessional terms. The Bank's standard loans are categorized either as Sovereign-Guaranteed Loans (SGLs) or Non-Sovereign Guaranteed Loans (NSGLs). SGLs are loans made to regional member countries (RMCs) or public sector enterprises from the RMCs supported by the full faith and credit of the RMC in whose territory the borrower is domiciled. Multinational institutions are eligible for SGLs if they are guaranteed by an RMC or by the RMCs in whose territory or territories the projects will be executed.

NSGLs are loans made either to public sector enterprises, without the requirement of a sovereign guarantee or to private sector enterprises.

The Bank's standard loan product has evolved over time, with terms that are increasingly more responsive to client needs. The current standard loan product offered to sovereign and sovereign-guaranteed clients is the Enhanced Variable Spread Loan (EVSL) which gives borrowers some degree of flexibility to manage their interest rate risks. For non-sovereign-guaranteed clients the loan product offered is the Fixed Spread Loan (FSL).

The lending rate on the EVSL comprises a floating base rate (6-month LIBOR for USD and YEN, 6-month EURIBOR for Euro and 3-month JIBAR for ZAR), a funding margin that is a function of the Bank's cost of funding relative to LIBOR, EURIBOR or JIBAR, computed every six months, and a contractual spread, that was set at 60 basis points (bps) with effect from 1 January 2011. At a borrower's request, the EVSL offers a free option to convert the floating base rate into a fixed base rate (amortizing interest rate swap rate set at borrower's request for disbursed and outstanding loan balances). The repayment period for sovereign and sovereign guaranteed loans is up to 20 years, including a grace period not exceeding 5 years.

The lending rate on the FSL comprises a floating base rate (6-month LIBOR for USD and YEN, 6-month EURIBOR for Euro and 3-month JIBAR for ZAR) which remains floating until maturity date or a fixed base rate plus a risk-based credit spread. NSGLs have a repayment period of 15 years including a grace period not exceeding 5 years.

In December 2013, the ADB Board of Directors approved the introduction of the Fully Flexible Loan (FFL) product to the suite of products available to sovereign and sovereign-guaranteed borrowers. The FFL embeds risk management features currently offered through the Bank's risk management products in SGLs, thereby providing full customization flexibility in interest rate and currency conversion to borrowers. With this product, FFL borrowers will be able to, at any time after loan signature, (i) convert the lending currency for disbursed and/or undisbursed loan balances into another Bank-approved lending currency, (ii) convert the base interest rate (fix, unfix and re-fix the base rate) for disbursed and outstanding loan balances and, (iii) establish interest rate caps or collars for disbursed and outstanding loan balances. It also introduces a maturity-based pricing structure due to the lengthening of the maximum tenor, grace period and average loan maturity (i.e., the weighted average time to repay a loan which considers, both, repayment dates and amounts in order to provide a better estimation of how quickly a loan is repaid) of SGLs from the current 20 years (tenor), 5 years (grace period) and 12.75 years (average maturity) to 25 years, 8 years and 17 years, respectively to allow borrowers to select loan profiles that match their funding needs and debt management capacities.

The lending rate of the FFL product is consistent with that of the EVSL plus a maturity premium, where applicable. With maturity-based pricing, loans with maturity less than or equal to 12.75 years will not attract a maturity premium. However, loans with average loan maturity greater than 12.75 years but less than or equal to 15 years will attract a 10 bps maturity premium, while loans with an average maturity greater than 15 years will attract a 20 bps maturity premium.

Since the approval of the FFL, the Bank has conducted extensive testing to ensure that the loan administration systems are properly equipped to handle all the new, innovative features of the loan product. The FFL will thus fully replace the EVSL and be available as the Bank's only standard loan product offered to sovereign and sovereign-guaranteed borrowers in respect of all loans signed on or after 3 March 2016.

Other loan structures offered by the Bank include parallel and A/B loan syndications, and local currency loans. The Bank can provide local currency loans in the following RMC currencies: Egyptian pounds, Franc CFA (XOF and XAF), Ghanaian cedis, Kenyan shillings, Nigerian naira, Tanzanian shillings, Ugandan shillings and Zambian kwacha. Lending in these currencies is only offered if the Bank is able to fund efficiently in the relevant local currency market. These local currency loans are offered under the FSL pricing framework with a cost-pass-through principle for the loans to ensure that the overall cost of funds is fully covered.

Lines of Credit

The development of a dynamic small and medium-size enterprises (SMEs) sector in the continent is an important objective of the Bank, as is the development of private financial institutions (PFIs). To this end the Bank offers lines of credit for loans to PFIs for on-lending to SMEs. The terms of the lines of credit specify the conditions under which Bank funds will be provided to the PFI for on-lending. The credit risks of the sub-loans are borne by the PFIs.

Agency Lines

The Bank makes resources available for SMEs under agency arrangements with local financial intermediaries. The selection of individual projects for Bank support is largely delegated to the intermediaries, which draw on Bank resources to make loan or equity investments for the Bank's account in projects meeting pre-agreed criteria. As part of an agency agreement, financial intermediaries are required to commit their own funds in each investment in parallel with the Bank and to supervise the investee companies. The financial intermediary acts only in an agency capacity for the Bank when investing the latter's funds and assumes no risk in this regard. The credit risk of the borrower is borne by the Bank.

Guarantees

Through the guarantee product, the Bank seeks to leverage its preferred creditor status to assist eligible borrowers to obtain financing from third party lenders, including capital markets. Guarantees also enable borrowers to obtain financing in their own local currency where the Bank is not able to provide such financing directly from its own resources. The Bank's guarantees can generally be classified into two categories: Partial Credit Guarantees (PCGs) and Partial Risk Guarantees (PRGs). PCGs cover a portion of scheduled repayments of private loans or bonds against all risks. PRGs cover private lenders against the risk of a government, or a government owned agency, failing to perform its obligations vis-à-vis a private project.

Risk Management Products

The Bank currently offers Risk Management Products (RMPs) to its borrowers only in respect of obligations outstanding to the Bank or new Bank loans to enable them to hedge their exposure to market risks including interest rate, currency exchange and commodity price risks, thus allowing them to optimize their debt management strategies. RMPs offered by the Bank include interest rate swaps, currency swaps, commodity swaps and interest rate caps and collars. These products are available to borrowers at any time during the life of the loan.

Equity and Quasi-Equity Participations

In addition to its participation in ADF, the Bank takes equity positions in qualifying business enterprises in its RMCs as part of its strategic development financing mandate. The Bank's ability to provide risk capital through equity and quasi-equity is a key element of its resource mobilization role. The use by the Bank of equity and quasi-equity participation as instruments of investment has the objectives of promoting the efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders to financially viable projects as well as promoting new activities and investment ideas. The Bank may invest in equities either directly or indirectly, through appropriate funds and other investment vehicles. Additionally, it may choose to invest via quasi-equity instruments including redeemable preference shares, preferred stock, subordinated loans or convertible loans.

Trade Finance Program

In February 2013, the Board approved a Trade Finance Program (TFP) of up to USD 1 billion for a four-year initial phase, to address the shortage of trade finance for Regional Member Countries (RMCs) and to address the structural gap between the demand for trade finance and the market supply through provision of liquidity and risk mitigation solutions to financial institutions actively involved in trade finance in Africa. One of the significant institutional developments since the approval of the TFP was the establishment of the Financial Sector Development Department (OFSD) in the last quarter of 2014, and subsequently, the President created a full-fledged Trade Finance Division within OFSD, charged with the responsibility of driving the Bank's engagement in trade finance in Africa in a more sustained and systematic way.

The TFP provides to eligible clients, funded and unfunded products including: (a) Risk Participation Agreements (RPAs), (b) Trade Finance Lines of Credit (TFLOCs), and (c) Soft Commodity Finance Facilities (SCFFs). In addition to these, the TFP makes selective use of equity and technical assistance instruments to enhance the risk-bearing and operational capacities of local financial institutions (FIs).

Risk Participation Agreement

The Risk Participation Agreement (RPA) is both a funded and a non-funded trade finance product that enables the Bank to share risk with a select group of international and regional confirming banks, who provide documentary credit confirmation services to African issuing banks, with the objective of supporting and expanding trade in Africa. Under this product the Bank shares trade finance credit risk (generally no more than 50 percent of a trade transaction exposure) on a portfolio of eligible issuing bank trade transactions of partner confirming banks. RPAs operate on a portfolio basis and do not require the Bank to sign direct agreements with the local issuing banks.

Trade Finance Lines of Credit

The Trade Finance Line of Credit (TFLOC) is similar to the conventional line of credit offered by the Bank to local financial institutions except that the TFLOC will be used to finance exclusively trade-related transactions in the RMCs. Trade transactions financed by TFLOC include, among others, pre-shipment and post-shipment financing, capital expenditure, letters of credit discounting, factoring/forfaiting, import and export trade finance.

Since most trade transactions have maturities of less than one year, the intermediary financial institutions are permitted to utilize the line of credit as a revolving credit facility to trade finance clients until the final maturity of the TFLOC itself, which in any case will not exceed 3.5 years. The facility is available to local banks engaged in trade finance in Africa.

Soft Commodity Finance Facility (SCFF)

The Soft Commodity Finance Facility (SCFF) is a funded trade finance product that is used to support mainly the import and export of agricultural commodities and inputs across the RMCs. This includes, for instance, the provision of pre-export financing to commodity aggregators for the purchase and export of soft commodities. Commodity finance is usually structured and has credit protection in such forms as pledges of underlying commodity, assignment of proceeds, letters of credit, and private or state guarantees. SCFF is provided directly to entities such as commodity aggregators, which are not necessarily financial institutions. These entities could include state-owned commodity boards or agricultural cooperatives that meet the eligibility criteria for Bank private sector borrowing. Intermediaries such as commodity traders would not be direct counterparties of the Bank.

Scaling Up the Trade Finance Program

The financial performance of the program in 2015 was above budget in all measures, and demand for trade interventions from the RMCs remains strong. Going forward, in order to consolidate the TFP into the Bank's operations as a core activity rather than as a program with a sunset clause, management has proposed the following changes aimed at increasing both the size and product suite:

a) Utilise the current TFP limit of USD 1 billion for guarantee products only. The funded trade finance instruments would be treated like the Bank's other lending instruments in terms of allocation of funds for non-sovereign operations.

b) Introduce the following new products to meet the ever evolving clients' needs: (i) direct guarantees that provide 100 percent risk cover for single transactions; (ii) supply and value chain financing; and (iii) risk distribution agreements (RDAs) to create more headroom by catalysing other sources of financing and increasing the capacity of the Bank to support more trade.

Other Financial Services

In addition to the products described above, the Bank may occasionally offer technical assistance through grant funds to supplement its financial products for both the public and private sector windows. The Bank's technical assistance is primarily focused on increasing the development outcomes of its operations by raising the effectiveness of project preparation which is vital in ensuring the best developmental and poverty-reducing outcomes for projects that receive Bank financing. In addition, technical assistance may aim to foster and sustain efforts in creating enabling business environments in order to promote private sector investment and growth.

Risk Management Policies and Processes

The Bank's development operations are undertaken within a risk management framework which includes: (i) a clearly defined risk appetite statement for lending credit risk, (ii) a capital adequacy and exposure management policy (iii) credit policy; (iv) risk management governance framework; (v) credit risk management guidelines; and (vi) an end-to-end credit process.

The Bank seeks to minimize its exposure to risks that are not essential to its core business of providing development finance and related assistance. Accordingly, the Bank's risk management policies, guidelines and practices are designed to reduce exposure to interest rate, currency, liquidity, counterparty, legal and other operational risks, while maximizing the Bank's capacity to assume credit risks to public and private sector clients, within approved risk limits.

Over the past few years the Bank has considerably enhanced its risk management framework and end-to-end credit processes to ensure that its risk management functions remain robust. Some of the specific measures taken have included: (i) creation of the office of Group Chief Risk Officer, reporting directly to the President of the Bank; (ii) strengthening of the Credit Risk Committee; (iii) enhancement of the credit risk assessment skills of Bank staff through training and hiring of experienced and competent credit officers; (iv) implementation of robust and optimized credit risk assessment models; (v) strengthening of the credit risk infrastructure by improving quality at entry; (vi) continuous efforts to fully implement the operational risk management framework which was recently approved by the Board; and (vii) implementation of best-of-breed solutions in the form of an integrated and workflow-driven software platform that allows all stakeholders involved in the credit risk assessment process to streamline their work in order to enhance efficiency. The Bank has, additionally, strengthened the monitoring of the current portfolio and continued to proactively undertake portfolio restructuring measures including cancellation of long-standing "signed but not disbursed" loans to free up capital for new lending.

The Bank continues to serve all its member countries, including those under stress. To support such continued engagement, the Bank maintains capital buffers to provide some flexibility in continuing its countercyclical financing role, while covering any potential unexpected losses. Close collaboration with sister institutions (the World Bank and IMF) has helped to improve the coordination of current and future interventions in those countries. Above all, the Bank has continued to explore measures to increase portfolio diversification, an important step in its efforts to mitigate concentration risks within its current portfolio. The Bank also improved its collateral management framework to ensure that an adequate collateral value is maintained.

During the year, the Bank entered into Exposure Exchange Agreements (EEAs) with other Multilateral Development Banks (MDBs) with the objective of managing the risks in its loan portfolio to optimize its balance sheet, reduce sovereign-concentration risk and increase lending headroom. The EEA involves a simultaneous exchange of equivalent credit risk on defined reference portfolios of sovereign exposures, subject to each participating MDB retaining a minimum of 50 percent of the total exposure to each country that is part of the EEA. Under the EEA, the MDB that originates the sovereign loans and buys protection continues to be the lender of record. An exposure exchange does not affect the application of the normal sovereign sanctions policies by the buyer of protection. The EEA has final maturities in 2030 with linear annual reduction of the notional amounts starting from 2025. As at 31 December 2015, the total notional amount of credit protection purchased or sold on the relevant underlying single reference entities is USD 4.47 billion (UA 3.22 billion). The participating MDBs have paid no credit protection fee (i.e. guarantee premium) as the amount of exposure exchanged—purchased and sold—is notionally the same at inception.

The Bank continues to be well capitalized. The stress testing of its capital adequacy shows that it can adequately withstand a number of extreme shock scenarios. The risks to the Bank's balance sheet are actively monitored on a risk dashboard developed in 2012.

The policies and practices employed by the Bank to manage these risks are described in detail in Note D to the Financial Statements.

Financial Reporting

Corporate governance within the Bank is supported by appropriate financial and management reporting. The Executive Board of Directors makes strategic decisions and monitors the Bank's progress towards achievement of set goals. While senior management manages the Bank's day-to-day operations and activities, the Board provides oversight, advice and counsel on issues as wide-ranging as long-term strategy, budgets, human resources, benefits management, and new product development.

Based on the COSO internal control framework, senior management has put in place a robust and functioning mechanism to be able to certify the effectiveness of the Bank's internal controls over external financial reporting. This annual certification statement is signed by the President and Vice President, Finance, as well as the Financial Controller. A separate attestation is also provided by the Bank's external auditors. The Bank has a comprehensive system of reporting to the Board of Directors and its committees which includes periodic reporting by the Office of the Auditor General to the Audit and Finance (AUFI) Committee of the Board of Directors.

External Auditors

The Bank's external auditors are appointed by the Board of Governors, on the recommendation of the Board of Directors, for a five-year term. Under Bank rules, no firm of auditors can serve for more than two consecutive five-year terms.

The external audit function is statutory and is regulated by the International Standards on Auditing (ISA), issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board. The external auditors perform an annual audit to enable them to express an opinion on whether the financial statements of the Bank present fairly the financial position and the results of the operations of the Bank. They also examine whether the statements have been presented in accordance with International Financial Reporting Standards. In addition, as described above, the external auditors also carry out a comprehensive review and provide opinion on the effectiveness of the Bank's internal controls over financial reporting. This attestation is provided by the external auditors as a report separate from the audit opinion. At the conclusion of their annual audit, the external auditors prepare a management letter for Senior Management and the Board of Directors, which is reviewed in detail and discussed with the Audit and Finance Committee of the Board. The management letter sets out the external auditors' observations and recommendations for improvement on internal controls and other matters, and it includes management's responses and actions for implementation of the auditors' recommendations.

The performance and independence of the external auditors is subject to periodic review by the AUFI Committee of the Board. There are key provisions in the Bank's policy regarding the independence of the external auditors including a requirement for the mandatory rotation of the Engagement Partner, in cases where the term of the audit firm is renewed for a second and final five-year period. The incumbent external auditors are prohibited from providing non-audit related services, subject to certain exceptions if it is judged to be in the interest of the Bank and if such services do not compromise the external auditors' independence. In any case, the provision of such services requires the specific approval by the Audit and Finance Committee.

Anti-Corruption Regime within the Bank

The Bank has a robust regime for discouraging corruption. The prohibited practices under the Bank's anti-corruption regime include not only bribery but also receiving bribes, fraud, coercive practices and collusion.

The Bank has three main anti-corruption legal instruments – its Procurement Rules, the Guidelines for Preventing and Combating Corruption and Fraud in Bank's Operations, and the International Financial Institutions' Uniform Framework for Preventing and Combating Fraud and Corruption. Each of these instruments defines the prohibited practices and prescribes mechanisms for implementing anti-corruption measures. The Procurement Rules prohibit the use of Bank funds to finance corruption and the financing by the Bank of contracts corruptly procured. The Guidelines prescribe preventive measures to be taken throughout the lending cycle. The Uniform Framework also prescribes preventive measures and investigation procedures.

The Bank's anti-corruption implementation mechanisms include the Integrity and Anti-Corruption Department which has an investigative and a preventive role, a Whistleblower and Complaints Handling mechanism including a hotline administered by the Integrity and Anti-Corruption Department, and protection for whistleblowers.

The Bank has implemented the International Financial Institutions' cross-debarment agreement by which it will apply the sanctions of the other institutions and have its sanctions applied by these institutions. A key step in this process has been the appointment of a Sanctions Commissioner, an Alternate Sanctions Commissioner and the members of the Sanctions Appeals Board.

Finally, the Bank is collaborating with the OECD in an ongoing initiative to support business integrity and anti-bribery efforts in its regional member countries.

Performance Management and Monitoring

In managing its operations the Bank uses quantified performance measures and indicators that reflect the critical success factors in its business. These are monitored on a continuous basis and results achieved are used to assess progress attained against stated objectives and to inform required action in order to improve future performance. Management uses a wide array of measures both at the corporate and business unit level to monitor and manage performance. Some of the key financial measures and indicators used by management are discussed in Table 6.3, together with their relevance to the operations of the Bank.

FINANCIAL RESULTS

The highlights of the Bank's financial performance in 2015 include the following:

- Net interest margin (NIM) decreased in 2015 largely due to a 10.71 percent decline in interest income on investments from UA 169.87 million in 2014 to UA 151.68 million in 2015. Interest income from loans increased by 2.51 percent to UA 338.51 million. The treasury portfolio continued to perform well above its set benchmarks. Overall, net interest income decreased by 6.06 percent during the year, while the gross earning assets increased by 6.8 percent.

Table 6.3
Key Financial Performance Indicators: 2015 and 2014

Definition	Importance to the business and management	Achievement 2015	Achievement 2014
Average Return on Liquid Funds	This is a measure of the average return generated or lost due to the investment of liquid funds. In other words, it is a measure of how profitable the liquid assets are in generating revenue to the Bank, pending disbursement for project financing.	1.42%	1.76%
Total Debt to Usable Capital	This is a measure of the Bank's financial leverage calculated by dividing its total debt by usable capital. It indicates what proportion of equity and debt the Bank is using to finance its operations.	58.47%	52.00%
Settlement Failure Rate	This measures the efficiency of the funds' transfer process. Timely settlement of financial obligations is important as a measure of the efficiency of the Bank's processes.	0.16%	0.18%
Timeliness of Preparation of Financial Highlights	Reporting of key financial performance metrics in a timely manner aids decision making by management and facilitates the required corrective action to improve performance.	Within one month of period end	Within one month of period end
Impairment Loss Ratio – Non-Sovereign Portfolio only	This KPI represents the impairment on loans as a proportion of the period-end balances. The granting of credit is the main purpose of the Bank and is also one of the Bank's principal sources of income and risk. The loan loss ratio is an indicator of the quality and recoverability of loans granted to non-sovereign borrowers.	3.92%	1.79%

- In 2015, the Bank earned income before allocation and distributions approved by the Board of Governors of UA 93.16 million compared to UA 151.69 million in 2014. This decrease is primarily due to an increase in impairment on loans and the impact of the fair valuation of borrowings and derivatives which are typically volatile. Adjusted for the effects of the fair valuation of borrowings and derivatives, income before allocation and distributions amounted to UA 142.68 million for 2015 compared to UA 181.52 million in 2014.

- Total Bank Group administrative expenses decreased to UA 323.3 million in 2015 from UA 372.1 million in 2014, primarily due to lower expenses related to the Bank's return to its Headquarters. Total manpower expenses (excluding actuarial valuation effects of benefit plans) decreased by UA 33.07 million (12.58 percent) from UA 262.94 million in 2014 to UA 229.87 million in 2015. The Bank's share of the total Bank Group's administrative expenses amounted to UA 122 million for 2015 compared to UA 123.16 million in the previous year. Bank Group administrative expenses are shared between the Bank, the ADF, and the NTF, based on a predetermined cost-sharing formula driven primarily by the relative levels of certain operational volume indicators and relative balance sheet size.

- The Bank continues to maintain a strong capital position. Despite the ongoing challenges in its operating environment, the Bank continues to generate sufficient levels of income to facilitate contributions on behalf of its shareholders to other development initiatives in Africa. The Bank's reserves, plus accumulated loan loss provisions on outstanding loan principal and charges, stood at UA 3.35 billion at the end of 2015 compared to UA 3.19 billion at the end of 2014.

Distributions Approved by the Board of Governors

In 2015, the Board of Governors approved distributions from the 2014 income to various development initiatives in Africa amounting to UA 124 million. The beneficiaries of these distributions are listed under Note N to the financial statements. In accordance with the Bank's accounting policies, such distributions are reported as expenses in the year they are approved by the Board of Governors. The Boards of Directors have also agreed to recommend to the Board of Governors, at its Annual Meeting in May 2016, distributions totaling UA 95 million from the 2015 income to various development initiatives in the RMCs. If approved by the Board of Governors, such distributions, and any others that may be approved by the Board of Governors during 2016, will be reported as expenses in the 2016 financial statements.

Control of Administrative Expenses

In order to maximize the resources available for development financing and technical assistance activities in its member countries, the Bank has an ongoing responsibility and commitment to ensure maximum efficiency in the management of its administrative and capital expenditures. Accordingly, the Bank continues to focus on a high level of budgetary discipline, effective cost controls and proactive cost-recovery programs in the management of its administrative and capital expenses. For the year ended 31 December 2015, the Bank Group's general administrative expenses, excluding the expenses related to the return of its operations to its Headquarters in Abidjan, charges for depreciation and amortization, were UA 294.83 million, compared to UA 321.46 million in 2014. For 2016, the Bank Group's administrative expenditure is budgeted at UA 358.49 million. Management will continue to explore and implement effective and transparent cost management strategies in order to ensure that cost outcomes are effectively tracked against the Bank's long-term strategic objectives.

Investments

The Bank maintained a robust investment strategy in 2015, consistent with a frequently changing global financial market environment which has been characterized by low interest rates. The Bank continues to adopt a prudent investment strategy, prioritizing capital preservation and liquidity over attempting to generate higher income by taking on additional risks. As such, the Bank continues to target high-quality liquid assets with short maturities with a focus on secured investments where possible. As a result, the credit quality and liquidity profile of the Bank's investments remains very strong. Despite the backdrop of higher volatility in the global financial markets in 2015, the overall impact on returns remained limited.

The Bank's cash and treasury investments (net of repurchase agreements) as of 31 December 2015 totaled UA 9.61 billion, compared to UA 7.35 billion at the end of 2014. Investment income for 2015 amounted to UA 122.21 million or a return of 1.36 percent on an average liquidity of UA 8.97 billion, compared to an income of UA 132.41 million, or a return of 1.62 percent, on an average liquidity of UA 8.17 billion in 2014. Overall, the portfolios at fair value outperformed their average benchmarks in the key currencies during the year.

The reduced return in 2015 compared to 2014 was a result of a more challenging investment environment.

The ADB's liquid assets are tranched into 3 portfolios, namely, operational portfolio, prudential portfolio, and equity-backed portfolio, each with a different benchmark that reflects the cash flow and risk profile of its assets and funding sources. These benchmarks are 1-month LIBID for the operational portfolio, and 6-month marked-to-market LIBOR, resetting on 1 February and 1 August for the prudential portfolio. The operational and prudential portfolios are held for trading. The equity-backed portfolio, which is held at amortized cost, is managed against a repricing profile benchmark with 10 percent of the Bank's net assets repricing uniformly over a period of 10 years.

Loan Portfolio

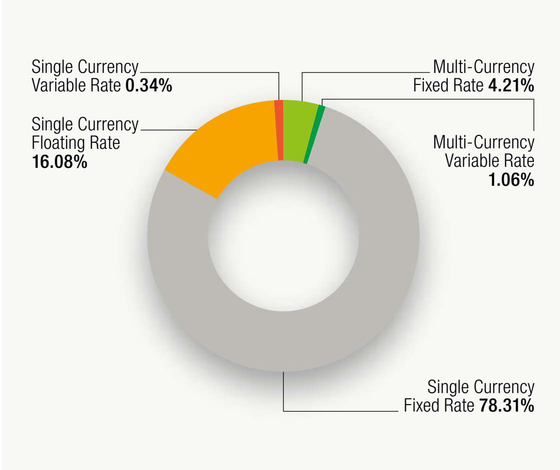
The Bank makes loans to its regional member countries and public sector enterprises guaranteed by the government. Loans are also extended to private sector enterprises without government guarantee.

Cumulative loans signed, net of cancellations, as at 31 December 2015 amounted to UA 34.47 billion. This is UA 2.23 billion higher than the balance at 31 December 2014 when the cumulative loans signed stood at UA 32.24 billion. Table 6.4 presents the evolution of loans approved, disbursed and undisbursed balances from 2011 to 2015.

Total disbursed and outstanding loans as at 31 December 2015 was UA 13.07 billion, an increase of UA 0.42 billion over the UA 12.65 billion outstanding as at the end of 2014. Undisbursed balances of signed loans at 31 December 2015 totaled UA 4.64 billion, an increase of UA 0.89 billion over the UA 3.75 billion of undisbursed loans at 31 December 2014.

As at 31 December 2015, the number of active loans was 346 while 709 loans amounting to UA 13.15 billion had been fully repaid. A breakdown of the outstanding loan portfolio by product type is presented in Figure 6.1.

Figure 6.1
Outstanding Loan Portfolio by Product Type at 31 December 2015 (Percentages)



Disbursements

Loan disbursements during 2015 amounted to UA 1.62 billion, compared to UA 1.94 billion in 2014. At 31 December 2015, cumulative disbursements (including non-sovereign loans) amounted to UA 29.83 billion. A total of 924 loans were fully disbursed amounting to UA 26.21 billion, representing 87.86 percent of cumulative disbursements. Loan disbursements in 2015 by country are shown in Table 6.5.

Repayments

Principal loan repayments amounted to UA 927.93 million in 2015 compared to UA 795.56 million realized in 2014, representing an increase of 16.64 percent over the previous year. Cumulative repayments as of 31 December 2015 were UA 16.81 billion compared to UA 15.69 billion at 31 December 2014. Figure 6.2 shows the evolution of loan disbursements and repayments for the period, 2011-2015.

Outlook for 2016

The Bank is expected to be impacted by the continuing turbulence in the global financial markets given the sensitivity

Table 6.4
Lending Status, 2011-2015
(UA millions)

	2011	2012	2013	2014	2015
Loans Approved*	2,446.72	1,801.47	1,705.04	3,052.29	4,373.44
Disbursements	1,868.79	2,208.17	1,430.78	1,938.53	1,619.17
Undisbursed Balances	5,301.02	4,463.23	4,490.13	3,751.22	4,640.60

* Excludes approvals of special funds and equity participations but includes guarantees.

of its financial results to changes in these domains. The diligent monitoring of their impacts on the volume of the Bank's lending and the timing of repayment of its loans in 2016 and beyond, is critical if it is to ensure that it continues to effectively deliver on its development mandate. The Bank's Ten-Year Strategy, approved in 2013, continues to shape the Bank's interventions and operations over the planning horizon to 2022. The strategic focus on the five key operational priorities, including infrastructure development, regional integration, private sector development, governance and accountability, and skills and technology provides the Bank with a unifying framework under the High 5s for the effective delivery of its operational activities in the coming year and beyond.

As at end 2015, the Bank's move back to its statutory headquarters in Abidjan, Côte d'Ivoire was virtually complete, restoring the much-needed stability and the resultant efficiency in the Bank's operational environment in the short term. In the long term, the completion of the move is expected to result in the stabilization of the level of administrative expenses which spiked somewhat at the peak of the move, particularly, in 2014 and 2015. A positive consequence of this is that the achievement of the target cost/income ratio of 30 percent will be possible in the medium term.

Managing Investment Performance in a Challenging Financial Markets Context

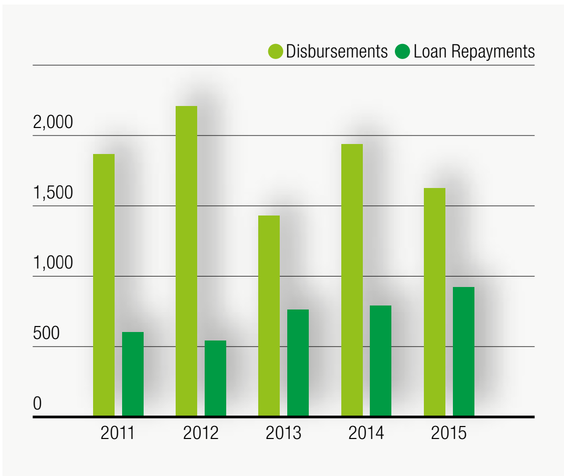
The Bank's borrowing and investment activities in 2015 were undertaken in a challenging environment of significant volatility in the global financial markets. The first half of 2015 was dominated by events in Greece as the newly elected government sought to renegotiate the country's bailout terms with its creditors. After months of protracted negotiation, following the near-collapse of the Greek financial system, and their exit from the Eurozone becoming a distinct possibility, the government accepted a further bailout under stringent terms. Market fears of a Greek default and concerns over the future of the Eurozone created substantial stress across financial markets. This led to the widening of credit spreads of European sovereigns and supranational institutions, the latter representing the largest creditors to Greece following its debt restructuring in 2012.

In the second half of the year, as concerns over Greece abated, volatility was triggered by weak economic data in China that was amplified by expected monetary tightening in the United States, rapidly declining oil prices, and the high private sector indebtedness in a number of emerging market economies. In

Table 6.5
Loan Disbursements by Country in 2015
(UA millions)

Country	Amount disbursed
Botswana	4.06
Burkina Faso	2.00
Cabo Verde	14.46
Cameroon	8.58
Côte d'Ivoire	64.32
Democratic Republic of Congo	33.91
Egypt	128.82
Equatorial Guinea	4.81
Gabon	0.03
Ghana	1.08
Kenya	83.26
Mali	5.55
Mauritius	28.72
Morocco	329.91
Mozambique	5.20
Namibia	44.31
Nigeria	219.03
Rwanda	3.39
Senegal	29.85
South Africa	155.97
Swaziland	0.50
Togo	3.06
Tunisia	289.82
Uganda	0.12
Zambia	39.26
Multinational	119.14
TOTAL	**1,619.17**

Figure 6.2
Loan Disbursements and Repayments, 2011-2015 (UA millions)



particular, the perceived fragility of China's economy had major implications for the global financial markets, triggering falls in global equity and commodity markets as well as emerging market currencies. In response, and in light of persistently low inflation, global central banks continued to employ extremely accommodative monetary policies, cutting interest rates to historically low (and in some cases negative) levels. A notable exception was the US Federal Reserve, which began tightening monetary policy, increasing rates in December for the first time since 2008.

The lower interest-rate environment reduced the returns on the Bank's treasury investment portfolios. However, in the case of ADB's liquidity portfolios, the lower investment income was subsequently offset by reductions in borrowing costs. Given the volatile global market, the Bank maintained a conservative investment strategy, prioritizing capital preservation and liquidity. Accordingly, the Bank targeted high quality liquid assets with shorter maturities, with a focus on secured investments where possible. As a result, the credit quality and liquidity profile of the Bank's investment remains very strong, whilst volatility of returns is limited.

African Development Bank
Financial Statements and Report of the Independent Auditor Year ended 31 December 2015

Balance sheet as at 31 December 2015
(UA thousands – Note B)

ASSETS		2015	2014
CASH		1,214,608	406,709
DEMAND OBLIGATIONS		3,801	3,801
SECURITIES PURCHASED UNDER RESALE AGREEMENTS		-	34,511
TREASURY INVESTMENTS (Note F)		8,392,261	7,341,624
DERIVATIVE ASSETS (Note G)		1,454,625	1,143,678
NON-NEGOTIABLE INSTRUMENTS ON ACCOUNT OF CAPITAL (Note H)		271	739
ACCOUNTS RECEIVABLE			
Accrued income and charges receivable on loans (Note I)	196,979		190,662
Other accounts receivable	292,558		449,497
		489,537	640,159
DEVELOPMENT FINANCING ACTIVITIES			
Loans, net (Notes D & I)	12,868,547		12,496,518
Hedged loans – Fair value adjustment (Note G)	79,837		112,704
Equity participations (Note J)	703,268		596,818
Other securities (Note K)	46,423		94,111
		13,698,075	13,300,151
OTHER ASSETS			
Property, equipment and intangible assets (Note L)	92,828		78,834
Miscellaneous	731		626
		93,559	79,460
TOTAL ASSETS		**25,346,737**	**22,950,832**

The accompanying notes to the financial statements form part of this statement.

LIABILITIES & EQUITY		2015	2014
ACCOUNTS PAYABLE			
Accrued financial charges	177,155		261,564
Other accounts payable	1,155,228		950,249
		1,332,383	1,211,813
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE		-	429,317
DERIVATIVE LIABILITIES (Note G)		1,084,992	853,735
BORROWINGS (Note M)			
Borrowings at fair value	15,851,251		13,481,627
Borrowings at amortized cost	598,014		894,326
		16,449,265	14,375,953
EQUITY (Note N)			
Capital			
Subscriptions paid	3,727,691		3,438,232
Cumulative Exchange Adjustment on Subscriptions (CEAS)	(168,842)		(173,538)
Subscriptions paid (net of CEAS)	3,558,849		3,264,694
Reserves	2,921,248		2,815,320
Total equity		6,480,097	6,080,014
TOTAL LIABILITIES & EQUITY		**25,346,737**	**22,950,832**

The accompanying notes to the financial statements form part of this statement.

Income statement
for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
OPERATIONAL INCOME & EXPENSES		
Income from:		
Loans (Note O)	350,207	342,128
Investments and related derivatives (Note O)	122,213	132,414
Equity investments (Dividends)	15,050	6,335
Other securities	3,734	3,851
Total income from loans and investments	491,204	484,728
Borrowing expenses (Note P)		
Interest and amortized issuance costs	(346,134)	(375,961)
Net interest on borrowing-related derivatives	180,219	221,207
Unrealized losses on borrowings, related derivatives and others	(49,516)	(29,830)
Net impairment charge (Note I)		
Loan principal	(51,577)	(1,566)
Loan charges	(13,848)	(16,451)
Provision for impairment on equity investments (Note J)	433	748
Translation gains/(losses)	14,605	(4,071)
Other income	4,266	3,391
Net operational income	229,652	282,195
OTHER EXPENSES		
Administrative expenses (Note Q)	(121,999)	(123,157)
Depreciation – Property, equipment and intangible assets (Note L)	(9,052)	(7,608)
Sundry (expenses)/income	(5,441)	262
Total other expenses	(136,492)	(130,503)
Income before distributions approved by the Board of Governors	93,160	151,692
Distributions of income approved by the Board of Governors (Note N)	(124,000)	(120,000)
NET (LOSS)/INCOME FOR THE YEAR	**(30,840)**	**31,692**

The accompanying notes to the financial statements form part of this statement.

Statement of comprehensive income for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
NET (LOSS)/INCOME FOR THE YEAR	(30,840)	31,692
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Net gains on financial assets at fair value through “other comprehensive income”	38,214	20,596
Unrealized gain/(loss) on fair-valued borrowings arising from “own credit”	73,058	(32,136)
Remeasurements of defined benefit liability	25,496	(61,713)
Total items that will not be reclassified to profit or loss	136,768	(73,253)
Total other comprehensive income	136,768	(73,253)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**105,928**	**(41,561)**

The accompanying notes to the financial statements form part of this statement.

Statement of changes in equity for the year ended 31 December 2015
(UA thousands – Note B)

	Capital Subscriptions Paid	Cumulative Exchange Adjustment on Subscriptions	Reserves: Retained Earnings	Reserves: Remeasurements of Defined Benefit Liability	Reserves: Net Gains on Financial Assets at Fair Value through Other Comprehensive Income	Reserves: Unrealized Gains/ (Losses) on Fair-Valued Borrowings Arising from "Own Credit"	Total Equity
BALANCE AT 1 JANUARY 2014	3,147,084	(172,654)	2,964,743	(213,145)	42,725	62,558	5,831,311
Net income for the year	-	-	31,692	-	-	-	31,692
Other comprehensive income							
Net gains on financial assets at fair value through "other comprehensive income"	-	-	-	-	20,596	-	20,596
Unrealized losses on fair-valued borrowings arising from "own credit"	-	-	-	-	-	(32,136)	(32,136)
Remeasurement of defined benefit liability	-	-	-	(61,713)	-	-	(61,713)
Total other comprehensive income	-	-	-	(61,713)	20,596	(32,136)	(73,253)
Net increase in paid-up capital	291,148	-	-	-	-	-	291,148
Net conversion losses on new subscriptions	-	(884)	-	-	-	-	(884)
BALANCE AT 31 DECEMBER 2014 AND 1 JANUARY 2015	**3,438,232**	**(173,538)**	**2,996,435**	**(274,858)**	**63,321**	**30,422**	**6,080,014**
Net loss for the year	-	-	(30,840)	-	-	-	(30,840)
Other comprehensive income							
Net gains on financial assets at fair value through "other comprehensive income"	-	-	-	-	38,214	-	38,214
Unrealized gains on fair-valued borrowings arising from "own credit"	-	-	-	-	-	73,058	73,058
Remeasurement of defined benefit liability	-	-	-	25,496	-	-	25,496
Total other comprehensive income	-	-	-	25,496	38,214	73,058	136,768
Net increase in paid-up capital	289,459	-	-	-	-	-	289,459
Net conversion gains on new subscriptions	-	4,696	-	-	-	-	4,696
BALANCE AT 31 DECEMBER 2015	**3,727,691**	**(168,842)**	**2,965,595**	**(249,362)**	**101,535**	**103,480**	**6,480,097**

The accompanying notes to the financial statements form part of this statement.

Statement of cash flows for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net (loss)/income	(30,840)	31,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,052	7,608
Provision for impairment on loan principal and charges	65,425	18,017
Unrealized losses on investments and related derivatives	32,290	35,333
Amortization of discount or premium on treasury investments at amortized cost	3,902	(2,767)
Provision for impairment on equity investments	(433)	(748)
Amortization of borrowing issuance costs	(14,129)	2,971
Unrealized losses on borrowings, related derivatives and others	65,443	27,195
Translation (gains)/losses	(14,605)	4,071
Share of profits in associate	394	633
Net movements in derivatives	27,618	146,574
Changes in accrued income on loans	(9,247)	(21,612)
Changes in accrued financial charges	(84,407)	(170,779)
Net change in reverse repurchase agreements and cash collateral on securities borrowed	(394,806)	394,806
Changes in other receivables and payables	414,026	289,538
Net cash provided by operating activities	69,683	762,532
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(1,619,171)	(1,938,532)
Repayments of loans	927,930	795,557
Investments maturing after 3 months of acquisition:		
Investments at amortized cost	(208,427)	(420,879)
Investments at fair value through profit and loss	234,559	(826,847)
Acquisition of fixed assets	(23,740)	(45,837)
Disposal of fixed assets	695	67
Disbursements on equity participations	(76,238)	(68,515)
Repayments on equity participations	17,400	32,664
Net cash used in investing, lending and development activities	(746,992)	(2,472,322)
FINANCING ACTIVITIES:		
New borrowings	5,484,651	4,515,243
Repayments on borrowings	(3,312,314)	(3,688,517)
Cash from capital subscriptions	294,155	290,264
Net cash provided by financing activities	2,466,492	1,116,990
Effect of exchange rate changes on cash and cash equivalents	(35,989)	(24,039)
Increase/(decrease) in cash and cash equivalents	1,753,194	(616,839)
Cash and cash equivalents at the beginning of the year	650,681	1,267,520
Cash and cash equivalents at the end of the year	**2,403,875**	**650,681**
COMPOSED OF:		
Investments maturing within 3 months of acquisition:		
Investments at fair value through profit and loss	1,189,267	243,972
Cash	1,214,608	406,709
Cash and cash equivalents at the end of the year	**2,403,875**	**650,681**
SUPPLEMENTARY DISCLOSURE:		
1. Operational cash flows from interest and dividends:		
Interest paid	(250,322)	(325,533)
Interest received	488,793	477,439
Dividend received	15,050	6,165
2. Movement resulting from exchange rate fluctuations:		
Loans	281,278	92,075
Borrowings	(64,417)	209,017
Currency swaps	(151,274)	(220,261)

The accompanying notes to the financial statements form part of this statement.

Notes to the financial statements
Year ended 31 December 2015

Note A — Operations and affiliated organizations

The African Development Bank (ADB or the Bank) is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank's headquarters is located in Abidjan, Côte d'Ivoire. The Bank finances development projects and programs in its regional member states, typically in cooperation with other national or international development institutions. In furtherance of this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and, where necessary, provides technical assistance. The Bank also promotes investments of public and private capital in projects and programs designed to contribute to the economic and social progress of the regional member states. The activities of the Bank are complemented by those of the African Development Fund (ADF or the Fund), which was established by the Bank and certain countries; and the Nigeria Trust Fund (NTF), which is a special fund administered by the Bank. The ADB, ADF, and NTF each have separate and distinct assets and liabilities. There is no recourse to the ADB for obligations in respect of any of the ADF or NTF liabilities. The ADF was established to assist the Bank in contributing to the economic and social development of the Bank's regional members, to promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

In accordance with Article 57 of the Agreement Establishing the Bank, the Bank, its property, other assets, income and its operations and transactions shall be exempt from all taxation and customs duties. The Bank is also exempt from any obligation to pay, withhold or collect any tax or duty.

Note B — Summary of significant accounting policies

The Bank's individual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities that are carried at fair value.

The significant accounting policies applied by the Bank in the preparation of the financial statements are summarized below.

Revenue Recognition

Interest income is accrued and recognized based on the effective interest rate for the time such instrument is outstanding and held by the Bank. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount.

Income from investments includes realized and unrealized gains and losses on financial instruments measured at fair value through profit or loss.

Dividends are recognized in income statement when the Bank's right to receive the dividends is established in accordance with IAS 18 – Revenue.

Functional and Presentation Currencies

The Bank conducts its operations in the currencies of its member countries. As a result of the application of IAS 21 revised, "The Effects of Changes in Foreign Exchange Rates", the Bank prospectively changed its functional currency from the currencies of all its member countries to the Unit of Account (UA) effective 1 January 2005, as it was concluded that the UA most faithfully represented the aggregation of economic effects of events, conditions and the underlying transactions of the Bank conducted in different currencies. The UA is also the currency in which the financial statements are presented. The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement establishing the Bank (the Agreement) as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF.

Currency Translation

Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into UA at rates prevailing at the balance sheet date. The rates used for translating currencies into UA at 31 December 2015 and 2014 are reported in Note V-1. Non-monetary assets and liabilities are translated into UA at historical rates. Translation differences are included in the determination of net income. Capital subscriptions are recorded in UA at the rates prevailing at the time of receipt. The translation difference relating to payments of capital subscriptions is reported in the financial statements as the Cumulative Exchange Adjustment on Subscriptions (CEAS). This is composed of the difference between the UA amount at the predetermined rate and the UA amount using the rate at the time of receipt. When currencies are converted into other currencies, the resulting gains or losses are included in the determination of net income.

Member Countries' Subscriptions

Although the Agreement establishing the ADB allows for a member country to withdraw from the Bank, no member has ever withdrawn its membership voluntarily, nor has any indicated to the Bank that it intends to do so. The stability in the membership reflects the fact that the members are African and non-African countries, committed to the purpose of the Bank to contribute to the sustainable economic development and social progress of its Regional Member Countries individually and jointly. Accordingly, as of 31 December 2015, the Bank did not expect to distribute any portion of its net assets due to member country withdrawals.

In the unlikely event of a withdrawal by a member, the Bank shall arrange for the repurchase of the former member's shares. The repurchase price of the shares is the value shown by the books of the Bank on the date the country ceases to be a member, hereafter referred to as "the termination date". The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. The former member would remain liable for direct obligations and contingent liabilities to the Bank for so long as any parts of the loans or guarantees contracted before the termination date are outstanding. If at a date subsequent to the termination date, it becomes evident that losses may not have been sufficiently taken into account when the repurchase price was determined, the former member may be required to pay, on demand, the amount by which the repurchase price of the shares would have been reduced had the losses been taken into account when the repurchase price was determined. In addition, the former member remains liable on any call, subsequent to the termination date, for unpaid subscriptions, to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could defer payment until the risk had passed, and indefinitely if appropriate. Furthermore, shares that become unsubscribed for any reason may be offered by the Bank for purchase by eligible member countries, based on the share transfer rules approved by the Board of Governors. In any event, no payments shall be made until six months after the termination date.

If the Bank were to terminate its operations, all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country. Such distribution is subject to the prior decision of the Board of Governors of the Bank and would be based on the pro-rata share of each member country.

Employee Benefits

1) Pension Obligations

The Bank operates a contributory defined benefit pension plan for its employees. The Staff Retirement Plan (SRP) provides benefit payments to participants upon retirement. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as accrual rate, age, contribution years of service and average remuneration. An actuarial valuation of the cost of providing benefits for the SRP is determined using the Projected Unit Credit Method. Upon reaching retirement age, pension is calculated based on the average remuneration for the final three years of pensionable service and the pension is subject to annual inflationary adjustments. Actuarial gains and losses as well as the differences between expected and real returns on assets are recognized immediately in other comprehensive income in the year they occur. When benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The pension liability is recognized as part of other accounts payable in the balance sheet. The liability represents the present value of the Bank's defined benefit obligations, net of the fair value of plan assets.

2) Post-Employment Medical Benefits

The Bank operates a contributory defined Medical Benefit Plan (MBP), which provides post-employment healthcare benefits to eligible former staff, including retirees. Membership of the MBP includes both staff and retirees of the Bank. The entitlement to the post-retirement healthcare benefit is usually conditional on the employee contributing to the Plan up to retirement age and the completion of a minimum service period. The expected costs of these benefits derive from contributions from plan members as well as the Bank and are accrued over the period of employment and during retirement. Contributions by the Bank to the MBP are charged to expenses and included in the income statement. The MBP Board, an independent body created by the Bank, determines the adequacy of the contributions and is authorized to recommend changes to the contribution rates of both the Bank and plan members. Actuarial gains and losses as well as the difference between expected and real return on assets are recognized immediately in other comprehensive income in the year they occur. The medical plan liability is recognized as part of other accounts payable in the balance sheet. The liability represents the present value of the Bank's post-employment medical benefit obligations, net of the fair value of plan assets.

Further details and analysis of the Bank's employee benefits are included in Note R – Employee Benefits.

Financial Instruments

Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank assumes related contractual rights or obligations.

1) Financial Assets

In accordance with IFRS 9, the Bank manages its financial assets in line with the applicable business model and, accordingly, classifies its financial assets into the following categories: financial assets at amortized cost; financial assets at fair value through profit or loss (FVTPL); and financial assets at fair value through other comprehensive income (FVTOCI). In line with the Bank's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. The Bank's investments in the equity of enterprises, whether in the private or public sector is for the promotion of economic development of its member countries and not for trading to realize fair value changes. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized Cost

A financial asset is classified as at 'amortized cost' only if the asset meets two criteria: the objective of the Bank's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified as at fair value through profit or loss.

Financial assets at amortized cost include some loans and receivables on amounts advanced to borrowers and certain debt investments that meet the criteria of financial assets at amortized cost. Receivables comprise demand obligations, accrued income and receivables from loans and investments and other amounts receivable. Loans and receivables meeting the two criteria above are carried at amortized cost using the effective interest method.

Loan origination fees are deferred and recognized over the life of the related loan as an adjustment of yield. The amortization of loan origination fee is included in income from loans.

Loans that have a conversion option that could potentially change the future cash flows to no longer represent solely payments of principal and interest are measured at FVTPL as required by IFRS 9. The fair value is determined using the expected cash flows model with inputs including interest rates and the borrower's credit spread estimated based on the Bank's internal rating methodology for non-sovereign loans.

Investments classified as financial assets at amortized cost include investments that are non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Debt instruments that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes as well as certain loans for which either of the criteria for recognition at amortized cost is not met. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

In addition, debt instruments that meet amortized cost criteria can be designated and measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

iii) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

On initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments not held for trading as financial assets measured at FVTOCI.

Equity investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gains or losses are not reclassified to profit or loss on disposal of the investments and no impairments are recognized in the profit or loss. Dividends earned from such investments are recognized in profit and loss unless the dividends clearly represent a repayment of part of the cost of the investment.

iv) *Financial Guarantee Contracts*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument. The Bank issues such financial guarantees - which are not managed on a fair value basis - to its clients including banks, financial institutions and other parties. IFRS 9 require written financial guarantees that are managed on a fair value basis to be designated at fair value through profit or loss. However, financial guarantees that are not managed on a fair value basis are initially recognized in the financial statements at fair value. Subsequent to initial recognition, these financial guarantees are measured at the higher of the amount initially recognized less cumulative amortization, and to the extent a payment under the guarantee has become probable, the present value of the expected payment. Any change in the liability relating to probable expected payments resulting from guarantees is recorded in the income statement as an expense or a recovery, in line with IAS 37.

Recognition and Derecognition of Financial Assets

Purchases and sales of financial assets are recognized or derecognized on a trade-date basis, which is the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Securities Purchased Under Resale Agreements, Securities Lent Under Securities Lending Agreements and Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received

Securities purchased under resale agreements, securities lent under securities lending agreements, and securities sold under repurchase agreements are recorded at market rates. The Bank receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to the Bank under the resale agreements do not meet the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Bank balance sheet, and securities received under resale agreements are not recorded on the Bank's balance sheet. In cases where the Bank enters into a "reverse repo" – that is, purchases an asset and simultaneously enters into an agreement to resell the same at a fixed price on a future date – a receivable from reverse repurchase agreement is recognized in the statement of financial position and the underlying asset is not recognized in the financial statements.

Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash, are subject to insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less.

2) Financial Liabilities

i) *Borrowings*

In the ordinary course of its business, the Bank borrows funds in the major capital markets for lending and liquidity management purposes. The Bank issues debt instruments denominated in various currencies, with differing maturities at fixed or variable interest rates. The Bank's borrowing strategy is driven by three major factors, namely: timeliness in meeting cash flow requirements, optimizing asset and liability management with the objective of mitigating exposure to financial risks, and providing cost-effective funding.

In addition to long and medium-term borrowings, the Bank also undertakes short-term borrowing for cash and liquidity management purposes only. Borrowings not designated at fair value through profit or loss are carried on the balance sheet at amortized cost with interest expense determined using the effective interest method. Borrowing expenses are recognized in profit or loss and include the amortization of issuance costs, discounts and premiums, which is determined using the effective interest method. Borrowing activities may create exposure to market risk, most notably interest rate and currency risks.

The Bank uses derivatives and other risk management approaches to mitigate such risks. Details of the Bank's risk management policies and practices are contained in Note D to these financial statements. Certain of the Bank's borrowings obtained prior to 1990, from the governments of certain member countries of the Bank, are interest-free loans. In accordance with the exemption provided in the provisions of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, such borrowings are carried at the amounts at which they are repayable on their due dates.

ii) Financial Liabilities at Fair Value through Profit or Loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. Derivatives are categorized as held-for-trading. The Bank applies fair value designation primarily to borrowings that have been swapped into floating-rate debt using derivative contracts. In these cases, the designation of the borrowing at fair value through profit or loss is made in order to significantly reduce accounting mismatches that otherwise would have arisen if the borrowings were carried on the balance sheet at amortized cost while the related swaps are carried on the balance sheet at fair value.

In accordance with IFRS 9, fair value changes for financial liabilities that are designated as at fair value through profit or loss, that is attributable to changes in the Bank's "own credit" risk is recognized in other comprehensive income. Changes in fair value attributable to the Bank's credit risk are not subsequently reclassified to profit or loss.

iii) Other Liabilities

All financial liabilities that are not derivatives or designated at fair value through profit or loss are recorded at amortized cost. The amounts include certain borrowings, accrued finance charges on borrowings and other accounts payable.

Financial liabilities are derecognized when they are discharged or canceled or when they expire.

Derivatives

The Bank uses derivative instruments in its portfolios for asset/liability management, cost reduction, risk management and hedging purposes. These instruments are mainly cross-currency swaps and interest rate swaps. The derivatives on borrowings are used to modify the interest rate or currency characteristics of the debt the Bank issues. This economic relationship is established on the date the debt is issued and maintained throughout the terms of the contracts. The interest component of these derivatives is reported as part of borrowing expenses.

The Bank classifies all derivatives at fair value, with all changes in fair value recognized in the income statement. When the criteria for the application of the fair value option are met, then the related debt is also carried at fair value with changes in fair value recognized in the income statement.

The Bank assesses its hybrid financial assets (i.e. the combined financial asset host and embedded derivative) in its entirety to determine their classification. A hybrid financial asset is measured at amortized cost if the combined cash flows represent solely principal and interest on the outstanding principal; otherwise it is measured at fair value. As at 31 December 2015, the Bank had hybrid financial assets that were measured at fair value in accordance with IFRS 9.

Derivatives embedded in financial liabilities or other non-financial host contracts are treated as separate derivatives when their risks and characteristics were not closely related to those of the host contract and the host contract was not carried at fair value with unrealized gains or losses reported in profit or loss. Such derivatives are stripped from the host contract and measured at fair value with unrealized gains and losses reported in profit or loss.

Derivative Credit Valuation and Debit Valuation Adjustment (CVA/DVA)

Valuation adjustment for counterparty risk (CVA/DVA) is recognized on derivative financial instruments to reflect the impact on fair value of counterparty credit risk and the Bank's own credit quality. This adjustment takes into account the existing compensating agreements for each of the counterparties. The CVA is determined on the basis of the expected positive exposure of the Bank vis-à-vis the counterparty, the probability of default of the counterparty, recovery rates, and the amount of loss in case of a default, on a counterparty basis. The DVA is calculated in a symmetric way on the basis of the expected negative exposure. These calculations are recognized on the life of the potential exposure, and concentrates on the use of observable and relevant market data.

Hedge Accounting

The Bank applies fair value hedge accounting to interest rate swaps contracted to hedge the interest rate risk exposure associated with its fixed rate loans. Under fair value hedge accounting, the change in the fair value of the hedging instrument and the change in the fair value of the hedged item attributable to the hedged risk are recognized in the income statement.

At inception of the hedge, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk. Hedge accounting is discontinued when the Bank's risk management objective for the hedging relationship has changed, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The cumulative fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Impairment of Financial Assets

Assets Carried at Amortized Cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, that asset is included in a group of financial assets with similar credit characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Bank determines that there is objective evidence that an impairment loss on loans and receivables or investments carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For sovereign-guaranteed loans, the estimated impairment representing present value losses arises from delays that may be experienced in receiving amounts due. For non-sovereign-guaranteed loans, the impairment reflects management's best estimate of the non-collectability, in whole or in part, of amounts due as well as delays in the receipt of such amounts.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or investment carried at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Interest and charges are accrued on all loans including those in arrears. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and reported on a net basis when there is a current legally enforceable right to off-set the recognized amount. A current legally enforceable right exists if the right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties and there is an intention on the part of the Bank to settle on a net basis, or realize the asset and settle the liability simultaneously. The Bank discloses all recognized financial instruments that are set off and those subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. Information relating to financial assets and liabilities that are subject to offsetting, enforceable master netting arrangement is provided in Note D.

Fair Value Disclosure

In liquid or active markets, the most reliable indicators of fair value are quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market might be inactive include when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few or no recent transactions observed in the market. When markets become illiquid or less active, market quotations may not represent the prices at which orderly transactions would take place between willing buyers and sellers and therefore may require adjustment in the valuation process. Consequently, in an inactive market, price quotations are not necessarily determinative of fair values. Considerable judgment is required to distinguish between active and inactive markets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank measures fair values using other valuation techniques that incorporate the maximum use of market data inputs.

The objective of the valuation techniques applied by the Bank is to arrive at a reliable fair value measurement.

Other valuation techniques include net present value, discounted cash flow analysis, option pricing models, comparison to similar instruments for which market observable prices exists and other valuation models commonly used by market participants. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates and expected price volatilities and correlations.

The Bank uses widely recognized valuation models for measuring the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with the measurement of fair value. Observable market prices and inputs available vary depending on the products and markets and are subject to changes based on specific events and general conditions in the financial markets.

Where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgment in determining appropriate portfolio level adjustments such as bid-ask spread. Such judgments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

The following three hierarchical levels are used for the measurement of fair value:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data. Included in this category are instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques for which significant input is not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. Instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments are included in this category.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The methods and assumptions used by the Bank in measuring the fair values of financial instruments are as follows:

Cash: The carrying amount is the fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Borrowings: The fair values of the Bank's borrowings are based on market quotations when possible or valuation techniques based on discounted cash flow models using LIBOR market-determined discount curves adjusted by the Bank's credit spread. Credit spreads are obtained from market data as well as indicative quotations received from certain counterparties for the Bank's new public bond issues. The Bank also uses systems based on industry standard pricing models and valuation techniques to value borrowings and their associated derivatives. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. Valuation models are subject to internal and periodic external reviews. When a determination is made that the market for an existing borrowing is inactive or illiquid, appropriate adjustments are made to the relevant observable market data to arrive at the Bank's best measure of the price at which the Bank could have sold the borrowing at the balance sheet date.

For borrowings on which the Bank has elected fair value option, the portion of fair value changes on the valuation of borrowings relating to the credit risk of the Bank is reported in Other Comprehensive Income in accordance with IFRS 9.

Equity Investments: The Bank holds direct equity in various enterprises and private funds which may be listed or unlisted. All equity investments held by the Bank are measured at fair value in line with IFRS 9. Where, as in the case of private funds, the underlying assets are periodically valued by fund managers or independent valuation experts using market practices, Management has concluded that these valuations are representative of fair value. Where such valuations are unavailable, the percentage of the Bank's ownership of the net asset value of such funds is deemed to approximate the fair value of the Bank's equity participation. The fair value of investments in listed enterprises is based on the latest available quoted bid prices. For equity investments in unlisted entities the fair value is assessed using appropriate methods, which maximize the use of relevant observable inputs for example, discounted cash flows.

Derivative Financial Instruments: The fair values of derivative financial instruments are based on market quotations when possible or valuation techniques that use market estimates of cash flows and discount rates. The Bank also uses valuation tools based on industry standard pricing models and valuation techniques to value derivative financial instruments. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. All financial models used for valuing the Bank's financial instruments are subject to both internal and periodic external reviews.

Loans: The Bank does not sell its sovereign loans, nor does it believe there is a comparable market for these loans. The Bank's loan assets, except for those at fair value, are carried on the balance sheet at amortized cost. The fair value of loans carried at amortized cost are reported in these financial statements for disclosure purposes only and represents Management's best measures of the present value of the expected cash flows of these loans. The fair valuation of loans has been measured using a discounted cash flow model based on year-end market lending rates in the relevant currency including impairment, when applicable, and credit spreads for non-sovereign loans. In arriving at its best estimate Management makes certain assumptions about the unobservable inputs to the model, the significant ones of which are the expected cash flows and the discount rate. These are regularly assessed for reasonableness and impact on the fair value of loans. An increase in the level of forecast cash flows in subsequent periods would lead to an increase in the fair value and an increase in the discount rate used to discount the forecast cash flows would lead to a decrease in the fair value of loans. Changes in fair value of loans carried at fair value through profit and loss are reported in the income statement. The estimated fair value of loans is disclosed in Note I.

Valuation Processes Applied by the Bank

The fair value measurements of all qualifying treasury investments, borrowings, loans and equity investments are reported to and reviewed by the Assets & Liabilities Management Committee (ALCO) in line with the Bank's financial reporting policies.

Where third-party information from brokers or pricing experts are used to measure fair value, documents are independently assessed and the evidence obtained from the third parties to support the conclusions.

The assessment and documentation involves ensuring that (i) the broker or pricing service provider is duly approved for use in pricing the relevant type of financial instrument, (ii) the fair value arrived at reasonably represents actual market transactions, (iii) where prices for similar instruments have been adopted, that the same have been, where necessary, adjusted to reflect the characteristics of the instrument subject to measurement and where a number of quotes for the same financial instrument have been obtained, fair value has been properly determined using those quotes.

Day One Profit and Loss

The fair value of a financial instrument at initial recognition is based on fair value as defined under IFRS 13. A gain or loss may only be recognized on initial recognition of a financial instrument if the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. On initial recognition, a gain or loss may not be recognized when using a fair value which is not defined under IFRS 13. The Bank only recognizes gains or losses after initial recognition to the extent that they arise from a change in a factor (including time) that market participants would consider in setting a price.

The Bank holds financial instruments, some maturing after more than ten years, where fair value is not based on quoted prices in an active market at the measurement date. Such financial instruments are initially recognized at the transaction price, although the value obtained from the relevant market participants may differ. The difference between the transaction price and the fair value measurement that is not evidenced by a quoted price in an active market or by a valuation technique that uses only observable market data, commonly referred to as "day one profit and loss", is either: (a) amortized over the life of the transaction; or (b) deferred until the instrument's fair value can be measured using market observable inputs or is realized through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognized immediately in the income statement without immediate reversal of deferred day one profits and losses.

Investment in Associate

Under IAS 28, "Investments in Associates and Joint Ventures", the ADF and any other entity in which the Bank has significant influence are considered associates of the Bank. An associate is an entity over which the Bank has significant influence, but not control, over the entity's financial and operating policy decisions. The relationship between the Bank and the ADF is described in more detail in Note J. IAS 28 requires that the equity method be used to account for investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's income statement. The subscriptions by the Bank to the capital of the ADF occurred between 1974 and 1990. At 31 December 2015, such subscriptions cumulatively represented less than 1 percent of the economic interest in the capital of the ADF.

Although ADF is a not-for-profit entity and has never distributed any dividend to its subscribers since its creation in 1972, IAS 28 require that the equity method be used to account for the Bank's investment in the ADF. Furthermore, in accordance with IAS 36, the net investment in the ADF is assessed for impairment. Cumulative losses as measured under the equity method are limited to the investment's original cost as the ADB has not guaranteed any potential losses of the ADF.

Property and Equipment

Property and equipment is measured at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement when they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to amortize the difference between cost and estimated residual values over estimated useful lives. The estimated useful lives are as follows:

- Buildings: 15-20 years
- Fixtures and fittings: 6-10 years
- Furniture and equipment: 3-7 years
- Motor vehicles: 5 years

The residual values and useful lives of assets are reviewed periodically and adjusted if appropriate. Assets that are subject to amortization are reviewed annually for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to disposal and its value in use. Gains and losses on disposal are determined as the difference between proceeds and the asset's carrying amount and are included in the income statement in the period of disposal.

Intangible Assets

Intangible assets include computer systems software and are stated at historical cost less amortization. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits attributable to it will flow to the Bank. Amortization of intangible assets is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 3-5 years.

Leases

The Bank has entered into several operating lease agreements, including those for its offices in certain member countries. Under such agreements, all the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also recognized on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Allocations and Distributions of Income Approved by the Board of Governors

In accordance with the Agreement establishing the Bank, the Board of Governors is the sole authority for approving allocations from income to surplus account or distributions to other entities for development purposes. Surplus consists of earnings from prior years which are retained by the Bank until further decision is made on their disposition or the conditions of distribution for specified uses have been met. Distributions of income for development purposes are reported as expenses on the Income Statement in the year of approval. Distributions of income for development purposes may be funded from amounts previously transferred to surplus account or from the current year's income.

Retained Earnings

Retained earnings of the Bank consist of amounts allocated to reserves from prior years' income, balance of amounts allocated to surplus after deducting distributions approved by the Board of Governors, unallocated current year's net income, and expenses recognized directly in equity as required by IFRS.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the preparation of financial statements in conformity with IFRS, Management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant judgments and estimates are summarized below:

1) Significant Judgments

The Bank's accounting policies require that assets and liabilities be designated at inception into different accounting categories. Such decisions require significant judgment and relate to the following circumstances:

Fair Value through Profit and Loss – In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that such assets or liabilities meet the criteria for this classification.

Amortized Cost and Embedded Derivatives – The Bank follows the guidance of IFRS 9 on classifying financial assets and those with embedded derivatives in their entirety as at amortized cost or fair value through profit or loss. In making this judgment, the Bank considers whether the cash flows of the financial asset are solely payment of principal and interest on the principal outstanding and classifies the qualifying asset accordingly without separating the derivative.

Consolidation – The Bank follows the guidance of IFRS 10 in ascertaining if there are any entities that it controls, and that may require consolidation.

2) Significant Estimates

The Bank also uses estimates for its financial statements in the following circumstances:

Impairment Losses on Financial Assets Measured at Amortized Cost – At each financial statements reporting date, the Bank reviews its financial assets measured at amortized cost for impairment. The Bank first assesses whether objective evidence of impairment exists for individual assets. If such objective evidence exists, impairment is determined by discounting expected future cash flows using the asset's original effective interest rate and comparing this amount to the asset's net carrying amount. Determining the amount and timing of future cash flows on impaired assets requires significant judgment. If the Bank determines that no objective evidence of impairment exists for an individually assessed asset, that asset is included in a group of assets with similar credit characteristics and collectively assessed for impairment. Objective evidence of impairment for a group of assets may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair Value of Financial Instruments – The fair value of financial instruments that are not quoted in active markets is measured by using valuation techniques. Where valuation techniques (for example, models) are used to measure fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All valuation models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, valuation models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Bank.

Post-employment Benefits – The present value of retirement benefit obligations is sensitive to the actuarial and financial assumptions used, including the discount rate. At the end of each year, the Bank determines the appropriate discount rate and other variables to be used to determine the present value of estimated future pension obligations. The discount rate is based on market yields at the end of the year of high-quality corporate bonds in the currencies comprising the Bank's UA, and the estimates for the other variables are based on the bank best judgment.

Events After the Reporting Period

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date, but do not result in an adjustment of the financial statements themselves, are disclosed.

Reclassification and Restatement

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect prior year's reported result.

Note C — The effect of new and revised international financial reporting standards

Standards, Amendments and Interpretations Issued but not yet effective

At the date of issue of these financial statements, various International Financial Reporting Standards issued by the IASB were not yet effective for application and had not been applied in preparing these financial statements. The new standards which are expected to be relevant to the Bank are discussed briefly below:

IFRS 15: Revenues from Contracts with Customers

IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017. It specifies how and when entities should recognize revenue from contracts with customers as well as the required disclosures in the financial statements. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

The Bank has determined that the standard is not applicable to its operations as its contracts with customers are accounted for under IFRS 9.

IFRS 9: Financial Instruments

The Bank has already adopted phase 1 of the IFRS 9 with effect from 1 January 2011. Phase 2, which is the final version of IFRS 9 was issued on 24 July 2014 and is effective for annual periods beginning on or after 1 January 2018. The revisions in the final phase of this standard introduce a third classification and measurement category for financial assets, namely, fair value through OCI, some revisions to hedge accounting and replacement of the incurred loss model in IAS 39 with the expected credit loss impairment model. The final standard also includes the guidance for financial liabilities, as previously issued to the effect that there is no subsequent recycling of realized gains or losses on “own credit” from OCI to profit and loss.

Although preliminary indications are that the Bank will be affected by the new standard, the Bank is still assessing the full impact of this new pronouncement on its financial position and performance.

Annual Improvements to IFRS 2012 - 2014 Cycle

In September 2014, the IASB issued Annual Improvements to IFRS 2012-2014 Cycle. This comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. These changes are effective for reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The Bank is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1: Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, as part of an initiative to improve presentation and disclosure in financial reports, to further encourage reporting entities to apply professional judgement in determining what information to disclose in their financial statements and in determining where and in what order information is presented in the financial disclosures. The Amendments have a mandatory effective date of 1 January 2016, with earlier adoption permitted.

The Bank expects that the adoption of these amendments will not have material impact on its Financial Statements.

IFRS 16: Leases

On 1 January 2016, the IASB published IFRS 16, “Leases”, which replaces the current guidance on lease accounting in IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. The new standard requires far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

Preliminary indications are that the new standard will affect the Bank. However, the full impact on the financial position and performance is still being assessed.

IAS 7: Statement of Cash Flows (Amendments)

On 29 January 2016, the IASB published some revisions to IAS 7, "Statement of Cash Flows", aimed at improving the effectiveness of disclosures in financial reports. These amendments, which are effective from 1 January 2017, require entities to provide information about changes in their financing liabilities. The amendments are a response to users' demand for information that helps them better understand and evaluate changes in liabilities arising from an entity's financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

Although the Bank is yet to assess the potential impact of adopting this standard, its application is not expected to have an impact on the financial position of the Bank as the new requirements merely involve additional disclosures rather than a change in measurement basis.

Based on the foregoing no new or revised financial reporting standard, applicable to the Bank, became effective in 2015.

Note D — Risk management policies and procedures

In carrying out its development mandate, the Bank seeks to maximize its capacity to assume core business risks resulting from its lending and investing operations while at the same time minimizing its non-core business risks (market risk, counterparty risk, and operational risk) that are incidental but nevertheless critical to the execution of its mandate.

Risk Governance and Risk Appetite

The highest level of risk management oversight in the Bank is assured by the Board of Executive Directors, which is chaired by the President. The Board of Directors is committed to the highest standards of corporate governance. In addition to approving all risk management policies, the Board of Directors regularly reviews trends in the Bank's risk profiles and performance to ensure compliance with the underlying policies.

Three management level committees perform monitoring and oversight roles: the Asset and Liability Management Committee (ALCO), the Credit Risk Committee (CRC) and the Operations Committee (OPSCOM). The ALCO is the oversight and control organ of the Bank's finance and treasury risk management activities. It is the Bank's most senior management forum on finance and treasury risk management issues and is chaired by the Vice President for Finance. The Credit Risk Committee (CRC) ensures effective implementation of the Bank's credit policies and oversees all credit risk issues related to sovereign and non-sovereign operations, prior to their submission to OPSCOM. OPSCOM is chaired by the First Vice President and Chief Operating Officer and reviews all operational activities before they are submitted to the Board of Directors for approval.

The ALCO, CRC and OPSCOM meet on a regular basis to perform their respective oversight roles. Among other functions, the ALCO reviews regular and ad-hoc finance and treasury risk management reports and financial projections and approves proposed strategies to manage the Bank's balance sheet. The Credit Risk Committee is responsible for end-to-end credit risk governance, credit assessments, portfolio monitoring and rating change approval amongst other responsibilities. ALCO and CRC are supported by several standing working groups that report on specific issues including country risk, non-sovereign credit risk, interest rate risk, currency risk, operational risk, financial projections, and financial products and services.

In late 2013, a Group Chief Risk Officer position was created reporting directly to the President of the Bank. Day-to-day operational responsibility for implementing the Bank's financial and risk management policies and guidelines are delegated to the appropriate business units. The Financial Management Department and the office of the Group Chief Risk Officer are responsible for monitoring the day to-day compliance with those policies and guidelines.

The degree of risk the Bank is willing to assume to achieve its development mandate is limited by its risk-bearing capacity. This institutional risk appetite is embodied in the Bank's capital adequacy policy and its commitment to maintain a prudent risk profile consistent with the highest credit rating. The Bank allocates its risk capital between non-core risks (10 percent), with sovereign and non-sovereign operations sharing equally the remaining balance (45 percent each).

Policy Framework

The policies, processes and procedures by which the Bank manages its risk profile continually evolve in response to market, credit, product, and other developments. The guiding principles by which the Bank manages its risks are governed by the Bank's Capital Adequacy Policy, the General Authority on Asset Liability Management (the ALM Authority), the General Authority on the Bank's Financial Products and Services (the FPS Authority) and the Bank's Credit Risk Management Guidelines.

The ALM Authority is the overarching framework through which Management has been vested with the authority to manage the Bank's financial assets and liabilities within defined parameters. The ALM Authority sets out the guiding principles for managing the Bank's interest rate risk, currency exchange rate risk, liquidity risk, counterparty credit risk and operational risk. The ALM Authority covers the Bank's entire array of ALM activities such as debt-funding operations and investment of liquid resources, including the interest rate and currency risk management aspects of the Bank's lending and equity investment operations.

The FPS Authority provides the framework under which the Bank develops and implements financial products and services for its borrowers and separate guidelines prescribe the rules governing the management of credit and operational risk for the Bank's sovereign and non-sovereign loan, guarantee and equity investment portfolios.

Under the umbrella of the FPS Authority and the ALM Authority, the President is authorized to approve and amend more detailed operational guidelines as necessary, upon the recommendations of the Asset and Liability Management Committee (ALCO), the Credit Risk Committee (CRC) and the Operations Committee (OPSCOM).

The following sections describe in detail the manner in which the different sources of risk are managed by the Bank.

Credit Risk

Credit risk arises from the inability or unwillingness of counterparties to discharge their financial obligations. It is the potential for financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Bank arising essentially from its lending and treasury operations.

The Bank manages three principal sources of credit risk: (i) sovereign credit risk in its public sector portfolio; (ii) non-sovereign credit risk in its portfolio of non-sovereign and enclave projects; and (iii) counterparty credit risk in its portfolio of treasury investments and derivative transactions used for asset and liability management purposes. These risks are managed within an integrated framework of credit policies, guidelines and processes, which are described in more detail in the sections that follow.

The Bank's maximum exposure to credit risk before collateral received or other credit enhancements for 2015 and 2014 is as follows:

(UA thousands)

Assets	2015	2014
Cash	1,214,608	406,709
Demand obligations	3,801	3,801
Securities purchased under resale agreement	-	34,511
Treasury investments at amortized cost	3,957,896	3,617,995
Treasury investments at fair value	4,434,365	3,723,629
Derivative assets	1,454,625	1,143,678
Non-negotiable instruments on account of capital	271	739
Accrued income and charges receivable on loans	425,559	416,311
Other accounts receivable	320,213	477,066
Loans	13,070,393	12,647,806
Equity participations	751,306	645,288
Other debt securities	46,423	94,111

1) Sovereign Credit Risk

When the Bank lends to public sector borrowers, it generally requires a full sovereign guarantee or the equivalent from the borrowing member state. In extending credit to sovereign entities, the Bank is exposed to country risk which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Bank. The Bank manages country credit risk through its policies related to the quality at entry of project proposals, exposure management, including individual country exposures and overall creditworthiness of the concerned country. These include the assessment of the country's risk profile as determined by its macroeconomic performance, debt sustainability, socio-political conditions and the conduciveness of its business environment.

Country Exposure in Borrowing Member Countries

The Bank's exposures as at 31 December 2015 to borrowing member countries as well as the private sector and enclave projects from its lending activities are summarized below:

(UA thousands)

Country	N° of Loans	Total Loans*	Unsigned Loan Amounts	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Angola	4	893,841	64,948	395,908	432,985	3.31
Botswana	3	1,002,388	-	16,722	985,666	7.54
Cabo Verde	8	126,492	-	44,741	81,751	0.63
Cameroon	3	145,952	-	130,516	15,436	0.12
Congo	1	14,938	14,938	-	-	-
Democratic Republic of Congo	10	436,004	-	-	436,004	3.34
Egypt	15	1,965,182	-	818,962	1,146,220	8.77
Equatorial Guinea	3	56,756	-	45,789	10,967	0.08
Gabon	7	285,487	-	68,375	217,112	1.66
Kenya	1	28,538	28,538	-	-	-
Mauritius	9	460,510	-	84,216	376,294	2.88
Morocco	54	3,300,987	88,668	730,287	2,482,032	18.99
Namibia	6	362,711	208,902	71,260	82,549	0.63
Nigeria	5	752,569	-	469,067	283,502	2.17
Rwanda	1	53,741	-	53,741	-	-
Senegal	1	47,893	47,893	-	-	-
Seychelles	5	47,567	-	22,082	25,485	0.19
Somalia**	3	4,251	-	-	4,251	0.03
South Africa	8	1,689,749	-	455,724	1,234,025	9.44
Sudan** (1)	4	52,304	-	-	52,304	0.40
Swaziland	7	68,793	-	49,230	19,563	0.15
Tanzania	3	369,493	195,529	173,964	-	-
Tunisia	36	2,208,072	-	357,827	1,850,245	14.16
Uganda	2	132,926	-	132,803	123	0.00
Zambia	6	256,895	229,482	27,125	288	0.00
Zimbabwe**	12	198,313	-	-	198,313	1.52
Multinational	5	197,125	184,230	-	12,895	0.10
Total Public Sector	**222**	**15,159,477**	**1,063,128**	**4,148,339**	**9,948,010**	**76.11**
Total Private Sector	**125**	**4,282,003**	**667,356**	**492,264**	**3,122,383**	**23.89**
Total	**347**	**19,441,480**	**1,730,484**	**4,640,603**	**13,070,393**	**100.00**

* Excludes fully repaid loans and canceled loans. Trade finance and repayment guarantee related exposures are also excluded.
** Countries in non-accrual status as at 31 December 2015.

(1) The outcome of the referendum conducted in South Sudan in January 2011 supported the creation of an independent state of South Sudan. After the split of the state of Sudan into two separate nations became effective in July 2011, the number and amounts of loans shown against Sudan in this statement would be split between the emerging states, on a basis agreed upon following the ongoing negotiations between Sudan and South Sudan. At the end of December 2015, no decision has been taken by the states of Sudan and South Sudan regarding the terms and conditions of such exchange.

Slight differences may occur in totals due to rounding.

The Bank is also exposed to some of its borrowers on account of trade finance and repayment guarantees for an amount of UA 444.43 million of which UA 167.32 million related to trade finance as at 31 December 2015.

Exposure Exchange Agreement

As part of ongoing efforts to reduce sovereign concentration risk and increase lending headroom, the African Development Bank in 2015 entered into Exposure Exchange Agreements (EEAs) with the Inter-American Development Bank (IADB) and the World Bank, both AAA-rated entities.

An EEA involves a simultaneous exchange of equivalent credit risk on defined reference portfolios of sovereign exposures, subject to each participating Multilateral Development Bank (MDB) retaining a minimum of 50 percent of the total exposure to each country that is part of the EEA.

Under the EEA, the MDB that originates the sovereign loans and buys protection continues to be the lender of record. An exposure exchange in no way affects the application of the normal sovereign sanctions policies by the buyer of protection.

Purchased or sold credit protection pays out only upon the occurrence of certain credit events with respect to any sovereign borrower in the reference portfolio. Following a default, the seller pays compensation to the buyer for part of the unpaid interest, based on the EEA amount for the country in default at the interest rate stipulated in the agreement, currently set at USD six-month LIBOR plus 0.75 percent. The seller is only required to make principal payments to the buyer when the EEA buyer writes off or restructures part, or all, of the loans in the reference portfolio. Any principal payment made reduces the EEA amount and the coverage of the EEA for the country for which the write-off/restructuring occurs. Experience shows that MDBs hardly ever write off arrears as the said arrears always ultimately get settled. Interest payments and principal, where applicable, are made on a semi-annual basis and cannot exceed contractual payments related to the loans that are in default.

When the default event is resolved, payments made under an exposure exchange are returned to the seller of protection.

The EEAs have final maturities in 2030 with linear annual reduction of the notional amounts starting from 2025. As at 31 December 2015, the total notional amount of credit protection purchased or sold on the relevant underlying single reference entities is USD 4.47 billion (UA 3.22 billion). The participating MDBs have paid no credit protection fee (i.e. guarantee premium) as the amount of exposure exchanged - purchased and sold - are notionally the same at inception. The table below presents the countries and notional amounts of credit protection contracted under the EEA.

(USD millions)

Protection Purchased				Protection Sold			
World Bank		Inter-American Development Bank		World Bank		Inter-American Development Bank	
Angola	213.71	Angola	85.00	Albania	126.00	Argentina	750.00
Botswana	225.00	Egypt	720.00	China	128.18	Brazil	820.00
Gabon	150.00	Morocco	990.00	India	450.00	Ecuador	303.20
Namibia	49.00	Nigeria	95.00	Indonesia	475.32	Mexico	800.00
Nigeria	100.00	Tunisia	990.00	Jordan	13.00	Panama	206.80
South Africa	850.00			Pakistan	10.21		
				Romania	185.00		
				Turkey	200.00		
Total	**1,587.71**	**Total**	**2,880.00**	**Total**	**1,587.71**	**Total**	**2,880.00**

The Bank accounts for exposures arising from EEAs and similar transactions as financial guarantee contracts, in accordance with IFRS 9 and IAS 37, as described in Note B.

As of 31 December 2015, no default events have occurred on any exposures covered under these Exposure Exchanges and the Bank continues to expect full recovery of its sovereign and sovereign-guaranteed exposures.

The counterparty credit exposure that can arise from the purchase or sale of protection, under the exposure exchange, is managed and mitigated by the Bank through its robust risk management mechanisms and frameworks.

The Private Sector Credit Enhancement Facility (PSFs)

The Bank enters into credit enhancement facilities for the primary purpose of promoting private sector operations (PSOs) in certain countries by inviting other entities to participate in the risks of such PSOs.

Systematic Credit Risk Assessment

The foundation of the Bank's credit risk management is a systematic credit risk assessment framework, through underlying models and their associated risk factors that have been optimized to ensure more predictive power of the rating parameters and to better align with widely-used rating scales and ensure consistency with best practices. The credit risk assessment is measured using a uniform internal 22-grade master scale, optimized to provide: (i) increased granularity; (ii) better differentiation between obligors; (iii) smoother grade distribution to alleviate the current grade concentration; and finally (iv) to create a common framework when communicating credit risks to risks takers. The level of granularity helps in measuring probabilities of default in order to better differentiate between obligors.

The credit ratings at the sovereign level are derived from a risk assessment of five risk indices that include macroeconomic performance, debt sustainability, socio-political factors, business environment and the Bank's portfolio performance. These five risk indices are combined to derive a composite country risk index for both sovereign and non-sovereign portfolios. The country risk ratings are validated against the average country risk ratings from different international rating agencies and other specialized international organizations. The CRC reviews the country ratings on a quarterly basis to ensure that they reflect the expected risk profiles of the countries. The CRC also assesses whether the countries are in compliance with their country exposure limits and approves changes in loss provisioning, if required.

The following table presents the Bank's internal measurement scales compared with the international rating scales:

		International Ratings		
Risk Class	Revised Rating Scale	S&P – Fitch	Moody's	Assessment
Very Low Risk	1+	A+ and above	A1 and above	Excellent
	1	A	A2	
	1-	A-	A3	
	2+	BBB+	Baa1	Strong
	2	BBB	Baa2	
	2-	BBB-	Baa3	
Low Risk	3+	BB+	Ba1	Good
	3	BB	Ba2	
	3-	BB-	Ba3	
Moderate Risk	4+	B+	B1	Satisfactory
	4 4-	B	B2	
	5+ 5	B-	B3	Acceptable
High Risk	5- 6+	CCC+	Caa1	Marginal
	6 6-	CCC	Caa2	Special Attention
Very High Risk	7 8	CCC-	Caa3	Substandard
	9	CC	Ca	Doubtful
	10	C	C	Loss

Portfolio Risk Monitoring

The weighted average risk rating of the Bank's sovereign and sovereign-guaranteed portfolio was 2.63 at the end of December 2015, compared to 2.60 as of 31 December 2014. The distribution of the sovereign portfolio across the Bank's five risk classes is shown in the table below:

	Risk Profile of the Outstanding Sovereign-Guaranteed Loan Portfolio				
	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2015	61%	15%	19%	5%	-
2014	54%	27%	12%	7%	-
2013	54%	24%	12%	9%	1%
2012	73%	15%	1%	10%	1%
2011	70%	15%	1%	13%	1%
2010	76%	2%	5%	13%	4%

It is the Bank's policy that if the payment of principal, interest or other charges with respect to any Bank Group credit becomes 30 days overdue, no new loans to that member country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore, for such countries, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid. These countries also become ineligible in the subsequent billing period for a waiver of 0.5 percent on the commitment fees charged on qualifying undisbursed loans.

Although the Bank benefits from the advantages of its preferred creditor status and rigorously monitors the exposure on non-performing sovereign borrowers, some countries have experienced difficulties in servicing their debts to the Bank on a timely basis. As previously described, the Bank makes provisions for impairment on its sovereign loan portfolio commensurate with the assessment of the incurred loss in such portfolio.

To cover potential Expected Losses (EL) and Unexpected Losses (UL) related to credit, the Bank maintains a prudent risk capital cushion for credit risks. The Bank's capital adequacy policy articulates differentiated risk capital requirements for public sector and private sector credit-sensitive assets (loans and equity investments), as well as for contingent liabilities (guarantees and client risk management products) in each risk class. Risk capital requirements are generally higher for private sector operations which have a higher probability of default and loss-given default than public sector operations. At the end of December 2015, the Bank's public sector loan portfolio used up to 31 percent of the Bank's total risk capital based on the Bank's capital adequacy framework. The Bank defines risk capital as the sum of paid-in capital net of exchange adjustments, plus accumulated reserves adjusted by gain on financial assets at fair value through Other Comprehensive Income and unrealized loss/gain on fair-valued borrowings arising from "own credit". Callable capital is not included in the computation of risk capital.

2) Non-Sovereign Credit Risk

When the Bank lends to private sector borrowers and to enclave projects, it does not benefit from full sovereign guarantees. The Bank may also provide financing to creditworthy commercially oriented entities that are publicly owned, without a sovereign guarantee.

To assess the credit risk of non-sovereign projects or facilities, the Bank uses several models to assess the risk of every project at entry. The models are tailored to the specific characteristics and nature of the transactions. The result of the credit risk assessment is measured using a uniform internal 22-grade master scale as described above.

Non-sovereign transactions are grouped into the following three main categories: a) project finance; b) financial institutions; and c) private equity funds. Internal credit ratings are derived on the basis of pre-determined critical factors.

a) Project Finance

The first factor involves the overall evaluation and assessment of the borrower's financial strength. This assesses:

Primarily, i) the capacity of the project to generate sufficient cash flow to service its debt; ii) the company's operating performance and profitability; and iii) the project company's capital structure, financial flexibility and liquidity positions.

Secondly, the following, four main non-financial parameters are analyzed: i) the outlook of the industry in which the project company operates; ii) the competitive position of the project company within the industry; iii) the strength of the project company's management with particular emphasis on its ability to deal with adverse conditions; and iv) the quality of the information on which the analysis is based.

Finally, the project company's risk rating is adjusted to reflect the overall host country risk rating.

b) Financial Institutions

The assessment of financial institutions follows the uniform rating system commonly referred to as the CAMELS model: i) Capital adequacy – analyses of the composition, adequacy and quality of the institution's capital; ii) Asset quality, operating policies and procedures and risk management framework; iii) Management quality and decision-making framework; iv) Earnings and market position – an evaluation of the quality and level of profitability; v) Liquidity and funding adequacy – an assessment focusing on the entity's ability to access debt market; and vi) Sensitivity to market risk – an assessment of the impact of interest rate changes and exchange rate fluctuations.

c) Private Equity Funds

The assessment of Private Equity Funds takes into consideration the analysis of the following qualitative and quantitative factors:

- Financial strength and historic fund performance;
- Investment strategy and risk management;
- Industry structure;
- Management and corporate governance; and
- Information quality.

All new non-sovereign projects require an initial credit rating and undergo a rigorous project approval process. The Non-Sovereign Working Group of the CRC reviews the non-sovereign credit rating of each project on a quarterly basis and may recommend changes for approval by CRC if justified by evolving country and project conditions.

Since 2009, the Bank has been increasing its non-sovereign loan and equity exposures. The weighted-average risk rating was 4.0 at the end of 2015 compared to 3.73 at the end of 2014. The distribution of the non-sovereign portfolio across the Bank's five credit risk classes is shown in the table below.

	Risk Profile of Outstanding Non-Sovereign Loan and Equity Portfolio				
	Very Low Risk	Low Risk	Moderate Risk	High Risk	Very High Risk
2015	21%	24%	33%	16%	6%
2014	31%	21%	31%	14%	3%
2013	36%	17%	31%	14%	2%
2012	33%	19%	36%	9%	3%
2011	36%	20%	35%	5%	4%
2010	24%	20%	30%	24%	2%

In compliance with IFRS, the Bank does not make general provisions to cover the expected losses in the performing non-sovereign portfolio. For the non-performing portfolio, the Bank makes a specific provision based on an assessment of the credit impairment, or incurred loss, on each loan. At the end of 2015, the cumulative impairment provision to cover the incurred loss on impaired loan principal in the non-sovereign portfolio was UA 118.36 million compared to UA 55.39 million in 2014.

In addition to private sector lending, the Bank makes equity investments in private sector entities, either directly or through investment funds.

To cover potential unexpected credit-related losses due to extreme and unpredictable events, the Bank maintains a risk capital cushion for non-sovereign credit risks derived from the Bank's Economic Capital Approach (IRB). At the end of December 2015, the Bank's non-sovereign portfolio required as risk capital approximately 24 percent of the Bank's total on-balance sheet risk capital sources. This level is still below the limit of 45 percent determined by the Bank for total non-sovereign operations. Out of the Bank's non-sovereign portfolio, equity participations required as risk capital approximately 10 percent of the Bank's total on-balance sheet risk capital sources. This is still below the statutory limit of 15 percent established by the Board of Governors for equity participations.

Credit Exposure Limits

The Bank operates a system of exposure limits to ensure the maintenance of an adequately diversified portfolio at any given point in time. The Bank manages credit risk at the global country exposure limit (combined sovereign-guaranteed and non-sovereign portfolios) by ensuring that in aggregate, the total exposure to any country does not exceed 15 percent of the Bank's total risk capital. This threshold and other determinants of country limit allocation are clearly spelt out in the Bank's capital adequacy framework.

In the revised capital adequacy and exposure management approved by the Board in May 2011, the 15 percent (of the Bank's total risk capital) global country concentration limit is meant to allow for adequate portfolio diversification.

The credit exposure on the non-sovereign portfolio is further managed by regularly monitoring the exposure limit with regard to the specific industry/sectors, equity investments and single obligor. In addition, the Bank generally requires a range of collateral (security and/or guarantees) from project sponsors to partially mitigate the credit risk for direct private sector loans.

3) Counterparty Credit Risk

In the normal course of business, and beyond its development related exposures, the Bank utilizes various financial instruments to meet the needs of its borrowers, manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Bank. Given the nature of the Bank's business, it is not possible to completely eliminate counterparty credit risk; however, the Bank minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures.

Counterparties must meet the Bank's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For local currency operations, less stringent minimum credit rating limits are permitted in order to provide adequate availability of investment opportunities and derivative counterparties for implementing appropriate risk management strategies. The ALCO approves counterparties that are rated below the minimum rating requirements.

Counterparties are classified as investment counterparties, derivative counterparties, and trading counterparties. Their ratings are closely monitored for compliance with established criteria.

For trading counterparties, the Bank requires a minimum short-term credit rating of A-2/P-2/F-2 for trades settled under delivery vs. payment (DVP) terms and a minimum long-term credit rating of A/A2 for non DVP-based transactions.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	1 year	5 years	10 years	15 years	30 years
Government		A/A2			AA-/Aa3	AAA/Aaa
Government agencies and supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non-bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS/ABS	AAA Maximum legal maturity of 50 years for ABS/MBS with the underlying collateral originated in the UK and 40-year maximum legal maturity for all other eligible ABS/MBS. Also, the maximum weighted average life for all ABS/MBS at the time of acquisition shall not exceed 5 years.					

The Bank may also invest in money market mutual funds with a minimum rating of AA-/Aa3 and enters into collateralized securities repurchase agreements.

The Bank uses derivatives in the management of its borrowing portfolio and for asset and liability management purposes. As a rule, the Bank executes an ISDA master agreement and netting agreement with its derivative counterparties prior to undertaking any transactions. Derivative counterparties are required to be rated AA-/Aa3 by at least two approved rating agencies or A-/A3 for counterparties with whom the Bank has entered into a collateral exchange agreement. Lower rated counterparties may be used exceptionally for local currency transactions. These counterparties require the approval of ALCO. Approved transactions with derivative counterparties include swaps, forwards, options and other over-the-counter derivatives.

Daily collateral exchanges enable the Bank to maintain net exposures to acceptable levels. The Bank's derivative exposures and their credit rating profiles are shown in the tables below:

(Amounts in UA millions)

	Derivatives			Credit Risk Profile of Net Exposure		
	Notional Amount	Fair Value*	Net Exposure**	AAA	AA+ to AA-	A+ and lower
2015	12,408	663	68	0%	70%	30%
2014	16,882	565	132	0%	90%	10%
2013	15,898	544	134	0%	90%	10%
2012	15,209	1,047	109	0%	54%	46%
2011	15,393	1,192	146	0%	68%	32%
2010	14,504	1,090	96	0%	80%	20%

* Fair value net of collateral.
** After collateral received in cash or securities.

The financial assets and liabilities that are subject to offsetting, enforceable master netting arrangement are summarized below:

Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

(UA millions)

	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Statement of Financial Position	Net Amounts of Financial Assets Presented in the Statement of Financial Position	Related Amounts not Set Off in the Statement of Financial Position		Net Amount
				Financial Instruments	Collateral Received	
2015	1,362	(699)	663	-	(627)	36
2014	902	(337)	565	-	(455)	110
2013	654	(110)	544	-	(408)	136

Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

(UA millions)

	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Statement of Financial Position	Net Amounts of Financial Liabilities Presented in the Statement of Financial Position	Related Amounts not Set Off in the Statement of Financial Position		Net Amount
				Financial Instruments	Collateral Received	
2015	526	(228)	298	-	-	298
2014	704	(419)	285	-	-	285
2013	880	(290)	590	-	3	593

In addition to the minimum rating requirements for derivative counterparties, the Bank operates within a framework of exposure limits to different counterparties based on their credit rating and size, subject to a maximum of 12 percent of the Bank's total risk capital (equity and reserves) for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Bank's credit limits after considering the benefits of any collateral.

The credit exposure of the investment and related derivative portfolio continues to be dominated by highly rated counterparties as shown in the table below. The proportion of exposure to AAA-rated entities decreased from the previous year as a result of the downgrade of some agencies.

	Credit Risk Profile of the Investment Portfolio		
	AAA	AA+ to AA-	A+ and lower
2015	44%	45%	11%
2014	48%	50%	2%
2013	51%	44%	5%
2012	62%	31%	7%
2011	58%	33%	9%
2010	69%	24%	7%

The Bank's exposure to the stressed Eurozone economies remains very limited at approximately UA 0.36 million or less than 0.1 percent of the portfolio.

To cover potential unexpected credit losses due to extreme and unpredictable events, the Bank maintains a conservative risk capital cushion for counterparty credit risks in line with the current BIS standards. At the end of December 2015, the Bank's counterparty credit portfolio including all investments and derivative instruments required as risk capital 2 percent of the Bank's total on-balance sheet risk capital sources.

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. Liquidity risk arises when there is a maturity mismatch between assets and liabilities. The Bank's principal liquidity risk management objective is to hold sufficient liquid resources to enable it to meet all probable cash flow needs for a rolling 1-year horizon without additional financing from the capital markets for an extended period. In order to minimize this risk, the Bank maintains a prudential minimum level of liquidity (PML) based on the projected net cash requirement for a rolling one-year period. The PML is updated quarterly and computed as the sum of four components: 1) 1-year debt service payments; 2) 1-year projected net loan disbursements (loans disbursed less repayments) if greater than zero; 3) loan equivalent value of committed guarantees; and 4) undisbursed equity investments.

To strike a balance between generating adequate investment returns and holding securities that can be easily sold for cash if required, the Bank divides its investment portfolio into tranches with different liquidity objectives and benchmarks. The Bank's core liquidity portfolio (operational portfolio) is invested in highly liquid securities that can be readily liquidated if required to meet the Bank's short-term liquidity needs. Probable redemptions of swaps and borrowings with embedded options are included in the computation of the size of the operational tranche of liquidity. In addition to the core liquidity portfolio, the Bank maintains a second tranche of liquidity (the prudential portfolio) that is also invested in relatively liquid securities to cover its expected medium-term operational cash flow needs. A third tranche of liquidity, which is funded by the Bank's equity resources, is held in a portfolio of fixed income securities intended to collect contractual cash flows with the objective of stabilizing the Bank's net income. In determining its level of liquidity for compliance with the PML, the Bank includes cash, deposits and securities in all the treasury investments, with appropriate hair-cuts based on asset class and credit rating.

The contractual maturities of financial liabilities and future interest payments at 31 December 2015 and 2014 were as follows:

Contractual Maturities of Financial Liabilities and Future Interest Payments at 31 December 2015

(UA thousands)

	Carrying Amount	Contractual Cash Flow	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Financial liabilities with derivatives								
Derivative liabilities	355,533	1,208,547	204,407	273,183	288,556	54,209	7,223	380,969
Borrowings at fair value	15,851,251	17,045,076	4,011,338	3,369,892	3,237,750	1,223,042	1,339,325	3,863,729
	16,206,784	18,253,623	4,215,745	3,643,075	3,526,306	1,277,251	1,346,548	4,244,698
Financial liabilities without derivatives								
Accounts payable	1,332,383	1,332,383	1,332,383	-	-	-	-	-
Borrowings at amortized cost	598,014	943,594	58,795	59,793	71,854	213,010	41,603	498,539
	1,930,397	2,275,977	1,391,178	59,793	71,854	213,010	41,603	498,539
Total financial liabilities	**18,137,181**	**20,529,600**	**5,606,923**	**3,702,868**	**3,598,160**	**1,490,261**	**1,388,151**	**4,743,237**
Represented by:								
Derivative liabilities	355,533	1,208,547	204,407	273,183	288,556	54,209	7,223	380,969
Accounts payable	1,332,383	1,332,383	1,332,383	-	-	-	-	-
Borrowings	16,449,265	17,988,670	4,070,133	3,429,685	3,309,604	1,436,052	1,380,928	4,362,268

Contractual Maturities of Financial Liabilities and Future Interest Payments at 31 December 2014

(UA thousands)

	Carrying Amount	Contractual Cash Flow	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years
Financial liabilities with derivatives								
Derivative liabilities	268,332	1,061,998	273,209	166,645	155,601	116,162	55,425	294,956
Borrowings at fair value	13,481,627	15,029,513	1,289,865	3,453,437	2,455,470	2,711,271	835,093	4,284,377
	13,749,959	16,091,511	1,563,074	3,620,082	2,611,071	2,827,433	890,518	4,579,333
Financial liabilities without derivatives								
Accounts payable	1,211,813	1,211,813	1,211,813	-	-	-	-	-
Borrowings at amortized cost	894,326	1,331,174	390,423	63,072	63,950	82,971	208,791	521,967
	2,106,139	2,542,987	1,602,236	63,072	63,950	82,971	208,791	521,967
Total financial liabilities	**15,856,098**	**18,634,498**	**3,165,310**	**3,683,154**	**2,675,021**	**2,910,404**	**1,099,309**	**5,101,300**
Represented by:								
Derivative liabilities	268,332	1,061,998	273,209	166,645	155,601	116,162	55,425	294,956
Accounts payable	1,211,813	1,211,813	1,211,813	-	-	-	-	-
Borrowings	14,375,953	16,360,687	1,680,288	3,516,509	2,519,420	2,794,242	1,043,884	4,806,344

Currency Exchange Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. To promote stable growth in its risk-bearing capacity, the Bank's principal currency risk management objective is to protect its risk capital from translation risk due to fluctuations in foreign currency exchange rates by matching the currency composition of its net assets to the currency composition of the SDR (UA). The agreement establishing the Bank explicitly prohibits it from taking direct currency exchange exposures by requiring liabilities in any one currency to be matched with assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings (after swap activities) in the same currencies in which they were borrowed (after swap activities). To avoid creating new currency mismatches, the Bank requires its borrowers to service their loans in the currencies disbursed.

Because a large part of its balance sheet is funded by equity resources, which are reported in Units of Account (equivalent to the SDR), the Bank has a net asset position that is potentially exposed to translation risk when currency exchange rates fluctuate. The Bank's policy is to minimize the potential fluctuation of the value of its net worth measured in Units of Account by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR (the Unit of Account). In keeping with the Bank's currency risk management policy, spot currency transactions are carried out to realign the net assets to the SDR basket each time there is a misalignment or when there is a revision to the SDR currency composition.

The Bank also hedges its exposure to adverse movements on currency exchange rates on its administrative expenses. The distribution of the currencies of the Bank's recurring administrative expenditures shows a high concentration of expenses in Euros, US Dollars and CFA Franc.

Net currency position at 31 December 2015 and 2014 was as follows:

Net Currency Position at 31 December 2015

(Amounts in UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Subtotal	Units of Account	Total
Assets								
Cash	(15,991)	25,320	129,584	64,217	1,023,536	1,226,666	(12,058)	1,214,608
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Investments – measured at fair value **(a)**	1,480,065	2,827,398	610	109	140,283	4,448,465	-	4,448,465
Investments at amortized cost	1,292,019	1,644,454	290,275	731,148	-	3,957,896	-	3,957,896
Non-negotiable instruments on account of capital	-	271	-	-	-	271	-	271
Accounts receivable	574,445	313,087	35,694	44,297	(467,135)	500,388	(10,851)	489,537
Loans	5,282,346	6,595,194	223,612	2,437	844,795	12,948,384	-	12,948,384
Equity participations	57,394	546,916	-	-	36,707	641,017	62,251	703,268
Other securities	-	-	-	-	46,423	46,423	-	46,423
Other assets	-	-	-	-	-	-	93,559	93,559
	8,670,278	11,952,640	679,775	842,208	1,628,410	23,773,311	132,901	23,906,212
Liabilities								
Accounts payable	(320,978)	649,442	(116,153)	(382)	(1,541,760)	(1,329,831)	(2,552)	(1,332,383)
Borrowings	(118,753)	(10,667,526)	(1,246,405)	(375,256)	(4,041,325)	(16,449,265)	-	(16,449,265)
Currency swaps on borrowings and related derivatives **(b)**	(5,878,141)	1,504,874	1,540,166	375,782	2,812,852	355,533	-	355,533
	(6,317,872)	(8,513,210)	177,608	144	(2,770,233)	(17,423,563)	(2,552)	(17,426,115)
Currency position of equity as at 31 December 2015	**2,352,406**	**3,439,430**	**857,383**	**842,352**	**(1,141,823)**	**6,349,748**	**130,349**	**6,480,097**
% of subtotal	**37.05**	**54.16**	**13.50**	**13.27**	**(17.98)**	**100.00**	**-**	**100.00**
SDR composition as at 31 December 2015	**33.24**	**47.64**	**7.24**	**11.87**	**-**	**100.00**	**-**	**100.00**

(a) Investments measured at fair value comprise:	
Investments measured at fair value	4,434,365
Derivative assets	17,750
Derivative liabilities	(3,650)
Amount per statement of net currency position	4,448,465
(b) Currency swaps on borrowings comprise:	
Derivative assets	1,436,875
Derivative liabilities	(1,081,342)
Net swaps on borrowings per statement of net currency position	355,533

Net Currency Position at 31 December 2014

(Amounts in UA thousands)

	Euro	United States Dollar	Japanese Yen	Pound Sterling	Other	Subtotal	Units of Account	Total
Assets								
Cash	95,976	38,021	45,360	8,176	219,460	406,993	(284)	406,709
Demand obligations	-	-	-	-	3,801	3,801	-	3,801
Securities purchased under resale agreements	-	34,511	-	-	-	34,511	-	34,511
Investments – measured at fair value [(a)]	1,085,704	2,446,380	542	18,860	193,754	3,745,240	-	3,745,240
Investments at amortized cost	1,170,763	1,551,128	174,462	721,642	-	3,617,995	-	3,617,995
Non-negotiable instruments on account of capital	-	739	-	-	-	739	-	739
Accounts receivable	623,262	319,345	36,864	42,763	(413,543)	608,691	31,468	640,159
Loans	5,416,541	5,912,478	230,835	2,412	1,046,956	12,609,222	-	12,609,222
Equity participations	59,637	437,833	-	-	37,136	534,606	62,212	596,818
Other securities	-	34,511	-	-	59,600	94,111	-	94,111
Other assets	-	-	-	-	-	-	79,460	79,460
	8,451,883	10,774,946	488,063	793,853	1,147,164	21,655,909	172,856	21,828,765
Liabilities								
Accounts payable	(140,962)	(74,846)	(117,180)	(479)	(477,404)	(810,871)	(400,942)	(1,211,813)
Securities sold under agreements to repurchase	-	(429,317)	-	-	-	(429,317)	-	(429,317)
Borrowings	(126,805)	(8,166,440)	(1,054,062)	(379,395)	(4,649,251)	(14,375,953)	-	(14,375,953)
Currency swaps on borrowings and related derivatives [(b)]	(5,726,967)	1,087,130	1,118,265	379,169	3,410,735	268,332	-	268,332
	(5,994,734)	(7,583,473)	(52,977)	(705)	(1,715,920)	(15,347,809)	(400,942)	(15,748,751)
Currency position of equity as at 31 December 2014	**2,457,149**	**3,191,473**	**435,086**	**793,148**	**(568,756)**	**6,308,100**	**(228,086)**	**6,080,014**
% of subtotal	**38.95**	**50.60**	**6.90**	**12.57**	**(9.02)**	**100.00**	**-**	**100.00**
SDR composition as at 31 December 2014	**35.49**	**45.61**	**6.93**	**11.97**	**-**	**100.00**	**-**	**100.00**

(a) Investments measured at fair value comprise:	
Investments measured at fair value	3,723,629
Derivative assets	24,924
Derivative liabilities	(3,313)
Amount per statement of net currency position	3,745,240
(b) Currency swaps on borrowings comprise:	
Derivative assets	1,118,754
Derivative liabilities	(850,422)
Net swaps on borrowings per statement of net currency position	268,332

Currency Risk Sensitivity Analysis

As described in the previous section, the Bank manages its currency risk exposure by matching, to the extent possible, the currency composition of its net assets with the currency basket of the SDR. The SDR is composed of a basket of four currencies, namely the US dollar, Euro, Japanese yen and Pound sterling. The weight of each currency in the basket is determined and reviewed by the International Monetary Fund (IMF) every five years and the last revision became effective on 1 January 2011 based on the value of exports of goods and services and international reserves. The SDR rate represents the sum of specific amounts of the four basket currencies valued in US dollars, on the basis of the exchange rates quoted at noon each day in the London market.

Currency risks arise with the uncertainty about the potential future movement of the exchange rates between these currencies on the one hand, and between the exchange rates of the SDR currencies and the other non-SDR currencies (mainly African currencies) used by the Bank on the other hand. In this regard, the Bank carries out an annual sensitivity analysis of the translation results of its net assets with regard to the movement of the different exchange rates. The analysis consists of a set of scenarios where the exchange rates between the US dollar and the other SDR and African currencies are stretched out by large margins (10 percent appreciation/depreciation).

The following tables illustrate the sensitivity of the Bank's net assets to currency fluctuations due to movements in the exchange rate of the currencies in the SDR basket as of 31 December 2015 and 2014, respectively. The sensitivity analysis shown assumes a separate 10 percent appreciation/depreciation for each currency in the basket against the US dollar. Due to a moderate change in the African currency holdings, the table also includes the effect of a 10 percent appreciation/depreciation of each African currency against the SDR. Under the different scenarios, the currency risk management strategy of the Bank shows a minimal change in net assets as a result of currency mismatches.

Sensitivity of the Bank's Net Assets to Currency Fluctuations at 31 December 2015

(Amounts in UA millions)

	United States Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	3,025.41	2,281.88	504.80	749.60	14.13	6,575.82	(3.48)	5bps
GBP	3,089.29	2,118.24	515.46	841.97	14.13	6,579.09	(0.22)	0bp
JPY	3,103.28	2,127.82	569.58	768.89	14.13	6,583.70	4.39	7bps
Net assets resulting from a 10% appreciation of each African currency against the SDR	3,125.84	2,143.30	521.56	774.48	15.54	6,580.72	1.41	2bps
Net assets resulting from a 10% depreciation against the USD								
EUR	3,223.10	2,009.08	537.79	798.58	14.13	6,582.68	3.37	5bps
GBP	3,159.82	2,166.60	527.23	711.73	14.13	6,579.51	0.20	0bp
JPY	3,146.64	2,157.56	477.30	779.63	14.13	6,575.26	(4.04)	6bps
Net assets resulting from a 10% depreciation of each African currency against the SDR	3,125.84	2,143.30	521.56	774.48	12.84	6,578.02	(1.28)	2bps
Assumptions:								
Base net assets	3,125.84	2,143.30	521.56	774.48	14.13	6,579.31		
Currency weight	0.66	0.42	12.10	0.11				
Base exchange rate	1.38	1.27	166.41	0.94				

Sensitivity of the Bank's Net Assets to Currency Fluctuations at 31 December 2014

(Amounts in UA millions)

	United States Dollar	Euro	Japanese Yen	Pound Sterling	Other Currencies	Net Assets	Change in Net Assets Gain/(Loss)	Basis Point Change of Total Net Assets
Net assets resulting from a 10% appreciation against the USD								
EUR	2,750.04	2,280.66	424.79	711.24	4.96	6,171.69	(4.19)	7bps
GBP	2,814.03	2,121.58	434.68	800.57	4.96	6,175.82	(0.06)	0bp
JPY	2,827.87	2,132.01	480.50	731.37	4.96	6,176.70	0.82	1bp
Net assets resulting from a 10% appreciation of each African currency against the SDR	2,847.65	2,146.92	439.87	736.48	5.46	6,176.38	0.50	1bp
Net assets resulting from a 10% depreciation against the USD								
EUR	2,942.60	2,016.83	454.54	761.04	4.96	6,179.96	4.08	7bps
GBP	2,878.91	2,170.49	444.70	676.88	4.96	6,175.94	0.06	0bp
JPY	2,865.87	2,160.66	402.44	741.20	4.96	6,175.13	(0.75)	1bp
Net assets resulting from a 10% depreciation of each African currency against the SDR	2,847.65	2,146.92	439.87	736.48	4.51	6,175.43	(0.45)	1bp
Assumptions:								
Base net assets	2,975.26	1,948.58	403.78	737.04	15.36	6,080.02		
Currency weight	0.66	0.42	12.10	0.11				
Base exchange rate	1.45	1.19	172.99	0.93				

Interest Rate Risk

The Bank's interest rate risk sensitivity is comprised of the following two elements:

1. the sensitivity of the interest margin between the rate the Bank earns on its assets and the cost of the borrowings funding such assets; and

2. the sensitivity of the income on assets funded by equity resources to changes in interest rates.

The Bank's principal interest rate risk management objective is to generate a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but yet adequately responsive to general market trends.

Interest rate risk position as at 31 December 2015 and 2014 was as follows:

Interest Rate Risk Position as at 31 December 2015

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	1,214,608	-	-	-	-	-	-	1,214,608
Demand obligations	3,801	-	-	-	-	-	-	3,801
Treasury investments [(a)]	4,766,881	328,160	485,050	358,020	354,090	2,086,200	27,960	8,406,361
Non-negotiable instruments on account of capital	102	76	54	39	-	-	-	271
Accounts receivable	718,117	-	-	-	-	-	(228,580)	489,537
Loans – disbursed and outstanding	10,106,076	342,051	313,425	345,122	307,063	1,658,181	(1,525)	13,070,393
Hedged loans – fair value adjustment	-	-	-	-	-	-	79,837	79,837
Accumulated impairment for loan losses	-	-	-	-	-	-	(201,846)	(201,846)
Equity participations	-	-	-	-	-	-	703,268	703,268
Other securities	46,423	-	-	-	-	-	-	46,423
Other assets	-	-	-	-	-	-	93,559	93,559
	16,856,008	670,287	798,529	703,181	661,153	3,744,381	472,673	23,906,212
Liabilities								
Accounts payable	(1,332,383)	-	-	-	-	-	-	(1,332,383)
Borrowings [(b)]	(15,978,687)	(203)	(203)	(36,840)	(219)	(100,145)	22,565	(16,093,732)
Macro-hedge swaps	(221,279)	100,977	101,752	-	-	18,550	-	-
	(17,532,349)	100,774	101,549	(36,840)	(219)	(81,595)	22,565	(17,426,115)
Interest rate risk position as at 31 December 2015*	**(676,341)**	**771,061**	**900,078**	**666,341**	**660,934**	**3,662,786**	**495,238**	**6,480,097**

* Interest rate risk position represents equity.

(a) Treasury investments comprise:	
Treasury investments	8,392,261
Derivative assets - investments	17,750
Derivative liabilities - investments	(3,650)
Amount per statement of interest rate risk	8,406,361
(b) Borrowings comprise:	
Borrowings	16,449,265
Derivative assets - borrowings	(1,436,875)
Derivative liabilities - borrowings	1,081,342
Net borrowings per statement of interest rate risk	16,093,732

Interest Rate Risk Position as at 31 December 2014

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	406,709	-	-	-	-	-	-	406,709
Demand obligations	3,801	-	-	-	-	-	-	3,801
Securities purchased under resale agreements	34,511	-	-	-	-	-	-	34,511
Treasury investments (a)	4,214,783	300,730	347,400	479,600	347,430	1,681,430	(8,138)	7,363,235
Non-negotiable instruments on account of capital	480	112	72	52	23	-	-	739
Accounts receivable	865,809	-	-	-	-	-	(225,650)	640,159
Loans – disbursed and outstanding	9,689,894	300,870	336,253	293,916	318,536	1,709,279	(942)	12,647,806
Hedged loans – fair value adjustment	-	-	-	-	-	-	112,704	112,704
Accumulated impairment for loan losses	-	-	-	-	-	-	(151,288)	(151,288)
Equity participations	-	-	-	-	-	-	596,818	596,818
Other securities	94,111	-	-	-	-	-	-	94,111
Other assets	-	-	-	-	-	-	79,460	79,460
	15,310,098	601,712	683,725	773,568	665,989	3,390,709	402,964	21,828,765
Liabilities								
Accounts payable	(1,211,813)	-	-	-	-	-	-	(1,211,813)
Securities sold under agreements to repurchase	(429,317)	-	-	-	-	-	-	(429,317)
Borrowings (b)	(13,735,089)	(248,695)	(215)	(215)	(36,656)	(98,666)	11,915	(14,107,621)
Macro-hedge swaps	(214,500)	99,437	97,321	-	-	17,742	-	-
	(15,590,719)	(149,258)	97,106	(215)	(36,656)	(80,924)	11,915	(15,748,751)
Interest rate risk position as at 31 December 2014*	**(280,621)**	**452,454**	**780,831**	**773,353**	**629,333**	**3,309,785**	**414,879**	**6,080,014**

* Interest rate risk position represents equity.

(a) Treasury investments comprise:	
Treasury investments	7,341,624
Derivative assets - investments	24,924
Derivative liabilities - investments	(3,313)
Amount per statement of interest rate risk	7,363,235

(b) Borrowings comprise:	
Borrowings	14,375,953
Derivative assets - borrowings	(1,118,754)
Derivative liabilities - borrowings	850,422
Net borrowings per statement of interest rate risk	14,107,621

Interest Rate Risk on Assets Funded by Debt

Two thirds of the Bank's interest-rate-sensitive assets are funded by debt. The Bank seeks to generate a stable net interest margin on assets funded by debt by matching the interest rate characteristics of each class of assets with those of the corresponding liabilities.

In 1990, the Bank began offering "variable rate" loans. The interest rate on these loans resets semi-annually based on the average cost of a dedicated pool of the Bank's borrowings. These pools are funded with a mix of fixed rate and floating rate borrowings to provide borrowers with broadly stable interest rates that gradually track changes in market interest rates. The cost of funds pass-through formulation incorporated in the lending rates charged on the Bank's pool-based loans has traditionally helped to minimize the interest rate sensitivity of the net interest margin on this part of its loan portfolio. In view of declining demand for this product in favor of market-based loans, the Bank is carefully managing the gradual winding down of the designated funding pools.

Since 1997, the Bank offers fixed and floating rate loans whose interest rate is directly linked to market interest rates (market-based loans). For the market-based loan products, the Bank's net interest margin is preserved by using swaps to align the interest rate sensitivity of the loans with that of the Bank's underlying funding reference (six-month Libor floating rate). The Bank may also provide borrowers with risk management products such as swaps to modify the currency and interest rate terms of its market-based loan products. Although it retains the credit risks of the borrower, the Bank eliminates the associated market risk on these risk management products by simultaneously laying off market risks with an approved derivative counterparty.

For the portfolio of liquid assets funded by borrowings, the Bank protects its net interest margin by managing its investments within limits around benchmarks that replicate the interest rate characteristics of the underlying funding for each portfolio tranche. The portfolio of liquid assets funded by borrowings is currently divided into two tranches to reflect the different business purposes and underlying funding. The core part of the investment portfolio is held to comply with the Bank's liquidity policy and uses a six-month Libor floating rate benchmark. The operational liquidity portfolio is managed to meet projected operational cash flow needs and uses a one-month Libor floating rate benchmark.

The Bank diversifies the sources of its funding by issuing debt in a variety of markets and instruments. Unless fixed rate funding is required for one of its pool-based loan products, the Bank protects its net interest margin by simultaneously swapping all new borrowings into floating rate in one of the Bank's active currencies on a standard six-month Libor rate reference. Where the Bank issues structured debt, the Bank simultaneously enters into a swap with matching terms to synthetically create the desired six-month Libor-based floating rate funding. For risk management purposes, callable funding is considered as one alternative to issuing short-term debt such as Euro Commercial Paper. The Bank manages refinancing risk by: (i) limiting the amount of debt that will mature or is potentially callable within one year to 25 percent of the outstanding debt portfolio, and (ii) trying to match the average maturity of loans priced with a fixed spread with borrowing with similar lifetime.

Interest Rate Risk on Assets Funded by Equity

The second principal source of interest rate risk is the interest rate sensitivity of the income earned from funding a significant portion of the Bank's assets with equity resources. These assets are mostly made up of fixed rate loans and investments with a lifetime of 10 years. Changes in market interest rates in the currencies of the Bank's equity resources (the SDR) affect the net interest margin earned on assets funded by equity. In general, lower nominal market interest rates result in lower lending and investment rates, which in the long term reduce the nominal earnings on the Bank's equity resources.

The Bank manages the interest rate profile of the assets funded by equity resources with the objective of reducing the sensitivity of the net interest margin to fluctuations in market interest rates. This is achieved by continuously adjusting the repricing profile of the assets funded by the Bank's equity resources (fixed rate loans and investments) to match a repricing profile benchmark. The Bank's repricing profile benchmark is a 10-year ladder whereby a uniform 10 percent of the Bank's assets is funded by equity and repriced in each year. Using this benchmark, the Bank's net interest margin on assets funded by equity tends to track a 10-year moving average of 10-year maturity SDR interest rates.

At the end of 2014 and 2015, the Bank's overall repricing profile was closely aligned to the benchmark in almost all annual buckets.

Net Interest Margin Sensitivity

A parallel upward shift in the SDR curve of 100 bps would have generated a maximum gain in income statement of UA 5.81 million and UA 5.96 million as of 31 December 2015 and 2014, respectively.

Fair Value Sensitivity

Movements in interest rates also have an impact on the values of assets and liabilities that are reported in the financial statements at fair value through profit or loss. The table below shows the effect of a parallel yield curve movement of +/- 100 bps of each of the currencies in the investment portfolio and the borrowings and derivative portfolios as of 31 December 2015 and 2014, respectively. However, due to the low level of interest rates across the Japanese Yen yield curve, the sensitivity analysis in 2015 and 2014 for assets and liabilities denominated in Japanese Yen reflect a parallel movement in the yield curve of +/- 10 bps.

(UA thousands)

	Upward Parallel Shift		**Downward Parallel Shift**	
	2015 Gain/(Loss)	2014 Gain/(Loss)	**2015 Gain/(Loss)**	2014 Gain/(Loss)
Investments at fair value through profit or loss	(7,776)	(7,403)	8,808	8,765
Fair-valued borrowings and derivative portfolios	(176,630)	(149,845)	172,944	122,221

Prepayment Risk

In addition to the two principal sources of interest rate risk described above, the Bank is exposed to prepayment risk on loans committed before 1997 on which the Bank is unable to charge a prepayment penalty. In practice the level of prepayments on such loans has generally been within acceptable levels. For all market-based loans issued since 1997, the Bank protects itself from prepayment risk by linking the prepayment penalty to the cost of redeploying the funds at current market rates. Since 2006, total annual prepayments on loans particularly those committed prior to 1997 have been declining over the years. Prepayments in 2015 amounted to UA 24.94 million compared to prepayments of UA 50.59 million realized in 2014, none of which related to loans committed prior to 1997.

Operational Risk

Like all financial institutions, the Bank is exposed to operational risks arising from its systems and processes.

Operational risks include the risks of losses resulting from inadequate or failed internal processes, people, and/or systems, and from external events which could have a negative financial or adverse reputational impact. Operational risk is present in virtually all the Bank's transactions and includes losses attributable to failures of internal processes in credit and market operations.

The office of the Group Chief Risk Officer (GCRO) of the Bank is responsible for implementing the Integrated Internal Control Framework (IICF) which consists of two phases. Phase one relates to the implementation of Internal Control over Financial Reporting (ICFR) based on the COSO Framework as a means of regularly evaluating the effectiveness and efficiency of the Bank's internal controls in all significant business processes with financial statement impact. As part of this process, Management's attestation on the adequacy of internal controls over financial reporting is published in the Bank's Annual Report.

Phase two of the IICF entails the implementation of Operational Risk Management Framework which is intended to address risks inherent in other business processes not covered by ICFR. The Operational Risk Management Framework (ORM) was approved by the Board of Directors in March 2012 as the first step in addressing risks related to business processes and the implementation process is ongoing. Full implementation of ORM will ensure a structured and well-coordinated approach to risk identification and assessment, risk mitigation and control as well as risk reporting across the Bank. It will also provide the basis for applying advanced measurement approach in measuring operational risk capital. Currently, the Bank's Capital Adequacy and Exposure Management Framework provides for an operational risk capital charge of 15 percent of the average operating income for the preceding 3 years, in line with Basel II recommendations for operational risk.

It is the primary responsibility of the management of each business unit to implement adequate controls in their respective business processes based on the prevailing institutional standards. Management is required to sign attestation of compliance annually.

Compliance with institutional standards is verified through periodic reviews undertaken by the Office of the Auditor General of the Bank. The results of internal audit reviews are discussed with the Management of the relevant business unit(s), with summaries submitted to Senior Management of the Bank and the Audit and Finance Committee of the Board of Directors.

The Bank also has a contingency and business continuity plan which aims to ensure the continuity of its operations and protect the interests of all the key stakeholders of the Bank Group, namely, the member countries (borrowing and non-borrowing), bondholders and other creditors as well as employees and their families, in the event of any disturbance in its office locations. Three key organs in the Bank ensure the oversight and implementation of the plan: (i) the Executive Crisis Committee, chaired by the President of the Bank, which makes the key decisions based on recommendations from the Operations Crisis Committee (OCC); (ii) the OCC, chaired by the Corporate Vice President, that closely monitors all developments affecting the Bank and advises on measures necessary to mitigate the relevant risks; and (iii) the business continuity Unit (BCPU) that follows up on the implementation of decisions made and is also responsible for periodic tests of the overall business continuity preparedness of the Bank and staff.

Other elements of the Bank's operational risk management practices include compliance with the Code of conduct and staff rules, the work of the Integrity and Anti-Corruption Department (IACD) and the existence of a Whistleblower Protection Policy.

Note E — Financial assets and liabilities

The tables below set out the classification of each class of financial assets and liabilities, and their respective fair values as at 31 December 2015 and 2014:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss					
31 December 2015	Mandatorily at Fair Value	Designated at Fair Value	Fair Value through Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	1,214,608	1,214,608	1,214,608
Demand obligations	-	-	-	3,801	3,801	3,801
Treasury investments	4,434,365	-	-	3,957,896	8,392,261	8,538,778
Derivative assets	1,454,625	-	-	-	1,454,625	1,454,625
Non-negotiable instruments on account of capital	-	-	-	271	271	271
Accounts receivable	-	-	-	489,537	489,537	489,537
Loans	20,265	-	-	12,848,282	12,868,547	12,977,286
Equity participations	-	-	703,268	-	703,268	703,268
Other securities	-	-	-	46,423	46,423	46,423
Total financial assets	**5,909,255**	**-**	**703,268**	**18,560,818**	**25,173,341**	**25,428,597**
Accounts payable	-	-	-	1,332,383	1,332,383	1,332,383
Derivative liabilities	1,084,992	-	-	-	1,084,992	1,084,992
Borrowings	-	15,851,251	-	598,014	16,449,265	16,553,691
Total financial liabilities	**1,084,992**	**15,851,251**	**-**	**1,930,397**	**18,866,640**	**18,971,066**

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss					
31 December 2014	Mandatorily at Fair Value	Designated at Fair Value	Fair Value through Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	406,709	406,709	406,709
Demand obligations	-	-	-	3,801	3,801	3,801
Securities purchased under resale agreements	-	-	-	34,511	34,511	34,511
Treasury investments	3,723,629	-	-	3,617,995	7,341,624	7,507,638
Derivative assets	1,143,678	-	-	-	1,143,678	1,143,678
Non-negotiable instruments on account of capital	-	-	-	739	739	739
Accounts receivable	-	-	-	640,159	640,159	640,159
Loans	18,807	-	-	12,477,711	12,496,518	12,555,923
Equity participations	-	-	596,818	-	596,818	596,818
Other securities	-	-	-	94,111	94,111	94,111
Total financial assets	**4,886,114**	**-**	**596,818**	**17,275,736**	**22,758,668**	**22,984,087**
Accounts payable	-	-	-	1,211,813	1,211,813	1,211,813
Securities sold under agreements to repurchase	-	-	-	429,317	429,317	429,317
Derivative liabilities	853,735	-	-	-	853,735	853,735
Borrowings	-	13,481,627	-	894,326	14,375,953	14,503,792
Total financial liabilities	**853,735**	**13,481,627**	**-**	**2,535,456**	**16,870,818**	**16,998,657**

The table below classifies the Bank's financial instruments that were carried at fair value at 31 December 2015 and 2014 into three levels reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument		Valuation techniques for which all significant inputs are based on observable market data		Valuation techniques for which any significant input is not based on observable market data		Total	
	(Level 1)		(Level 2)		(Level 3)			
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Treasury investments	3,141,911	2,030,960	1,230,333	1,477,165	62,121	215,504	4,434,365	3,723,629
Derivative assets	6,997	4,437	1,444,462	1,106,050	3,166	33,191	1,454,625	1,143,678
Loans	-	-	20,265	18,807	-	-	20,265	18,807
Equity participations	6,488	9,216	-	-	696,780	587,602	703,268	596,818
Total financial assets	**3,155,396**	**2,044,613**	**2,695,060**	**2,602,022**	**762,067**	**836,297**	**6,612,523**	**5,482,932**
Derivative liabilities	-	-	1,050,456	800,895	34,536	52,840	1,084,992	853,735
Borrowings	8,904,524	6,952,951	6,787,675	6,250,150	159,052	278,526	15,851,251	13,481,627
Total financial liabilities	**8,904,524**	**6,952,951**	**7,838,131**	**7,051,045**	**193,588**	**331,366**	**16,936,243**	**14,335,362**

The Bank's policy is to recognize transfers out of level 3 as of the date of the event or change in circumstances that caused the transfer.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, exchange-traded derivatives, US government treasury bills and certain non-US sovereign obligations. The Bank does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.These include investment-grade corporate bonds and certain non-US sovereign obligations, listed equities, over-the-counter derivatives and a convertible loan. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or do not trade at all. Instruments in Level 3 include loans to regional member countries, private equity and corporate debt securities including some structured asset and mortgage-backed instruments. As observable prices are not available for these securities, the Bank has used valuation techniques to derive the fair value. However as noted earlier, the fair values for loans and some securities are derived merely for disclosure purposes rather than for reporting on the balance sheet.

The primary products classified at Level 3 are as follows:

Debt Securities - Asset and Mortgage-Backed Securities

Due to the lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of low credit rating and/or is traded in a less liquid sector, it will be classified as Level 3. Where third party pricing is not available, the valuation of the security will be estimated from market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings. These securities are also classified as Level 3.

Equity Shares - Private Equity

The fair value of investments in unlisted entities is assessed using appropriate methods, for example, discounted cash flows or net asset value (NAV). The fair value of the Bank's equity participations is estimated as the Bank's percentage ownership of the net asset value of the investments.

Derivatives

Trading derivatives are classified at Level 3 if there are parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are derivative transactions and derivatives attached to local currency transactions. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data.

Reconciliation of Level 3 Fair Value Balances

Reconciliation of fair value balances measured using valuation techniques with no significant input from observable market data (level 3 hierarchy) at 31 December 2015 and 2014 is as follows:

(UA thousands)

	Investments at Fair Value through Profit and Loss	Investments at Fair Value through Other Comprehensive Income	Derivative Assets	Derivative Liabilities	Borrowings
2014					
Balance at 1 January 2014	178,855	512,416	5,847	(54,040)	(243,406)
Unrealized (losses)/gains recognized in income statement	(10,931)	-	44,498	16,681	(41,254)
Gains recognized in the statement of comprehensive income	-	20,596	-	-	-
Purchases, issues and settlements (net)	47,369	35,851	(4,199)	(3,418)	10,465
Reclassification	-	-	-	-	-
Translation effects	211	18,739	(2,021)	(22,997)	(4,331)
Transfer between assets and liabilities	-	-	(10,934)	10,934	-
Balance at 31 December 2014	**215,504**	**587,602**	**33,191**	**(52,840)**	**(278,526)**
2015					
Balance at 1 January 2015	215,504	587,602	33,191	(52,840)	(278,526)
Unrealized (losses)/gains recognized in income statement	(3,195)	-	6,577	3,677	934
Gains recognized in the statement of comprehensive income	-	38,214	-	-	-
Purchases, issues and settlements (net)	(115,075)	58,838	(30,322)	16,770	124,180
Reclassification	-	-	912	-	-
Translation effects	(35,113)	12,126	(575)	(8,760)	(5,640)
Transfer between assets and liabilities	-	-	(6,617)	6,617	-
Balance at 31 December 2015	**62,121**	**696,780**	**3,166**	**(34,536)**	**(159,052)**

Fair Value of Financial Assets and Liabilities at Amortized Cost Based on Three-Level Hierarchy

The table below classifies the fair value of the Bank's financial instruments that were carried at amortized cost at 31 December 2015 and 2014 into three levels reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument (Level 1)		Valuation techniques for which all significant inputs are based on observable market data (Level 2)		Valuation techniques for which any significant input is not based on observable market data (Level 3)		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Treasury investments	3,946,031	3,567,756	62,065	63,150	96,317	153,103	4,104,413	3,784,009
Loans	-	-	-	-	12,957,021	12,537,116	12,957,021	12,537,116
Total financial assets	**3,946,031**	**3,567,756**	**62,065**	**63,150**	**13,053,338**	**12,690,219**	**17,061,434**	**16,321,125**
Borrowings	-	-	601,711	884,322	100,729	137,843	702,440	1,022,165
Total financial liabilities	**-**	**-**	**601,711**	**884,322**	**100,729**	**137,843**	**702,440**	**1,022,165**

Quantitative Information about Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The table below shows the valuation techniques used in the determination of fair values for financial assets within level 3 of the measurement hierarchy as well as the key unobservable inputs used in the valuation models. The Bank has determined that market participants would use the same inputs in pricing the financial instruments. Management considers that changing the unobservable inputs described below to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

Type of Financial Instrument	Valuation Approach	Key Unobservable Input	Inter-Relationship between Key Unobservable Inputs and Fair Value Measurement
Treasury investments Time deposits Asset-backed securities Government and agency obligations Corporate bonds Financial institutions Supranational	Discounted cash flow Comparable pricing	Credit spread Conditional prepayment rate Constant default rate Expected payments profile following default Loss given default yield	Increase in rate reduces fair value
Loans Fixed rate Floating rate	Discounted cash flow	Average cost of capital Probability of default, loss-given default	A high probability of default results in lower fair value
Derivative assets	Options model	Volatility of credit Counterparty credit risk Own credit risk	
Equity participations	Net asset value	N/A	N/A
Derivative liabilities	Discounted cash flow	Volatility of credit Credit spreads	
Borrowings	Consensus pricing	Offered quotes Own credit	

Significant Unobservable Inputs

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different fair value results.

The valuation techniques applied with significant unobservable inputs are described briefly below:

Comparable Pricing

Comparable pricing refers to the method where valuation is done by calculating an implied yield from the price of a similar comparable observable instrument. The comparable instrument for a private equity investment is a comparable listed company. The comparable instrument in case of bonds is a similar comparable but observable bond. This may involve adjusting the yield to derive a value for the unobservable instrument.

Yield

Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model.

Correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. Credit correlation generally refers to the factor that describes the relationship between the probability of individual entities to default on obligations and the joint probability of multiple entities to default on obligations. Similarly, equity correlation is the correlation between two equity instruments. An interest rate correlation refers to the correlation between two swap rates. FX correlation represents the correlation between two different exchange rates.

Liquidity Discount

A liquidity discount is primarily applied to unlisted firms to reflect the fact that these stocks are not actively traded. An increase in liquidity discount in isolation will result in unfavourable movement in the fair value of the unlisted firm.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or Index will change in value over time. Volatilities are generally implied from the observed option prices. For certain instruments, volatility may change with strike and maturity profile of the option.

Credit Spreads

Credit spreads represent the additional yield that a market participant would demand for accepting an exposure to the credit risk of an instrument. A change in the assumptions could lead to different fair value results.

Sensitivity Analysis of Valuations of Level 3 Assets and Liabilities Using Unobservable Inputs

For fair value measurements in level 3, changing one or more of the assumptions used would have the following effects:

Investments

The fair value of level 3 investments is sensitive to sources of pricing used. The fair value variance arising from using other sources of prices amounted to UA 0.01 million or 0.01 percent. (2014: UA 0.01 million or 0.002 percent)

Borrowings and Derivatives

The table below shows the effect of a parallel yield curve movement of +/- 100 bps of each of the currencies in the level 3 borrowings and derivative portfolios as of 31 December 2015 and 2014. However, due to the low level of interest rates across the Japanese Yen yield curve, the sensitivity analysis in 2015 and 2014 for liabilities denominated in Japanese Yen reflect a parallel movement in the yield curve of +/- 10 bps:

(UA thousands)

	Upward Parallel Shift		Downward Parallel Shift	
	Gain/(Loss)		Gain/(Loss)	
	2015	2014	**2015**	2014
Fair-valued level 3 borrowings and derivative portfolios	(3,868)	(42,873)	3,023	24,859

Day One Profit and Loss - Unrecognized Gains/Losses as a Result of the Use of Valuation Models Using Unobservable Inputs

The unamortized balances of day one profit and loss at 31 December 2015 and 2014 were made up as follows:

(UA thousands)

	2015	2014
Balance at 1 January	139,044	146,542
New transactions	32,208	38,848
Amounts recognized in income statement during the year	(37,054)	(40,559)
Translation effects	2,545	(5,787)
Balance at 31 December	**136,743**	**139,044**

Note F — Treasury investments

As part of its overall portfolio management strategy, the Bank invests in government, agency, supranational, bank and corporate obligations, time deposits, mortgage and asset-backed securities, funded risk participation program, secured lending transactions, resale agreements and related derivative instruments including futures, forward contracts, cross-currency swaps, interest rate swaps, options and short sales.

For government, agency and supranational obligations with final maturity longer than 1 year and less than 15 years, the Bank may only invest in obligations with counterparties having a minimum credit rating of AA- or unconditionally guaranteed by governments of member countries or other official entities with the same rating criteria. For maturities beyond 15 years and up to 30 years, a AAA rating is required. For mortgage and asset-backed securities, the Bank may only invest in securities with a AAA credit rating. For bank and corporate obligations with final maturity longer than 6 months and less than 5 years, the Bank may only invest with counterparties having a minimum credit rating of AA-. AAA rating is required for debt obligations beyond 5 years and up to 10 years. The purchases of currency or interest rate options are permitted only if the life of the option contract does not exceed 1 year. Such transactions are only executed with counterparties with credit ratings of AA- or above. All derivative transactions, including options, cross-currency and interest rate swaps including asset swap transactions, are only permitted with approved counterparties or guaranteed by entities with which the Bank has entered into Master Derivative Agreements and a Collateral Support Agreement with minimum credit ratings of A-/A3 at the time of the transaction.

As at 31 December 2015, the Bank had received collateral with fair value of UA 633 million in connection with swap agreements. Of this amount, a total of UA 543 million was in the form of cash and has been recorded on the balance sheet with a corresponding liability included in “Other accounts payable”. The balance of UA 90 million was in the form of liquid financial assets and is kept in custody by the Bank.

The composition of treasury investments as at 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Treasury investments mandatorily measured at fair value through profit or loss	4,434,365	3,723,629
Treasury investments at amortized cost	3,957,896	3,617,995
Total	**8,392,261**	**7,341,624**

Treasury Investments Mandatorily Measured at Fair Value through Profit or Loss (FVTPL)

A summary of the Bank's treasury investments mandatorily measured at FVTPL as at 31 December 2015 and 2014 was as follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Time deposits	588.06	56.53	600.16	92.71	-	18.86	1.04	75.87	1,189.26	243.97
Asset-backed securities	27.35	81.82	34.73	133.60	-	-	-	-	62.08	215.42
Government and agency obligations	1,262.17	1,146.57	420.98	412.10	-	-	74.91	83.13	1,758.06	1,641.80
Corporate bonds	196.37	338.04	55.68	83.13	-	-	-	-	252.05	421.17
Financial institutions	689.63	701.10	265.26	352.83	-	-	23.40	2.04	978.29	1,055.97
Supranational	51.04	101.63	99.16	8.38	-	-	44.43	35.29	194.63	145.30
Total	**2,814.62**	**2,425.69**	**1,475.97**	**1,082.75**	**-**	**18.86**	**143.78**	**196.33**	**4,434.37**	**3,723.63**

The nominal value of treasury investments mandatorily measured at FVTPL as at 31 December 2015 was UA 4,425.60 million (2014: UA 3,708.41 million). The average yield of treasury investments mandatorily measured at FVTPL for the year ended 31 December 2015 was 0.58 % (2014: 0.81 %).

The contractual maturity structure of treasury investments mandatorily measured at FVTPL as at 31 December 2015 and 2014 was as follows:

(UA millions)

	2015	2014
One year or less	2,635.22	1,334.54
More than one year but less than two years	769.96	998.77
More than two years but less than three years	594.66	728.33
More than three years but less than four years	387.17	112.13
More than four years but less than five years	-	377.53
More than five years	47.36	172.33
Total	**4,434.37**	**3,723.63**

Treasury Investments at Amortized Cost

A summary of the Bank's treasury investments at amortized cost at 31 December 2015 and 2014 was as follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Asset-backed securities	94.30	146.02	-	-	-	-	-	-	94.30	146.02
Government and agency obligations	933.17	842.99	735.75	699.39	437.48	438.42	290.27	174.34	2,396.67	2,155.14
Corporate bonds	-	5.49	-	-	-	12.93	-	-	-	18.42
Financial institutions	-	11.75	-	20.96	61.92	10.70	-	-	61.92	43.41
Supranational	617.00	545.00	556.26	450.41	231.75	259.59	-	-	1,405.01	1,255.00
Total	**1,644.47**	**1,551.25**	**1,292.01**	**1,170.76**	**731.15**	**721.64**	**290.27**	**174.34**	**3,957.90**	**3,617.99**

The nominal value of treasury investments at amortized cost as at 31 December 2015 was UA 3,929.94 million (2014: UA 3,626.13 million). The average yield of treasury investments at amortized cost for the year ended 31 December 2015 was 2.81 % (2014: 3.16 %).

The contractual maturity structure of treasury investments at amortized cost as at 31 December 2015 and 2014 was as follows:

(UA millions)

	2015	2014
One year or less	318.66	468.79
More than one year but less than two years	329.50	301.38
More than two years but less than three years	480.23	349.47
More than three years but less than four years	355.28	473.87
More than four years but less than five years	352.91	344.87
More than five years	2,121.32	1,679.61
Total	**3,957.90**	**3,617.99**

The fair value of treasury investments at amortized cost as at 31 December 2015 was UA 4,104.41 million (2014: UA 3,784.01 million).

Note G — Derivative assets and liabilities

The fair values of derivative financial assets and financial liabilities at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Borrowings-related:				
Cross-currency swaps	1,360,605	924,967	1,000,960	678,461
Interest rate swaps	68,566	43,307	108,869	17,701
Loan swaps	7,704	113,068	8,925	154,260
	1,436,875	1,081,342	1,118,754	850,422
Investments-related:				
Asset swaps	2,629	3,650	3,607	3,313
Macro-hedge swaps and others	15,121	-	21,317	-
	17,750	3,650	24,924	3,313
Total	**1,454,625**	**1,084,992**	**1,143,678**	**853,735**

The notional amounts of derivative financial assets and financial liabilities at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Borrowings-related:		
Cross-currency swaps	10,691,305	10,504,252
Interest rate swaps	6,498,407	4,613,585
Loan swaps	1,480,199	1,623,896
	18,669,911	16,741,733
Investments-related:		
Asset swaps	194,920	134,445
Macro-hedge swaps	329,728	430,088
	524,648	564,533
Total	**19,194,559**	**17,306,266**

Loan Swaps

The Bank has entered into interest rate swaps to effectively convert fixed rate income on loans in certain currencies into variable rate income.

Futures Contracts

The Bank has entered into futures contracts to hedge fixed interest rate bonds against interest rate variations. As at 31 December 2015, the Bank had futures with a notional value of Euro 4,956 million and USD 5,992 million. The carrying value of Euro futures and US dollars futures were UA 3.2 million and UA 9.2 million respectively.

Forward Exchange Transactions to Hedge

To insulate the Bank from possible significant increases in administrative expenses that could arise from an appreciation of the principal currencies of administrative expenditure i.e. EUR, GBP, CFA Franc and USD vis-à-vis the UA, the Bank executed forward exchange transactions to economically hedge its administrative expenses. As at 31 December 2015, there were no open positions with respect to forward exchange transactions.

Hedge Accounting

The Bank applies fair value hedge accounting to interest rate swaps contracted to hedge its interest rate risk exposure associated to fixed rate loans. Changes in the fair value of the derivative hedging instruments are recognized in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged with the gain or loss attributable to the hedged risk being recognized in profit or loss.

The fair value of the loan swaps designated and effective as hedging instruments as at 31 December 2015 was a liability of UA 111.80 million. The fair value gain on these loan swaps for the year ended 31 December 2015 was UA 31.13 million. The fair value loss on the hedged loans attributable to the hedged risk was UA 31.67 million. Therefore, the hedge ineffectiveness recognized in profit or loss was a loss of UA 0.54 million.

Hedge accounting treatment for swaps at the designation date requires the amortization of the difference between the net carrying amount of loans and their fair value from inception. For 2015, the amortization of fair value adjustment on the hedged risk amounted to UA 4.87 million.

Note H — Non-negotiable instruments on account of capital

Prior to May 1981, all payments in respect of paid-up capital had been made in convertible currencies. However, for the capital increases authorized in May 1979 (but effective December 1982) and May 1981, regional members had the following two options for making their payments:

1. Five (5) equal annual installments, of which at least 50 percent is payable in convertible currency and the remainder in local currency; or

2. Five (5) equal annual installments, of which 20 percent is payable in convertible currency and 80 percent in non-negotiable, non-interest-bearing notes. Such notes are redeemable by the Bank solely in convertible currency in installments commencing on the fifth anniversary of the first subscription payment date.

Non-regional members were required to make their payments solely in convertible currencies.

The paid-up portion of subscriptions, authorized in accordance with Board of Governors' Resolution B/BG/87/11 relating to the Fourth General Capital Increase (GCI-IV), is to be paid as follows:

1) **Regional Members –** 50 percent in five (5) equal annual installments in cash in freely convertible currency or freely convertible currencies selected by the member state, and 50 percent by the deposit of five non-negotiable, non-interest-bearing notes of equal value denominated in Units of Account. Such notes are redeemable by the Bank solely in convertible currency in five (5) equal annual installments commencing on the fifth anniversary of the first subscription payment date.

2) **Non-Regional Members –** five (5) equal annual installments in their national currencies, where such currencies are freely convertible or in notes denominated in freely convertible currencies encashable on demand.

Under the Fifth General Capital Increase (GCI-V), there is no distinction in the payment arrangements between regional and non-regional members. Each member is required to pay for the paid-up portion of its subscribed shares in eight (8) equal and consecutive annual installments. The first installments shall be paid in cash and in a freely convertible currency. The second to the eighth installments shall be paid in cash or notes encashable on demand in a freely convertible currency.

Under the Sixth General Capital Increase (GCI-VI), approved in accordance with the Board of Governors' Resolution B/BG/2010/08 of 27 May 2010 each member eligible to receive financing exclusively from the African Development Fund only shall pay for the paid-up portion of its subscribed shares in twelve (12) equal and consecutive annual installments; while Middle Income Countries, Blend countries and Non-Regional Member Countries shall pay for the paid-up portion of their respective subscribed shares in eight (8) equal and consecutive annual installments.

Payments for shares under GCI-VI are to be made in freely convertible currencies in cash or promissory notes' encashable on or before the due date for payment.

At 31 December 2015 and 2014, the non-negotiable notes' balances were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	739	1,204
Net movement for the year	(468)	(465)
Balance at 31 December	**271**	**739**

Note I — Loans and guarantees

Loans

The Bank's loan portfolio comprises loans granted to, or guaranteed by borrowing member countries as well as certain other non-sovereign-guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programs, and are not intended for sale. Furthermore, Management does not believe there is a comparable secondary market for the type of loans made by the Bank.

The types of loans currently held by the Bank and the terms applicable are described below:

Loan Portfolio: The Bank's loan portfolio is currently made up of three primary types of loans based on the financial terms: fixed rate, floating rate and variable rate loans. Fixed rate and variable rate loans have both multicurrency and single currency terms – that is, offered in multicurrency or in a single currency. While floating rate loans only bear single currency terms.

Other Loans: The Bank also offers parallel co-financing and A/B loan syndications. Through syndications the Bank is able to mobilize co-financing by transferring some or all of the risks associated with its loans and guarantees to other financing partners. Thus, syndications decrease and diversify the risk profile of the Bank's financing portfolio. Syndications may be on a funded or unfunded basis and may be arranged on an individual, portfolio, or any other basis consistent with industry practices.

The Bank also offers its RMCs local currency loans if the Bank is able to fund efficiently in the local currency market. The local currency loans are offered under the fixed spread loan pricing framework with a "cost-pass-through" principle to ensure that the overall cost of funds is compensated.

At 31 December 2015 and 2014, outstanding loans were as follows:

(UA thousands)

	2015	2014
Outstanding balance of loans - amortized cost	13,050,128	12,628,999
Outstanding balance of loans - fair value	20,265	18,807
	13,070,393	12,647,806
Less: accumulated provision for impairment	(201,846)	(151,288)
Balance at 31 December	**12,868,547**	**12,496,518**

Fair Value of Loans

At 31 December 2015 and 2014, the carrying and estimated fair values of outstanding loans were as follows:

(UA thousands)

	2015		2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loans at amortized cost				
Fixed rate loans	10,785,155	10,679,302	10,186,538	10,121,368
Floating rate loans	2,082,283	2,088,446	2,254,402	2,234,853
Variable rate loans	182,690	189,273	188,059	180,895
Subtotal	13,050,128	12,957,021	12,628,999	12,537,116
Loans at fair value	20,265	20,265	18,807	18,807
Total	13,070,393	12,977,286	12,647,806	12,555,923
Accumulated provision for impairment on loans at amortized cost	(201,846)	-	(151,288)	-
Net loans	**12,868,547**	**12,977,286**	**12,496,518**	**12,555,923**

The Bank is exposed to a loan that is measured at FVTPL due to the existence of a conversion option in the loan that could potentially change the future cash flows to no longer represent solely payments of principal and interest as required by IFRS 9. Accordingly, the fair value of this loan, and similar loans, is determined using the expected cash flows model with inputs including interest rates and the borrower's credit spread estimated based on the Bank's internal rating methodology for non-sovereign loans.

Maturity and Currency Composition of Outstanding Loans

The contractual maturity structure of outstanding loans as at 31 December 2015 and 2014 was as follows:

(UA millions)

	2015				2014
Periods	**Fixed Rate**	**Floating Rate**	**Variable Rate**	**Total**	**Total**
One year or less	748.18	339.13	178.79	1,266.10	1,316.04
More than one year but less than two years	844.81	250.48	2.87	1,098.16	933.54
More than two years but less than three years	879.53	482.03	1.03	1,362.59	1,034.23
More than three years but less than four years	925.68	180.83	-	1,106.51	1,122.79
More than four years but less than five years	958.11	150.33	-	1,108.44	1,007.95
More than five years	6,428.85	699.74	-	7,128.59	7,233.26
Total	**10,785.16**	**2,102.54**	**182.69**	**13,070.39**	**12,647.81**

Borrowers may repay loans before their contractual maturity, subject to the terms specified in the loan agreements.

The currency composition and types of outstanding loans as at 31 December 2015 and 2014 were as follows:

(Amounts in UA millions)

			2015		2014	
			Amount	%	Amount	%
Fixed Rate:	Multi-Currency	Euro	136.04		154.17	
		Japanese Yen	211.01		212.70	
		Pound Sterling	2.60		2.62	
		Swiss Franc	3.84		3.68	
		US Dollar	196.23		170.69	
		Others	0.02		0.02	
			549.74	4.21	543.88	4.30
	Single Currency	Euro	4,639.67		4,721.70	
		Japanese Yen	2.16		3.44	
		South African Rand	702.30		861.03	
		US Dollar	4,838.92		3,997.27	
		Others	52.37		59.22	
			10,235.42	78.31	9,642.66	76.24
Floating Rate:	Single Currency	Euro	428.85		412.93	
		Japanese Yen	9.03		10.20	
		South African Rand	89.35		125.55	
		US Dollar	1,575.31		1,724.53	
			2,102.54	16.08	2,273.21	17.97
Variable Rate:	Multi-Currency	Euro	29.60		31.57	
		Japanese Yen	0.73		0.71	
		US Dollar	108.17		107.08	
			138.50	1.06	139.36	1.10
	Single Currency	Euro	11.03		13.75	
		Japanese Yen	14.44		13.90	
		Swiss Franc	0.98		0.94	
		US Dollar	17.74		20.11	
			44.19	0.34	48.70	0.39
Total			**13,070.39**	**100.00**	**12,647.81**	**100.00**

The weighted average yield on outstanding loans for the year ended 31 December 2015 was 2.75 % (2014: 2.86 %).

A comparative summary of the currency composition of outstanding loans at 31 December 2015 and 2014 was as follows:

(Amounts in UA millions)

	2015		2014	
	Amount	%	Amount	%
Euro	5,245.19	40.13	5,334.12	42.17
Japanese Yen	237.37	1.81	240.95	1.91
Pound Sterling	2.60	0.02	2.62	0.02
South African Rand	791.65	6.06	986.58	7.80
Swiss Franc	4.82	0.04	4.62	0.04
US Dollar	6,736.37	51.54	6,019.68	47.59
Others	52.39	0.40	59.24	0.47
Total	**13,070.39**	**100.00**	**12,647.81**	**100.00**

Accrued Income and Charges Receivable on Loans

The accrued income and charges receivable on loans as at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Accrued income and charges receivable on loans	425,559	416,311
Less: accumulated provision for impairment	(228,580)	(225,649)
Balance at 31 December	**196,979**	**190,662**

Provision for Impairment on Loan Principal and Charges Receivable

At 31 December 2015, outstanding loans with an aggregate principal balance of UA 541.73 million (2014: UA 396.79 million), of which UA 270.22 million (2014: UA 265.34 million) was overdue, were considered to be impaired.

The gross amounts of loans and charges receivable that were impaired and their cumulative impairment at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Outstanding balance on impaired loans	541,726	396,789
Less: accumulated provision for impairment	(201,846)	(151,288)
Net balance on impaired loans	**339,880**	**245,501**
Charges receivable and accrued income on impaired loans	324,857	311,362
Less: accumulated provision for impairment	(228,580)	(225,649)
Net charges receivable and accrued income on impaired loans	**96,277**	**85,713**

The movements in the accumulated provision for impairment on outstanding loan principal for the years ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	151,288	145,145
Provision for impairment on loan principal for the year (net)	51,577	1,566
Provision reversal for loan written off	(4,967)	-
Translation effects	3,948	4,577
Balance at 31 December	**201,846**	**151,288**

Accumulated provisions for impairment on outstanding loan principal included the provisions relating to public and private sector loans. During the year, net provision for public sector loans was a recovery of UA 14.41 million, after a review of time in default. During the year ended 31 December 2015, a net provision for impairment made on private sector loans amounted to UA 65.99 million (2014: reversal of provision for UA 0.37 million). The accumulated provisions on private sector loans at 31 December 2015 amounted to UA 118.36 million (2014: UA 55.39 million).

The movements in the accumulated provision for impairment on loan interest and charges receivable for the years ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	225,649	206,325
Provision for impairment on loan charges for the year (net)	13,848	16,451
Provision reversal for loan written off	(16,384)	-
Translation effects	5,467	2,873
Balance at 31 December	**228,580**	**225,649**

Accumulated provisions for impairment on loan interest and charges receivable included the provisions relating to public and private sector loans. During the year ended 31 December 2015, a provision for impairment was made on interest and charges receivable on private sector loans in the amount of UA 4.89 million (2014: UA 2.55 million). The accumulated provision on interest and charges receivable on private sector loans at 31 December 2015 amounted to UA 7.58 million (2014: UA 18.22 million).

Guarantees

The Bank may enter into special irrevocable commitments to pay amounts to borrowers or other parties for goods and services to be financed under loan agreements. At 31 December 2015, outstanding irrevocable reimbursement guarantees issued by the Bank to commercial banks on undisbursed loans amounted to UA 0.59 million (2014: UA 0.63 million).

Also, the Bank provides trade finance and repayment guarantees to entities within its regional member countries for development loans granted to such entities by third parties. Guarantees represent potential risk to the Bank if the payments guaranteed for an entity are not made. Trade finance and repayment guarantees provided by the Bank outstanding at 31 December 2015 amounted to UA 444.43 million (2014: UA 164.11 million).

Other than the guarantees above given to other entities, the Bank in 2015 entered into guarantee contracts covering certain of its loans whereby it gives as well as receives compensation in case there is a default in any of the specified loans. Based on the structure, such guarantees are referred to as Exposure Exchange Agreements and are primarily risk management tools. The details are in Note in D. As at 31 December 2015, the nominal amounts of these contracts was USD 4.47 billion (UA 3.22 billion).

Similarly, the Bank has credit enhancement facilities that it benefits from for some of its loans. As at 31 December 2015, loans amounting to UA 56.50 million had been approved. The credit enhancement cover for such loans becomes effective in 2016.

Note J — Equity participations

Investment in ADF

The ADF was established in 1972 as an international institution to assist the Bank in contributing to the economic and social development of African countries, to promote cooperation and increased international trade particularly among the African countries, and to provide financing on highly concessional terms for such purposes. The Fund's original subscriptions were provided by the Bank and the original State Participants to the ADF Agreement, and State Participants acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of Special General Increases and General Replenishments.

The ADF has a 14-member Board of Directors, made up of 7 members selected by the African Development Bank and 7 members selected by State Participants. The Fund's Board of Directors reports to the Board of Governors made up of representatives of the State Participants and the ADB. The President of the Bank is the ex-officio President of the Fund.

To carry out its functions, the Fund utilizes the offices, staff, organization, services and facilities of the Bank, for which it pays a share of the administrative expenses. The share of administrative expenses paid by the Fund to the Bank is calculated annually on the basis of a cost-sharing formula, approved by the Board of Directors, which is driven in large part by the number of programs and projects executed during the period. Based on the cost-sharing formula, the share of administrative expenses incurred by ADF for the year ended 31 December 2015 amounted to UA 200.93 million (2014: UA 248.57 million), representing 63.14 percent (2014: 67.32 percent) of the shareable administrative expenses incurred by the Bank. The accounts of the ADF are kept separate and distinct from those of the Bank.

Although the ADB by agreement exercises 50 percent of the voting powers in the ADF, the Agreement establishing the ADF also provides that in the event of termination of the ADF's operations, the assets of the Fund shall be distributed pro-rata to its participants in proportion to the amounts paid-in by them on account of their subscriptions, after settlement of any outstanding claims against the participants. At 31 December 2015, the Bank's pro-rata or economic share in ADF was 0.48 percent (2014: 0.51 percent).

Notwithstanding the exercise of 50 percent voting power in the Fund by the Bank, the conditions for control under IFRS 10 Consolidated Financial Statements are not met since the Bank does not have absolute voting interest to control ADF, no rights to variable returns from its relationship with ADF and has an economic interest of less than 1 percent in the Fund. Consequently, the Fund cannot be consolidated in the Bank's Financial Statements.

As a result of the implementation in 2006 of the Multilateral Debt Relief Initiative described in Note V-2, the net asset value of ADF which is the basis for determining the value of the Bank's investment in the Fund declined, resulting in impairment loss on the Bank's investment. The net assets of ADF is made up of its net development resources less outstanding demand obligations plus disbursed and outstanding loans excluding balances due from countries that have reached their HIPC completion points and, are therefore due for MDRI loan cancelation at the balance sheet date.

Other Equity Participations

The Bank may take equity positions in privately owned productive enterprises and financial intermediaries, public sector companies that are in the process of being privatized or regional and sub-regional institutions. The Bank's objective in such equity investments is to promote the economic development of its Regional Member Countries and, in particular, the development of their private sectors. The Bank's equity participation is also intended to promote efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flow of domestic and external resources to financially viable projects, which also have significant economic merit.

Unless otherwise approved by the Board of Directors, the Bank's equity participation shall not exceed 25 percent of the equity capital of the entity in which it invests. The Bank does not seek a controlling interest in the companies in which it invests, but closely monitors its equity investments through Board representation. In accordance with the Board of Governors' Resolution B/BG/2009/10 of 13 May 2009, total equity investment by the Bank shall not at any time exceed 15 percent of the aggregate amount of the Bank's paid-in capital and reserves and surplus (risk capital) included in its ordinary capital resources.

Under IFRS 9 equity investments must be measured at fair value through profit or loss. However, where the equity investment is not held for trading, an entity has the option to take fair value changes into other comprehensive income (OCI), with no recycling of the change in fair value to profit or loss if the investment is subsequently derecognized. As the Bank's equity investments are currently held for strategic purposes of enhancing development in Regional Member Countries rather than for trading, the Bank has opted to designate all its equity investments as at fair value through other comprehensive income.

The Bank's equity interests at the end of 2015 and 2014 are summarized below:

(Amounts in UA thousands)

Institutions	Year Established	Callable Capital	Carrying Value 2015	2014
African Development Fund	1972	-	111,741	111,741
Accumulated share of profit/(loss) & impairment on 1 January			(49,528)	(49,643)
Share of loss for the year			(395)	(633)
Reversal of provision for the year			433	748
		-	62,251	62,213
DIRECT INVESTMENTS				
Development Finance Institutions				
Africa50	2015	54,123	18,041	-
Africa Prudential plc	2015	-	145	-
African Export and Import Bank	1993	19,577	55,283	29,723
African Guarantee Fund	2011	-	6,908	6,641
Afriland Properties plc	2015	-	134	-
Central African Development Bank (BDEAC)	1975	2,156	1,326	718
East African Development Bank	1967	10,103	15,311	12,609
Eastern and Southern African Trade and Development Bank	1985	39,257	52,521	37,432
Great Lakes Development Bank (BDEGL)*	1980	-	-	-
Shelter Afrique	1982	-	13,583	12,838
TCX Investment Company Mauritius Limited	2007	160	15,300	20,327
United Capital plc	2015	-	307	-
West African Development Bank (BOAD)	1973	1,831	5,157	3,272
		127,207	184,016	123,560
Commercial Banks				
United Bank for Africa	1961	-	6,488	9,216
		-	6,488	9,216
Microfinance Institutions				
AB Microfinance Bank Nigeria Limited	2007	-	1,297	1,191
Access Bank Liberia Limited	2008	-	915	971
Access Bank Tanzania Limited	2007	-	650	844
Advans Banque Congo	2008	-	1,199	1,016
MicroCred Côte d'Ivoire S.A.	2013	-	826	727
		-	4,887	4,749
Insurance				
Africa Trade Insurance Agency	2013	-	10,831	10,353
Africa-Re	1977	-	42,544	38,122
Eastern and Southern African Reinsurance Company (ZEP-RE)	2011	-	15,543	13,554
		-	68,918	62,029
TOTAL DIRECT INVESTMENTS		**127,207**	**264,309**	**199,554**
FUNDS				
Africa Capitalization Fund	2010	5,859	19,754	23,151
Africa Health Fund LLC	2009	4,718	9,538	8,088
Africa Joint Investment Fund	2010	659	13,785	8,709
Africa Renewable Energy Fund L.P	2014	11,823	5,380	1,301
African Agriculture Fund LLC	2010	3,869	22,291	14,884
African Infrastructure Investment Fund 2	2009	2,481	19,745	16,966
AfricInvest Fund II LLC	2008	702	8,567	11,294
Agri-Vie Fund PCC	2008	1,146	9,865	8,560
Argan Infrastructure Fund	2010	6,521	3,874	4,048
ARM-Harith Infrastructure Fund	2015	11,442	2,991	-
Atlantic Coast Regional Fund LLC	2008	4,513	16,975	10,496
Aureos Africa Fund LLC	2007	1,425	15,161	17,858
Business Partners International Southern Africa SME Fund	2014	3,542	1,184	953
Carlyle Sub-Saharan Africa Fund (CSSAF)	2012	16,623	6,583	8,389
Catalyst Fund I LLC	2010	2,425	6,753	4,158
Cauris Croissance II Fund	2012	1,147	1,889	2,190
ECP Africa Fund I LLC	1998	-	-	5
ECP Africa Fund II PCC	2005	8,346	25,230	26,815
ECP Africa Fund III PCC	2008	6,464	41,224	39,512
Eight Miles LLP	2012	4,164	8,248	5,952
Enko Africa Private Equity Fund	2014	9,176	1,081	1,192
Evolution One Fund	2010	637	1,941	1,877
GEF Africa Sustainable Forestry Fund	2011	613	11,721	12,759
GroFin Africa Fund	2008	2,329	4,044	4,652
Helios Investors II (Mauritius) Limited	2011	3,954	25,788	16,307
I & P Afrique Entrepreneurs	2012	2,620	2,769	1,383
Investment Fund for Health in Africa	2010	1,208	5,458	4,086
KIBO Fund II	2014	7,910	788	51
Maghreb Private Equity Fund II (Mauritius) PCC	2008	3	17,431	19,618
Maghreb Private Equity Fund III (Mauritius) PCC	2012	2,116	14,078	10,258
New Africa Mining Fund II	2010	13,953	-	360
Pan African Housing Fund (PAHF)	2013	3,567	981	359
Pan African Infrastructure Development Fund	2007	4,136	28,835	21,622
Pan African Infrastructure Development Fund II	2014	6,584	935	821
Pan-African Investment Partners II Limited	2008	754	57	327
South Africa Infrastructure Fund	1996	545	19,346	24,467
West Africa Emerging Market Fund	2011	2,781	2,418	1,583
TOTAL FUNDS		**160,775**	**376,708**	**335,051**
TOTAL DIRECT INVESTMENTS AND FUNDS		**287,962**	**641,017**	**534,605**
GRAND TOTAL		**287,962**	**703,268**	**596,818**

* Amounts fully disbursed, but the value is less than UA 100, at the current exchange rate.

** The cost of equity investments (excluding ADF) carried at fair value at 31 December 2015 amounted to UA 524.63 million (2014: UA 455.47 million).

Note K — Other securities

The Bank may invest in certain debt instruments issued by entities in its Regional Member Countries (RMCs) for the purpose of financing development projects and programs. The Bank may also invest in other securities including trade financing that meet the development objectives of its borrower member countries.

These investments are classified as financial assets at amortized cost.

The carrying amount of "Other securities" at 31 December 2015 was UA 46.42 million (2014: UA 94.11 million).

Note L — Property, equipment and intangible assets

(UA thousands)

	Property and Equipment						Intangible Assets	Grand Total
2015	Land	Capital Work in Progress	Building and Improve-ments	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:								
Balance at 1 January	480	56,345	23,314	18,843	66,042	165,024	22,668	**187,692**
Additions during the year	-	13,533	819	3,346	4,980	22,678	1,062	**23,740**
Disposals during the year	-	(75)	-	(5,814)	(8,808)	(14,697)	(8)	**(14,705)**
Balance at 31 December	480	69,803	24,133	16,375	62,214	173,005	23,722	**196,727**
Accumulated Depreciation:								
Balance at 1 January	-	-	22,121	11,780	53,509	87,410	21,448	**108,858**
Depreciation during the year	-	-	301	2,173	5,511	7,985	1,067	**9,052**
Disposals during the year	-	-	-	(5,589)	(8,414)	(14,003)	(8)	**(14,011)**
Balance at 31 December	-	-	22,422	8,364	50,606	81,392	22,507	**103,899**
Net Book Values: 31 December 2015	**480**	**69,803**	**1,711**	**8,011**	**11,608**	**91,613**	**1,215**	**92,828**

(UA thousands)

	Property and Equipment						Intangible Assets	Grand Total
2014	Land	Capital Work in Progress	Building and Improve-ments	Furniture, Fixtures & Fittings	Equipment & Motor Vehicles	Total Property & Equipment	Computer Software	Property, Equipment & Intangible Assets
Cost:								
Balance at 1 January	480	23,028	22,856	14,314	61,284	121,962	21,798	**143,760**
Additions during the year	-	33,317	458	5,664	5,528	44,967	870	**45,837**
Disposals during the year	-	-	-	(1,135)	(770)	(1,905)	-	**(1,905)**
Balance at 31 December	480	56,345	23,314	18,843	66,042	165,024	22,668	**187,692**
Accumulated Depreciation:								
Balance at 1 January	-	-	21,995	11,196	49,308	82,499	20,589	**103,088**
Depreciation during the year	-	-	126	1,669	4,954	6,749	859	**7,608**
Disposals during the year	-	-	-	(1,085)	(753)	(1,838)	-	**(1,838)**
Balance at 31 December	-	-	22,121	11,780	53,509	87,410	21,448	**108,858**
Net Book Values: 31 December 2014	**480**	**56,345**	**1,193**	**7,063**	**12,533**	**77,614**	**1,220**	**78,834**

The land on which the HQ building stands was originally granted for the unlimited use by the Bank, but with ownership retained by the Government of Côte d'Ivoire. However, in 2013, the Government of Côte d'Ivoire agreed to transfer the title to the land to the Bank and the relevant processes to perfect the transfer of title to the Bank are underway.

Note M — Borrowings

As at 31 December 2015 and 2014, the Bank's borrowings were as follows:

(UA millions)

	2015	2014
Borrowings at fair value	15,851.25	13,481.63
Borrowings at amortized cost	598.01	894.32
Total	**16,449.26**	**14,375.95**

The Bank's borrowings as at 31 December 2015 included subordinated borrowings in the amount of UA 223.09 million (2014: UA 489.33 million).

The capital adequacy framework approved by the Board of Directors adopted the use of a single debt to usable capital ratio to monitor the Bank's leverage. The ratio caps the Bank's total outstanding debt at 100 percent of usable capital. Usable capital comprises the equity of the Bank and the callable capital of its non-borrowing members rated A- or better. The Bank's usable capital at 31 December 2015 was UA 28.13 billion.

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs.

Certain long-term borrowing agreements contain provisions that allow redemption at the option of the holder at specified dates prior to maturity. Such borrowings are reflected in the tables on the maturity structure of borrowings using the put dates, rather than the contractual maturities. Management believes, however, that a portion of such borrowings may remain outstanding beyond their earliest indicated redemption dates.

The Bank has entered into cross-currency swap agreements with major international banks through which proceeds from borrowings are converted into a different currency and include a forward exchange contract providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or vice-versa.

A summary of the Bank's borrowings portfolio at 31 December 2015 and 2014 was as follows:

Borrowings and Swaps at 31 December 2015

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements [a]			Interest Rate Swaps		
Currency	Rate Type	Carried at Fair Value	Carried at Amortized Cost	Wgtd. Avg. Cost [b] (%)	Wgtd. Average Maturity (Years)	Amount Payable/ (Receivable)	Wgtd. Avg. Cost [b] (%)	Average Maturity (Years)	Notional Amount Payable/ (Receivable)	Wgtd. Avg. Cost [b] (%)	Average Maturity (Years)
Euro	Fixed	118.74	-	0.28	1.3	213.65	6.63	5.3	-	-	-
		-	-	-	-	-	-	-	(117.85)	0.28	1.3
	Adjustable	-	-	-	-	(271.05)	(0.35)	1.5	117.85	(0.23)	1.3
		-	-	-	-	5,740.60	(0.17)	3.5	-	-	-
Japanese Yen	Fixed	771.80	122.67	0.88	33.3	-	-	-	-	-	-
		-	-	-	-	(831.75)	0.86	34.2	-	-	-
	Adjustable	351.94	-	4.30	4.3	15.71	(0.49)	6.6	14.36	(0.31)	8.7
		-	-	-	-	(371.00)	3.34	9.6	(14.36)	2.47	8.7
US Dollar	Fixed	10,085.14	368.04	1.58	1.6	-	-	-	-	-	-
		-	-	-	-	(4,293.77)	1.75	2.2	(5,357.47)	1.65	2.5
	Adjustable	178.59	-	0.85	0.9	3,848.06	0.27	9.9	5,625.48	0.45	2.4
		-	-	-	-	(759.27)	(0.08)	4.0	(238.13)	1.60	0.7
Others [d]	Fixed	3,954.45	58.15	3.16	4.2	-	-	-	-	-	-
		-	-	-	-	(3,476.88)	3.17	4.0	(572.08)	1.77	1.6
	Adjustable	390.59	49.77	5.22	2.0	614.98	5.64	3.1	503.33	2.75	1.8
		-	-	-	-	(684.60)	3.94	2.3	-	-	-
Total	Fixed	14,930.13	548.86	1.94	4.1	213.65	6.63	5.3	-	-	-
		-	-	-	-	(8,602.39)	2.24	6.0	(6,047.40)	1.54	1.9
	Adjustable	921.12	49.77	4.08	2.7	4,207.70	1.09	9.5	6,261.02	0.83	2.4
		-	-	-	-	3,925.73	(1.24)	3.1	(252.49)	(0.54)	(1.0)
Principal at face value		15,851.25	598.63	2.07	4.0	(255.31)	-	-	(38.87)	-	-
Net unamortized premium/(discount)		-	(0.62)	-	-	519.40	-	-	34.59	-	-
		15,851.25	598.01	2.07	4.0	264.09	-	-	(4.28)	-	-
Fair valuation adjustment		-	-	-		171.55 [c]	-	-	29.54 [c]	-	-
Total		**15,851.25**	**598.01**	**2.07**	**4.0**	**435.64**	**-**	**-**	**25.26**	**-**	**-**

Supplementary disclosure (direct borrowings):
The notional amount of borrowings at 31 December 2015 was UA 16,449.26 million and the estimated fair value was UA 16,553.69 million.

(a) Currency swap agreements include cross-currency interest rate swaps.
(b) The average repricing period of the net currency obligations for adjustable rate borrowings was six months. The rates indicated are those prevailing at 31 December 2015.
(c) These amounts are included in derivative assets and liabilities on the balance sheet.
(d) These amounts relate mainly to borrowings and derivatives in AUD, CHF, NZD, TRY and ZAR.

Slight differences may occur in totals due to rounding.

Borrowings and Swaps at 31 December 2014

(Amounts in UA millions)

		Direct Borrowings				Currency Swap Agreements [a]			Interest Rate Swaps		
Currency	Rate Type	Carried at Fair Value	Carried at Amortized Cost	Wgtd. Avg. Cost [b] (%)	Wgtd. Average Maturity (Years)	Amount Payable/ (Receivable)	Wgtd. Avg. Cost [b] (%)	Average Maturity (Years)	Notional Amount Payable/ (Receivable)	Wgtd. Avg. Cost [b] (%)	Average Maturity (Years)
Euro	Fixed	126.81	-	0.28	2.3	244.58	6.38	5.9	-	-	-
		-	-	-	-	-	-	-	(125.70)	0.28	2.3
	Adjustable	-	-	-	-	5,555.92	0.09	4.6	125.70	0.03	2.3
		-	-	-	-	(272.35)	(0.08)	2.4	-	-	-
Japanese Yen	Fixed	574.44	117.32	1.36	29.4	-	-	-	-	-	-
		-	-	-	-	(624.90)	1.21	31.7	-	-	-
	Adjustable	362.30	-	4.50	4.4	-	-	-	-	-	-
		-	-	-	-	(394.89)	3.41	9.4	-	-	-
US Dollar	Fixed	7,363.16	628.10	1.82	3.2	-	-	-	-	-	-
		-	-	-	-	(3,761.71)	1.79	3.1	(3,594.67)	1.95	3.2
	Adjustable	175.99	-	1.25	1.3	3,732.99	0.08	8.5	3,850.91	0.31	3.1
		-	-	-	-	(828.11)	(0.18)	4.4	(241.36)	2.00	1.0
Others [d]	Fixed	4,721.14	146.52	3.23	4.4	5.44	3.92	0.5	-	-	-
		-	-	-	-	(4,254.40)	3.43	4.3	(651.86)	1.68	4.7
	Adjustable	157.79	3.11	1.96	3.7	816.81	5.40	3.9	551.23	3.34	4.4
		-	-	-	-	(367.31)	1.07	4.0	-	-	-
Total	Fixed	12,785.55	891.94	2.28	4.8	250.02	6.33	5.8	-	-	-
		-	-	-	-	(8,641.01)	2.56	5.8	(4,372.23)	1.86	3.4
	Adjustable	696.08	3.11	3.10	3.5	10,105.72	0.52	6.0	4,527.84	0.67	3.2
		-	-	-	-	(1,862.66)	0.84	5.1	(241.36)	2.00	1.0
Principal at face value		13,481.63	895.05	2.32	4.7	(147.93)	-	-	(85.75)	-	-
Net unamortized premium/(discount)		-	(0.73)	-	-	526.33	-	-	80.45	-	-
		13,481.63	894.32	2.32	4.7	378.40	-	-	(5.30)	-	-
Fair valuation adjustment		-	-	-	-	(55.90) [c]	-	-	96.47 [c]	-	-
Total		**13,481.63**	**894.32**	**2.32**	**4.7**	**322.50**	**-**	**-**	**91.17**	**-**	**-**

Supplementary disclosure (direct borrowings):
The notional amount of borrowings at 31 December 2014 was UA 14,347.92 million and the estimated fair value was UA 14,503.79 million.

(a) Currency swap agreements include cross-currency interest rate swaps.
(b) The average repricing period of the net currency obligations for adjustable rate borrowings was six months. The rates indicated are those prevailing at 31 December 2014.
(c) These amounts are included in derivative assets and liabilities on the balance sheet.
(d) These amounts relate mainly to borrowings and derivatives in AUD, CHF, NZD, TRY and ZAR.

Slight differences may occur in totals due to rounding.

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at 31 December 2015 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	3,530.54	192.29	3,722.83
More than one year but less than two years	3,137.85	-	3,137.85
More than two years but less than three years	3,066.91	-	3,066.91
More than three years but less than four years	1,107.37	1.33	1,108.70
More than four years but less than five years	1,182.68	2.37	1,185.05
More than five years	3,600.75	29.16	3,629.91
Total	**15,626.10**	**225.15**	**15,851.25**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	4.93	-	4.93
More than one year but less than two years	5.93	-	5.93
More than two years but less than three years	19.78	-	19.78
More than three years but less than four years	162.29	-	162.29
More than four years but less than five years	4.93	-	4.93
More than five years	340.93	59.84	400.77
Subtotal	**538.79**	**59.84**	**598.63**
Net unamortized premium and discount	(0.62)	-	(0.62)
Total	**538.17**	**59.84**	**598.01**

The contractual (except for callable borrowings) maturity structure of outstanding borrowings as at 31 December 2014 was as follows:

i) Borrowings Carried at Fair Value

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	699.51	281.33	980.84
More than one year but less than two years	3,238.80	-	3,238.80
More than two years but less than three years	2,288.69	-	2,288.69
More than three years but less than four years	2,563.28	-	2,563.28
More than four years but less than five years	750.79	1.26	752.05
More than five years	3,641.32	16.65	3,657.97
Total	**13,182.39**	**299.24**	**13,481.63**

ii) Borrowings Carried at Amortized Cost

(UA millions)

Periods	Ordinary	Callable	Total
One year or less	309.23	-	309.23
More than one year but less than two years	5.54	-	5.54
More than two years but less than three years	6.60	-	6.60
More than three years but less than four years	22.51	-	22.51
More than four years but less than five years	158.13	-	158.13
More than five years	393.04	-	393.04
Subtotal	**895.05**	**-**	**895.05**
Net unamortized premium and discount	(0.73)	-	(0.73)
Total	**894.32**	**-**	**894.32**

The fair value of borrowings carried at fair value through profit or loss at 31 December 2015 was UA 15,851.25 million (2014: UA 13,481.63 million). For these borrowings, the amount the Bank will be contractually required to pay at maturity at 31 December 2015 was UA 15,848.51 million (2014: UA 13,452.87 million). The surrender value of callable borrowings is equivalent to the notional amount plus accrued finance charges.

As per Note P, there was a loss of UA 38.81 million on fair-valued borrowings and related derivatives for the year ended 31 December 2015 (2014: net loss of UA 36.73 million). The fair value movement attributable to changes in the Bank's credit risk included in the other comprehensive income for the year ended 31 December 2015 was a gain of UA 73.06 million (2014: loss of UA 32.14 million).

Fair value movements attributable to changes in the Bank's credit risk are determined by comparing the discounted cash flows for the borrowings designated at fair value through profit or loss using the Bank's credit spread on the relevant liquid markets for ADB quoted bonds versus LIBOR both at the beginning and end of the relevant period. The Bank's credit spread was not applied for fair value changes on callable borrowings with less than one year call date.

For borrowings designated at fair value through profit or loss at 31 December 2015, the cumulative unrealized fair value losses to date were UA 770.29 million (2014: losses of UA 828.27 million).

Note N — Equity

Equity is composed of capital and reserves. These are further detailed as follows:

Capital

Capital includes subscriptions paid-in by member countries and cumulative exchange adjustments on subscriptions (CEAS). The Bank is not exposed to any externally imposed capital requirements.

Subscriptions Paid In

Subscriptions to the capital stock of the Bank are made up of the subscription to the initial capital, a voluntary capital increase and the Six General Capital Increases (GCI) made so far. The Fifth General Capital Increase (GCI-V) was approved by the Board of Governors of the Bank on 29 May 1998 and became effective on 30 September 1999 upon ratification by member states and entry into force of the related amendments to the Agreements establishing the Bank. The GCI-V increased the authorized capital of the Bank by 35 percent from 1.62 million shares to 2.187 million shares with a par value of UA 10,000 per share. The GCI-V shares, a total of 567,000 shares, are divided into paid-up and callable shares in proportion of six percent (6%) paid-up and ninety-four percent (94%) callable. The GCI-V shares were allocated to the regional and non-regional members such that, when fully subscribed, the regional members shall hold 60 percent of the total stock of the Bank and non-regional members shall hold the balance of 40 percent.

Prior to the GCI-V, subscribed capital was divided into paid-up capital and callable capital in the proportion of 1 to 7. With the GCI-V, the authorized capital stock of the Bank consists of 10.81 percent paid-up shares and 89.19 percent callable shares.

Prior to the sixth General Capital Increase (GCI-VI) and by its resolutions B/BG/2008/07 and B/BG/2009/05, the Board of Governors authorized two capital increases bringing the Authorized Capital of the Bank from UA 21,870 million to UA 22,120 million to allow the Republic of Turkey and the Grand Duchy of Luxembourg to become members of the Bank. The membership of these two countries became effective upon completion of the formalities specified in the Agreement establishing the Bank and in the General Rules Governing Admission of Non-Regional Countries to Membership of the Bank. Consequently, on 29 October 2013 and 29 May 2014, the Republic Turkey and The Grand Duchy Luxembourg respectively were formally admitted as the 78th and 79th member countries of the Bank.

In 2009, the Board of Directors endorsed a proposal made by Canada and Republic of Korea offering to subscribe, temporarily, to additional non-voting callable capital of the Bank in the amounts of UA 1.63 billion and UA 0.19 billion, respectively. This proposal was adopted by the Board of Governors on 22 February 2010. Accordingly, the authorized capital stock of the Bank increased from UA 22,120 million to UA 23,947 million by the creation of additional 182,710 non-voting shares. These non-voting callable shares were to be absorbed by the subscriptions of Canada and the Republic of Korea to GCI-VI when they become effective.

The GCI-VI was approved by the Board of Governors of the Bank on 27 May 2010. GCI-VI increased the authorized capital stock of the Bank from UA 23,947 million to UA 67,687 million with the creation of 4,374,000 new shares. The new shares created are to be allocated to the regional and non-regional groups in such proportions that, when fully subscribed, the regional group shall hold 60 percent of the total capital stock of the Bank, and the non-regional group 40 percent. The new shares and the previous ones described above shall be divided into paid-up and callable shares in the proportion of 6 percent paid-up shares and 94 percent callable shares.

Upon conclusion of the GCI VI capital increase and following the Board of Governors' resolutions, the temporary non-voting callable shares of Canada and Korea described above were effectively retired in 2011 and 2012, respectively thereby reducing the authorized capital of the Bank for each of these periods by 163,296 and 19,414.

Following its Resolution B/BG/2012/04 of 31 May 2012, the Board of Governors authorized a Special Capital Increase of the authorized share capital of the Bank to allow for: (i) subscription by a new regional member country (the Republic of South Sudan) of the minimum number of shares required for it to become a member; and (ii) the resulting subscription by non-regional members of the number of shares necessary to comply with the 60/40 ratio requirement between the shareholding of regional and non-regional members. Accordingly, the Board of Governors, decided to increase the authorized capital of the Bank by the creation of 111,469 new shares, out of which 66,881 shall be available for subscription by the Republic of South Sudan, and 44,588, shall be available for subscription by non-regional members. In 2014, by Resolution B/BG/2014/02, the Board of Governors revised down to 33,895 shares the initial subscription of South Sudan's, in line with its IMF quota. The additional shares are subject to the same terms and conditions as the shares authorized in the GCI-VI. On 30 April 2015, having completed the membership process to join the African Development Bank, South Sudan was admitted as member.

The Bank's capital as at 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Capital Authorized (in shares of UA 10 000 each)	66,975,050	66,975,050
Less: Unsubscribed	(1,492,542)	(1,841,828)
Subscribed Capital	65,482,508	65,133,222
Less: Callable Capital	(60,598,095)	(60,268,705)
Paid-up Capital	4,884,413	4,864,517
Shares to be issued upon payment of future installments	(1,157,150)	(1,426,520)
Add: Amounts paid in advance	445	354
	3,727,708	3,438,351
Less: Amounts in arrears	(17)	(119)
Capital at 31 December	**3,727,691**	**3,438,232**

Included in the total unsubscribed shares of UA 1,492.54 million at 31 December 2015 was an amount of UA 38.83 million representing the balance of the shareholding of the former Socialist Federal Republic of Yugoslavia (former Yugoslavia).

Since the former Yugoslavia has ceased to exist as a state under international law, its shares (composed of UA 38.83 million callable, and UA 4.86 million paid-up shares) have been held by the Bank in accordance with Article 6 (6) of the Bank Agreement. In 2002, the Board of Directors of the Bank approved the proposal to invite each of the successor states of the former Yugoslavia to apply for membership in the Bank, though such membership would be subject to their fulfilling certain conditions including the assumption pro-rata of the contingent liabilities of the former Yugoslavia to the Bank, as of 31 December 1992. In the event that a successor state declines or otherwise does not become a member of the Bank, the pro-rata portion of the shares of former Yugoslavia, which could have been reallocated to such successor state, would be reallocated to other interested non-regional members of the Bank in accordance with the terms of the Share Transfer Rules. The proceeds of such reallocation will however be transferable to such successor state. Furthermore, pending the response from the successor states, the Bank may, under its Share Transfer Rules, reallocate the shares of former Yugoslavia to interested non-regional member states and credit the proceeds on a pro-rata basis to the successor states. In 2003, one of the successor states declined the invitation to apply for membership and instead offered to the Bank, as part of the state's Official Development Assistance its pro-rata interest in the proceeds of any reallocation of the shares of former Yugoslavia. The Bank accepted the offer.

Subscriptions by member countries and their voting power at 31 December 2015 were as follows:

(Amounts in UA thousands)

	Member States	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
1	Algeria	271,025	4.213	153,734	2,556,520	271,650	4.191
2	Angola	74,242	1.154	39,011	703,412	74,867	1.155
3	Benin	12,405	0.193	6,517	117,533	13,030	0.201
4	Botswana	69,452	1.080	61,681	632,845	70,077	1.081
5	Burkina Faso	25,648	0.399	13,717	242,775	26,273	0.405
6	Burundi	15,269	0.237	9,194	143,496	15,894	0.245
7	Cabo Verde	4,919	0.076	3,095	46,100	5,544	0.085
8	Cameroon	69,602	1.082	35,755	660,281	70,227	1.083
9	Central African Republic	2,843	0.044	1,607	26,822	3,327	0.051
10	Chad	4,528	0.070	2,548	42,740	5,153	0.079
11	Comoros	542	0.008	605	4,826	1,167	0.018
12	Congo	29,200	0.454	15,670	276,350	29,825	0.460
13	Côte d'Ivoire	239,563	3.724	134,738	2,260,900	240,188	3.705
14	Democratic Republic of Congo	82,789	1.287	44,499	783,395	83,414	1.287
15	Djibouti	1,213	0.019	1,517	10,618	1,838	0.028
16	Egypt	350,410	5.447	200,935	3,303,170	351,035	5.415
17	Equatorial Guinea	10,245	0.159	6,395	96,057	10,870	0.168
18	Eritrea	2,003	0.031	2,506	17,522	2,628	0.041
19	Ethiopia	101,633	1.580	53,397	962,940	102,258	1.577
20	Gabon	76,913	1.196	48,390	720,758	77,538	1.196
21	Gambia	9,763	0.152	5,237	92,413	10,388	0.160
22	Ghana	137,130	2.132	70,437	1,300,871	137,755	2.125
23	Guinea	25,919	0.403	14,233	244,961	26,544	0.409
24	Guinea Bissau	1,552	0.024	870	14,660	2,177	0.034
25	Kenya	92,976	1.445	51,863	877,900	93,601	1.444
26	Lesotho	3,723	0.058	4,025	33,210	4,348	0.067
27	Liberia	12,403	0.193	7,404	116,637	13,028	0.201
28	Libya	214,523	3.335	120,463	2,024,777	215,118	3.319
29	Madagascar	41,270	0.642	21,672	391,030	41,895	0.646
30	Malawi	17,846	0.277	10,043	168,420	18,471	0.285
31	Mali	27,864	0.433	14,757	263,881	28,489	0.439
32	Mauritania	3,704	0.058	4,118	32,915	4,329	0.067
33	Mauritius	42,063	0.654	30,427	390,230	42,688	0.659
34	Morocco	227,618	3.539	141,566	2,134,620	228,243	3.521
35	Mozambique	38,083	0.592	21,149	359,697	38,708	0.597
36	Namibia	22,117	0.344	14,031	207,150	22,742	0.351
37	Niger	16,148	0.251	9,121	152,363	16,773	0.259
38	Nigeria	574,044	8.924	333,042	5,407,433	574,669	8.865
39	Rwanda	8,480	0.132	4,496	80,303	9,105	0.140
40	São Tomé & Príncipe	4,350	0.068	2,461	41,053	4,975	0.077
41	Senegal	67,337	1.047	35,142	638,241	67,962	1.048
42	Seychelles	1,823	0.028	1,732	16,499	2,448	0.038
43	Sierra Leone	18,472	0.287	9,987	174,751	19,097	0.295
44	Somalia	1,941	0.030	2,427	16,986	2,566	0.040
45	South Africa	323,933	5.036	157,745	3,081,600	324,558	5.007
46	South Sudan	32,030	0.498	1,695	318,610	32,655	0.504
47	Sudan	21,411	0.333	12,758	201,347	22,036	0.340
48	Swaziland	7,385	0.115	8,325	65,530	8,010	0.124
49	Tanzania	49,043	0.762	25,948	464,497	49,668	0.766
50	Togo	10,070	0.157	5,528	95,171	10,695	0.165
51	Tunisia	90,175	1.402	57,503	844,260	90,800	1.401
52	Uganda	30,744	0.478	16,875	290,577	31,369	0.484
53	Zambia	80,258	1.248	42,611	759,945	80,813	1.247
54	Zimbabwe	133,074	2.069	72,587	1,258,158	133,699	2.063
	Total Regionals	**3,833,716**	**59.599**	**2,167,789**	**36,169,756**	**3,867,225**	**59.658**

Slight differences may occur in totals due to rounding.

(Amounts in UA thousands)

	Member States	Total Shares	% of Total Shares	Amount Paid	Callable Capital	Number of Votes	% of Total Voting Power
	Total Regionals	**3,833,716**	**59.599**	**2,167,789**	**36,169,756**	**3,867,225**	**59.658**
55	Argentina	5,847	0.091	6,107	52,364	6,472	0.100
56	Austria	28,769	0.447	17,033	270,660	29,394	0.453
57	Belgium	41,156	0.640	22,390	389,180	41,782	0.644
58	Brazil	26,072	0.405	14,051	246,676	26,698	0.412
59	Canada	246,004	3.824	178,344	2,281,710	246,629	3.805
60	China	73,739	1.146	43,171	694,230	74,364	1.147
61	Denmark	75,836	1.179	55,036	703,330	76,461	1.180
62	Finland	31,495	0.489	18,646	296,310	32,120	0.495
63	France	241,981	3.762	143,256	2,276,560	242,606	3.743
64	Germany	265,640	4.130	157,265	2,499,140	266,265	4.108
65	India	16,094	0.250	9,058	151,890	16,719	0.258
66	Italy	156,363	2.431	92,471	1,471,170	156,988	2.422
67	Japan	353,868	5.501	209,500	3,329,180	354,493	5.469
68	Korea	30,161	0.469	17,463	284,150	30,786	0.475
69	Kuwait	29,208	0.454	21,420	270,660	29,833	0.460
70	Luxembourg	12,659	0.197	1,988	124,610	13,284	0.205
71	Netherlands	55,830	0.868	32,453	525,860	56,455	0.871
72	Norway	74,754	1.162	44,213	703,330	75,379	1.163
73	Portugal	15,422	0.240	8,470	145,750	16,047	0.248
74	Saudi Arabia	12,420	0.193	6,760	117,440	13,045	0.201
75	Spain	69,253	1.077	49,092	643,440	69,878	1.078
76	Sweden	99,557	1.548	58,936	936,640	100,182	1.545
77	Switzerland	94,488	1.469	55,939	888,950	95,113	1.467
78	Turkey	6,572	0.102	1,541	64,190	7,197	0.111
79	United Kingdom	112,759	1.753	65,033	1,062,560	113,384	1.749
80	United States of America	422,862	6.574	230,266	3,998,359	423,487	6.533
	Total Non-Regionals	**2,598,809**	**40.401**	**1,559,902**	**24,428,339**	**2,615,061**	**40.342**
	Grand Total	**6,432,525**	**100.000**	**3,727,691**	**60,598,095**	**6,482,286**	**100.000**

The subscription position including the distribution of voting rights at 31 December 2015 reflects the differences in the timing of subscription payments by member countries during the allowed subscription payment period for GCI-VI. After the shares have been fully subscribed, the regional and non-regional groups are expected to hold 60% and 40% voting rights, respectively.

Slight differences may occur in totals due to rounding.

Cumulative Exchange Adjustment on Subscriptions (CEAS)

Prior to the fourth General Capital Increase (GCI-IV), payments on the share capital subscribed by the non-regional member countries were fixed in terms of their national currencies. Under GCI-IV, and subsequent capital increases payments by regional and non-regional members in US dollars were fixed at an exchange rate of 1 UA = US$ 1.20635. This rate represented the value of the US dollar to the SDR immediately before the introduction of the basket method of valuing the SDR on 1 July 1974 (1974 SDR). As a result of these practices, losses or gains could arise from converting these currencies to UA when received. Such conversion differences are reported in the Cumulative Exchange Adjustment on Subscriptions account.

At 31 December 2015 and 2014, the Cumulative Exchange Adjustment on Subscriptions was as follows:

(UA thousands)

	2015	2014
Balance at 1 January	173,538	172,654
Net conversion (gains)/losses on new subscriptions	(4,696)	884
Balance at 31 December	**168,842**	**173,538**

Reserves

Reserves consist of retained earnings, fair value gains/losses on investments designated at fair value through other comprehensive income, gains/losses on fair-valued borrowings arising from "own credit" and remeasurements of defined liability.

Retained Earnings

Retained earnings included the net income for the year, after taking into account transfers approved by the Board of Governors, and net charges recognized directly in equity. Retained earnings also included the transition adjustments resulting from the adoption of new or revised financial reporting standards, where applicable.

The movements in retained earnings during 2014 and 2015 were as follows:

(UA thousands)

Balance at 1 January 2014	2,964,743
Net income for the year	31,692
Net gains recognized directly in equity	-
Balance at 31 December 2014	**2,996,435**
Net loss for the current year	(30,840)
Net gains recognized directly in equity	-
Balance at 31 December 2015	**2,965,595**

During the year, the Board of Governors approved the distribution of UA 124.00 million (2014: UA 120.00 million) from income and the surplus account to certain entities for development purposes.

With effect from 2006, Board of Governors' approved distributions to entities for development purposes are reported as expenses in the Income Statement in the year such distributions are approved.

The movement in the surplus account during 2014 and 2015 is as follows:

(UA thousands)

Balance at 1 January 2014	33,442
Distribution to Special Relief Fund	(5,000)
Distribution to Africa50	(20,000)
Balance at 31 December 2014	**8,442**
Allocation from 2014 net income	25,000
Distribution to Special Relief Fund	(10,000)
Distribution to MIC Technical Assistance Fund	(8,000)
Distribution to NEPAD Infrastructure Project Preparation Facility	(8,000)
Balance at 31 December 2015	**7,442**

Distributions to entities for development purposes, including those made from the surplus account, for the years ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
African Development Fund (ADF)	51,000	42,000
Post Conflict Assistance - DRC	47,000	53,000
Special Relief Fund	10,000	5,000
MIC Technical Assistance Fund	8,000	-
NEPAD Infrastructure Project Preparation Facility	8,000	-
Africa50	-	20,000
Total	**124,000**	**120,000**

Note O — Income from loans and investments and related derivatives

Income from Loans

Income from loans for the years ended 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Interest income on loans not impaired	305,609	301,711
Interest income on impaired loans	32,898	28,502
Commitment charges	11,430	11,648
Statutory commission	270	267
Total	**350,207**	**342,128**

Income from Investments and Related Derivatives

Income from investments for the years ended 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Interest income	151,680	169,869
Realized fair value losses on investments	(4,966)	(83)
Unrealized fair value losses on investments	(24,501)	(37,372)
Total	**122,213**	**132,414**

Total interest income on investments at amortized cost for the year ended 31 December 2015 was UA 102.64 million (2014: UA 106.01 million).

Note P — Borrowing expenses

Interest and Amortized Issuance Costs

Interest and amortized issuance costs on borrowings for the years ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Charges to bond issuers	344,336	375,624
Amortization of issuance costs	1,798	337
Total	**346,134**	**375,961**

Total interest expense for financial liabilities not at fair value through profit or loss for the year ended 31 December 2015 was UA 98.74 million (2014: UA 66.70 million).

Net Interest on Borrowing-Related Derivatives

Net interest on borrowing-related derivatives for the years ended 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Interest on derivatives payable	157,163	143,678
Interest on derivatives receivable	(337,382)	(364,885)
Total	**(180,219)**	**(221,207)**

Unrealized Losses on Borrowings, Related Derivatives and Others

Unrealized gains/losses on borrowings, related derivatives and others for the years ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Unrealized (losses)/gains on fair-valued borrowings and related derivatives	(38,814)	(36,728)
Unrealized (losses)/gains on derivatives on non-fair valued borrowings and others	(10,702)	6,898
Total	**(49,516)**	**(29,830)**

Fair value gain attributable to changes in the Bank's "own credit" for the year ended 31 December 2015 amounted to UA 73.06 million (2014: loss of UA 32.14 million) and was included in the other comprehensive income.

The net unrealized loss on derivatives on non-fair valued borrowings and others for the year ended 31 December 2015 amounted to UA 10.70 million (2014: gain of UA 6.90 million). This included the income statement effects of the hedge accounting, consisting of unrealized loss of UA 0.54 million, representing hedge ineffectiveness and UA 4.87 million of amortization of fair value adjustments on the hedged risk (See Note G).

Valuation adjustment loss in respect of counterparty risk of derivative financial assets (CVA) for the year ended 31 December 2015 amounted to UA 11.22 million (2014: loss of UA 0.42 million), whilst valuation adjustment loss relating to credit risk in derivative financial liabilities (DVA) for the year ended 31 December 2015 was UA 0.34 million (2014: loss of UA 3.51 million).

Note Q — Administrative expenses

Total administrative expenses relate to expenses incurred for the operations of the Bank and those incurred on behalf of the ADF and the NTF. The ADF and NTF reimburse the Bank for their share of the total administrative expenses, based on an agreed-upon cost-sharing formula, which is driven by certain selected indicators of operational activity for operational expenses and relative balance sheet size for non-operational expenses. However, the expenses allocated to the NTF shall not exceed 20 percent of the NTF's gross income.

Administrative expenses comprised the following:

(UA thousands)

	2015	2014
Manpower expenses*	250,672	295,502
Other general expenses	72,623	76,594
Total	**323,295**	**372,096**
Reimbursable by ADF	(200,932)	(248,566)
Reimbursable by NTF	(364)	(373)
Net	**121,999**	**123,157**

* Share of ADB manpower expenses amount - UA 96.78 million (2014: UA 101.44 million).

Included in general administrative expenses is an amount of UA 7.80 million (2014: UA 11.68 million) incurred under operating lease agreements for offices in Côte d'Ivoire and in certain member countries, where the Bank has offices.

At the balance sheet date, the Bank had outstanding commitments under operating leases which fall due as follows:

(UA thousands)

	2015	2014
Within one year	8,141	4,699
In the second to fifth years inclusive	9,273	3,862
Total	**17,414**	**8,561**

Leases are generally negotiated for an average term of one (1) to five (5) years and rentals are fixed for an average of one (1) year. Leases may be extended for periods that are not longer than the original term of the leases.

Note R — Employee benefits

Staff Retirement Plan

The Staff Retirement Plan (SRP), a defined benefit plan established under Board of Governors' Resolution 05-89 of 30 May 1989 became effective on 31 December 1989, following the termination of the Staff Provident Fund. Every person employed by the Bank on a full-time basis, as defined in the Bank's employment policies, is eligible to participate in the SRP, upon completion of 6 months service without interruption of more than 30 days.

The SRP is administered as a separate fund by a committee of trustees appointed by the Bank on behalf of its employees. In November 2004, the Board of Directors of the Bank approved certain revisions to the SRP, including simplification of the calculation of the employee contribution rate, more explicit reference to the Bank's residual responsibility and rights as the SRP sponsor, changes in survivor child benefits and an increase in the pension accumulation rate from 2 percent to 2.5

percent for each year of service. Also, new members from the Field Offices of the Bank joined the Plan in 2007. Accordingly the associated past service costs associated with these changes were reported in the financial statements of respective years.

In 2008, the early retirement provisions and the death benefits to spouses were modified, resulting in a net negative prior service cost of UA 8.12 million, which was immediately recognized. Under the revised SRP, employees contribute at a rate of 9 percent of regular salary. A tax factor included in the basis for the determination of contribution in the previous SRP has been eliminated. The Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

In 2011, the Board of Directors approved the extension of the mandatory staff retirement age in the Bank from 60 to 62 years effective 1 January 2012. Participants of the Plan as of 11 May 2011 were given up to 31 December 2012 to make the election on either to retire at 60 years with no penalty for early retirement or accept the extension and retire at age 62. The option to retire at age 60 is not available to staff joining the Bank from 1 January 2012, the date of effectiveness of the change. Most of the existing participants opted for the revised retirement age. The impact of the change on the actuarial valuation of SRP was a curtailment of UA 10.90 million and was reported in the financial statements for the year ended 31 December 2011.

During 2015, the Board of Directors approved changes to enhance financial sustainability of the Plan. These changes primarily included review of the commutation of pension as well as benefits applicable for death in retirement.

All contributions to the SRP are irrevocable and are held by the Bank separately in a retirement fund to be used in accordance with the provisions of the SRP. Neither the contributions nor any income thereon shall be used for or diverted to purposes other than the exclusive benefit of active and retired participants or their beneficiaries or estates, or for the satisfaction of the SRP's liabilities. At 31 December 2015, virtually all of the SRP's investments were under external management and these were invested in indexed funds, with the following objectives: a) Equity portfolio – to track as closely as possible, the returns of the Morgan Stanley Capital International World Index as well as hedging the currency exposure of the SRP's anticipated future liabilities; b) Bond portfolio – to track as closely as possible, the returns of the Citigroup World Government Bond Index as well as hedge the currency exposure of the SRP's anticipated future liabilities.

Post-Employment Medical Benefit Plan

The Medical Benefit Plan (MBP) was created under the Board of Directors' resolution B/BD/2002/17 and F/BD/2002/18 of 17 July 2002 and became effective on 1 January 2003. Under the MBP, all plan members including existing staff or retirees contribute a percentage of their salary or pension while the Bank typically contributes twice the employee contribution, but may vary such contribution based on the results of annual actuarial valuations.

Contribution rates by staff members and retirees are based on marital status and number of eligible children. An MBP board, composed of selected officers of the Bank and representatives of retirees and the staff association, oversees the management and activities of the MBP. The contributions from the Bank, staff and retirees are deposited in a trust account. In accordance with the directive establishing the Plan, all Plan members including staff and retirees are eligible as beneficiaries for making claims for medical services provided to them and their recognized dependents.

On 1 January 2015, the Board of Directors approved a new set contribution rates to the MBP for the Bank, active staff and retirees. The new set of rates are with effect from 1 September 2015 and aim at enhancing the long term financial sustainability of the Plan.

The pension and post-employment medical benefit expenses for 2015 and 2014 for the Bank, the ADF and the NTF combined (the Bank Group) comprised the following:

(UA millions)

	Staff Retirement Plan		Medical Benefit Plan	
	2015	2014	**2015**	2014
Current service cost – gross	48.45	41.63	13.82	17.83
Past service cost amendments	-	-	(16.22)	-
Less: employee contributions	(9.11)	(9.71)	(2.46)	(2.35)
Net current service cost	39.34	31.92	(4.86)	15.48
Interest cost	21.03	22.39	4.44	5.92
Expected return on plan assets	(15.90)	(19.04)	-	-
Expense for the year	**44.47**	**35.27**	**(0.42)**	**21.40**

At 31 December 2015, the Bank had a liability to the SRP amounting to UA 128.90 million (2014: UA 180.55 million) while the Bank's liability to the post-employment aspect of the MBP amounted to UA 145.64 million (2014: UA 140.81 million). During 2015, an additional amount of UA 42.13 million was transferred by the Bank to the Staff Retirement Plan.

At 31 December 2015 and 2014 the determination of these liabilities, which are included in "Other accounts payable" on the Balance Sheet is set out below:

(UA millions)

	Staff Retirement Plan		Medical Benefit Plan	
	2015	2014	**2015**	2014
Fair value of plan assets:				
Market value of plan assets at beginning of year	508.93	454.01	34.55	30.80
Actual return on assets	(8.95)	46.27	0.06	0.30
Employer's contribution	60.34	19.42	5.03	4.70
Plan participants' contribution during the year	9.11	9.71	2.46	2.35
Benefits paid	(18.93)	(20.48)	(2.97)	(3.60)
Market value of plan assets at end of year	**550.50**	**508.93**	**39.13**	**34.55**
Present value of defined benefit obligation:				
Benefit obligation at beginning of year	689.48	550.31	175.36	161.60
Current service cost	39.34	31.92	11.36	15.48
Employee contributions	9.11	9.71	2.46	2.35
Interest cost	21.03	22.39	5.55	7.30
Actual (gain)/loss	(60.63)	95.63	9.23	(7.77)
Benefits paid	(18.93)	(20.48)	(2.97)	(3.60)
Past service cost amendments	-	-	(16.22)	-
Benefit obligation at end of year	**679.40**	**689.48**	**184.77**	**175.36**
Funded status:				
Liability recognized on the balance sheet at 31 December representing excess of benefit over plan asset	**(128.90)**	**(180.55)**	**(145.64)**	**(140.81)**

There were no unrecognized past service costs at 31 December 2015 and 2014. At 31 December 2015, the cumulative net actuarial losses recognized directly in equity through other comprehensive income for the SRP were UA 199.26 million (2014: losses of UA 235.04 million). The cumulative net actuarial losses recognized directly in equity through other comprehensive income for MBP were UA 50.10 million (2014: losses of UA 39.82 million).

The following summarizes the funding status of the SRP at the end of the last five fiscal years:

(UA millions)

	2015	2014	2013	2012	2011
Staff Retirement Plan:					
Fair value of Plan assets	550.50	508.93	454.01	415.84	364.94
Present value of defined benefit obligation	(679.40)	(689.48)	(550.31)	(523.13)	(411.01)
Deficit funding	**(128.90)**	**(180.55)**	**(96.30)**	**(107.29)**	**(46.07)**
Experience adjustments on plan assets	(23.97)	0.89	(26.37)	(33.05)	(48.95)
Experience adjustments on plan liabilities	(175.29)	(235.93)	(140.24)	(163.59)	(90.98)
Net	**(199.26)**	**(235.04)**	**(166.61)**	**(196.64)**	**(139.93)**

The funding status of the Medical Benefit Plan at the end of the last five fiscal years was as follows:

(UA millions)

	2015	2014	2013	2012	2011
Medical Benefit Plan:					
Fair value of Plan assets	39.13	34.55	30.81	25.85	22.14
Present value of defined benefit obligation	(184.77)	(175.36)	(161.60)	(158.85)	(110.15)
Deficit funding	**(145.64)**	**(140.81)**	**(130.79)**	**(133.00)**	**(88.01)**
Experience adjustments on plan assets	(5.01)	(3.96)	(2.89)	(2.18)	(1.90)
Experience adjustments on plan liabilities	(45.09)	(35.86)	(43.64)	(60.23)	(24.59)
Net	**(50.10)**	**(39.82)**	**(46.53)**	**(62.41)**	**(26.49)**

Assumptions used in the latest available actuarial valuations at 31 December 2015 and 2014 were as follows:

(Percentages)

	Staff Retirement Plan		**Medical Benefit Plan**	
	2015	2014	**2015**	2014
Discount rate	3.40	3.07	3.40	3.07
Rate of salary increase	3.65	3.73	3.65	3.73
Future pension increase	2.15	2.23		
Health care cost growth rate			5.00	5.00

The SRP mortality assumptions are based on the Self-Administered Pension Schemes 2008 (SAPS08) tables, specifically referenced from the experience of United Kingdom self-administered pension schemes. Similarly, the MBP mortality assumptions are also based on the Self-Administered Pension Schemes (SAPS) tables, specifically referenced from the experience of United Kingdom occupational schemes. These SAPS tables assume normal health participants, and have been updated using Continuous Mortality Investigations (CMI) 2009 projections to factor in future longevity improvements.

The discount rate used in determining the benefit obligation is selected by reference to the long-term year-end rates on AA corporate bonds.

The medical cost inflation assumption is the rate of increase in the cost of providing medical benefits. This is influenced by a wide variety of factors, such as economic trends, medical developments, and patient utilization. For the purposes of these calculations, the medical cost inflation rate was assumed at 5 percent per annum.

The Bank's obligation and costs for post-retirement medical benefits are highly sensitive to assumptions regarding medical cost inflation.

The average duration of SRP and MBP is 15.9 years and 25 years, respectively.

The following table shows projected benefit cash flow outgo:

(UA millions)

	2016	2017	2018	2019	2020	2021 to 2025
Cash flow from MBP	3.1	3.3	3.4	3.6	3.8	22.0
Cash flow from SRP	26.87	30.13	31.88	34.17	34.64	191.97

The following table shows the effects of a one-percentage-point change in the assumed health care cost growth rate:

(UA thousands)

	1% Increase		1% Decrease	
	2015	2014	**2015**	2014
Effect on total service and interest cost	6,052	7,001	(4,346)	(5,172)
Effect on post-retirement benefit obligation	57,701	52,374	(43,568)	(39,270)

The following table shows the effect of a one percent point change in the discount rate for the SRP:

(UA thousands)

	1% Increase		1% Decrease	
	2015	2014	**2015**	2014
Effect on total service and interest cost	6,441	8,062	(8,458)	(10,733)
Effect on post-retirement benefit obligation	94,693	99,505	(120,986)	(127,892)

No SRP assets are invested in any of the Bank's own financial instruments, nor any property occupied by, or other assets used by the Bank. All investments are held in active markets.

The following table presents the weighted-average asset allocation at 31 December 2015 and 2014 for the Staff Retirement Plan:

(UA thousands)

	2015	2014
Debt securities	257,274	235,383
Equity securities	199,555	179,284
Property	87,975	78,847
Others	-	8,141
Total	**544,804**	**501,655**

At 31 December 2015 and 2014, the assets of the MBP were invested primarily in short-term deposits and bonds.

The Bank's estimate of contributions it expects to make to the SRP and the MBP for the year ending 31 December 2016 are UA 37.14 million and UA 15.25 million, respectively.

Note S — Related parties

The following related parties have been identified:

The Bank makes or guarantees loans to some of its members who are also its shareholders, and borrows funds from the capital markets in the territories of some of its shareholders. As a multilateral development institution with membership comprising 54 African states and 26 non-African states (the "regional members" and "non-regional members", respectively), subscriptions to the capital of the Bank are made by all its members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each member of the Bank, who exercise the voting power of the appointing member country. Member country subscriptions and voting powers are disclosed in Note N. The Board of Directors, which is composed of twenty (20) Directors elected by the member countries, is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank also makes or guarantees loans to certain of the agencies of its Regional Member Countries and to public and private enterprises operating within such countries. Such loans are approved by the Board of Directors.

In addition to its ordinary resources, the Bank administers the resources of other entities under special arrangements. In this regard, the Bank administers the resources of the ADF. Furthermore, the Bank administers various special funds and trust funds, which have purposes that are consistent with its objectives of promoting the economic development and social progress of its Regional Member Countries. In this connection, the Bank administers the NTF as well as certain multilateral and bilateral donor funds created in the form of grants.

The ADF was established pursuant to an agreement between the Bank and certain countries. The general operation of the ADF is conducted by a 14-member Board of Directors of which 7 members are selected by the Bank. The Bank exercises 50 percent of the voting power in the ADF and the President of the Bank is the ex-officio President of the Fund. To carry out its functions, the ADF utilizes the officers, staff, organization, services and facilities of the Bank, for which it reimburses the Bank based on an agreed cost-sharing formula, driven in large part by the number of programs and projects executed during the year.

The Bank's investment in the ADF is included in Equity Participations and disclosed in Note J. In addition to the amount reported as equity participation, the Bank periodically makes allocations from its income to the Fund, to further its objectives.

Net income allocations by the Bank to ADF are reported as Other Resources in the Fund's financial statements. Net income allocation to the Fund in 2015 amounted to UA 51 million (2014: UA 42 million)

The NTF is a special fund administered by the Bank with resources contributed by Nigeria. The ADB Board of Directors conducts the general operations of NTF on the basis of the terms of the NTF Agreement and in this regard, the Bank consults with the Government of Nigeria. The NTF also utilizes the offices, staff, organization, services and facilities of the Bank for which it reimburses to the Bank its share of administrative expenses for such utilization. The share of administrative expenses reimbursed to the Bank by both the ADF and NTF is disclosed in Note Q.

Grant resources administered by the Bank on behalf of other donors, including its member countries, agencies and other entities are generally restricted for specific uses, which include the co-financing of Bank's lending projects, debt reduction operations and technical assistance for borrowers including feasibility studies. Details of the outstanding balance on such grant funds at 31 December 2015 and 2014 are disclosed in Note V-5.

The Bank charges fees for managing some of these funds. Management fees received by the Bank for the year ended 31 December 2015 amounted to UA 1.70 million (2014: UA 2.12 million).

The Bank also administers the SRP and MBP. The activities of the SRP and MBP are disclosed in Note R.

Management Personnel Compensation

Compensation paid to the Bank's management personnel and executive directors during the years ended 31 December 2015, and 2014 was made up as follows:

(UA thousands)

	2015	2014
Salaries	20,351	22,095
Termination and other benefits	11,403	14,155
Contribution to retirement and medical plan	4,269	4,461
Total	**36,023**	**40,711**

The Bank may also provide personal loans and advances to its staff, including those in management. Such loans and advances, guaranteed by the terminal benefits payable at the time of departure from the Bank, are granted in accordance with the Bank's rules and regulations. At 31 December 2015, outstanding balances on loans and advances to management staff amounted to UA 5.83 million (2014: UA 6.48 million).

Note T — Segment reporting

The Bank is a multilateral development finance institution dedicated to the economic and social progress of its regional member states. The Bank's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers.

Based on the evaluation of the Bank's operations, management has determined that ADB has only one reportable segment since the Bank does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers.

The products and services from which the Bank derives its revenue are mainly loans, treasury and equity investments.

External revenue for the years ended 31 December 2015 and 2014 is detailed as follows:

(UA thousands)

	2015	2014
Interest income from loans		
Fixed rate loans	272,224	265,278
Variable rate loans	13,717	13,849
Floating rate loans	52,566	51,086
	338,507	330,213
Commitment charges and commissions	11,700	11,915
Total income from loans	**350,207**	**342,128**
Income from investments	122,213	132,414
Income from other debt securities	3,734	3,851
Other income	19,316	9,726
Total external revenue	**495,470**	**488,119**

Revenues earned from transactions with a single borrower country of the Bank and exceeding 10 percent of the Bank's revenue for one country amounted to UA 75.55 million for the year ended 31 December 2015 (2014: two countries with revenues exceeding 10 percent of Bank's revenue amounted to UA 127.53 million).

The Bank's development activities are divided into five sub-regions of the continent of Africa for internal management purposes, namely: Central Africa, Eastern Africa, Northern Africa, Southern Africa, and Western Africa. Activities involving more than one single country from the continent of Africa are described as multinational activities. Treasury investment activities are carried out mainly outside the continent of Africa, and are therefore not included in the table below. In presenting information on the basis of the above geographical areas, revenue is based on the location of customers.

Geographical information about income from loans for the years ended 31 December 2015 and 2014 is detailed as follows:

(UA thousands)

	Central Africa	Eastern Africa	Northern Africa	Southern Africa	Western Africa	Multi-national	Total
2015							
Income from sovereign loans	42,435	4,213	79,558	81,110	2,759	234	210,309
Income from non-sovereign loans	3,755	11,530	16,922	37,710	40,361	29,620	139,898
	46,190	**15,743**	**96,480**	**118,820**	**43,120**	**29,854**	**350,207**
2014							
Income from sovereign loans	48,786	4,183	94,201	70,944	1,543	283	219,940
Income from non-sovereign loans	4,327	11,629	14,925	41,638	28,323	21,346	122,188
	53,113	**15,812**	**109,126**	**112,582**	**29,866**	**21,629**	**342,128**

As of 31 December 2015, land and buildings owned by the Bank were located primarily at the Bank's headquarters in Abidjan, Côte d'Ivoire. More than 90 percent of other fixed and intangible assets were located at the regional resource centers in Nairobi, Pretoria and Tunis.

Note U — Approval of financial statements

On 30 March 2016, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2016.

Note V — Supplementary disclosures

Note V — 1: Exchange rates

The rates used for translating currencies into Units of Account at 31 December 2015 and 2014 were as follows:

		2015	2014
1 UA = SDR =	Algerian Dinar	148.456000	127.415000
	Angolan Kwanza	187.510000	148.600548
	Australian Dollar	1.896700	1.766400
	Botswana Pula	15.587500	13.771900
	Brazilian Real	5.410990	3.848310
	Canadian Dollar	1.917850	1.679980
	Chinese Yuan	8.995480	8.865250
	CFA Franc	834.922000	782.766607
	Danish Kroner	9.472210	8.866110
	Egyptian Pound	10.835092	10.374856
	Ethiopian Birr	29.279000	29.426552
	Euro	1.272830	1.193320
	Gambian Dalasi	55.460000	65.239914
	Ghanaian Cedi	5.204920	4.638039
	Guinean Franc	10,663.200000	10,468.426300
	Indian Rupee	91.910100	91.754900
	Japanese Yen	167.116000	174.733000
	Kenyan Shilling	140.118000	131.258926
	Korean Won	1,624.080000	1,592.530000
	Kuwaiti Dinar	0.420570	0.424211
	Libyan Dinar	1.932400	1.932400
	Mauritian Rupee	49.778500	45.967900
	Moroccan Dirham	13.726600	13.073772
	New Zambian Kwacha	14.187500	9.231626
	New Zealand Dollar	2.023550	1.850560
	Nigerian Naira	269.631000	242.607000
	Norwegian Krone	12.206900	10.769300
	Pound Sterling	0.935100	0.928247
	São Tomé & Principe Dobra	31,778.200000	28,745.095780
	Saudi Arabian Riyal	5.196480	5.433010
	South African Rand	21.541200	16.778600
	Swedish Krona	11.574200	11.317600
	Swiss Franc	1.374780	1.433010
	Tanzanian Shilling	2,979.700000	2,500.143300
	Tunisian Dinar	2.808040	2.697480
	Turkish Lira	4.009690	3.239119
	Ugandan Shilling	4,678.710000	4,019.426339
	United States Dollar	1.385730	1.448810
	Vietnamese Dong	30,676.600000	30,781.417260

No representation is made that any currency held by the Bank can be or could have been converted into any other currency at the cross rates resulting from the rates indicated above.

Note V — 2: Other development assistance activities

i) Democratic Republic of Congo (DRC)

In connection with an internationally coordinated effort between the Bank, the International Monetary Fund (the IMF), the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on 26 June 2002 approved an arrears clearance plan for the DRC. Under the arrears clearance plan, contributions received from the donor community were used immediately for partial clearance of the arrears owed by the DRC. The residual amount of DRC's arrears to the Bank and loan amounts not yet due were consolidated into new contractual receivables, such that the present value of the new loans was equal to the present value of the amounts that were owed under the previous contractual terms. The new loans carry the weighted average interest rate of the old loans. In approving the arrears clearance plan, the Board of Directors considered the following factors: a) the arrears clearance plan is part of an internationally coordinated arrangement for the DRC; b) the magnitude of DRC's arrears to the Bank ruled out conventional solutions; c) the prolonged armed conflict in the DRC created extensive destruction of physical assets, such that the DRC had almost no capacity for servicing its debt; and d) the proposed package would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. Furthermore, there was no automatic linkage between the arrears clearance mechanism and the debt relief that may be subsequently provided on the consolidated facility. In June 2004, the DRC reached its decision point under the Heavily Indebted Poor Countries (HIPC) initiative. Consequently, the consolidated facility has since that date benefited from partial debt service relief under HIPC.

A special account, separate from the assets of the Bank, was established for all contributions towards the DRC arrears clearance plan. Such contributions may include allocations of the net income of the Bank that the Board of Governors may from time to time make to the special account, representing the Bank's contribution to the arrears clearance plan. The amount of such net income allocation is subject to the approval of the Boards of Governors of the Bank, typically occurring during the annual general meeting of the Bank. Consequently, income recognized on the consolidated DRC loans in current earnings is transferred out of reserves to the special account only after the formal approval of such transfer, in whole or in part, by the Board of Governors of the Bank.

ii) Post-Conflict Countries Assistance/Transition States Facility

The Post Conflict Countries' Fund was established as a framework to assist countries emerging from conflict in their efforts towards re-engagement with the donor community in order to reactivate development assistance and help these countries reach the Heavily Indebted Poor Countries (HIPC) decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with allocations from the ADB's net income, and contributions from the ADF and other private donors.

Resources from the facility are provided on a case-by-case basis to genuine post-conflict countries not yet receiving debt relief to fill financing gaps after maximum effort by the post-conflict country to clear its arrears to the Bank Group. In this connection, the Board of Governors by its Resolution B/BG/2004/07 of 25 May 2004 established the Post-Conflict Countries Facility (PCCF) under the administration of the ADF and approved an allocation of UA 45 million from the 2003 net income of the Bank. The Board of Governors also, by its resolution B/BG/2005/05 of 18 May 2005, approved an additional allocation of UA 30 million from the 2004 net income as the second installment of the Bank's contribution to the facility and by its resolution B/BG/2006/04 of 17 May 2006, the Board of Governors also approved the third and final installment of the Bank's allocation of UA 25 million from the 2005 net income. In March 2008, the Board of Directors approved the establishment of the Fragile States Facility (FSF) to take over the activities of the PCCF and in addition provide broader and integrated framework for assistance to eligible states. The purposes of the FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty-reduction and long-term economic growth of the eligible countries. By policy, contributions made by ADB to the PCCF/FSF are not used to clear the debt owed to the Bank by beneficiary countries.

iii) Heavily Indebted Poor Countries (HIPC) Initiative

The Bank participates in a multilateral initiative for addressing the debt problems of countries identified as HIPCs. Under this initiative, creditors provide debt relief for eligible countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. Under the original HIPC framework, selected loans to eligible beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the lower of the net present value of the loans or their nominal values, as calculated using the methodology agreed under the initiatives.

Following the signature of a HIPC debt relief agreement, the relevant loans were paid off at the lower of their net present value or their carrying value. On average, loans in the ADB's portfolio carry higher interest rates than the present value discount rates applied and therefore the net present value of the loans exceeds the book value. Consequently, affected ADB loans were paid off by the HIPC Trust Fund at book values.

The HIPC initiative was enhanced in 1999 to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are eligible, the debt relief is delivered through annual debt service reductions, as well as the release of up to 80 percent of annual debt service obligations as they come due until the total debt relief is provided. In addition, interim financing between the decision and completion points of up to 40 percent of total debt relief is provided whenever possible within a 15-year horizon.

As at end December 2015, the implementation of the HIPC initiative shows that out of the 33 eligible countries, 30 RMCs have reached their completion points while Chad is still in interim period. Three countries, Somalia, Sudan and Eritrea (pre-point decision) are yet to reach the decision point.

iv) Multilateral Debt Relief Initiative (MDRI)

At the Gleneagles Summit on 8 July 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC Initiative.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancelation would be delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors have committed to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on 1 September 2006. As of that date, the ADF wrote down its balance of disbursed and outstanding loans net of HIPC relief by an amount of UA 3.84 billion, with a corresponding decrease as of that date in the ADF's net assets. Reduction in ADF net assets results in a decrease in the value of the Bank's investment in the Fund. Subsequent write-down of loan balances is effected as and when other countries reach their HIPC completion point and are declared beneficiaries of MDRI loan cancelation. The reduction in the net asset value of the ADF does not include loans outstanding to MDRI countries that have not reached their HIPC completion points at the end of the year.

Note V — 3: Special funds

Under Article 8 of the Agreement establishing the Bank, the Bank may establish or be entrusted with the administration of special funds.

At 31 December 2015 and 2014, the following funds were held separately from those of the ordinary capital resources of the Bank:

i) The NTF was established under an agreement signed on 26 February 1976 (the Agreement) between the African Development Bank and the Federal Republic of Nigeria. The Agreement stipulates that the NTF shall be in effect for a period of 30 years from the date the Agreement became effective and that the resources of the NTF shall be transferred to the Government of Nigeria upon termination. However, the 30-year sunset period may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. At the expiry of the initial 30-year period on 25 April 2006, the Bank and the Federal Republic of Nigeria agreed to 2 interim extensions (each for 12 months) to allow for further consultations and an independent evaluation of the NTF.

Following the positive result of the independent evaluation, the NTF Agreement was renewed for a period of ten years starting from 26 April 2008. The initial capital of the NTF was Naira 50 million payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to US$ 39.90 million, was received by the Bank on 14 July 1976, and payment of the second installment, equivalent to US$ 39.61 million, was made on 1 February 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the NTF with Naira 50 million. The first installment of Naira 35 million (US$ 52.29 million) was paid on 7 October 1981. The second installment of Naira 8 million (US$ 10.87 million) was received on 4 May 1984. The payment of the third installment of Naira 7 million (US$ 7.38 million) was made on 13 September 1985.

During the year ended 31 December 2014, the Government of the Federal Republic of Nigeria authorized the withdrawal of an amount of US$13 million (UA 8.41 million) from reserves to settle its commitment on the arrears clearance of debt owed by Liberia under the internationally coordinated arrears clearance mechanism for Post Conflict Countries.

During the year ended 31 December 2015, following a request by the Government of Nigeria, on 13 May 2015, a withdrawal of US$ 10 million (UA 7.14 million) was made from the resources of the Fund and paid to the Government of Nigeria.

The resources of the NTF at 31 December 2015 and 2014 are summarized below:

(UA thousands)

	2015	2014
Contribution received	128,586	128,586
Funds generated (net)	140,452	146,347
Adjustment for translation of currencies	(99,162)	(106,656)
	169,876	**168,277**
Represented by:		
Due from banks	5,053	10,286
Investments	115,224	113,419
Accrued income and charges receivable on loans	1,124	1,136
Accrued interest on investments	59	45
Other amounts receivable	295	252
Loans outstanding	48,765	44,466
	170,520	**169,604**
Less: Current accounts payable	(644)	(1,327)
	169,876	**168,277**

ii) The Special Relief Fund (for African countries affected by drought) was established by Board of Governors' Resolution 20-74 to assist African countries affected by unpredictable disasters. The purpose of this fund was subsequently expanded in 1991 to include the provision of assistance, on a grant basis, to research institutions whose research objectives in specified fields are likely to facilitate the Bank's objective of meeting the needs of Regional Member Countries in those fields. The resources of this Fund consist of contributions by the Bank, the ADF and various member states.

The summary statement of the resources and assets of the Special Relief Fund (for African countries affected by drought) as at 31 December 2015 and 2014 follows:

(UA thousands)

	2015	2014
Fund balance	97,464	87,464
Funds generated	5,481	5,197
Funds allocated to Social Dimensions of Structural Adjustment (SDA)	1	1
Less: Relief disbursed	(94,272)	(87,088)
	8,674	**5,574**
Represented by:		
Due from bank	1,250	2,192
Investments	7,424	3,382
	8,674	**5,574**

At 31 December 2015, a total of UA 0.72 million (2014: UA 3.31 million) had been committed but not yet disbursed under the Special Relief Fund.

iii) Africa Growing Together Fund (AGTF): Pursuant to the Board of Governors resolution B/BG/2014/06 of 22 May 2014, the agreement establishing the Africa Growing Together Fund was signed between the Bank and the Peoples Bank of China on 22 May 2014 to co-finance alongside the ADB-eligible sovereign and non-sovereign operations. Following the entry into force of the AGTF agreement, an initial contribution of USD 50 million towards the Fund was received by the Bank on 28 November 2014.

The summary statement of the resources and assets of the Africa Growing Together Fund as at 31 December 2015 and 2014 follows:

(UA thousands)

	2015	2014
Contribution received	36,082	34,511
Funds generated (net)	(336)	(35)
	35,746	**34,476**
Represented by:		
Due from bank	648	350
Investments	35,473	34,163
Less: Current accounts payable	(375)	(37)
	35,746	**34,476**

Note V — 4: Trust funds

The Bank has been entrusted, under Resolutions 11-70, 19-74 and 10-85 of the Board of Governors, with the administration of the Mamoun Beheiry Fund, the Arab Oil Fund, and the Special Emergency Assistance Fund for Drought and Famine in Africa. These funds, held separately from those of the ordinary capital resources of the Bank, are maintained and accounted for in specific currencies, which are translated into Units of Account at exchange rates prevailing at the end of the year.

i) The Mamoun Beheiry Fund was established under Board of Governors' Resolution 11-70 of 31 October 1970, whereby Mr. Mamoun Beheiry, former President of the Bank, agreed to set up a fund, which could be used by the Bank to reward staff members who had demonstrated outstanding performance in fostering the objectives of the Bank.

ii) The Special Emergency Assistance Fund for Drought and Famine in Africa (SEAF) was established by the 20th Meeting of Heads of State and Governments of member countries of the African Union formerly Organization of African Unity (OAU) held in Addis Ababa, Ethiopia, from 12 to 15 November 1984, under Resolution AHG/Res. 133 (XX), with the objective of giving assistance to African member countries affected by drought and famine.

The financial highlights of these Trust Funds at 31 December 2015 and 2014 are summarized below:

(UA thousands)

	2015	2014
i) Mamoun Beheiry Fund		
Contribution	151	151
Income from investments	200	202
	351	353
Less: Prize awarded	(46)	(46)
Gift	(25)	(25)
	280	282
Represented by:		
Due from banks	280	282
	280	282
ii) Special Emergency Assistance Fund for Drought and Famine in Africa		
Contributions	23,809	22,075
Funds generated	6,171	5,902
	29,980	27,977
Relief granted	(26,513)	(25,359)
	3,467	2,618
Represented by:		
Due from banks	3	623
Investments	3,464	1,995
	3,467	2,618
Total Resources & Assets of Trust Funds	**3,747**	**2,900**

Note V — 5: Grants (Donor Funds)

The Bank administers grants on behalf of donors, including member countries, agencies and other entities. Resources for Grants are restricted for specific uses, which include the co-financing of the Bank's lending projects, debt reduction operations, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the assets of the Bank. In accordance with Article 11 of the Agreement establishing the Bank, the accounts of these grants are kept separate from those of the Bank.

The undisbursed balances of the grant resources at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Africa Water Facility Fund	51,999	63,967
African Trade Fund	6,811	8,205
African Legal Support Facility	14,496	16,271
African Economic Outlook	48	53
Africa Climate Change Fund	4,409	4,270
African Community of Practice	1,112	2,628
Africa Growing Together Fund	33,165	34,513
Agriculture Fast Track Fund	14,465	14,852
AMINA	1,620	1,529
Bill and Melinda Gate Foundation TCA	1,169	-
Canada	712	1,271
Chinese Government Grant	250	225
Clean Technology Fund	67,075	72,559
Congo Basin	38,528	50,462
Climate Development	11,188	9,723
EU Africa Infrastructure Trust Fund	382	-
Fertilizer Financing Mechanism	9,242	8,390
Finland	3,205	4,261
France-BAD (Fonds d'Assistance Technique)	717	1,031
Global Agriculture and Food Security Programme (GAFSP)	4,078	19,882
Global Environment Facility (GEF)	22,882	22,281
Global Strategy to improve Agriculture and Rural Statistics (GARS)	2,852	3,175
Governance Trust Fund (GTF)	1,408	1,586
ICA-Infrastructure Consortium for Africa	1,355	1,436
International Comparison Programme – Africa (ICP-Africa)	13	22
IMDE (Initiative Migration and Development)	4,855	5,529
Improving Statistics Food Security Trust Fund (ISFS)	942	-
India	1,882	2,409
Investment Climate Facility for Africa	10,200	21,130
Italy	285	824
Japan (FAPA)	29,767	25,682
Korea Trust Fund	22,422	19,403
Lake Turkana Wind Power Project	3,199	8,379
Making Finance Work for Africa	731	949
MENA Transition Fund	16,176	14,018
Microfinance Trust Fund	3,828	4,296
Multi-donor Water Partnership Program	694	928
Nepad Infrastructure	37,876	34,021
Norway	842	1,556
Portuguese Technical Cooperation Trust Fund	736	892
Programme for Infrastructure Development in Africa (PIDA)	109	171
Rural Water Supply and Sanitation Initiative	71,588	76,312
SFRD (Great Lakes)	433	409
South South Cooperation Trust Fund	2,109	2,923
Statistical Capacity Building (SCB)	7,735	4,814
Strategic Climate Fund	20,818	21,231
Sustainable Energy Fund for Africa	33,044	34,805
Swedish Trust Fund for Consultancy Services	171	182
Switzerland Technical Assistance Grant	1,800	218
The Nigeria Technical Cooperation Fund	9,124	12,389
The United Kingdom	8,708	2,031
The United Nations Development Programme	41	38
Trust Fund for Countries Transition	1,699	3,935
Value for Money Fund	901	837
Zimbabwe Multi-donor Trust Fund	44,108	51,705
Others	43	40
Total	**630,047**	**694,648**

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Independent Auditor's Report to the Board of Governors of the African Development Bank

Year ended 31 December 2015

We have audited the accompanying financial statements of the African Development Bank (the Bank) which comprise the balance sheet as at 31 December 2015 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to V.

The financial statements have been prepared in accordance with International Financial Reporting Standards, for the purpose of submitting approved and audited financial statements to the Board of Governors as required by Article 32(d) of the Agreement establishing the Bank. This report is made solely to the Bank's Board of Governors, as a body, in accordance with Article 32(d) of the Agreement establishing the Bank. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 30 March 2016

KPMG Audit
A division of KPMG S.A.

Valéry Foussé
Partner

ADB administrative budget for financial year 2016

(UA thousands)

Description	
Personnel Expenses	
Salaries	159,554
Benefits	71,380
Other Employee Expenses	10,471
Short-Term and Technical Assistance Staff	1,353
Consultants	27,740
Staff Training	6,175
	276,673
General Expenses	
Official Missions	23,460
Accommodation	18,438
Equipment Rental, Repairs and Maintenance	9,109
Communication Expenses	12,685
Printing, Publishing and Reproduction	1,544
Office Supplies and Stationery	518
Library	615
Other Institutional Expenses	15,448
	81,817
Total Administrative Expenses	**358,490**
Depreciation	12,240
Total	**370,730**
Less: Management Fees*	(221,150)
Net Administrative Budget	**149,580**

* The amount represents the African Development Fund and the Nigeria Trust Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services and facilities based on formula approved by the Boards.

THE AFRICAN DEVELOPMENT FUND

FINANCIAL MANAGEMENT

Subscriptions

ADF Replenishments

The resources of the African Development Fund (the ADF or the Fund) primarily consist of subscriptions by the Bank, subscriptions and contributions by State Participants, as well as other resources received by the Fund. The cumulative subscriptions to the ADF amounted to UA 26.71 billion at 31 December 2015.

Subsequent to the initial subscriptions, additional resources have been provided to the ADF in the form of periodic general replenishments, typically done every three years. The thirteenth (ADF-13) replenishment was adopted by the Board of Governors on 31 January 2014, and became effective on 31 March 2014 with the total resource envelope amounting to UA 5.35 billion, comprising donor subscriptions of UA 3.80 billion, supplementary contributions of UA 0.06 billion, Advanced Commitment Capacity or internally generated resources of UA 0.98 billion, and a technical gap of UA 0.51 billion. The replenishment covers the 2014-2016 operational period. As of 31 December 2015, State Participants had subscribed a total amount of UA 3.80 billion, representing 99 percent of the ADF-13 pledged amount.

Commitments under the Multilateral Debt Relief Initiative

Under the Multilateral Debt Relief Initiative (MDRI), donor countries agree to compensate ADF for the cancellation of its loans to Heavily Indebted Poor Countries (HIPCs) that have reached, or will reach the completion point under the enhanced HIPC initiative. The MDRI became effective on 1 September 2006, and covers the period, 2006-2054. To preserve the financial integrity and the financing capacity of the Fund, the terms of the MDRI require donors to fully compensate the Fund for debts canceled under the MDRI. Donors have also agreed that periodic adjustments would be made under the initiative to reflect changes in the actual and estimated costs to the Fund resulting from debt forgiveness.

As of 31 December 2015, the Fund had received from donors aggregate commitments of UA 4.69 billion, representing 82 percent of the MDRI cost of UA 5.69 billion for the period, 2006-2054.

Financial Products

The ADF is the concessional financing window of the Bank Group that provides low-income regional member countries with concessional loans as well as grants for projects and programs, risk guarantees and support through technical assistance for studies and capacity building.

Loans

Prior to the ADF-13 replenishment, the ADF was operating under differentiated lending terms for ADF-eligible countries classified as blend, gap and graduating versus ADF-only countries. Accordingly, loans extended to blend, gap and graduating countries had a maturity period of 30 years, including an 8-year grace period with an interest rate of 1 percent per annum. For ADF-only countries, their loans had a maturity period of 50 years, including a grace period of 10 years, with no interest rate. The standard commitment fee of 0.50 percent per annum on undisbursed amounts and service charge of 0.75 percent per annum on outstanding balances, were still applicable for all ADF loans.

With the view to preserving the long-term financial sustainability and capacity of the ADF, the ADF-13 replenishment introduced (i) hardened and differentiated lending terms, and (ii) two sub-groups of ADF-only countries: the “regular” or the “advance” group. The financing terms for regular and advance ADF-only countries, as well as for blend, gap and graduating countries, were hardened. An accelerated repayment clause and a voluntary prepayment framework were also introduced.

Accordingly, new loans extended under ADF-13 to regular ADF countries have a maturity of 40 years, including a grace period of 10 years; and loans extended to advance ADF countries have a maturity of 40 years, including a grace period of 5 years. The standard commitment fee of 0.50 percent per annum on undisbursed amounts and service charge of 0.75 percent per annum in outstanding balances remain applicable. Loans to blend, gap and graduating countries have a maturity of 30 years including a 5-year grace period, and an interest rate charge of 1 percent per annum in addition to the standard commitment and service fees.

Guarantees

As a means of stimulating additional private sector investments in Low-Income Countries (LICs), the ADF Partial Risk

Guarantee (ADF-PRG) instrument was introduced as part of ADF-12 to leverage resources from the private sector and other co-financiers for ADF countries, including fragile states. The ADF-PRG protects private lenders against well-defined political risks related to the failure of a government or a government-related entity to honor certain specified commitments and incentivize governments to undertake policy and fiscal reforms necessary to mitigate performance-related risks.

Starting with the ADF-13 replenishment, the Partial Credit Guarantee (PCG) has been added to the suite of ADF instruments. The ADF-PCG is an instrument designed to address the challenges faced by well-performing ADF-only countries and State Owned Enterprises (SOEs), in their quest to mobilize both domestic and external commercial financing for developmental purposes. The product will serve to partially guarantee debt-service obligations of LICs and well-performing SOEs in LICs. The ADF PCG is available only to; (1) ADF countries with low risk of debt distress (green light countries) and adequate debt management capacity; and (2) SOEs in ADF countries with low risk and moderate risk of debt distress (green and yellow light countries, respectively), subject to meeting certain defined eligibility criteria. Similar to the ADF-PRG, the ADF-PCG will enable well-performing LICs and SOEs to catalyze larger volumes of development financing at more attractive terms.

Investments

ADF cash and treasury investments amounted to UA 3.27 billion at 31 December 2015, compared to UA 3.38 billion at the end of 2014. Investment income for the year amounted to UA 60.97 million, representing a return of 1.64 percent, on an average liquidity level of UA 3.72 billion, compared with an income of UA 76.35 million, representing a return of 2.31 percent on an average liquidity of UA 3.31 billion in 2014. The lower income and return in 2015 was due to a small increase in the fair value of derivatives put in place in 2014 to hedge the discount granted to donors, who chose to accelerate the encashment of their subscription to ADF-13, and to the smaller size of the higher yielding held-at-amortized cost portfolios.

Development Activities

Cumulative loans and grants signed, net of cancellations, at 31 December 2015, amounted to UA 28.26 billion, compared to UA 26.67 billion at the end of 2014. Table 6.6 presents loans approved, disbursed and undisbursed balances from 2011 to 2015.

Total outstanding loans, as at 31 December 2015, was UA 9.80 billion, UA 0.83 billion higher than the UA 8.97 billion outstanding as at the end of 2014.

At the end of 2015, there was a total of 1,169 active loans and grants, and a total of 725 loans amounting to UA 5.76 billion had been fully repaid or canceled through MDRI.

Disbursements

Loans and grants disbursed by the Fund increased by 14.75 percent to stand at UA 1.40 billion in 2015 from UA 1.22 billion in 2014. As at 31 December 2015, cumulative disbursements on loans and grants amounted to UA 21.51 billion compared to UA 20.11 billion at the end of the previous year. A total of 2,144 loans and grants were fully disbursed for an amount of UA 16.72 billion, representing 77.73 percent of cumulative disbursements. Figure 6.3 tracks the evolution of loan disbursements and repayments over the past five years.

Repayments

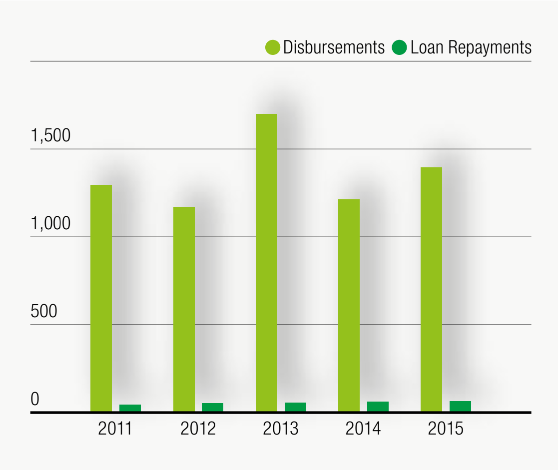
In 2015, principal loan repayments for the Fund amounted to UA 66.34 million compared to UA 62.87 million in 2014, representing an increase of 5.52 percent over the previous year. Cumulative repayments as of 31 December 2015, stood at UA 7.13 billion.

Table 6.6
Lending Status, 2011-2015
(UA millions)

	2011	2012	2013	2014	2015
Loans Approved*	1,475.74	1,659.51	2,054.48	1,338.23	1,259.58
Disbursements	1,296.65	1,169.60	1,702.21	1,215.30	1,398.36
Undisbursed Balances	5,415.36	6,921.62	6,327.68	6,558.66	6,762.39

* Excludes approvals of Special Funds but includes guarantees and grants.

Figure 6.3
Loan Disbursements and Repayments, 2011-2015 (UA millions)



Risk Management Policies and Processes

As in the case of the Bank, the Fund employs stringent risk management procedures in order to prudently reduce its exposure to risks, such as liquidity, currency and interest rate risks, that are not essential to its core business of providing development-related assistance to its clients. The details of the risk management policies and practices employed by the Fund to manage these risks are provided in Note C to the Financial Statements.

FINANCIAL RESULTS

The following are the highlights of the Fund's financial performance in 2015:

- The Fund reported a reduced deficit of UA 83.25 million in 2015, compared to a deficit of UA 125.35 million in 2014. The persistent reported losses over recent years is principally due to certain structural changes to the Fund, including the cancellation of loans to certain beneficiaries under the MDRI initiative (described in Note F to the financial statements) and the increased grant elements in the recent ADF resource allocation. Although these changes are not reported as income in the Fund's financial statements, their impact does not adversely affect the commitment capacity or the financial sustainability of the Fund because the Fund is expected to be compensated through additional donor subscriptions, payable over the life of the canceled loans.

- The generally low level of interest rates prevailing globally continued to have the dual effect of lowering the Fund's investment income and increasing the impact of the accelerated encashment of promissory notes deposited towards the payment of subscriptions to the Fund.

- The Fund's share of the total shareable administrative expenses of the ADB Group decreased by UA 47.64 million from UA 248.57 million in 2014 to UA 200.93 million in 2015, due to the general decrease in the operational expenses of the Bank Group and the lower expenses relating to the return of the Bank to its Headquarters in Abidjan, Côte d'Ivoire. As noted earlier, the Fund's share of administrative expenses is based on a predetermined cost-sharing formula, which is driven by the relative levels of certain operational volume indicators and relative balance sheet size. The Fund's share of these expenses was 63.14 percent for 2015, compared to 67.32 percent for 2014.

- Investment income decreased from UA 76.35 million in 2014 to UA 60.97 million in 2015. Loan income increased from UA 80.66 million in 2014 to UA 90.32 million in 2015, driven primarily by a higher average outstanding loan balance in 2015. Discount on the accelerated encashment of promissory notes amounted to UA 27.21 million in 2015 compared to UA 34.33 million in 2014.

According to the Fund's non-accrual policy, service charges on loans made to or guaranteed by borrowers are excluded from loan income, if principal installments or service charges on any such loans are in arrears for six months or more, until such time that payment is received. As a result of this policy, UA 2.05 million of non-accrued loan income was excluded from 2015 income compared to UA 2.06 million in 2014. The number of borrowers in non-accrual status at 31 December 2015 remained three; which was the same level as at the end of December 2014.

The Fund continued to cancel qualifying debts under MDRI as the relevant countries reached HIPC completion point. No new countries reached completion point during 2015. A summary of the cumulative loan cancellations under MDRI and HIPC is presented in Note F to the Special Purpose Financial Statements.

Performance Management and Monitoring

As with the African Development Bank (the Bank) management monitors performance measures and indicators which reflect the critical success factors in the ADF's business. To the extent that the ADF extends grants in addition to lending at highly concessional rates, the conventional profitability and financial ratios are not deemed to be an appropriate means of determining its effectiveness in delivering development resources to regional member countries. One proxy that the Fund applies for measuring effective delivery of development resources is the level of disbursements made to the RMCs from one period to another. As already noted previously, during the year under review a total of UA 1.40 billion was disbursed for loans and grants as compared to UA 1.22 billion made in 2014.

African Development Fund
Special Purpose Financial Statements and Report of the Independent Auditor Year ended 31 December 2015

Statement of net development resources as at 31 December 2015
(UA thousands – Note B)

		2015	2014
DEVELOPMENT RESOURCES			
DUE FROM BANKS		376,273	368,702
INVESTMENTS (Note D)			
Treasury investments, mandatorily at fair value	1,699,887		1,452,412
Treasury investments at amortized cost	1,192,030		1,557,501
Total investments		2,891,917	3,009,913
DEMAND OBLIGATIONS (Note E)		2,669,459	2,801,319
RECEIVABLES			
Accrued income on loans and investments	57,417		54,925
Other receivables	25,766		70,888
		83,183	125,813
LIABILITIES		(88,946)	(154,342)
NET DEVELOPMENT RESOURCES		**5,931,886**	**6,151,405**
FUNDING OF DEVELOPMENT RESOURCES			
SUBSCRIPTIONS AND CONTRIBUTIONS (Notes G & M)			
Amount subscribed including contributions through accelerated encashment of subscriptions	26,644,463		26,175,035
Less: Portion of accelerated encashment not yet effected	(15,793)		(31,586)
	26,628,670		26,143,449
Less: Installments not yet payable	(1,348,588)		(1,963,439)
	25,280,082		24,180,010
Less: Installments due	(7,018)		(7,018)
	25,273,064		24,172,992
Contributions paid on Multilateral Debt Relief Initiative	849,249		748,051
	26,122,313		24,921,043
Less: Unamortized discounts on subscriptions and contributions (Note B)	(100,786)		(112,202)
	26,021,527		24,808,841
Cumulative exchange adjustment on subscriptions and contributions (Note B)	(306,711)		(291,641)
Total subscriptions and contributions		25,714,816	24,517,200
OTHER RESOURCES (Note H)		602,961	551,960
RESERVES (Note I)		(340,516)	(257,267)
CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT (Note B)		(353,093)	(332,021)
		25,624,168	24,479,872
ALLOCATION OF DEVELOPMENT RESOURCES			
GRANTS AND TECHNICAL ASSISTANCE ACTIVITIES (Note F)		(4,750,545)	(4,379,817)
HIPC GRANTS DISBURSED (Note F)		(184,000)	(184,000)
NET DEBT RELIEF (Note F)		(4,955,072)	(4,799,441)
LOANS DISBURSED AND OUTSTANDING (Note F)		(9,802,665)	(8,965,209)
NET DEVELOPMENT RESOURCES		**5,931,886**	**6,151,405**

The accompanying notes to the special purpose financial statements form part of this statement.

Statement of income and expenses and other changes in development resources for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
INCOME AND EXPENSES		
Service charges on loans	66,907	61,905
Commitment charges on loans	23,417	18,751
Income on investments	60,967	76,350
Other income	-	90
Administrative expenses (Note K)	(200,932)	(248,566)
Discount on accelerated encashment of participants' demand obligations	(27,209)	(34,332)
Financial charges	(1,251)	(135)
(Loss)/Gain on exchange	(5,148)	585
Deficit	**(83,249)**	**(125,352)**
CHANGE IN DEVELOPMENT RESOURCES FUNDING		
Increase in paid-up subscriptions	1,100,072	1,756,184
Contributions received on account of Multilateral Debt Relief Initiative	101,198	80,812
Increase in other resources	51,000	42,000
Changes in accumulated exchange adjustment on subscriptions and contributions	(15,070)	(12,340)
Changes in unamortized discounts on subscriptions and contributions	11,416	15,524
Changes in accumulated translation adjustment	(21,072)	(46,062)
	1,227,544	**1,836,118**
CHANGE IN DEVELOPMENT RESOURCES ALLOCATION		
Disbursement of grants	(370,728)	(378,642)
Disbursement of loans	(1,027,633)	(836,659)
Repayment of loans	66,342	62,867
Recoveries on account of Multilateral Debt Relief Initiative	9,317	-
Translation adjustment on loans	(41,112)	(8,773)
	(1,363,814)	**(1,161,207)**
Change in Net Development Resources	(219,519)	549,559
Net Development Resources at the beginning of the year	6,151,405	5,601,846
NET DEVELOPMENT RESOURCES AT THE END OF THE YEAR	**5,931,886**	**6,151,405**

The accompanying notes to the special purpose financial statements form part of this statement.

Statement of comprehensive income for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
DEFICIT	(83,249)	(125,352)
OTHER COMPREHENSIVE INCOME		
Changes in accumulated translation adjustment	(21,072)	(46,062)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(104,321)**	**(171,414)**

The accompanying notes to the special purpose financial statements form part of this statement.

Statement of cash flows for the year ended 31 December 2015

(UA thousands – Note B)

	2015	2014
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Deficit	(83,249)	(125,352)
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized (gain)/loss on investments	(8,362)	4,143
Discount on accelerated encashment of participants' demand obligations	27,209	34,332
Changes in accrued income on loans and investments	(1,406)	1,086
Changes in net current assets	(18,304)	(2,722)
Net cash used in operating activities	(84,112)	(88,513)
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursement of grants	(370,728)	(378,642)
Disbursement of loans	(1,027,633)	(836,659)
Repayment of loans	66,342	62,867
Recoveries on account of Multilateral Debt Relief Initiative	9,317	-
Investments maturing after 3 months of acquisition:		
Treasury investments, mandatorily at fair value	(404,717)	(250,828)
Treasury investments at amortized cost	382,374	529,300
Net cash used in investment, lending and development activities	(1,345,045)	(873,962)
FINANCING ACTIVITIES:		
Subscriptions and contributions received in cash	448,760	258,164
Participants' demand obligations encashed	794,355	1,057,423
Increase in other resources	51,000	42,000
Net cash provided by financing activities	1,294,115	1,357,587
Effect of exchange rate changes on cash and cash equivalents	(26,186)	(9,047)
Net (decrease)/increase in cash and cash equivalents	(161,228)	386,065
Cash and cash equivalents at the beginning of the year	636,817	250,752
Cash and cash equivalents at the end of the year	**475,589**	**636,817**
COMPOSED OF:		
Cash	376,273	368,702
Investments maturing within 3 months of acquisition:		
Treasury investments, mandatorily at fair value	99,316	268,115
Cash and cash equivalents at the end of the year	**475,589**	**636,817**
SUPPLEMENTARY DISCLOSURE:		
Movements resulting from exchange rate fluctuations on:		
Loans	41,112	8,773
Subscriptions and contributions	(15,070)	(12,340)

The accompanying notes to the financial statements form part of this statement.

Notes to the special purpose financial statements
Year ended 31 December 2015

Note A — Purpose, organization and resources

Purpose and Organization

The African Development Fund (ADF or the Fund) was established in 1972 as an international institution to assist the African Development Bank (ADB or the Bank) in contributing to the economic and social development of the Bank's regional members, promote cooperation and increased international trade particularly among the Bank's members, and to provide financing on concessional terms for such purposes.

By its resolution F/BG/2010/03 of 27 May 2010, the Board of Governors increased the membership of the Board of Directors of ADF from twelve (12) to fourteen (14), made up of seven (7) members selected by the Bank and seven (7) members selected by State Participants. The Board of Directors reports to the Board of Governors, which is made up of representatives of the State Participants and the ADB. The ADB exercises fifty percent (50 %) of the voting powers in the ADF and the President of the Bank is the ex-officio President of the Fund.

The ADB, the Nigeria Trust Fund (NTF), which is a special fund administered by the ADB, and the ADF are collectively referred to as the Bank Group. The principal purpose of the ADB is to promote economic and social development in its Regional Member Countries. The ADB finances development projects and programs in its regional member states. The ADB also participates in the selection, study and preparation of projects contributing to the development of its member countries and where necessary provides technical assistance. The NTF was established under an agreement between the Bank and the Federal Republic of Nigeria to further support the development efforts of ADB Regional Member Countries, particularly the lesser-developed countries. The assets and liabilities of the ADB and of the NTF are separate and independent of those of the ADF. Furthermore, the ADF is not liable for their respective obligations. Transactions with these affiliates, where there are, are disclosed in the notes that follow.

Resources

The resources of the Fund consist of subscriptions by the Bank, subscriptions and contributions by State Participants, other resources received by the Fund and funds derived from operations or otherwise accruing to the Fund. The initial resources of the Fund consisted of subscriptions by the Bank and the original State Participants to the Agreement Establishing the Fund (the Agreement). Thereafter, the resources have been replenished through Special and General increases of subscriptions and contributions.

Note B — Basis of preparation and significant accounting policies

Due to its nature and organization, the Fund presents its financial statements on a special purpose basis. The Special Purpose Financial Statements are prepared for the specific purpose of reflecting the net development resources of the Fund and are not intended to be a presentation in accordance with International Financial Reporting Standards. Net development resources represent resources available to fund loan and grant commitments and comprise primarily cash, marketable investments and demand obligations of State Participants. These special purpose financial statements have been prepared to comply with Article 35(1) of the Agreement establishing the Fund, which requires that the Fund circulates, at appropriate intervals, a summary of its financial position and income and expenditure statement showing the results of its operations.

The significant accounting policies used in the preparation of the Fund's special purpose financial statements are as follows:

Monetary Basis of the Special Purpose Financial Statements

The special purpose financial statements are expressed in Units of Account (UA). Article 1 of the Agreement defined a Unit of Account as having a value of 0.81851265 grams of fine gold.

On 1 April 1978, when the second amendment to the Articles of the Agreement of the International Monetary Fund (IMF) came into effect, gold was abolished as a common denominator of the international monetary system. Computations relating to the currencies of IMF members were thereafter made on the basis of the Special Drawing Right (SDR) for purposes of applying the provisions of the Articles of the IMF. The Fund's Unit of Account was therefore based on its relationship to the SDR at the time of establishment of the Fund. This was 1 Unit of Account equal to SDR 0.921052.

Subsequently, on 16 November 1992, the Board of Governors decided by Resolution F/BG/92/10 to redefine the Fund's Unit of Account to be equivalent to the UA of the ADB, which is defined as equivalent to the Special Drawing Right of the IMF. In compliance with this Resolution, the Board of Directors, on 22 June 1993, adopted 1 January 1993 as the date for the entry into effect of the Resolution, and the Fund's UA has since then been defined as equal to the Bank's UA.

The Fund conducts its operations in the currencies of its State Participants. Income and expenses are converted into UA at the rate prevailing on the date of the transaction. Assets and liabilities are translated into UA at rates prevailing at the date of the Statement of Net Development Resources. Translation differences are debited or credited to the Cumulative Currency Translation Adjustment. Translation gains and losses on subscriptions received are credited or debited to the Cumulative Exchange Adjustment on Subscriptions and contributions. Where currencies are converted into any other currency, the resulting gains or losses are included in income.

The rates used for translating currencies into UA at 31 December 2015 and 2014 are as follows:

	2015	2014
1 Unit of Account equals:		
Argentinian Peso	13.234600	12.416800
Brazilian Real	5.410990	3.848310
Canadian Dollar	1.917850	1.679980
Danish Krone	9.472210	8.866110
Euro	1.272830	1.193320
Indian Rupee	91.910100	91.754900
Japanese Yen	167.116000	174.733000
Korean Won	1,624.080000	1,592.530000
Kuwaiti Dinar	0.420570	0.424210
Norwegian Krone	12.206900	10.769300
Pound Sterling	0.935100	0.928250
South African Rand	21.541200	16.778600
Swedish Krona	11.574200	11.317600
Swiss Franc	1.374780	1.433010
Turkish Lira	4.009690	3.239120
United States Dollar	1.385730	1.448810

No representation is made that any currency held by the Fund can be or could be converted into any other currency at the cross-rates resulting from the rates indicated above.

Participants' Subscriptions and Contributions

Subscriptions committed by State Participants for each replenishment are recorded in full as subscriptions receivable from participants upon submission of an instrument of subscription by the participants. A replenishment becomes effective when the ADF receives instruments of subscription from participants for a portion of the intended replenishment level as specified in the replenishment resolution. The portion of subscribed amounts for which payments are not yet due from State Participants are recorded as installments on subscriptions not yet payable, and are not included in the net development resources of the Fund. The subscriptions not yet payable become due throughout the replenishment period (generally three years) in accordance with an agreed payment schedule. The actual payment of subscriptions when they become due from certain participants is conditional upon the respective participant's budgetary appropriation process.

The subscriptions receivable are settled through payment of cash or deposit of non-negotiable, non-interest-bearing demand notes. The notes are encashed by the Fund as provided in an encashment program agreed to at the time of the replenishment.

Starting with the ADF-9 replenishment, participants were given the option of an early payment of cash in an amount equivalent to the net present value of their entire subscriptions and contributions. Upon receipt of such cash payments, participants are credited with the full face value of their entire subscriptions, and in agreement with the Fund, such cash amounts received are invested and the income generated thereon is retained by the Fund. A discount, calculated as the difference between the face value of the subscriptions and the cash amount received, is initially recorded to represent the interest expected to be earned on the cash received from State Participants who opted for the accelerated encashment program. Such discount is amortized over the projected encashment period, to recognize the effective contributions to equity by the relevant participant over and above the initial cash advanced.

By its resolutions F/BG/2006/12 and F/BG/2006/13 of 18 May 2006 and 31 August 2006 respectively, the Board of Governors of the Fund authorized the Board of Directors to approve the participation of the ADF in the Multilateral Debt Relief Initiative (MDRI) and in that regard the Board of Governors also authorized an increase in the resources of the ADF to provide full and timely compensation for the debt cancellation under the MDRI subject to the attainment of the following effectiveness thresholds:

1) Receipt of Instruments of Commitment from donors covering an aggregate amount equivalent to at least seventy percent (70%) of the total cost of debt relief for the first group of 14 post-completion point Heavily Indebted Poor Countries (HIPCs); and

2) Receipt of unqualified Instruments of Commitments from donors for an amount not less than the equivalent of at least seventy five percent (75%) of the total cost of debt relief incurred during the remainder of ADF-10 period.

Upon satisfaction of the above two thresholds, the Board of Directors of the Fund approved the effectiveness of the MDRI with effect from 1 September 2006. To ensure full compensation for foregone reflows as a result of the upfront debt cancellation, the ADF governing bodies endorsed Management's proposal for a compensation scheme over the 50-year period of the Initiative. Donors will contribute additional resources to ADF, equivalent to the foregone debt service (service charges and principal) for each replenishment period, by submitting pledges over the life of the initiative. The compensatory financing arrangements will take the form of a general increase in the contribution of State Participants pursuant to Article 7 of the Agreement Establishing ADF. The contributions received from State Participants under the compensatory financing arrangements shall not be counted as part of the burden share for the replenishment period in which such resources are received, but shall carry voting rights in the same manner as normal subscriptions. Such contributions are separately disclosed within the total of subscriptions and contributions in the Statement of Net Development Resources.

Maintenance of Value of Currency Holdings

Prior to the second general replenishment, subscriptions were denominated in UA and were subject to Article 13 of the Agreement which provided that, whenever the par value in the IMF of the currency of a State Participant is reduced in terms of the UA or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its currency required to maintain the value, as of the time of subscription, of the amount of such currency paid into the Fund by that participant and which has not been disbursed or exchanged for another currency.

Conversely, if the currency of a State Participant has increased in par value or appreciated in its foreign exchange value within that participant's territory, the Fund shall return to that participant an amount of such currency equal to the increase in the value of the Fund's holding of that currency which was received by it in payment of subscriptions, to the extent that these amounts have not been disbursed or exchanged for another currency.

In accordance with Board of Governors' successive Resolutions governing the second through to the thirteenth general replenishments of the Fund, which stipulated that Article 13 shall not apply to these general replenishments, subscribers to these replenishments fixed the amount of their subscriptions payable in national currencies in terms of agreed parities ruling at the date these replenishments came into force. Gains or losses arising on translating these subscriptions, when received, into UA are applied against subscriptions, with the offsetting debits or credits recorded as Cumulative Exchange Adjustment on Subscriptions (CEAS).

Financial Assets

The Fund's financial assets are classified into the following categories: financial assets at amortized cost and financial assets at fair value through profit or loss (FVTPL). These classifications are determined based on the Fund's business model. In accordance with the Fund's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized cost

A financial asset is classified at 'amortized cost' only if the asset meets the objective of the Fund's business model to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in financial assets are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified at 'fair value through profit or loss'.

Financial assets at amortized cost include mainly demand obligations and accrued income on loans and receivables and certain investments that meet the criteria of financial assets at amortized cost. Demand obligations are non-negotiable, non-interest-bearing notes payable on demand deposited for subscription payment.

The Fund also classifies at amortized cost, investments of the proceeds of accelerated encashment of notes. This is consistent with the business model of the Fund of collecting contractual cash flows. The primary objective of such financial assets is to recoup the discount granted to State Participants on the accelerated encashment program.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

Cash and cash equivalents include amounts due from banks, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less.

Purchases and sales of financial assets are recognized on a trade-date basis, which is the date the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Income on investments includes interest earned and unrealized gains and losses on financial assets at FVTPL.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Investments

The Fund's investment securities are classified either as financial assets at amortized cost or as at fair value. Investments classified as financial assets at amortized cost include non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method. All other investment securities are classified as investments at fair value through profit or loss and measured at market value.

Income on investments includes interest earned and unrealized gains and losses on the portfolio held at fair value through profit or loss. Purchases and sales of investments are recognized on a trade-date basis, which is the date on which the Fund commits to purchase or sell the investments.

Loans

The Fund provides concessional funding for development purposes to the least developed countries in Africa. Country eligibility is determined by assessing gross national income per capita, creditworthiness and performance. Annual Debt Sustainability Analysis is used to determine the risk of debt distress of each beneficiary country and set appropriate financing terms.

The following categories of countries are eligible to ADF loans:

- Category A countries that are not deemed creditworthy for non-concessional financing and whose income levels are below the operational cut-off.
- Category A countries that are not deemed creditworthy for non-concessional financing but whose income levels are above the operational cut-off (blend countries) have access to ADF funds with modified financing terms at par with those of blend countries.
- Category B countries are those deemed creditworthy for non-concessional financing but whose income levels are below the operational cut-off with access to a blend of ADB and ADF resources.

Graduating countries are those that are graduating from the category of ADF borrowing countries to the category of ADB borrowing countries and the graduating policies are determined for each new ADF replenishment.

Disbursed and outstanding loans are reported at amortized cost and not included in Net Development Resources in the special purpose financial statements as they represent an allocation of development resources. Accordingly, no provision for possible loan losses is required.

Loan income arising from interest, service and commitment charges is recognized on an accrual basis. The Fund places all loans to a borrower country in non-accrual status if the principal installments, interest or service charges on any of the loans to such member country are overdue by 6 months or more, unless the Fund's management determines that the overdue amount will be collected in the immediate future. Further, management may place a loan in non-accrual status even if it is not yet overdue by 6 months, if the specific facts and circumstances, including consideration of events occurring subsequent to the balance sheet date, warrant such action. On the date a borrower's loans are placed in non-accrual status, unpaid interests and charges that had previously been accrued on loans to the borrower are deducted from income on loans for that period. Interests and charges on loans in non-accrual status are included in income only to the extent that payment of such charges has been received by the Fund.

Partial Risk Guarantee

The Fund provides guarantees, through the Partial Risk Guarantees (PRGs) program, for credits issued in support of projects located within a member county that are undertaken by private entities. Under the PRGs program, the Fund provides financial guarantees for private lenders to a member country in the event that a member country fails to honor its contractual obligations with respect to private lenders to a project. The PRGs insure private lenders against well-defined political risks related to the failure of a government or government related entity to honor certain specified commitments such as political force majeure, currency inconvertibility, regulatory risks and various forms of breach of contract.

Under the PRGs framework the Fund executes the payment obligations if the borrower defaults and the lender consequently demands payment from the Fund. In the event that a guarantee is called, the Fund has the contractual right to require payment from the member country that has provided the counter guarantee to the Fund.

Guarantee fee income received is deferred and amortized over the life of the guarantee.

Partial Credit Guarantee

The Fund also provides further credit instrument in the form of Partial Credit Guarantee (PCGs) – a risk mitigation instrument designed to better leverage resources by crowding in private capital.

The PCGs product serves to partially guarantee debt service obligations and will help to: (i) extend debt maturities; (ii) improve access to capital markets for public sector investment projects, especially in infrastructure; (iii) reduce effective borrowing costs; (iv) support mobilization of long-term resources from international and domestic capital markets; and (v) support sovereign mobilization of commercial financing for policy or sectoral reforms.

Guarantee fee income received under the PCGs is deferred and amortized over the life of the guarantee.

Grants

In addition to loans, the Fund is authorized to provide development financing in the form of grants. Prior to the ninth replenishment of the resources of the Fund, grant funds were granted for technical assistance activities only. With effect from the ninth replenishment, grants may be used for technical assistance as well as project financing. Grants, like loans, represent allocations of development resources and are accordingly treated as such in the Statement of Net Development Resources of the Fund.

HIPC Debt Initiative

The Fund participates in a multilateral debt relief initiative for addressing the debt problems of countries identified as heavily indebted poor countries (HIPCs) to help ensure that their reform efforts are not compromised by unsustainable external debt burdens. Under this initiative, creditors provide debt relief for those countries that demonstrate good policy performance over an extended period to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund, (the Trust Fund) constituted by funds from donors, including the Bank Group, was established to help beneficiaries reduce their overall debt, including those debts owing to the Fund.

Under the original framework of the debt relief initiative, upon signature of a HIPC Debt Relief Agreement by the Fund, the beneficiary country and the Trust Fund, loans or repayment installments identified for sale to the Trust Fund are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the loans sold.

Under the enhanced HIPC framework, the implementation mechanism comprises a partial payment of ADF debt service as it falls due with funds received from the Trust Fund.

Multilateral Debt Relief Initiative (MDRI)

Under the MDRI, loans due from eligible HIPCs are canceled when the countries attain the completion point under the HIPC framework. The Fund is expected to be fully compensated for loans canceled under MDRI by additional contributions to be made by donors over the previously scheduled repayment periods of the canceled loans. When MDRI becomes effective for a country, certain amounts previously disbursed to that country as loans are no longer repayable by the country and effectively take on the character of grants made by the Fund. Accordingly, loans canceled under the MDRI are included in "Net Debt Relief" and reported in the Statement of Net Development Resources as allocation of development resources, with a corresponding offset to loans outstanding.

Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancellation or expiration.

Impairment of Financial Assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets included in its Net Development Resources is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss has been incurred on its receivable or treasury investments held at amortized cost (described in prior years as held to maturity investment), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The estimated impairment loss may arise from delays that may be experienced in receiving amounts due, and the impairment calculations reflect management's best estimate of the effect of such delays.

The impairment loss is reported as a reduction to the carrying amount of the asset through the use of an allowance account and recognized in the income statement. If a treasury investment at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Loans are not included in Net Development Resources and are therefore not subject to impairment.

Fair Value Disclosure

The fair values of quoted financial assets in active markets are based on current bid prices, while those of liabilities are based on current asking prices. For financial instruments with inactive markets, the Fund establishes fair value by using valuation techniques that incorporate the maximum use of market data inputs. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not readily determinable. Management believes that these methodologies and assumptions are reasonable; however, the values actually realizable in a sale might be different from the fair values disclosed.

The following three hierarchical levels are used for the determination of fair value:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The methods and assumptions used by the Fund in estimating the fair values of financial instruments are as follows:

Investments: Fair values for investment securities are based on quoted market prices, where available, using the bid prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Government and agency obligations include marketable bonds or notes and other government obligations issued or unconditionally guaranteed by governments of member countries or other official entities with a minimum credit rating of AA-. For asset-backed securities, the Fund may only invest in securities with an AAA credit rating. Money market instruments include time deposits, certificates of deposit and other obligations with a maturity period of less than 1 year, issued or unconditionally guaranteed by banks and other financial institutions with a minimum rating of A.

Derivative Financial Instruments: The fair values of derivative financial instruments are based on market quotations when possible or valuation techniques that use market estimates of cash flows and discount rates. The Fund also uses valuation tools based on industry standard pricing models and valuation techniques to value derivative financial instruments. The models use market-sourced inputs such as interest rates, yield curves, exchange rates and option volatilities. All financial models used for valuing the Fund's financial instruments are subject to both internal and periodic external reviews.

Events After the Reporting Period

The financial statements are adjusted to reflect events that occurred between the date of the Statement of Net Development Resources and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the date of the Statement of Net Development Resources.

Events that are indicative of conditions that arose after the date of the Statement of Net Development resources are disclosed, but do not result in an adjustment of the financial statements themselves.

Reclassification

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect the prior year's reported result.

Note C — Risk management policies and procedures

In carrying out its development mandate, the Fund seeks to maximize its capacity to assume core business risks resulting from its lending and investing operations while at the same time minimizing its non-core business risks (market risk, counterparty risk, and operational risk) that are incidental but nevertheless critical to the execution of its mandate.

The degree of risk the Fund is willing to assume to achieve its development mandate is limited by its commitment capacity. The Fund's overall risk management strategy is to minimize the exposure of its replenishment resources (the Commitment Capacity) to the risk of over-commitment and also to protect its Net Development Resources from currency translation losses that could negatively affect the Fund's long-term capacity to meet its development needs.

The policies, processes and procedures which the Fund uses to manage its risk profile continually evolve in response to market, credit, product, and other developments. The highest level of risk management oversight is assured by the Fund's Board of Executive Directors, which is chaired by the President. The Board of Directors is committed to the highest standards of corporate governance. In addition to approving all risk management policies, the Board of Directors regularly reviews trends in the Fund's risk profiles and performance to ensure compliance with the underlying policies.

The guiding principles by which the Fund manages its core and non-core risks are governed by the General Authority on Asset Liability Management (the ALM Authority) approved by the Board of Directors of the Fund.

The ALM Authority is the overarching framework through which Management has been vested with the authority to manage the Fund's liquid assets and liabilities within defined parameters. The ALM Authority sets out the guiding principles for managing the Fund's interest rate risk, currency exchange rate risk, liquidity risk, counterparty credit risk and operational risk. The ALM Authority covers the Fund's entire array of ALM activities.

Under the umbrella of the ALM Authority, the President is authorized to approve and amend more detailed operational guidelines as necessary, upon the recommendations of the Asset and Liability Management Committee (ALCO). The ALCO, chaired by the Vice President for Finance, is the oversight and control organ of the Fund's finance and treasury risk management activities.

The ALCO meets on a regular basis to perform its oversight role. The ALCO is supported by several standing working groups that report on specific issues including interest rate risk, currency risk, operational risk, financial projections, and financial products and services. In June 2012 the Bank Group also created the Credit Risk Committee (CRC), to ensure effective implementation of the Fund's credit policies and oversee all credit risk issues related to loan operations.

Day-to-day operational responsibility for implementing the Fund's financial and risk management policies and guidelines are delegated to the appropriate business units. The Financial Management Department is responsible for monitoring the day-to-day compliance with those policies and guidelines.

The following sections describe in detail the manner in which the individual sources of risk are managed by the Fund.

Credit Risk

Credit risk arises from the inability or unwillingness of counterparties to discharge their financial obligations. It is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Fund arising essentially from its lending and treasury operations.

The Fund's credit risk arises from two principal sources: (i) sovereign credit risk arising from lending to its qualifying RMCs and (ii) counterparty credit risk on its portfolio of treasury investments and derivative transactions.

Sovereign Credit Risk

The Fund provides concessional loans in order to fund economic and social development of its member countries which generally have a lower credit quality than ADB borrowers. Although loans are included in the financial statements as resources already allocated for development and therefore not included in the Net Development Resources, the Fund still manages sovereign credit risks to ensure equitable allocation of resources to eligible beneficiaries and ensure that expected reflows from loan repayments are properly monitored and managed. Country eligibility for loans is determined by assessing among other things, gross national income per capita, credit worthiness and performance. The Fund uses the International Monetary Fund/World Bank Debt Sustainability Framework (DSF) for Low-Income Countries, to make performance-based allocation (PBA) of ADF resources among the many competing needs in the continent and to ensure the funds are directed to areas they will be used most effectively. The PBA process, which is reviewed regularly, is also used to determine the proportion of ADF resources that is allocated in the form of grants to each qualifying borrower. On the basis of the debt sustainability analysis, certain countries are allocated grants-only resources, while others may receive a combination of loan and grant resources or loan resources only.

Country Exposure in Borrowing Member Countries

The Fund's exposures as at 31 December 2015 from its lending activities are summarized below:

(Amounts in UA thousands)

Country	N° of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Angola	14	77,147	-	38,617	38,530	0.39
Benin	33	355,891	-	135,447	220,444	2.25
Botswana	12	44,280	-	-	44,280	0.45
Burkina Faso	34	415,989	-	80,185	335,804	3.43
Burundi	6	23,676	-	-	23,676	0.24
Cabo Verde	29	93,894	-	4,152	89,742	0.92
Cameroon	33	573,362	-	260,530	312,832	3.19
Central African Republic	1	1,030	-	516	514	0.01
Chad	16	104,543	-	34,747	69,796	0.71
Congo	4	54,364	-	47,587	6,777	0.07
Côte d'Ivoire	4	77,531	-	43,638	33,893	0.35
Democratic Republic of Congo	7	90,412	-	2,159	88,253	0.90
Djibouti	18	82,132	-	7,725	74,407	0.76
Egypt	17	123,940	-	-	123,940	1.26
Equatorial Guinea	11	22,934	-	-	22,934	0.23
Eritrea	8	79,490	-	13,330	66,160	0.67
Ethiopia	29	1,613,377	180,000	439,103	994,274	10.14
Gabon	1	1,089	-	-	1,089	0.01
Gambia	10	29,209	-	-	29,209	0.30
Ghana	40	817,355	-	146,757	670,598	6.84
Guinea	14	115,340	-	48,142	67,198	0.68
Guinea-Bissau	9	27,674	-	9,371	18,303	0.19
Kenya	59	1,874,705	-	746,614	1,128,091	11.51
Lesotho	35	130,889	-	9,817	121,072	1.24
Liberia	6	113,161	-	74,566	38,595	0.39
Madagascar	25	339,225	-	97,381	241,844	2.47
Malawi	26	271,156	-	108,096	163,060	1.66
Mali	45	549,145	-	147,144	402,001	4.10
Mauritania	15	60,250	-	5,380	54,870	0.56
Mauritius	2	1,753	-	-	1,753	0.02
Morocco	5	27,322	-	-	27,322	0.28
Mozambique	37	735,981	-	201,335	534,646	5.45
Namibia	2	10,745	-	-	10,745	0.11
Niger	24	284,573	-	120,000	164,573	1.68
Nigeria	27	803,997	-	310,380	493,617	5.04
Rwanda	22	292,714	-	101,459	191,255	1.95
São Tomé & Principe	5	15,266	-	11,500	3,766	0.04
Senegal	39	478,390	-	114,886	363,504	3.71
Seychelles	3	4,570	-	-	4,570	0.05
Sierra Leone	15	112,418	-	26,021	86,397	0.88
Somalia**	17	64,404	-	-	64,404	0.66
Sudan**/+	15	174,863	-	-	174,863	1.78
Swaziland	8	29,310	-	-	29,310	0.30
Tanzania	48	1,666,374	54,000	453,798	1,158,576	11.82
Togo	3	21,698	-	8,099	13,599	0.14
Uganda	34	1,031,872	-	340,372	691,500	7.05
Zambia	23	421,562	-	161,619	259,943	2.65
Zimbabwe**	10	34,513	-	-	34,513	0.35
Multinational	21	292,869	201,746	79,500	11,623	0.12
Total	**921**	**14,668,384**	**435,746**	**4,429,973**	**9,802,665**	**100.00**

\+ The outcome of the referendum conducted in South Sudan in January 2011 supported the creation of an independent state of South Sudan. After the split of the current state of Sudan into two separate nations became effective in July 2011, the number and amounts of loans shown against Sudan in this statement would be split between the emerging states, on a basis agreed upon following the ongoing negotiations between the North and South Sudan. At end of December 2015, no decision has been taken by the states of the North and South Sudan regarding the terms and conditions of such exchange.

* Excludes fully repaid loans and canceled loans.
** Countries in non-accrual status as at 31 December 2015.

Slight differences may occur in totals due to rounding.

Counterparty Credit Risk

In the normal course of business, the Fund utilizes various financial instruments to meet the needs of its borrowers, manage its exposure to fluctuations in market interest and currency rates, and to temporarily invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Fund. Given the nature of the Fund's business, it is not possible to completely eliminate counterparty credit risk, however, the Fund minimizes this risk by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures.

Counterparties must meet the Fund's minimum credit rating requirements and are approved by the Bank Group's Vice President for Finance. The ALCO approves counterparties that are rated below the minimum rating requirements.

Counterparties are classified as investment counterparties, derivative counterparties, and trading counterparties. Their ratings are closely monitored by the Financial Management Department.

For trading counterparties, the Fund requires a minimum short-term credit rating of A-2/P-2/F-2 for trades settled under delivery vs. payment (DVP) terms and a minimum long-term credit rating of A/A2 for non-DVP-based transactions.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	1 year	5 years	10 years	15 years	30 years
Government		A/A2			AA-/Aa3	AAA/Aaa
Government agencies and supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non-bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS/ABS	AAA Maximum legal maturity of 50 years for ABS/MBS with the underlying collateral originated in the UK and 40-year maximum legal maturity for all other eligible ABS/MBS. Also, the maximum weighted average life for all ABS/MBS at the time of acquisition shall not exceed 5 years.					

The Fund uses derivatives in the management of its assets and liabilities. As a rule, the Fund executes an ISDA master agreement and collateral exchange agreement with its derivative counterparties prior to undertaking any transactions. Derivative counterparties are required to be rated AA-/Aa3 by at least two approved rating agencies or A-/A3 for counterparties with whom the Fund has entered into a collateral exchange agreement. These counterparties require the approval of the ALCO. Approved transactions with derivative counterparties include swaps, forwards, options and other over-the-counter derivatives.

In addition to these minimum rating requirements, the Fund operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a stipulated maximum for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Fund's credit limits after considering the benefits of any collateral.

	Credit Risk Profile of the Investment and Derivative Portfolios		
	AAA	AA+ to AA-	A+ and lower
2015	38%	54%	8%
2014	40%	49%	11%
2013	48%	48%	4%

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. The Fund's principal liquidity risk management objective is to hold sufficient liquid resources to enable it to meet all probable cash flow needs for between 50 and 75 percent of the three years' moving average of expected disbursements.

To strike a balance between generating adequate investment returns and holding securities that can be easily sold for cash if the need arises, the Fund divides its investment portfolio into two tranches with different liquidity objectives and benchmarks. The Fund's core liquidity portfolio, which is fair valued, is invested in highly liquid securities that can be readily liquidated if the need arises to meet the Fund's short-term liquidity needs. In addition to the trading portfolio, the Fund maintains a second tranche of liquidity under the broad category of amortized cost portfolio, which is held in a portfolio of fixed income securities intended to earn contractual cash flows.

Currency Exchange Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. To promote stable growth in the Fund's Net Assets, including its Net Development Resources (NDR) and outstanding loans, the Fund's principal currency risk management objective is to ensure that it is able to provide the disbursement currencies requested by borrowers while minimizing the exposure of its net development resources to adverse exchange rate movements. To the extent possible, the Fund shall maintain the alignment of the currency composition of its Net Assets with the UA as the primary benchmark of its currency composition. The Fund may conduct currency exchange transactions for the following two reasons: (1) to align the currency composition of its Net Assets (loan and investment portfolios) with the UA, (2) for the purpose of providing ADF borrowers with the disbursement currencies requested.

Interest Rate Risk

Interest rate risk is the potential for loss due to adverse movements in market interest rates. In seeking to earn a stable and reasonable return on invested liquidity, the Fund's principal interest rate risk management is to reduce the sensitivity of the Fund's investment returns to changes in market interest rates. To achieve this objective, the Fund's investments are managed in two portfolios: (1) an actively managed portfolio (the "Operational" Portfolio); and (2) a passively managed portfolio (the "Investment" Portfolio).

The Operational Portfolio provides a readily available source of liquidity to cover both expected and unexpected disbursements as well as any other probable cash outflows. The Operational Portfolio is managed against a 3-month LIBOR reference benchmark in each currency. Generally, investments in the Operational Portfolio are held for trading and are regularly marked to market.

The Investment Portfolio consists of funds that are not immediately required for loan disbursements and therefore may be invested for a longer horizon. Generally, investments in the Investment Portfolio are purchased with the intention to hold them until their maturity and are not marked to market. The Investment Portfolio comprises two sub-portfolios, (1) an investment portfolio for income stabilization for the purpose of generating a stable income for the Fund and reducing the Fund's investment income sensitivity to interest rates. This portfolio is managed against a ten-year uniform repricing profile for each invested currency, and (2) an investment portfolio for accelerated encashments for the purpose of investing proceeds from accelerated encashments to recoup the discount granted to State Participants, minimizing or eliminating interest rate risk on accelerated encashments. This portfolio is managed against a target rate, which is the discount rate agreed with State Participants.

Interest Rate Risk Position as at 31 December 2015

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Total
Assets							
Cash	376,273	-	-	-	-	-	376,273
Investments	864,160	797,860	753,220	309,890	138,811	27,976	2,891,917
Demand obligations	774,962	610,949	437,887	360,694	148,608	336,359	2,669,459
Accounts receivable	83,183	-	-	-	-	-	83,183
	2,098,578	1,408,809	1,191,107	670,584	287,419	364,335	6,020,832
Liabilities							
Accounts payable	(88,946)	-	-	-	-	-	(88,946)
	(88,946)	-	-	-	-	-	(88,946)
Net Development Resources at 31 December 2015	**2,009,632**	**1,408,809**	**1,191,107**	**670,584**	**287,419**	**364,335**	**5,931,886**

Interest Rate Risk Position as at 31 December 2014

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Total
Assets							
Cash	368,702	-	-	-	-	-	368,702
Investments	1,177,061	493,420	578,111	283,790	258,650	218,881	3,009,913
Demand obligations	743,822	703,154	446,676	282,171	252,957	372,539	2,801,319
Accounts receivable	125,813	-	-	-	-	-	125,813
	2,415,398	1,196,574	1,024,787	565,961	511,607	591,420	6,305,747
Liabilities							
Accounts payable	(154,342)	-	-	-	-	-	(154,342)
	(154,342)	-	-	-	-	-	(154,342)
Net Development Resources at 31 December 2014	**2,261,056**	**1,196,574**	**1,024,787**	**565,961**	**511,607**	**591,420**	**6,151,405**

Note D — Financial assets and liabilities

The tables below set out the classification of each class of financial assets and liabilities, and their respective fair values:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss					
31 December 2015	Mandatorily at Fair Value	Designated at Fair Value	Fair Value through Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	376,273	376,273	376,273
Treasury investments	1,699,887	-	-	1,192,030	2,891,917	2,946,459
Demand obligations	-	-	-	2,669,459	2,669,459	2,669,459
Accounts receivable	-	-	-	83,183	83,183	83,183
Total financial assets	**1,699,887**	**-**	**-**	**4,320,945**	**6,020,832**	**6,075,374**
Liabilities	-	-	-	88,946	88,946	88,946
Total financial liabilities	**-**	**-**	**-**	**88,946**	**88,946**	**88,946**

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss					
31 December 2014	Mandatorily at Fair Value	Designated at Fair Value	Fair Value through Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total Carrying Amount	Fair Value
Cash	-	-	-	368,702	368,702	368,702
Treasury investments	1,452,412	-	-	1,557,501	3,009,913	3,086,614
Demand obligations	-	-	-	2,801,319	2,801,319	2,801,319
Accounts receivable	-	-	-	125,813	125,813	125,813
Total financial assets	**1,452,412**	**-**	**-**	**4,853,335**	**6,305,747**	**6,382,448**
Liabilities	-	-	-	154,342	154,342	154,342
Total financial liabilities	**-**	**-**	**-**	**154,342**	**154,342**	**154,342**

The composition of investments as at 31 December 2015 and 2014 was as follows:

(UA thousands)

	2015	2014
Treasury investments mandatorily measured at fair value through profit or loss	1,699,887	1,452,412
Treasury investments at amortized cost	1,192,030	1,557,501
Total	**2,891,917**	**3,009,913**

Treasury Investments Mandatorily Measured at Fair Value through Profit or Loss (FVTPL)

A summary of the Fund's treasury investments measured at FVTPL at 31 December 2015 and 2014 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Time deposits	25.04	-	22.23	108.94	49.84	159.18	2.21	-	99.32	268.12
Asset-backed securities	0.11	13.53	1.67	29.59	8.25	35.86	-	-	10.03	78.98
Government and agency obligations	457.20	267.08	190.12	158.97	198.87	163.33	104.92	60.95	951.11	650.33
Corporate bonds	268.40	225.88	53.40	29.60	196.67	126.95	-	-	518.47	382.43
Supranational	24.89	34.80	59.58	14.52	36.49	23.23	-	-	120.96	72.55
Total	**775.64**	**541.29**	**327.00**	**341.62**	**490.12**	**508.55**	**107.13**	**60.95**	**1,699.89**	**1,452.41**

The contractual maturity structure of investments measured at FVTPL at 31 December 2015 and 2014 was as follows:

(UA millions)

	2015	2014
One year or less	631.85	805.05
More than one year but less than two years	504.18	261.75
More than two years but less than three years	518.36	281.61
More than three years but less than four years	43.72	47.75
More than four years but less than five years	-	4.13
More than five years	1.78	52.12
Total	**1,699.89**	**1,452.41**

Treasury Investments at Amortized Cost

A summary of the Fund's treasury investments at amortized cost at 31 December 2015 and 2014 follows:

(UA millions)

	US Dollar		Euro		GBP		Other Currencies		All Currencies	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Asset-backed securities	14.42	13.71	-	-	-	-	-	-	14.42	13.71
Government and agency obligations	492.62	572.04	224.68	325.63	66.18	110.30	-	-	783.48	1,007.97
Corporate bonds	6.00	33.51	25.26	59.23	10.65	10.67	-	-	41.91	103.41
Supranational	202.84	256.62	116.33	141.98	33.05	33.81	-	-	352.22	432.41
Total	**715.88**	**875.88**	**366.27**	**526.84**	**109.88**	**154.78**	**-**	**-**	**1,192.03**	**1,557.50**

The contractual maturity structure of investments at amortized cost at 31 December 2015 and 2014 was as follows:

(UA millions)

	2015	2014
One year or less	232.31	372.01
More than one year but less than two years	293.68	231.67
More than two years but less than three years	234.86	296.50
More than three years but less than four years	266.17	236.04
More than four years but less than five years	138.81	254.52
More than five years	26.20	166.76
Total	**1,192.03**	**1,557.50**

Futures Contracts

The Fund has also entered into futures contracts to hedge fixed interest rate bonds against interest rate variations. As at 31 December 2015, the Fund had 2,505 contracts in Euro, 2,941 contracts in Pound sterling and 3,056 contracts in US dollars. The nominal value of each contract is one million of each currency unit, except for 2,941 GBP contracts with a nominal value of 500,000 for each contract.

Note E — Demand obligations

Demand obligations represent subscription payments made by participants, in accordance with Article 9 of the Agreement, in the form of non-negotiable, non-interest-bearing notes payable at their par value on demand. The Board of Governors has agreed that the encashment of these notes will be governed by the Fund's disbursement requirements.

Note F — Development activities

According to the Fund's loan regulations, loans are expressed in UA and repaid in the currency disbursed.

Project Loans and Lines of Credit

Loans are generally granted under conditions that allow for repayment over 40 years after a 10-year grace period commencing from the date of the loan agreement. Loan principal is generally repayable from years 11 through 20 at a rate of 1 percent per annum and from years 21 through 50 at a rate of 3 percent per annum. A service charge at a rate of 0.75 percent per annum on the principal amount disbursed and outstanding is payable by the borrower semi-annually. Loans and lines of credit approved after June 1996 carry a 0.5 percent per annum commitment charge on the undisbursed portion. Such commitment charge commences to accrue after 90 days from the date of signature of the loan agreement. With effect from the ADF-12 replenishment, loans to blend, gap and graduating countries carry differentiated financing terms of thirty (30) years' maturity, grace period of 8 years and interest rate of 1 percent, in addition to the existing standard 0.50 percent commitment fee and 0.75 percent service charge. Under ADF-13, further differentiated lending terms were adopted with the view of preserving the long-term financial sustainability and capacity of the Fund. The new lending terms require the acceleration of loan repayment by regular and advanced ADF-only countries, and also to blend, gap and graduating countries; and the granting of financial incentives for voluntary loan repayment.

Prior to the establishment of the Technical Assistance Account, loans for pre-investment studies were normally granted for a period of 10 years, including a grace period of 3 years, with repayments in seven equal installments from years 4 through 10.

Of the undisbursed balances of loans signed, the Fund may enter into special irrevocable commitments to pay amounts to borrowers or others in respect of the cost of goods and services to be financed under loan agreements. As at 31 December 2015, outstanding irrevocable reimbursement guarantees to commercial banks amounted to UA 12.91 million (2014: UA 6.44 million).

The Fund also provides innovative financial instruments in the form of Partial Reimbursement Guarantees (PRGs) and, Partial Credit Guarantee (PCG) for the purpose of better leveraging resources by crowding in ADB and commercial sources of financing.

The PRGs' product provides guarantees to private entities for development exposures on projects located in Regional Member Countries. Such guarantees represent potential risk to the Fund if amounts guaranteed for an entity are not reimbursed. As at 31 December 2015, guarantees provided by the Fund to private entities on account of its borrowers amounted to UA 145.75 million (2014: UA 145.75 million).

The PCGs' product serves to partially guarantee the debt service obligations of Regional Member Countries, which include extension of debt maturities, the improvement of access to domestic and foreign capital markets, and the reduction of borrowing costs. As at 31 December 2015, no PCGs have been provided.

Private Sector Credit Enhancement Facility

In 2014,the Fund allocated a grant of UA 165 million for the establishment of the Private Sector Enhancement Facility (the PSF) to encourage increased development financing in the ADF countries. The PSF provides credit enhancement guarantees to the ADB on certain eligible loans to the private sector in ADF countries. The PSF is operationally and financially autonomous from the Fund and its statutory framework explicitly precludes it from having recourse to the Fund for any losses that it may incur. As at 31 December 2015, credit enhancement approvals of UA 56.50 million had been made.

As at 31 December 2015, loans made to or guaranteed by certain borrowers with an aggregate principal balance outstanding of UA 273.79 million (2014: UA 272.59 million), of which UA 118.64 million (2014: UA 110.05 million) was overdue, were in non-accrual status. If these loans had not been in non-accrual status, income from loans for the year ended 31 December 2015, would have been higher by UA 2.05 million (2014: UA 2.06 million). At 31 December 2015, the cumulative charges not recognized on the non-accrual loans amounted to UA 42.64 million, compared to UA 40.42 million at 31 December 2014.

Lines of credit to national development banks and similar national finance institutions are generally granted for a maximum of 20 years, including a 5-year grace period.

At 31 December 2015, outstanding loans amounted to UA 9,802.67 million (2014: UA 8,965.21 million).

Maturity and Currency Composition of Outstanding Loans

The maturity distribution of outstanding loans as at 31 December 2015 and 2014 was as follows:

(Amounts in UA millions)

	2015		2014	
	Amount	**%**	**Amount**	**%**
One year or less*	196.18	2.00	187.18	2.09
More than one year but less than two years	84.11	0.86	81.87	0.91
More than two years but less than three years	93.17	0.95	89.42	1.00
More than three years but less than four years	107.02	1.09	98.69	1.10
More than four years but less than five years	118.73	1.21	111.78	1.25
More than five years	9,203.45	93.89	8,396.27	93.65
Total	**9,802.66**	**100.00**	**8,965.21**	**100.00**

* Include the arrears on loans.

The currency composition of outstanding loans as at 31 December 2015 and 2014 was as follows:

(Amounts in UA millions)

	2015		2014	
Currency	**Amount**	**%**	**Amount**	**%**
Canadian Dollar	9.22	0.10	11.20	0.12
Danish Kroner	9.15	0.09	10.33	0.12
Euro	3,052.29	31.14	3,080.75	34.36
Japanese Yen	594.92	6.07	609.61	6.80
Norwegian Krone	14.66	0.15	17.31	0.19
Pound Sterling	662.60	6.76	569.09	6.35
Swedish Krona	10.70	0.11	12.16	0.14
Swiss Franc	49.28	0.50	52.57	0.59
United States Dollar	5,399.52	55.08	4,601.86	51.33
Others	0.32	0.00	0.33	0.00
Total	**9,802.66**	**100.00**	**8,965.21**	**100.00**

Slight differences may occur in total due to rounding.

Grants and Technical Assistance Activities

Under the Fund's lending policy, 5 percent of the resources available under the third and fourth general replenishments, 10 percent under the fifth and sixth general replenishments, and 7.5 percent under the seventh and eighth general replenishments were allocated as grants and grant-based technical assistance for the identification and preparation of development projects or programs in specified member countries. In addition, amounts in the range of 18 to 21 percent of the total resources under the ninth replenishment were set aside in the form of grants for permitted uses, including technical assistance and project financing. Grants do not bear charges. The share of grants under the tenth, eleventh and twelfth general replenishments is based on a country-by-country analysis of debt sustainability. Under the seventh, eighth and ninth general replenishments, technical assistance may also be provided on a reimbursable basis.

Technical assistance loans are granted under conditions that allow for repayment in 50 years, including a 10-year grace period, from the date of the loan agreement. However, the following categories of loans have different terms:

i) where the loan is granted for the preparation of a pre-investment study and the study proves that the project is not feasible, the grace period is extended to 45 years with a repayment period of 5 years thereafter.

(ii) where the loan is granted for strengthening Regional Member Countries' cooperation or for the improvement of the operations of existing institutions and is not related to specific projects or programs, the grace period is 45 years with a repayment period of 5 years thereafter.

Technical assistance loans do not carry charges.

HIPC Debt Relief Initiative

Under the original framework of HIPC, selected loans to beneficiary countries were paid off by the HIPC Trust Fund at a price equivalent to the net present value of the loans as calculated using the methodology agreed under the initiative. Following the signature of a HIPC debt relief agreement, loans identified for payment were written down to their estimated net present value. The amount of the write-down, representing the difference between the book value and net present value of the loans, was shown as an allocation of development resources. The amount of UA 71.08 million, which was the write-down in respect of the debt relief granted to Mozambique in 1999 under the original HIPC framework, is included in the amount stated as net debt relief in the Statement of Net Development Resources. The outstanding balance and net present value of the loans owed by Mozambique and sold to the HIPC Trust Fund in 1999 were UA 132.04 million and UA 60.96 million, respectively.

In 1999, the HIPC initiative was enhanced to provide greater, faster and more poverty-focused debt relief. This was achieved by reducing the eligibility criteria for qualification under the initiative and by commencing debt relief much earlier than under the original framework. Under the enhanced framework, where 33 African countries are currently eligible, debt relief is delivered through annual debt service reductions which allow the release of up to 80 percent of annual debt service obligations as they come due until the total net present value (NPV) of debt relief, determined by the debt sustainability analysis (DSA), is provided. Interim financing of up to 40 percent of total debt relief is granted between the decision and completion points. Total contributions by the Fund to the HIPC initiative at 31 December 2015 amounted to UA 184 million and are shown as allocation of development resources in the Statement of Net Development Resources.

Multilateral Debt Relief Initiative

At the Gleneagles Summit on 8 July 2005, the Group of 8 major industrial countries agreed on a proposal for the ADF, the International Development Association (IDA), and the International Monetary Fund (IMF) to cancel 100 percent of their claims on countries that have reached, or will reach, the completion point under the enhanced HIPC initiative. Through the Development Committee Communiqué of 25 September 2005, the donor community expressed its support for the MDRI, and urged the institutions referred to above to proceed with the necessary steps to ensure implementation.

The main objective of the MDRI is to complete the process of debt relief for HIPCs by providing additional resources to help 38 countries worldwide, 33 of which are in Africa, to make progress towards achieving the Millennium Development Goals (MDGs), while simultaneously safeguarding the long-term financing capacity of the ADF and the IDA. The debt cancellation is delivered by relieving post-completion-point HIPCs' repayment obligations and adjusting their gross assistance flows downward by the same amount. To maintain the financial integrity of the ADF, donors are expected to make additional contributions to the ADF to match "dollar-for-dollar" the foregone principal and service charge payments.

The MDRI became effective for the ADF on 1 September 2006. Since disbursed and outstanding loans are already excluded from net development resources, the debt cancellation did not have an impact on the Fund's balance of net development resources. Cancellation of ADF debts are effected when other eligible countries reach the HIPC completion point.

At 31 December 2015, a gross amount of UA 5.68 billion (2014: UA 5.53 billion) of outstanding loans had been canceled under MDRI for 30 (2014: 29) HIPC completion-point countries. Of this amount, UA 1,225.99 million (2014: UA 1,225.99 million) in nominal terms were converted by the HIPC Trust Fund. The present value of the converted loans was UA 942.71 million (2014: UA 942.71 million). As of 31 December 2015, the present value amounts have been transferred from the HIPC Trust Fund to ADF.

A summary of debt relief granted under HIPC and MDRI as at 31 December 2015 and 2014 follows:

(UA thousands)

	2015			2014		
	HIPC	**MDRI**	**Total**	**HIPC**	**MDRI**	**Total**
Balance at 1 January	235,096	4,564,345	4,799,441	235,096	4,564,345	4,799,441
Loans canceled*	-	164,947	164,947	-	-	-
Cash received*	-	(9,316)	(9,316)	-	-	-
Balance at 31 December	**235,096**	**4,719,976**	**4,955,072**	**235,096**	**4,564,345**	**4,799,441**

* Upon implementation of MDRI.

Special Arrears Clearance Mechanism

Arrears Clearance Mechanism for DRC – In connection with an internationally coordinated effort including the ADB Group, the IMF, the World Bank and other bilateral and multilateral donors to assist the Democratic Republic of Congo (DRC) in its reconstruction efforts, the Board of Directors on 26 June 2002, approved an arrears clearance mechanism for the DRC.

Under the arrears clearance mechanism, representatives of ADF State Participants (the Deputies) authorized an allocation of approximately UA 36.50 million of grant resources from the ninth replenishment of the ADF (ADF-9) to clear the entire stock of the DRC's arrears to the Fund. The Deputies also authorized the use of approximately UA 11.77 million of the residual Supplementary Financing Mechanism (SFM) resources from ADF-8 as a partial payment against the DRC's arrears on charges to the ADB.

Fragile States Facility Framework – The Fragile States Facility (FSF) was established in March 2008 to provide a broader and integrated framework for assistance to eligible states, typically Regional Member Countries of ADB emerging from conflict or crisis. The purposes of FSF are to consolidate peace, stabilize economies and lay the foundation for sustainable poverty reduction and long-term economic growth. The FSF assumes the arrears clearance activities of the now defunct Post Conflict Countries Facility (PCCF), which was established as a framework to assist countries emerging from conflicts in clearing their arrears and prepare them for re-engagement with the donor communities, in order to reactivate development assistance and help these countries reach the HIPC decision point to qualify for debt relief after clearing their loan arrears to the Bank Group. The framework entails the setting aside of a pool of resources through a separate facility with contributions from the ADF, the ADB and private donors. Resources from the facility are provided on a case-by-case basis to genuine eligible fragile states not yet receiving debt relief to fill financing gaps after maximum effort by the country to clear its arrears to the Bank Group. Contributions made by the Fund to the facility cannot be used to clear the debt owed to the Fund by beneficiary fragile states. Contributions by the Fund to the Facility are included in "Grants and Technical Assistance Activities" in the Statement of Net Development Resources.

Note G — Subscriptions and contributions

The Fund's initial subscriptions were provided by the Bank and the original State Participants to the Agreement, and states acceding to the Agreement since the original signing date. Thereafter, further subscriptions were received from participants in the form of a special general increase and twelve general replenishments. Details of these movements are shown in the Statement of Subscriptions and Voting Power in Note M.

The Board of Governors, by its resolution F/BG/2014/01 of 31 January 2014, approved the thirteenth general replenishment of the Fund (ADF-13), following the Deputies agreement for a replenishment level of UA 5.35 billion, of which UA 0.98 billion represents internally generated resources, for the three-year operational period, 2014 to 2016. ADF-13 came into effect in March 2014 after the State Participants had deposited with the Fund, enough instruments of subscriptions and the approval by the Board of Directors for the use of the internally generated resources for operational commitments. At 31 December 2015, subscriptions to ADF-13 amounted to UA 3.82 billion.

The Grand Duchy of Luxembourg was admitted to the ADF on 29 May 2014, becoming the Fund's 27th State Participant. As per the Board of Governors' Resolution F/BG/2009/04, Luxembourg's initial subscription amount was set to UA 14.51 million. This subscription amount was paid in full on 16 May 2014, and included in the Fund's resources.

At 31 December 2015, cumulative contributions pledged on account of the MDRI amounted to UA 5.68 billion of which UA 849.25 million had been paid and included in total subscriptions. Consistent with the resolution approving MDRI, the contributions paid entitle the State Participants to voting rights, as reflected in Note M.

Gains or losses arising from translation of subscriptions and contributions received into UA are recorded in the Cumulative Exchange Adjustment on Subscriptions account in the Statement of Net Development Resources.

Note H — Other resources

In conformity with the findings of the UN General Assembly, the Board of Directors accepted that the former Socialist Federal Republic of Yugoslavia no longer exists as a state under international law and hence is no longer a State Participant in the Fund or a member of the Bank. Pursuant to a decision of the Board of Directors of the Fund in 1993, the subscriptions of the former Socialist Federal Republic of Yugoslavia in the Fund less the unpaid portion, are deemed to have become part of the permanent patrimony of the Fund and are not returnable to any entity. Accordingly, the amounts of the paid subscriptions are reported as part of other resources in the Statement of Net Development Resources.

Also included in other resources is a total of UA 589.99 million, representing contributions by the Bank of UA 587.99 million, and by the Government of Botswana of UA 2 million towards the Fund's activities, in accordance with Article 8 of the Agreement.

Note I — Reserves

Reserves as at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Reserves at 1 January	(257,267)	(131,915)
Deficit for the year	(83,249)	(125,352)
Balance at 31 December	**(340,516)**	**(257,267)**

Note J — Trust funds

The Fund has available resources entrusted to it under Article 8 of the Agreement, which empowers the Fund to receive other resources including grants from State Participants, non-participating countries, and from any public or private body or bodies.

At 31 December 2015, the undisbursed balance of trust fund resources was UA 5.10 million (2014: UA 4.11 million) representing the balance of a grant received from Japan for the development of human resources in Africa.

Resources of the trust funds are kept separate from those of the ADF.

Note K — Administrative expenses

Pursuant to Article 31 of the Agreement, the Fund reimburses the ADB for the estimated fair value of its use of the latter's offices, staff, organization, services and facilities. The amount of such administrative expenses reimbursed is based on a predetermined cost-sharing formula, which is driven, in large part, by the Fund's relative share of the number of programs and projects executed during the year by the Bank Group. The administrative expenses incurred by the Fund for the year amounted to UA 200.93 million (2014: UA 248.57 million).

Note L — Related parties

The general operation of the Fund is conducted by a 14-member Board of Directors, of which 7 members are selected by the Bank. The Bank exercises 50 percent of the ADF's voting power and the President of the Bank is the ex-officio President of the Fund. In accordance with the Agreement, the Fund utilizes the offices, staff, organization, services and facilities of the ADB (the Bank) to carry out its functions, for which it reimburses the Bank as disclosed in Note K. In this regard, the Bank administers the resources of the Fund. The Fund also administers trust funds entrusted to it by one of its State Participants.

Note M — Statement of subscriptions, contributions and voting power as at 31 December 2015

(Amounts in UA thousands)

		Subscriptions						Payment Positions			MDRI	Voting Power	
	Participants	Initial	Special Increase	ADF-1 to ADF-12 Installments	ADF-13 Installment	Grants Compen-sation	Total Subscriptions	Total Install-ments Paid	Installments Due	Installments not yet Payable	Payments Received	Number of Votes	%
1	ADB	4,605	1,382	105,754	-	-	111,741	111,741	-	-	-	1,000.000	50.000
2	Angola	9,691	-	-	1,057	-	10,748	10,748	-	-	-	-	-
3	Argentina	1,842	-	16,789	-	-	18,631	1,842	7,018	9,771	-	0.073	0.004
4	Austria	13,816	-	379,318	93,099	203	486,436	455,262	-	31,174	12,393	18.466	0.923
5	Belgium	2,763	-	442,331	90,003	278	535,375	504,564	-	28,904	16,178	20.414	1.021
6	Brazil	1,842	921	140,866	-	-	143,629	143,629	-	-	-	5.672	0.284
7	Canada	13,816	6,908	1,557,485	214,485	773	1,793,467	1,721,204	-	67,505	95,664	71.373	3.569
8	China	13,816	-	421,923	84,280	282	520,301	520,301	-	-	17,138	21.213	1.061
9	Denmark	4,605	1,842	581,148	75,172	418	663,185	662,419	-	-	11,354	24.696	1.235
10	Egypt	-	-	1,303	1,326	-	2,629	2,187	-	442	-	-	-
11	Finland	1,842	-	451,107	109,382	259	562,590	562,246	-	-	15,656	19.899	0.995
12	France	8,809	-	2,271,239	364,167	1,354	2,645,570	2,523,387	-	114,165	96,021	102.808	5.140
13	Germany	6,860	6,956	2,277,291	402,680	1,347	2,695,134	2,559,857	-	135,277	68,988	103.803	5.190
14	India	5,526	-	73,969	12,364	30	91,889	87,594	-	4,295	1,817	3.531	0.176
15	Italy	9,211	-	1,478,382	202,337	724	1,690,654	1,690,654	-	-	43,572	54.947	2.747
16	Japan	13,816	-	2,457,987	293,377	1,406	2,766,586	2,667,947	-	98,639	81,427	108.552	5.428
17	Korea	9,211	-	199,661	57,541	109	266,522	247,306	-	19,216	7,572	10.064	0.503
18	Kuwait	4,974	-	166,846	7,864	29	179,713	179,713	-	-	13,125	7.614	0.381
19	Luxembourg	14,514	-	-	-	-	14,514	14,514	-	-	-	0.573	0.029
20	Netherlands	3,684	1,842	936,792	166,606	643	1,109,567	1,109,158	-	409	34,442	44.679	2.234
21	Norway	4,605	2,303	983,880	201,519	608	1,192,915	1,125,355	-	67,560	36,947	45.622	2.281
22	Portugal	7,368	-	166,191	-	1	173,560	143,995	-	29,565	5,899	5.919	0.296
23	Saudi Arabia	8,290	-	252,207	23,202	81	283,780	283,780	-	-	5,508	11.421	0.571
24	South Africa	1,794	-	29,493	16,195	20	47,502	47,502	-	-	9,562	-	-
25	Spain	1,842	921	557,923	43,713	389	604,788	524,360	-	80,428	48,167	22.609	1.130
26	Sweden	4,605	3,684	1,105,956	207,302	687	1,322,234	1,252,905	-	69,329	41,749	51.117	2.556
27	Switzerland	2,763	2,938	789,377	131,073	493	926,644	926,644	-	-	57,758	38.855	1.943
28	Turkey	40,693	-	-	-	-	40,693	40,693	-	-	-	1.607	0.080
29	United Arab Emirates	4,145	-	4,145	-	-	8,290	8,290	-	-	-	0.327	0.016
30	United Kingdom	4,800	3,073	1,992,671	611,550	1,047	2,613,141	2,408,593	-	204,548	80,367	98.277	4.914
31	United States of America	12,434	8,290	2,603,776	385,980	1,845	3,012,325	2,632,911	-	379,414	47,945	105.869	5.293
	Supplementary/ voluntary contributions	-	-	94,709	15,000	-	109,709	101,763	-	7,946	-	-	-
	Total	**238,582**	**41,060**	**22,540,519**	**3,811,274**	**13,028**	**26,644,463**	**25,273,064**	**7,018**	**1,348,588**	**849,249**	**2,000.000**	**100.000**
	Supplementary information: Supplementary contributions through accelerated encashment to reduce the gap	-	-	60,001	5,320	-	65,321	60,001	5,320	6,195	-	-	-

Note N — Approval of special purpose financial statements

On 30 March 2016, the Board of Directors authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors at its annual meeting in May 2016.

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Independent Auditor's Report on the special purpose financial statements of the African Development Fund to the Board of Governors of the African Development Fund

Year ended 31 December 2015

We have audited the accompanying special purpose financial statements of the African Development Fund (the Fund) prepared in compliance with the accounting and financial reporting matters as set out in the accounting policies in note B to the Special Purpose Financial Statements for the year ended 31 December 2015.

These special purpose financial statements have been prepared for the purposes of submitting approved and audited special purpose financial statements to the Board of Governors as required by Article 26(v), 35(l) and 35(3) of the Agreement establishing the Fund, and are not intended to be a presentation in conformity with a recognised accounting framework, such as, International Financial Reporting Standards.

This report is made solely to the Fund's Board of Governors, as a body, in accordance with Article 26(v), 35(l) and 35(3) of the Agreement establishing the Fund. Our audit work has been undertaken so that we might state to the Fund's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Annual Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with articles 26(v), 35(l) and 35(3) of the Agreement Establishing the Fund and the accounting policies set out in note B to the special purpose financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall special purpose financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements of the Fund have been prepared, in all material respects, in accordance with the accounting and financial reporting matters as set out in the accounting policies in note B to the special purpose financial statements for the year ended 31 December 2015.

Paris La Défense, 30 March 2016

KPMG Audit
A division of KPMG S.A.

Valéry Foussé
Partner

ADF administrative budget for financial year 2016

(UA thousands)

Management fees*	220,650
Direct expenses	150
Total	**220,800**

* The amount represents the African Development Fund's share of the fair value of the Bank's expenses in respect of officers, staff, organization, services, and facilities based on a formula approved by the Boards.

THE NIGERIA TRUST FUND

FINANCIAL MANAGEMENT

NTF Replenishment

The Nigeria Trust Fund (NTF) is a special fund administered by the Bank. The Fund's resources primarily consist of subscriptions by the Federal Republic of Nigeria. The NTF was established in 1976, for an initial period of thirty (30) years, when an agreement establishing the NTF was executed between the Bank and the Federal Republic of Nigeria, with a provision for extension by mutual agreement. After two annual extensions in 2006 and 2007, the operation of the NTF was extended for ten years with effect from 26 April 2008, following a positive evaluation of its performance during the initial 30 years of operation.

Loan Products

NTF provides financing in the form of loans to the least developed and low-income regional member countries at concessionary rates in order to enhance economic development and social progress in Africa. In the past the NTF has provided concessional financing exclusively to public sector operations. However, for the extension period to 2018, the Fund's mandate has been expanded to cover financial support to private sector operations as well, including the microfinance subsector.

Investments

The cash and treasury investments of the NTF, all denominated in US Dollars, amounted to UA 120.27 million at 31 December 2015, compared to UA 123.71 million at the end of 2014. Investment income for 2015 was UA 0.37 million, representing a return of 0.29 percent, on an average liquidity level of UA 126.93 million, compared to an income of UA 0.42 million, representing a return of 0.35 percent on an average liquidity of UA 121.38 million in 2014. The portfolio marginally underperformed its benchmark in 2015 as the volatility in the global financial markets created a challenging investment context.

Loan Portfolio

Cumulative loans signed, net of cancellations, as at 31 December 2015, increased by UA 12.03 million to UA 320.46 million compared to UA 308.43 million at the end of 2014. During 2015, the new loan approvals amounted to UA 12.50 million compared with UA 11.49 million in 2014. Table 6.7, below, presents the evolution of loans approved, loans disbursed and the undisbursed balances from 2011 to 2015. From the table, the level of loan approvals continues to show an upward trend since 2011.

As at 31 December 2015, there were 34 active loans with an outstanding amount of UA 48.90 million and 49 fully repaid loans amounting to UA 160.23 million.

Disbursements

Disbursements increased from UA 3.13 million in 2014 to UA 7.47 million in 2015. As at 31 December 2015, cumulative disbursements amounted to UA 248.67 million (2014: UA 241.20). A total of 70 loans amounting to UA 238.89 million was fully disbursed as at 31 December 2015, representing 96.07 percent of cumulative disbursements on that date. Figure 6.4 shows the evolution of loan disbursements and repayments over the past five years.

Repayments

Principal loan repayments amounted to UA 5.09 million in 2015 compared to UA 6.81 million in 2014, representing a decrease of 25.26 percent over the previous year. Cumulative repayments as of December 2015 stood at UA 190.66 million compared to UA 177.34 million at the end of 2014.

Risk Management Policies and Processes

The NTF, like the Bank, seeks to reduce its exposure to risks that are not essential to its core business of providing development-related assistance, such as liquidity, currency and interest rate risks. The Fund follows stringent risk management procedures in managing these risks. Note D to the Financial Statements of the Fund provides the details of the risk management policies and practices employed by NTF.

Table 6.7
Lending Status, 2011-2015
(UA millions)

	2011	2012	2013	2014	2015
Loans Approved	10.00	12.90	31.17	11.49	12.50
Disbursements	8.67	1.76	0.96	3.13	7.47
Undisbursed Balances	9.73	22.86	40.70	67.23	71.79

FINANCIAL RESULTS

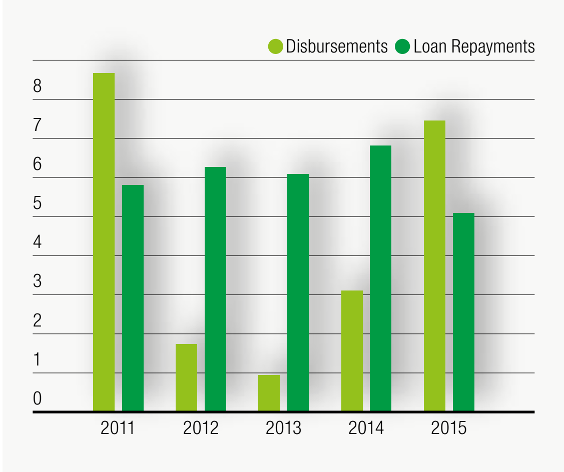
The highlights of the Nigeria Trust Fund's financial performance in 2015 include the following:

- NTF's income before distributions approved by the Board of Governors decreased by UA 0.10 million from UA 1.49 million in 2014 to UA 1.39 million in 2015, mainly due to a decrease in investment income owing to low interest rates.

- Administrative expenses representing the NTF's share of the total shareable expenses of the ADB Group, decreased by UA 0.01 million from UA 0.37 million in 2015 to UA 0.36 million in 2014. As noted earlier, the NTF's share of the total shareable expenses of the ADB Group is based on a predetermined cost-sharing formula, which is driven by the relative levels of certain operational volume indicators and relative balance sheet-size. However, the NTF's share of the total administrative expenses is capped at no more than 20 percent of its gross income in any year.

- The NTF's reserves net of cumulative currency translation adjustments increased from UA 39.69 million at the end of 2014 to UA 41.29 million on 31 December 2015, a 4.03 percent increase.

Figure 6.4
Loan Disbursements and Repayments, 2011-2015 (UA millions)



Nigeria Trust Fund
Financial Statements and Report of the Independent Auditor Year ended 31 December 2015

Balance sheet
as at 31 December 2015
(UA thousands – Note B)

ASSETS	2015	2014
DUE FROM BANKS	5,053	10,286
INVESTMENTS (Note F)	115,224	113,419
ACCOUNTS RECEIVABLE		
Accrued income and receivables on loans	1,124	1,136
Accrued income on investments	59	45
Other receivables	295	252
	1,478	1,433
LOANS (Notes D & G)		
Disbursed and outstanding	48,903	44,621
Less: Accumulated provision for impairment	(138)	(155)
	48,765	44,466
TOTAL ASSETS	**170,520**	**169,604**

The accompanying notes to the financial statements form part of this statement.

LIABILITIES & EQUITY	2015	2014
ACCOUNTS PAYABLE	644	1,327
EQUITY (Note H)		
Capital	128,586	128,586
Reserves		
Retained earnings	140,452	146,347
Cumulative Currency Translation Adjustment (Note B)	(99,162)	(106,656)
Total reserves	41,290	39,691
Total Equity	169,876	168,277
TOTAL LIABILITIES & EQUITY	**170,520**	**169,604**

The accompanying notes to the special purpose financial statements form part of this statement.

Income statement
for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
INCOME (Note I)		
Interest and charges on loans	1,457	1,447
Income from investments	365	417
Total income	1,822	1,864
EXPENSES		
Administrative expenses (Note J)	364	373
Bank charges and sundry losses/(gains)	86	(12)
Total expenses	450	361
Provision for impairment on loan principal and charges (Note G)	(17)	12
Total expenses and provision for impairment	433	373
Income before distributions approved by the Board of Governors	1,389	1,491
Distributions of income approved by the Board of Governors (Note H)	(149)	(158)
NET INCOME FOR THE YEAR	**1,240**	**1,333**

The accompanying notes to the financial statements form part of this statement.

Statement of comprehensive income for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
NET INCOME FOR THE YEAR	1,240	1,333
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,240**	**1,333**

The accompanying notes to the financial statements form part of this statement.

Statement of changes in equity for the year ended 31 December 2015
(UA thousands – Note B)

	Capital	Retained Earnings	Cumulative Currency Translation Adjustment	Total Equity
BALANCE AT 1 JANUARY 2014	128,586	153,423	(116,237)	165,772
Withdrawal of funds by the Government of Nigeria	-	(8,409)	-	(8,409)
Net income for the year	-	1,333	-	1,333
Currency translation adjustment	-	-	9,581	9,581
BALANCE AT 31 DECEMBER 2014 AND 1 JANUARY 2015	**128,586**	**146,347**	**(106,656)**	**168,277**
Withdrawal of funds by the Government of Nigeria	-	(7,135)	-	(7,135)
Net income for the year	-	1,240	-	1,240
Currency translation adjustment	-	-	7,494	7,494
BALANCE AS AT 31 DECEMBER 2015	**128,586**	**140,452**	**(99,162)**	**169,876**

The accompanying notes to the financial statements form part of this statement.

Statement of cash flows for the year ended 31 December 2015
(UA thousands – Note B)

	2015	2014
CASH FLOWS FROM:		
OPERATING ACTIVITIES:		
Net income	1,240	1,333
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for impairment on loan principal and charges	(17)	12
Unrealized (gains)/losses on investments	(104)	(22)
Changes in accrued income and receivables on loans	356	(132)
Changes in net current assets	(806)	238
Net cash provided by operating activities	669	1,429
INVESTING, LENDING AND DEVELOPMENT ACTIVITIES:		
Disbursements on loans	(7,468)	(3,126)
Repayment of loans	5,093	6,813
Investments maturing after 3 months of acquisition:		
Held at fair value through profit or loss	12,274	(7,662)
Net cash provided by/(used in) investing, lending and development activities	9,899	(3,975)
FINANCING ACTIVITIES:		
Withdrawal of funds by the Government of Nigeria	(7,135)	(8,409)
Net cash used in financing activities	(7,135)	(8,409)
Effect of exchange rate changes on cash and cash equivalents	5,481	(345)
Net increase/(decrease) in cash and cash equivalents	8,914	(11,300)
Cash and cash equivalents at the beginning of the year	13,629	24,929
Cash and cash equivalents at the end of the year	**22,543**	**13,629**
COMPOSED OF:		
Investments maturing within 3 months of acquisition	17,490	3,343
Cash	5,053	10,286
Cash and cash equivalents at the end of the year	**22,543**	**13,629**
SUPPLEMENTARY DISCLOSURE		
1. Operational cash flows from interest		
Interest received	1,500	1,900
2. Movement resulting from exchange rate fluctuations on loans	1,893	2,456

The accompanying notes to the financial statements form part of this statement.

Notes to the financial statements
Year ended 31 December 2015

Note A — Nature of operations

The Nigeria Trust Fund (the Fund or NTF) was established under an agreement signed on 26 February 1976 (the Agreement) between the African Development Bank (ADB or the Bank) and the Federal Republic of Nigeria. The African Development Bank, headquartered in Abidjan, Côte d'Ivoire, manages the resources of the Fund on behalf of the Government of Nigeria. The purpose of the Fund is to assist in the development efforts of the poorer ADB Regional Member Countries. The Agreement stipulates that the Fund shall be in effect for a period of 30 years from the date the Agreement became effective and that such sunset date may be extended by mutual agreement between the Bank and the Federal Republic of Nigeria. The Agreement expired on 26 April 2006 and was extended twice for one-year periods, to allow for the completion of an independent review of the operation of the Fund. Following the successful completion of the independent review, the Agreement has been extended for a period of ten years starting from 26 April 2008.

Note B — Summary of significant accounting policies

The financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention except for certain financial assets that are carried at fair value.

The significant accounting policies employed by the Fund are summarized below:

Revenue Recognition

Interest income is accrued and recognized based on the effective interest rate for the time such instrument is outstanding and held by the Fund. The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset to the asset's net carrying amount. Commitment fees are accrued for unutilized loan facilities.

Income from investments includes realized and unrealized gains and losses on financial instruments measured at fair value through profit or loss.

Functional and Presentation Currencies

The Fund conducts its operations in United States Dollars, and has determined that its functional currency is the United States Dollars (USD). In accordance with Article VII, section 7.3, of the Agreement establishing the Fund, the financial statements are presented in Units of Account (UA).

The value of the Unit of Account is defined in Article 5.1 (b) of the Agreement Establishing the Bank as equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF) or any unit adopted for the same purpose by the IMF. At 31 December 2015, 1 UA was equivalent to 1.38573 United States dollars (2014: 1.44881 USD).

Currency Translation

Income and expenses are translated to UA at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated from USD to UA at rates prevailing at the balance sheet date. Translation differences are included in reserves under cumulative currency translation adjustment (CCTA). Changes in CCTA are reported in the statement of changes in equity. Capital replenishments are recorded in UA at the exchange rates prevailing at the time of receipt. Translation gains and losses on conversion of currencies into UA are included in the determination of net income.

Financial Instruments

Financial assets and financial liabilities are recognized when the Fund assumes related contractual rights or obligations.

1) Financial Assets

In accordance with IFRS 9, the Fund classifies its financial assets into the following categories: financial assets at amortized cost; and financial assets at fair value through profit or loss (FVTPL). These classifications are determined based on the Fund's business model. In accordance with the Fund's business model, financial assets are held either for the stabilization of income through the management of net interest margin or for liquidity management. Management determines the classification of its financial assets at initial recognition.

i) Financial Assets at Amortized Cost

A financial asset is classified as 'amortized cost' only if the asset meets the objective of the Fund's business model to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in financial assets are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

If either of the two criteria above is not met, the financial asset is classified as at fair value through profit or loss.

Financial assets at amortized cost include loans and receivables on amounts advanced to borrowers and certain investments that meet the criteria of financial assets at amortized cost. Loans and receivables comprise demand obligations, accrued income and receivables from loans and investments and other sundry amounts receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are carried at amortized cost using the effective interest method.

Loan origination fees are deferred and recognized over the life of the related loan as an adjustment of yield. Incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered insignificant.

Investments classified as financial assets at amortized cost include investments that are non-derivative financial assets with fixed or determinable payments and fixed maturities. These investments are carried and subsequently measured at amortized cost using the effective interest method.

ii) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the amortized cost criteria as described above are measured at FVTPL. This category includes all treasury assets held for resale to realize short-term fair value changes. Gains and losses on these financial assets are reported in the income statement in the period in which they arise. Derivatives are also categorized as financial assets at fair value through profit or loss.

Cash and cash equivalents include amounts due from banks, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less.

Purchases and sales of financial assets are recognized on a trade-date basis, which is the date the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

2) Financial Liabilities

Financial liabilities include accounts payable and are subsequently measured at amortized cost. Financial liabilities are derecognized upon discharge, cancellation or expiration.

Impairment of Financial Assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss has been incurred on a loan, receivable or held-to-maturity investment carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The estimated impairment loss may arise from delays that may be experienced in receiving amounts due, and the impairment calculations reflect management's best estimate of the effect of such delays.

The impairment loss is reported as a reduction to the carrying amount of the asset through the use of an allowance account and recognized in the income statement. If a loan or other investment held at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Interest and charges are accrued on all loans, including those in arrears.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair Value Disclosure

In liquid or active markets, the most reliable indicators of fair value are quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market might be inactive include when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few or no recent transactions observed in the market. When markets become illiquid or less active, market quotations may not represent the prices at which orderly transactions would take place between willing buyers and sellers and therefore may require adjustment in the valuation process. Consequently, in an inactive market, price quotations are not necessarily determinative of fair values. Considerable judgment is required to distinguish between active and inactive markets.

The fair values of quoted investments in active markets are based on current bid prices, while those of liabilities are based on current asking prices. For financial instruments with inactive markets or unlisted securities, the Fund establishes fair value by using valuation techniques that incorporate the maximum use of market data inputs. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not readily determinable. Management believes that these methodologies and assumptions are reasonable; however, the values actually realized in a sale might be different from the fair values disclosed.

The following three hierarchical levels are used for the determination of fair value:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The methods and assumptions used by the Fund in measuring the fair values of financial instruments are as follows:

Cash and cash equivalents: The carrying amount is the fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: The Fund does not sell its loans, nor does it believe there is a comparable market for its loans. The fair value of loans reported in these financial statements represents management's best estimates of the expected cash flows of its loans. The fair valuation of loans has been determined using a discounted cash flow model based on year-end market lending rates in USD, including impairment percentages when applicable.

Retained Earnings

Retained earnings of the Fund consist of amounts allocated to reserves from prior years' income and unallocated current year net income.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the preparation of financial statements in conformity with IFRS, management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant judgments and estimates are summarized below:

i) Impairment Losses on Assets Carried at Amortized Cost

The Fund first assesses whether objective evidence of impairment exists individually for financial assets. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, that asset is included in a group of financial assets with similar credit characteristics and collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

If the Fund determines that there is objective evidence that an impairment loss on loans and receivables or investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

ii) Fair Values of Financial Instruments

The fair value of financial instruments that are not quoted in active markets is measured by using valuation techniques. Where valuation techniques (for example, models) are used to measure fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are periodically calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, valuation models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Reclassifications

Certain reclassifications of prior year's amounts have been made to conform to the presentation in the current year. These reclassifications did not affect prior year's reported result.

Note C — The effect of new and revised international financial reporting standards

Standards, Amendments and Interpretations Issued but not yet effective

At the date of issue of these financial statements, various International Financial Reporting Standards issued by the IASB were not yet effective for application and had not been applied in preparing these financial statements. The new standards which are expected to be relevant to the Fund are discussed briefly below:

IFRS 15: Revenues from Contracts with Customers

IFRS 15 was issued in May 2014, and applies to annual reporting periods beginning on or after 1 January 2017. It specifies how and when entities should recognize revenue from contracts with customers as well as the required disclosures in the financial statements. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

The Fund has determined that the standard is not applicable to its operations as its contracts with customers are accounted for under IFRS 9.

IFRS 9: Financial Instruments

The Fund has already adopted phase 1 of the IFRS 9 with effect from 1 January 2011. Phase 2, which is the final version of IFRS 9 was issued on 24 July 2014, and is effective for annual periods beginning on or after 1 January 2018. The revisions in the final phase of this standard introduce a third classification and measurement category for financial assets, namely, fair value through OCI, some revisions to hedge accounting and replacement of the incurred loss model in IAS 39 with the expected credit loss impairment model. The final standard also includes the guidance for financial liabilities, as previously issued to the effect that there is no subsequent recycling of realized gains or losses on "own credit" from OCI to profit and loss.

Although preliminary indications are that the Fund will be affected by the new standard, the Fund is still assessing the full impact of this new pronouncement on its financial position and performance.

Annual Improvements to IFRS 2012 - 2014 Cycle

In September 2014, the IASB issued Annual Improvements to IFRS 2012-2014 Cycle. This comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. These changes are effective for reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The Fund is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1: Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, as part of an initiative to improve presentation and disclosure in financial reports, to further encourage reporting entities to apply professional judgement in determining what information to disclose in their financial statements and in determining where and in what order information is presented in the financial disclosures. The Amendments have a mandatory effective date of 1 January 2016, with earlier adoption permitted.

The Fund expects that the adoption of these amendments will not have material impact on its Financial Statements.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16, "Leases", which replaces the current guidance on lease accounting in IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. The new standard requires far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

Preliminary indications are that the new standard will affect the Fund. However, the full impact on the financial position and performance is still being assessed.

IAS 7: Statement of Cash Flows (Amendments)

On 29 January 2016, the IASB published some revisions to IAS 7, "Statement of Cash Flows", aimed at improving the effectiveness of disclosures in financial reports. These amendments, which are effective from 1 January 2017, require entities to provide information about changes in their financing liabilities. The amendments are a response to users' demand for information that helps them better understand and evaluate changes in liabilities arising from an entity's financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

Although the Fund is yet to assess the potential impact of adopting this standard, its application is not expected to have an impact on the financial position of the Fund as the new requirements merely involve additional disclosures rather than a change in measurement basis.

Based on the foregoing no new or revised financial reporting standard, applicable to the Fund, became effective in 2015.

Note D — Risk management policies and procedures

As described in Note A, the Bank manages the resources of the Fund on behalf of the Government of Nigeria. In the course of exercising its fiduciary duties, the Bank applies specific risk management policies designed to protect the resources of the Fund through the Bank's General Authority on Asset and Liability Management ("the ALM Authority"). The ALM Authority sets out the guiding principles for managing the Fund's risks, including interest rate risk, currency risk, liquidity risk, counterparty credit risk and operational risk.

Under the ALM Authority, the President of the Bank is authorized to approve and amend more detailed operational guidelines as necessary, upon the recommendations of the Asset and Liability Management Committee (ALCO). ALCO is the Bank's most senior management forum on finance and financial risk management issues and is chaired by the Vice President for Finance of the Bank.

The ALCO meet on regular basis to perform its oversight roles. Among its functions, the ALCO reviews regular and ad-hoc finance and treasury risk management reports and projections and approves strategies to adjust the balance sheet. ALCO is supported by several standing working groups that report on specific issues including interest rate risk, currency risk and financial projections.

In late 2013, a Group Chief Risk Officer position was created reporting directly to the President of the Bank.

Day-to-day operational responsibilities for implementing the Bank's risk management policies and guidelines are delegated to the relevant business units, and the Financial Management Department is responsible for monitoring the day-to-day compliance with those policies and guidelines.

The following sections describe in detail the manner in which the individual sources of risk are managed by the Fund.

Credit Risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors. Credit risk is the largest source of risk for the Fund arising from its lending and treasury operations essentially and it includes sovereign credit risk from lending operations, and counterparty credit risk.

1) Sovereign Credit Risk

When the Fund lends to public sector borrowers, it generally requires a full sovereign guarantee or the equivalent from the borrowing member state. Also, in extending credit to sovereign entities, it is exposed to country risk which includes potential losses arising from a country's inability or unwillingness to service its obligations to the Fund. Country credit risk is managed through financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessment. These include the assessment of each country's macroeconomic performance as well as its socio-political conditions and future growth prospects.

Country Exposure in Borrowing Member Countries

The Fund's outstanding loans at 31 December 2015 were to the following countries:

(Amounts in UA thousands)

Country	N° of Loans*	Total Loans*	Unsigned Loan Amounts	Undisbursed Balance	Outstanding Balance	% of Total Outstanding Loans
Benin	3	10,270	-	6,000	4,270	8.73
Cabo Verde	1	412	-	-	412	0.84
Cameroon	1	4,999	-	4,861	138	0.28
Djibouti	1	632	-	-	632	1.29
Gambia	3	10,471	-	-	10,471	21.41
Ghana	1	1,257	-	-	1,257	2.57
Guinea	1	2,682	-	-	2,682	5.49
Guinea-Bissau	1	3,483	-	3,177	306	0.63
Lesotho	1	4	-	-	4	0.01
Liberia	1	6,506	-	5,697	809	1.65
Madagascar	1	6,514	-	5,339	1,175	2.40
Malawi	2	11,549	-	9,701	1,848	3.78
Mali	1	6,493	-	6,322	171	0.35
Mauritania	2	7,069	-	-	7,069	14.45
Namibia	1	688	-	-	688	1.41
Rwanda	2	10,874	-	6,500	4,374	8.94
Senegal	1	308	-	-	308	0.63
Seychelles	1	585	-	-	585	1.20
Sierra Leone	2	7,464	-	6,670	794	1.62
Somalia**	1	840	-	-	840	1.72
Swaziland	1	3,966	-	-	3,966	8.11
Tanzania	1	522	-	-	522	1.07
Togo	1	6,500	-	6,500	-	-
Uganda	2	10,232	-	6,713	3,519	7.20
Zambia	1	6,376	-	4,313	2,063	4.22
Total	**34**	**120,696**	**-**	**71,793**	**48,903**	**100.00**

* Excludes fully repaid loans and canceled loans.
** Country with overdue amounts as at 31 December 2015.

Slight differences may occur in totals due to rounding.

Systematic Credit Risk Assessment

As at 31 December 2015, all the Fund's loans were made only to public sector borrowers, and such loans generally carry full sovereign guarantee or the equivalent from the borrowing member state.

The Fund's credit risk management framework is based on a systematic credit risk assessment using a uniform internal credit risk rating scale that is calibrated to reflect the Fund's statistical loss expectations as shown in the table below.

		International Ratings		
Risk Class	**Revised Rating Scale**	**S&P – Fitch**	**Moody's**	**Assessment**
Very Low Risk	1+	A+ and above	A1 and above	Excellent
	1	A	A2	
	1-	A-	A3	
	2+	BBB+	Baa1	Strong
	2	BBB	Baa2	
	2-	BBB-	Baa3	
Low Risk	3+	BB+	Ba1	Good
	3	BB	Ba2	
	3-	BB-	Ba3	
Moderate Risk	4+	B+	B1	Satisfactory
	4 4-	B	B2	
	5+ 5	B-	B3	Acceptable
High Risk	5- 6+	CCC+	Caa1	Marginal
	6 6-	CCC	Caa2	Special Attention
Very High Risk	7 8	CCC-	Caa3	Substandard
	9	CC	Ca	Doubtful
	10	C	C	Loss

These sovereign risk credit ratings are derived from a risk assessment on five risk indices that include macro-economic performance, debt sustainability, socio-political factors, business environment, and portfolio performance. These five risk indices are combined to derive a composite sovereign country risk index and then converted into separate country risk ratings. These country risk ratings are validated against the average country risk ratings from accredited rating agencies and other specialized international bodies. The Credit Risk Committee reviews the country ratings on a quarterly basis to ensure compliance with country exposure limits, changes in country credit risk conditions, and to approve changes in loss provisioning, if any.

Portfolio Risk Monitoring

It is the Fund's policy that if the payment of principal, interest or other charges becomes 30 days overdue, no new loans to that country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore, for such countries, disbursements on all loans to or guaranteed by that borrower country are suspended until all overdue amounts have been paid.

2) Counterparty Credit Risk

Counterparty credit risk is the potential for loss due to failure of a counterparty to honor its obligation. Various financial instruments are used to manage the Fund's exposure to fluctuations in market interest and currency rates, and to invest its liquid resources prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to the Fund.

Given the nature of the Fund's business, it is not possible to completely eliminate counterparty credit risk, however, this risk is minimized by executing transactions within a prudential framework of approved counterparties, minimum credit rating standards, counterparty exposure limits, and counterparty credit risk mitigation measures. Counterparties for treasury assets must meet the Fund's minimum credit rating requirements and are approved by the Bank's Vice President for Finance. For counterparties that are rated below the minimum rating requirements, approval by the ALCO is required.

The following table details the minimum credit ratings for authorized investment counterparties:

	Maturity					
	6 months	1 year	5 years	10 years	15 years	30 years
Government		A/A2			AA-/Aa3	AAA/Aaa
Government agencies and supranationals		A/A2			AA-/Aa3	AAA/Aaa
Banks	A/A2		AA-/Aa3	AAA/Aaa		
Corporations including non-bank financial institutions	A/A2		AA-/Aa3	AAA/Aaa		
MBS/ABS	AAA Maximum legal maturity of 50 years for ABS/MBS with the underlying collateral originated in the UK and 40-year maximum legal maturity for all other eligible ABS/MBS. Also, the maximum weighted average life for all ABS/MBS at the time of acquisition shall not exceed 5 years.					

The Fund invests in money market mutual funds with a minimum rating of AA-/Aa3.

In addition to these minimum rating requirements, the Fund operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 10 percent of the Fund's total liquidity for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the Fund's credit limits after considering the benefits of any collateral.

As shown in the following table, the estimated potential counterparty credit exposure of the investment portfolio continues to be predominantly in the AA- or higher-rated class:

	Credit Risk Profile of the Investment Portfolio		
	AAA	AA+ to AA-	A+ and lower
2015	19%	68%	13%
2014	19%	78%	3%
2013	50%	44%	6%
2012	63%	19%	18%
2011	50%	23%	27%
2010	48%	40%	12%

Liquidity Risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. In order to mitigate liquidity risk, the Fund's investment management policy ensures it has sufficient liquid assets to meet its disbursement obligations.

Currency Risk

Currency risk is the potential loss due to adverse movements in market foreign exchange rates. The Fund manages its currency risk by holding all of its investments and loans in US dollars, the currency in which the Fund's resources are denominated.

Interest Rate Risk

The Fund is exposed to fair value interest rate risk on its portfolio of loans and investments. All of the Fund's loans have fixed interest rates. Investments are managed against the monthly average of 3-month LIBOR in order to manage prudently the available resources. Repricing risk is not considered significant in comparison to the Fund's equity resources, and is accordingly not hedged.

At December 2015, the Fund had UA 71.79 million of loans which were committed but not yet disbursed (2014: UA 67.23 million). The interest rate on these undisbursed loans has been fixed at between 2 to 4 percent per annum.

Interest rate risk positions as at 31 December 2015 and 2014 were as follows:

Interest Rate Risk Position as at 31 December 2015

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	5,053	-	-	-	-	-	-	5,053
Investments	87,675	21,760	4,292	1,436	-	61	-	115,224
Accounts receivable	1,478	-	-	-	-	-	-	1,478
Loans	4,981	3,680	3,190	3,310	3,260	30,482	(138)	48,765
	99,187	25,440	7,482	4,746	3,260	30,543	(138)	170,520
Liabilities								
Accounts payable	(644)	-	-	-	-	-	-	(644)
Interest rate risk position as at 31 December 2015*	**98,543**	**25,440**	**7,482**	**4,746**	**3,260**	**30,543**	**(138)**	**169,876**

* Interest rate risk position represents equity.

Interest Rate Risk Position as at 31 December 2014

(UA thousands)

	1 year or less	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years but less than 4 years	More than 4 years but less than 5 years	More than 5 years	Non interest bearing funds	Total
Assets								
Cash	10,286	-	-	-	-	-	-	10,286
Investments	19,910	61,323	26,596	4,124	-	1,466	-	113,419
Accounts receivable	1,433	-	-	-	-	-	-	1,433
Loans	5,815	3,958	3,509	3,045	3,029	25,265	(155)	44,466
	37,444	65,281	30,105	7,169	3,029	26,731	(155)	169,604
Liabilities								
Accounts payable	(1,327)	-	-	-	-	-	-	(1,327)
Interest rate risk position as at 31 December 2014*	**36,117**	**65,281**	**30,105**	**7,169**	**3,029**	**26,731**	**(155)**	**168,277**

* Interest rate risk position represents equity.

Currency and Interest Rate Sensitivity Analysis

The Fund holds all of its investments and loans in U.S. dollars and therefore is exposed only to translation adjustment as the Fund's assets are reported in UA for financial statements purposes. Any change in the UA/USD exchange rate would have an impact of approximately 40 percent on these reported values.

Movements in interest rates have an impact on the reported fair value of the trading portfolio. The table below shows the effect of a parallel yield curve movement +/- 100bps as at 31 December 2015 and 2014, respectively.

(UA thousands)

	+100 Basis Points		-100 Basis Points	
	2015	2014	**2015**	2014
(Loss)/Gain on investments measured at fair value	(261)	(215)	262	204

Note E — Financial assets and liabilities

The tables below set out the classification of each class of financial assets and liabilities, and their respective fair values:

Analysis of Financial Assets and Liabilities by Measurement Basis

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss				
31 December 2015	**Mandatorily at Fair Value**	**Designated at Fair Value**	**Financial Assets and Liabilities at Amortized Cost**	**Total Carrying Amount**	**Fair Value**
Due from banks	-	-	5,053	5,053	5,053
Treasury investments	115,224	-	-	115,224	115,224
Accounts receivable	-	-	1,478	1,478	1,478
Loans	-	-	48,765	48,765	48,505
Total financial assets	**115,224**	**-**	**55,296**	**170,520**	**170,260**
Liabilities	-	-	644	644	644
Total financial liabilities	**-**	**-**	**644**	**644**	**644**

(UA thousands)

	Financial Assets and Liabilities through Profit or Loss				
31 December 2014	**Mandatorily at Fair Value**	**Designated at Fair Value**	**Financial Assets and Liabilities at Amortized Cost**	**Total Carrying Amount**	**Fair Value**
Due from banks	-	-	10,286	10,286	10,286
Treasury investments	113,419	-	-	113,419	113,419
Accounts receivable	-	-	1,420	1,420	1,420
Loans	-	-	44,466	44,466	44,237
Total financial assets	**113,419**	**-**	**56,172**	**169,591**	**169,362**
Liabilities	-	-	1,327	1,327	1,327
Total financial liabilities	**-**	**-**	**1,327**	**1,327**	**1,327**

Note F — Investments

As part of its portfolio management strategy, the Fund invests in government and agency obligations, time deposits, and asset-backed securities.

For government and agency obligations with final maturities longer than 1 year, the Fund may only invest in obligations with counterparties having a minimum credit rating of AA- issued or unconditionally guaranteed by governments of member countries of the Bank or other official entities. For asset-backed securities, the Fund may only invest in securities with an AAA credit rating. Investments in money market instruments are restricted to instruments having maturities of not more than 1 year and a minimum rating of A.

As at 31 December 2015, all investments are held at fair value through profit and loss.

The Fund's investments at 31 December 2015 and 2014 (at FVTPL) are summarized below:

(UA thousands)

	2015	2014
Time deposits	17,490	3,343
Asset-backed securities	61	323
Government and agency obligations	85,465	88,422
Corporate bonds	12,208	21,331
Total	**115,224**	**113,419**

The table below classifies the Fund's investments at 31 December 2015 and 2014 into three levels reflecting the relative reliability of the measurement bases, with level 1 as the most reliable.

(UA thousands)

	Quoted prices in active markets for the same instrument (Level 1)		Valuation techniques for which all significant inputs are based on observable market data (Level 2)		Valuation techniques for which any significant input is not based on observable market data (Level 3)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Time deposits	17,490	3,343	-	-	-	-	17,490	3,343
Asset-backed securities	-	-	-	-	61	323	61	323
Government and agency obligations	85,465	88,422	-	-	-	-	85,465	88,422
Corporate bonds	-	-	12,208	21,331	-	-	12,208	21,331
Total	**102,955**	**91,765**	**12,208**	**21,331**	**61**	**323**	**115,224**	**113,419**

Fair value measurement of financial instruments using valuation technique with no significant input from observable market data (level 3 hierarchy) at 31 December 2015 and 2014 are made up as follows:

(UA thousands)

	2015	2014
Balance at 1 January	323	502
Losses recognized in income statement	(30)	(210)
Purchases, issues and settlements (net)	(236)	-
Currency translation adjustments	4	31
Balance at 31 December	**61**	**323**

The contractual maturity structure of the Fund's investments as at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
One year or less	87,675	19,910
More than one year but less than two years	21,760	61,323
More than two years but less than three years	4,292	26,596
More than three years but less than four years	1,436	4,124
More than four years but less than five years	-	-
More than five years	61	1,466
Total	**115,224**	**113,419**

The notional balance of investments as at 31 December 2015 was UA 115.22 million (2014: UA 113.42 million), while the average yield was 0.32 % (2014: 0.35%).

Note G — Loans

Loans originated prior to 22 September 2003, carry an interest rate of 4 percent on the outstanding balance. With effect from 22 September 2003, pursuant to the Board of Governors' resolution B/BG/2003/11 of 3 June 2003 and the protocol agreement between the Government of Nigeria and the Bank, dated 22 September 2003, the interest rate on loans was changed from a flat 4 percent per annum to a range of 2 percent to 4 percent (inclusive) per annum on the outstanding balance and future undisbursed loans. Furthermore, a 0.75 percent commission is payable on undisbursed balances commencing 120 days after the signature of the loan. Loans approved prior to the extension of the Agreement are granted for a maximum period of twenty-five years including grace periods of up to five years.

Following the extension of the Agreement in April 2008, the terms of the NTF loans were further modified in line with the terms of financing in the operational guidelines of the Fund, approved pursuant to the Board of Directors' resolution ADB/ BD/ WP/2008/196 of 2 December 2008 which stipulates that the resources of the Fund will henceforth be deployed in accordance with the following three options:

Financial terms for the first option include: (i) no interest charges on NTF loans; (ii) a service charge of 0.75 percent per annum on outstanding balances; (iii) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (iv) a 20-year repayment period with a 7-year grace period.

Financial terms for the second option include: (i) no interest charges on NTF loans; (ii) a service charge of 0.75 percent per annum on outstanding balances; (iii) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (iv) a 15-year repayment period with a 5-year grace period.

Financial terms for the third option would be the same terms as for the ADB private sector financing, taking into consideration the risk analysis of the project.

For all the above-mentioned options, the grace period starts from the date of signing of the financing agreement or at a date agreed amongst co-financiers, in the case of co-financed projects.

For private sector operations, a commitment fee of 0.75 percent per annum on undisbursed balances will be charged from 120 days after the signing of the loan agreement.

The NTF shall provide financing to suit the needs of its borrowers.

Loan Ceilings

In order to promote broader coverage of the NTF resources, utilization will be subject to a ceiling for each operation. For both public and private sector operations, a ceiling of USD 10 million per project will apply. Project proposals of more than USD 10 million may be considered if there is strong justification. This will be subject to review as appropriate depending on the recommendations of the mid-term reviews of the NTF.

The Fund's loan regulations require that loans be expressed in UA and repaid in the currency disbursed. At 31 December 2015, all loans disbursed were repayable in United States dollars.

The contractual maturity structure of outstanding loans as at 31 December 2015 and 2014 was as follows:

(Amounts in UA millions)

	2015		2014	
Periods	**Amount**	**%**	**Amount**	**%**
One year or less	4.98	10.18	5.81	13.02
More than one year but less than two years	3.68	7.53	3.96	8.87
More than two years but less than three years	3.19	6.52	3.51	7.87
More than three years but less than four years	3.31	6.77	3.05	6.84
More than four years but less than five years	3.26	6.67	3.03	6.79
More than five years	30.48	62.33	25.26	56.61
Total	**48.90**	**100.00**	**44.62**	**100.00**

The weighted-average interest yield on outstanding loans for the year ended 31 December 2015 was 3.21% (2014: 3.31%).

Borrowers may prepay loans, subject to the terms specified in the loan agreement.

Provision for Impairment on Loan Principal and Charges Receivable

As at 31 December 2015, loans made to or guaranteed by certain borrowing countries with an aggregate principal balance of UA 0.84 million, of which UA 0.84 million was overdue, were considered to be impaired.

The gross amounts of impaired loans and charges receivable and their corresponding impairment provisions at 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Outstanding balance on impaired loans	840	803
Less: accumulated provision for impairment	(138)	(155)
Net balance on impaired loans	**702**	**648**
Charges receivable and accrued income on impaired loans	1,122	1,036
Less: accumulated provision for impairment	(599)	(573)
Net charges receivable and accrued income on impaired loans	**523**	**463**

Movements in the accumulated provision for impairment on loan principal for the year ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	155	146
Provision for impairment on loan principal for the year	(24)	-
Translation effects	7	9
Balance at 31 December	**138**	**155**

Movements in the accumulated provision for impairment on interest and charges receivable on loans for the year ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	573	536
Provision for impairment on loan charges for the year	7	12
Translation effects	19	25
Balance at 31 December	**599**	**573**

Fair Value of Loans

At 31 December 2015 and 2014, the carrying and estimated fair values of outstanding loans were as follows:

(UA thousands)

	2015		2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan balance at 31 December	48,903	48,505	44,621	44,237
Accumulated provision for impairment on loans	(138)	-	(155)	-
Net balance	**48,765**	**48,505**	**44,466**	**44,237**

Note H — Equity

Equity is composed of Fund capital and reserves (retained earnings and cumulative currency translation adjustments). These are further detailed as follows:

Fund Capital

The initial capital of the Fund was Naira 50 million which was payable in two equal installments of Naira 25 million each, in freely convertible currencies. The first installment, equivalent to USD 39.90 million, was received by the Bank on 14 July 1976, and the second installment, equivalent to USD 39.61 million, was received on 1 February 1977.

During May 1981, the Federal Republic of Nigeria announced the replenishment of the Fund with Naira 50 million. The first installment of Naira 35 million, equivalent to USD 52.29 million, was received on 7 October 1981. The second installment of Naira 8 million, equivalent to USD 10.87 million, was received on 4 May 1984. The third installment of Naira 7 million, equivalent to USD 7.38 million, was received on 13 September 1985.

Following a request by the Government of Nigeria on 14 June 2006, a withdrawal of USD 200 million (UA 135.71 million) was made by the Government of Nigeria from the resources of the Fund.

A second request for a withdrawal of USD 200 million (UA 129.04 million) was paid to the Government of Nigeria in July 2009.

During the year ended 31 December 2014, the Government of the Federal Republic of Nigeria authorized the withdrawal of an amount of USD 13 million (UA 8.41 million) from reserves to settle its commitment on the arrears clearance of debt owed by Liberia under the internationally coordinated arrears clearance mechanism for Post Conflict Countries.

During the year ended 31 December 2015, following a request by the Government of Nigeria on 13 May 2015, a withdrawal of USD 10 million (UA 7.14 million) was made from the resources of the Fund and paid to the Government of Nigeria.

Reserves including Retained Earnings

Retained Earnings

Retained earnings as at 31 December 2015 and 2014 were as follows:

(UA thousands)

Balance at 1 January 2014	153,423
Liberia arrears clearance	(8,409)
Net income for the year	1,333
Balance at 31 December 2014 and 1 January 2015	**146,347**
Withdrawal of funds by the Government of Nigeria	(7,135)
Net income for current year	1,240
Balance at 31 December 2015	**140,452**

The Board of Governors of the Bank approves the transfers of part of the Fund's annual income for the year to HIPC. Transfers approved by the Board of Governors of the Bank are reported within the income statement as expenses in the year the transfer is approved. Prior to 2006, Board of Governors' approved transfer was reported as a reduction in retained earnings. Approvals during the years ended 31 December 2015 and 2014 were UA 0.15 million and UA 0.16 million, respectively.

Cumulative Currency Translation Adjustments

Cumulative currency translation adjustments as at December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Balance at 1 January	106,656	116,237
Movements during the year	(7,494)	(9,581)
Balance at 31 December	**99,162**	**106,656**

Note I — Income

Interest and Charges on Loans

Interest and charges on loans for the year ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Interest income on loans not impaired	1,072	1,179
Interest income on impaired loans	33	31
Commitment charges	352	237
Total	**1,457**	**1,447**

Income from Investments

Income from investments for the year ended 31 December 2015 and 2014 were as follows:

(UA thousands)

	2015	2014
Interest income	507	448
Realized and unrealized fair value losses	(142)	(31)
Total	**365**	**417**

Note J — Administrative expenses

According to the Agreement establishing NTF, the Fund shall pay to the Bank the expenses incurred in the management of the Fund as follows:

a) Separately identifiable costs incurred by the Bank for the Fund; and
b) Indirect costs incurred by the Bank in the management of the Fund.

However, the annual payment for the aforementioned expenses incurred by the Bank shall not exceed 20 percent of the Fund's gross income during the course of each period. The administrative cost-sharing formula may be reviewed from time-to-time by mutual agreement.

The amount of UA 0.36 million charged for the year ended 31 December 2015 (2014: UA 0.37 million) represents the Fund's share of the Bank Group expenses.

Note K — Related parties

The Nigeria Trust Fund is administered by the African Development Bank. The ADB conducts the general operations of the NTF on the basis of the terms of the Agreement and in consultation with the Government of Nigeria. The NTF utilizes the offices, staff, organization, services and facilities of the Bank and reimburses the Bank for its share of the costs of such facilities, based on an agreed-upon cost-sharing formula (see Note J). The amount outstanding at 31 December 2015 in respect of the Fund's share of administrative expenses was UA 0.05 million (2014: UA 0.05 million) and is included in Accounts Payable on the balance sheet.

Note L — Segment reporting

The objective of the Fund is to provide loan funds to the poorer ADB regional member countries for development purposes. The Fund's products and services are similar and are structured and distributed in a fairly uniform manner across borrowers. Management has concluded that the Fund has only one reportable segment in accordance with IFRS 8.

The main products and services from which the Fund derives its revenue are mainly loans to ADB regional member countries and treasury investments.

External revenue for the years ended 31 December 2015 and 2014 is detailed as follows:

(UA thousands)

	2015	2014
Interest income and charges on loans with sovereign guarantee	1,457	1,447
Treasury investment income	365	417
Total external revenue	**1,822**	**1,864**

The Fund's development activities are divided into five sub-regions of the continent of Africa for internal management purposes, namely: Central Africa, Eastern Africa, Northern Africa, Southern Africa, and Western Africa. Treasury investment activities are carried out mainly outside of the continent of Africa, and are therefore not included in the table below. In presenting information on the basis of the above geographical areas, revenue is based on the location of customers. The Fund uses ADB's offices, staff, organization, services and facilities and therefore has no fixed assets of its own.

Geographical information about income from loans for the year ended 31 December 2015 and 2014 is detailed as follows:

(UA thousands)

	Central Africa	Eastern Africa	Northern Africa	Southern Africa	Western Africa	Multi-national	Total
2015							
Income from Loans	25	271	149	313	608	91	1,457
2014							
Income from Loans	-	311	143	332	661	-	1,447

There were no revenues deriving from transactions with a single external customer that amounted to 10 percent or more of the Fund's revenues for the year ended 31 December 2015.

Note M — Approval of financial statements

On 30 March 2016, the Board of Directors of the Bank authorized these financial statements for issue to the Board of Governors. The financial statements are expected to be approved by the Board of Governors of the African Development Bank at its annual meeting in May 2016.

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Independent Auditor's Report to the Board of Governors of the African Development Bank in respect of the Nigeria Trust Fund

Year ended 31 December 2015

We have audited the accompanying financial statements of the Nigeria Trust Fund (the Fund) which comprise the balance sheet as at 31 December 2015 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes A to M.

The financial statements have been prepared in accordance with International Financial Reporting Standards, for the purpose of submitting approved and audited financial statements to the Board of Governors of the African Development Bank, as required by Section 8.2 of the Agreement establishing the Fund. This report is made solely to the Board of Governors of the Bank, as a body, in accordance with Section 8.2 of the Agreement establishing the Fund. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Governors of the Bank as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paris La Défense, 30 March 2016

KPMG Audit
A division of KPMG S.A.

Valéry Foussé
Partner

Annexes

Annex I
Bank Group Loan and Grant Approvals by Region, 2011-2015, and Cumulative 1967-2015*
(UA million)

Region/Country	2011	2012	2013	2014	2015	1967-2015
Central Africa						
Cameroon	85.6	47.3	42.8	143.8	48.9	1,384.1
Central African Republic	4.6	34.0	-	15.6	21.9	254.4
Chad	21.1	21.5	6.4	14.9	13.4	517.9
Congo	0.1	10.6	2.2	7.5	15.1	356.2
Congo, Democratic Republic	70.2	63.6	185.5	185.0	39.3	2,161.2
Equatorial Guinea	-	-	-	0.8	-	131.5
Gabon	272.3	145.4	-	1.6	-	1,448.7
São Tomé & Príncipe	-	0.5	7.0	-	11.5	128.6
Central Africa Approvals	**453.8**	**323.0**	**243.9**	**369.2**	**150.0**	**6,382.7**
Eastern Africa						
Burundi	49.0	17.8	15.5	41.8	-	515.3
Comoros	0.4	2.6	13.6	4.0	8.0	111.4
Djibouti	1.4	5.9	3.9	-	8.2	198.6
Eritrea	12.0	-	-	-	13.5	119.2
Ethiopia	67.1	166.0	85.7	60.0	181.2	2,622.3
Kenya	104.9	28.0	239.5	190.1	184.9	1,996.5
Rwanda	61.0	-	53.8	99.4	19.6	813.0
Seychelles	8.2	-	14.3	0.6	23.8	151.2
Somalia	1.1	-	3.3	0.3	1.9	158.1
South Sudan	-	4.8	27.4	0.7	2.0	34.8
Sudan	-	1.1	25.6	-	58.3	446.5
Tanzania	155.0	154.0	41.7	98.7	487.7	2,563.6
Uganda	151.1	67.0	72.9	127.5	71.2	1,985.3
Eastern Africa Approvals	**611.2**	**447.2**	**597.3**	**623.1**	**1,060.3**	**11,715.8**
Northern Africa						
Algeria	0.5	0.8	-	0.8	2.9	1,895.2
Egypt	0.6	-	-	0.4	474.0	4,235.9
Libya	-	-	-	-	-	0.6
Mauritania	-	6.2	1.7	4.5	-	513.2
Morocco	355.3	754.0	204.6	232.3	267.4	7,451.1
Tunisia	545.7	354.6	22.6	66.2	299.3	5,748.7
Northern Africa Approvals	**902.2**	**1,115.5**	**228.8**	**304.2**	**1,043.5**	**19,844.6**

Annex I — *Continued*
Bank Group Loan and Grant Approvals by Region, 2011-2015, and Cumulative 1967-2015*
(UA million)

Region/Country	2011	2012	2013	2014	2015	1967-2015
Southern Africa						
Angola	4.9	-	22.9	662.1	385.7	1,444.9
Botswana	0.6	-	-	-	-	1,514.5
Lesotho	-	-	17.3	-	-	351.0
Madagascar	0.6	2.3	76.9	65.9	33.0	981.0
Malawi	10.0	52.5	31.1	20.0	24.5	892.7
Mauritius	-	-	99.0	76.8	1.2	928.2
Mozambique	60.0	57.5	26.5	25.2	18.1	1,368.1
Namibia	5.0	0.5	199.4	-	263.1	637.0
South Africa	301.0	273.1	-	235.7	274.5	4,268.6
Swaziland	0.5	0.5	-	45.8	-	347.1
Zambia	15.0	61.6	133.3	25.6	228.9	1,278.0
Zimbabwe	6.1	16.1	8.8	-	26.7	786.6
Southern Africa Approvals	**403.7**	**464.0**	**615.2**	**1,157.0**	**1,255.6**	**14,797.7**
Western Africa						
Benin	-	30.0	40.5	25.2	17.5	708.0
Burkina Faso	50.0	-	79.5	32.2	41.0	979.1
Cabo Verde	30.0	-	67.1	12.7	12.5	360.1
Côte d'Ivoire	101.1	104.3	62.3	30.0	169.8	1,979.2
Gambia, The	2.0	3.5	0.6	6.3	2.0	257.5
Ghana	70.0	168.8	13.3	51.7	172.1	1,973.8
Guinea	50.6	-	22.4	12.7	-	804.0
Guinea-Bissau	-	0.7	-	0.6	23.3	231.7
Liberia	36.2	7.1	43.4	13.7	-	329.6
Mali	52.0	0.7	136.0	38.7	15.0	1,087.8
Niger	25.3	31.6	11.2	-	20.0	545.6
Nigeria	453.6	63.9	410.6	957.9	4.1	4,880.0
Senegal	35.4	4.7	82.1	47.4	145.8	1,255.1
Sierra Leone	37.8	23.3	21.0	7.0	22.2	468.1
Togo	77.7	2.7	1.3	8.6	14.5	352.1
Western Africa Approvals	**1,021.8**	**441.2**	**991.0**	**1,244.5**	**659.9**	**16,211.7**
Multinational	**735.2**	**812.0**	**884.9**	**802.0**	**1,068.3**	**8,009.2**
Total Approvals	**4,127.9**	**3,602.8**	**3,561.1**	**4,500.1**	**5,237.8**	**76,961.6**

Source: AfDB Statistics Department.
Notes:
- Magnitude zero.
* Bank Group Loan and Grant Approvals exclude Equity Participation, Guarantees, HIPC debt relief, and Special Funds.

Annex II
Overview of Key Decisions by the Boards of Directors in 2015

Staff Medical Benefits Plan (MBP)—Proposals to Maintain the Financial Sustainability of the Medical Plan—Revised
GUINEA-BISSAU—Country Strategy Paper 2015-2019
The Bill and Melinda Gates Foundation Trust Fund
Staff Retirement Plan Reform for continued Long-term Financial Sustainability
BOTSWANA—Country Strategy Paper 2015-2019
Roadmap for the Return of the African Development Bank Group to its Headquarters in Côte d'Ivoire
Strategic Framework and Operational Guidelines for the Private Sector Credit Enhancement Facility
Bank Group Knowledge Management Strategy 2015-2020—Revised Version
CHAD—Bank Group Contribution to Debt Relief at Completion Point under the Enhanced Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative
A Proposal to Update the Decentralization Action Plan 2015-2017
CAMEROON—Joint 2015-2020 Country Strategy Paper and Portfolio Performance Review Report
African Natural Resources Center Strategy (2015-2020)
CHAD—Country Strategy Paper 2015-2020
Procurement Policy and Methodology for Bank Group Funded Operations
Private Sector Operations to be covered under the Private Sector Credit Enhancement Facility
MALI—Country Strategy Paper 2015-2019
2016-2018 Work Program and Budget Document
The 2016 Borrowing Program
EGYPT—Country Strategy Paper 2015-2019
Programs in support of implementation of the Governance Strategic Framework and Action Plan (GAP II), 2014-2018
Programs to support implementation of the Financial Sector Development Policy and Strategy, 2014-2019

Source: Office of the Secretary General, AfDB.

Annex III
A — List of Tables, Maps, Figures, and Boxes

Tables

Maps

Figures

Annex III – *Continued*
A — List of Tables, Maps, Figures, and Boxes

Boxes

Annex III
B — Abbreviations and Acronyms

ACBF	African Capacity Building Foundation
ACCF	Africa Climate Change Fund
ACPU	Staff Appeals Committee
ADB	African Development Bank
ADER	Annual Development Effectiveness Review
ADF	African Development Fund
ADOA	Additionality and Development Outcomes Assessment
AEC	African Economic Conference
AELG	African Energy Leaders Group
AERC	African Economic Research Consortium
AFAWA	Affirmative Finance Action for Women in Africa
AFCOP	African Community of Practice
AfDB	African Development Bank Group
Afrik4R	Africa for Results Initiative
AGTF	Africa Growing Together Fund
AICD	Africa Infrastructure Country Diagnostic
AIH	African Information Highway
ALCO	Asset and Liability Management Committee
ALM	Asset and Liability Management
ALSF	African Legal Support Facility
AMBD	Committee on Administrative Matters Affecting the Boards of Directors
AMCEN	African Ministerial Conference on Environment
AMCOW	African Ministers' Council on Water
ANRC	African Natural Resources Center
ANRE	Committee for the Preparation of the Annual Report
AREI	African Renewable Energy Initiative
ATRS	Activity Time Record System
AU	African Union
AUC	African Union Commission
AUFI	Audit and Finance Committee
AUWSA	Arusha Urban Water Supply and Sanitation Authority
AWF	African Water Facility
BC	Business Continuity
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)
BEAC	Banque des États de l'Afrique Centrale (The Bank of Central African States)
BG	Bank Group
BIA	Business Impact Analysis
BPC	Banco de Poupança e Crédito (Savings and Credit Bank)
BTF	Bilateral Trust Fund
CAD	China–Africa Development
CAHR	Committee on Administrative Affairs and Human Resource Policy Issues
CAR	Central African Republic
CAS	Cost Accounting System
CBFF	Congo Basin Forest Fund
CCAP	Climate Change Action Plan
CCTA	Cumulative Currency Translation
CEAS	Cumulative Exchange Adjustment Subscriptions
CEC	Copperbelt Energy Corporation
CEC	Africa Copperbelt Energy Corporation
CFP	Complex Framework Papers
CGP	Country Gender Profile
CIF	Climate Investment Funds
CO_2	Carbon Dioxide
COBD	Business Development Department
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for Eastern and Southern Africa
CONNEX	Strengthening Assistance for Complex Contract Negotiations
COP21	21st session of the Conference of the Parties of the UNFCCC
COPM	Delivery and Performance Management Office
CPPR	Country Portfolio Performance Review
CRC	Credit Risk Committee
CRMU	Compliance Review and Mediation Unit
CSO	Civil Society Organizations
CSP	Country Strategy Paper
CSS	Climate Safeguards System
CTF	Clean Technology Fund
CVA	Credit Valuation Adjustment

Annex III – *Continued*
B — Abbreviations and Acronyms

CWHOLE	Committee of the Whole
DFI	Development Finance Institution
DfID	United Kingdom Department for International Development
DRC	Democratic Republic of Congo
DRSLP	Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa
DSA	Debt Sustainability Assessment
DVA	Debit Valuation Adjustment
EAAACA	East African Association of Anti-Corruption Authorities
EADI	Bank's African Development Institute
EAPP	Eastern Africa Power Pool
ECA	Economic Commission for Africa
ECAM	Committee for External Communications and the Preparation of the Bank Group Annual Meetings
ECOWAS	Economic Community of West African States
EEA	Exposure Exchange Agreements
E-GGDS	Enhanced General Data Dissemination System
EGERSP	Emergency Governance and Economic Recovery Support Program
EL	Executive Level
EPSA	Enhanced Private Sector Assistance
ESAP	Environment and Social Assessment Procedures
ESMS	Environmental and Social Management Systems
ESTA	Statistics Department
EU	European Union
EU-AITF	European Union–Africa Infrastructure Trust Fund
EUR	Euro currency
EURIBOR	Euro Interbank Offered Rate
EVD	Ebola Virus Disease
EVSL	Enhanced Variable Spread Loan
FAO	UN Food and Agriculture Organization
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FFL	Fully Flexible Loan
FI	Financial Institutions
FO	Field Office
FPS	Financial Products and Services
FRMB	Resource Mobilization and External Finance Department
FSF	Fragile States Facility
FSL	Fixed Spread Loan
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Financial Assets at fair value through profit and loss
GACL	Ghana Airports Company Limited
GAFSP	Global Agriculture and Food Security Program
GAP II	Governance Strategic Framework and Action Plan 2014-2018
GCI	General Capital Increase
GCI-VI	Sixth General Capital Increase
GCRO	Group Chief Risk Officer
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHC	Ghanaian Cedi
GHG	Greenhouse Gas
GW	Gigawatt
HIPC	Heavily Indebted Poor Countries
HQ	African Development Bank Headquarters
HR	AfDB Human Resources
HRAP	Human Resources Action Plan
IACD	Integrity and Anti-Corruption Department
IABD	Inter-American Development Bank
IATI	International Aid Transparency Initiative
IAS	International Accountings Standards
IASB	International Accounting Standards Board
IBRD	International Bank for Reconstruction and Development
ICFR	Internal Controls for Financing Reporting
ICP	International Comparison Program
ICT	Information and Communication Technology
IDA	International Development Association
IDEV	Independent Development Evaluation
IE	Impact Evaluation

Annex III – *Continued*
B — Abbreviations and Acronyms

IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IICF	Integrated Internal Control Framework
IMF	International Monetary Fund
INDCs	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
IPPs	Independent Power Producers
IPPF	Infrastructure Project Preparation Facility
IRENA	International Renewable Energy Agency
IRM	Independent Review Mechanism
ISPPP	Institutional Strengthening for Public Private Partnerships Project
ISS	Integrated Safeguards System
IT	Information Technology
ITS	Information Technology Strategy
IWRM	Integrated Water Resources Management
JIBAR	Johannesburg Interbank Agreed Rate
JPA	Joint Partnership for Africa
KLMS	Knowledge and Learning Management Services
KMS	Knowledge Management Strategy
KPIs	Key Performance Indicators
kWh	Kilowatt-hour
L2C	Learning to Compete
LHS	Left-Hand Side
LIBOR	London Interbank Offered Rate
LICs	Low-Income Countries
LOC	Line of Credit
LOTB	Lapse-of-time-basis
MBP	Medical Benefit Plan
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MDWPP	Multi-Donor Water Partnership Program
MENA	Middle East and North Africa
MSMEs	Micro-, Small-, and Medium-sized Enterprises
Mtoe	Million Tonnes (metric tons) of Oil Equivalent
MW	Megawatt
NEPAD	New Partnership for Africa's Development
NIM	Net Interest Margin
NPV	Net Present Value
NSC	North–South Corridor
NTF	Nigeria Trust Fund
OAGL	Office of the Auditor General
ODS	Ozone-Depleting Substances
OECD	Organisation for Economic Co-operation and Development
OFSD	Financial Sector Development Department
OMVG	The Gambia River Basin Development Organization
OPEC	Organization of the Petroleum Exporting Countries
OPM	Operations Procurement Manual
OPSCOM	Operations Committee
OPSD	Private Sector Department
ORM	Operational Risk Management Framework
ORPF	Procurement and Fiduciary Services Department
ORQR	Results and Quality Assurance Department
ORTS	Transition Support Department
PCGs	Partial Credit Guarantees
PACIGOF	Investment Climate and Forest Governance Support Project
PADRCE	Regional Development and Job Creation Support Programme
PAPMV	Green Morocco Plan Support Programme
PAR	Project Appraisal Report
PARCB	Support Program for Reconstruction of Grassroots Communities
PRGS	Partial Risk Guarantees
PAREFSA	Programme d'appui aux réformes financières et à la sécurité alimentaire (PAREFSA) (Financial Reforms and Food Security Support Program)
PBA	Performance-Based Allocation
PBD	Program and Budget Document
PBO	Program-Based Operation
PCCF	Post-Conflict Countries Facility
PCG	Partial Credit Guarantee
PCR	Project Completion Report

Annex III – *Continued*
B — Abbreviations and Acronyms

PDC	Pre-determined Criteria
PECAM	Permanent Committee for Annual Meetings
PECOD	Permanent Committee on the Review and Implementation of Decentralization of the Bank's Activities
PEP	Partnership for Economic Policy
PERSIF	Post-Ebola Recovery Social Investment Fund Project
PIDA	Program for Infrastructure Development in Africa
PL	Professional Level
PMIR	Road Infrastructure Modernization Project
PML	Prudential Minimum Level of Liquidity
PPP	Public–Private Partnership
PPP	Purchasing Power Parity
PSEM	Public Sector and Economic Management
PSF	Private Sector Credit Enhancement Facility
PSO	Private Sector Operations
PRG	Partial Risk Guarantee
PSRGSP	Power Sector Reform and Governance Support Program
PUAREF	Emergency Economic and Financial Reform Support Program
PWP	Public Works Program
RBCSP	Results-Based Country Strategy Papers
RDAs	Risk Distribution Agreements
RECs	Regional Economic Communities
RHS	Right-Hand Side
RIPoS	Regional Integration Policy and Strategy
RISP	Regional Integration Strategy Paper
RMCs	Regional Member Countries
RMF	Results Measurement Framework
RMPs	Risk Management Products
RPA	Risk Participation Agreements
RR	Readiness Review
RRC	Regional Resource Centers
RRS	Results Reporting System
RWSSI	Rural Water Supply and Sanitation Initiative
S&P	Standard & Poor's
SAB	Sanctions Appeal Board
SADC	Southern African Development Community
SAFAC	Southern Africa Forum Against Corruption
SANC	Sanctions Commissioner
SANFO	Senegal Field Office
SANO	Sanctions Commissioner
SAP	Systems, Applications, and Products
SAPP	Southern African Power Pool
SCB	Standard Chartered Bank
SCB-MfR	Statistical Capacity Building Program for Managing for Development Results
SCO	Staff Council
SCFFs	Soft Commodity Finance Facilities
SDEP	Skills Development and Entrepreneurship Project
SDGs	Sustainable Development Goals
SDR	Special Drawing Right
SE4ALL	Sustainable Energy for All
SEFA	Sustainable Energy Fund for Africa
SEOG	Office of the Special Envoy on Gender
SFFs	Soft Commodity Finance Facilities
SGLs	Sovereign Government Loans
SIDA	Swedish International Development Cooperation Agency
SMCC	Senior Management Coordination Committee
SMEs	Small- and Medium-Sized Enterprises
SOEs	State Owned Enterprises
SPARS	Strategic Plans for Agriculture and Rural Statistics
SRAS	Strategic Resources Assessment Software
SREP	Scaling Up Renewable Energy Program in Low Income Countries
SRI	Socially Responsible Investors
SRP	Staff Retirement Plan
SSA	Sub-Saharan Africa
SSDEE	Support to Skills Development for Employability and Entrepreneurship
STAARS	Structural Transformation of African Agriculture and Rural Spaces
TFLOCs	Trade Finance Lines of Credit
TFP	Trade Finance Program
TSF	Transition Support Facility
TSSP	Transport Sector Support Program
TTF	Thematic Trust Fund

Annex III – *Continued*
B — Abbreviations and Acronyms

TVET Technical Vocational Education and Training
TW Terawatts
TYS Ten-Year Strategy
UA Unit of Account
UK United Kingdom
UN United Nations
UNCAC United Nations Convention Against Corruption
UNDP United Nations Development Programme
UNECA United Nations Economic Commission for Africa
UNFCCC United Nations Framework Convention on Climate Change
US United States
USA United States of America
USAID United States Agency for International Development
USD United States Dollar
VfM Value for Money
VP Vice President
WAEMU West African Economic and Monetary Union
WEO World Economic Outlook
WSS Water Supply and Sanitation
ZimFund Zimbabwe Multi-Donor Trust Fund

Note: Annex III B is applicable to both the partial and full volume of this Report.

Annex IV
A — Thematic Trust Funds/Special Funds Resources Available for Commitment as of 31 December 2015

	Amount in the Agreement			
Trust Fund	Donor Currency	UA	Area of Intervention	Activities
Africa Climate Change Fund (ACCF)				
Germany-GIZ	USD 6,191,640	**3,995,406**	• Climate finance readiness • Climate change • Green growth mainstreaming	• Capacity building, technical assistance, co-financing climate-resilient and low-carbon projects and programs • Knowledge management and information sharing, analytical work related to green growth and advocacy • Recruitment of national and international consultants, training, consultations workshops, regional and international meetings, communication, advocacy, translation services
Africa Legal Support Facility (ALSF)				
Belgium BIDC BOAD Canada UK-DfID France Netherlands Norway USAID World Bank AfDB	USD 713,812 USD 50,000 USD 199,371 USD 4,535,970 USD 726,464 USD 5,000,000 USD 5,022,316 USD 2,441,570 USD 3,000,000 USD 50,000 USD 16,148,678	**25,875,663**	• Legal Support	• Commercial creditor litigation • Negotiations of complex commercial transactions • Enhancing the capacity of Regional Member Countries to carry out those services themselves
Africa Trade Fund (AfTRA)				
Canada	CAD 15,000,000	**9,221,973**	• Trade • Economic Growth • Regional Integration • Infrastructure (water and energy)	• Technical Assistance • Training • Capacity Building • Preparation of Policy and Sector Studies
African Community Practice (AfCOP)				
ADF	USD 6,765,000	**4,620,144**	• Regional Integration • Capacity Building • Technical Assistance	• Knowledge sharing on Managing for Development Results (MfDR) • Linking MfDR knowledge to regional processes • Synergies between regional and national processes • Project management
African Water Facility (AWF)				
Algeria Austria Australia AfDB Bill and Belinda Gates Foundation Burkina Faso Canada Denmark DfID European Union Egypt France Norway Senegal Sweden Spain	EUR 100,000 EUR 6,900,000 EUR 6,009,290 EUR 11,271,800 EUR 7,349,358 EUR 82,222 EUR 25,441,047 EUR 5,361,083 EUR 17,052,415 EUR 25,000,000 EUR 15,000 EUR 12,000,000 EUR 16,788,685 EUR 174,963 EUR 12,195,623 EUR 12,000,000	**134,392,187**	• Water Sector	• Technical Assistance • Studies • Operational Support

Annex IV – *Continued*
A — Thematic Trust Funds/Special Funds Resources Available for Commitment as of 31 December 2015

Trust Fund	Amount in the Agreement Donor Currency	UA	Area of Intervention	Activities
Agriculture Fast Track Fund (AFT)				
SIDA USAID Denmark	USD 7,837,175 USD 12,024,325 USD 1,822,656	**14,809,155**	• Agricultural infrastructure • Health	• Market research • Financial modeling • Business plan development • Environmental and social impact studies
ClimDev-Africa				
Sweden European Commission Nordic Development Fund	SEK 75,000,000 EUR 27,380,000 EUR 5,000,000	**34,482,083**	• Climate change	• Generation-wide dissemination and use of reliable and high-quality climate information for development in Africa • Capacity enhancement of policy makers and policy-support institutions through the generation of quality analysis and evidence on climate change and its implications for Africa • Implementation of pilot adaptation practices that demonstrate the value of mainstreaming climate information in development planning and practice, for subsequent awareness raising and advocacy to inform decision-making
Congo Basin Forest Fund (CBFF)				
UK DfID Norway Canada	EUR 37,679,513 EUR 61,251,956 EUR 14,226,775	**100,230,476**	• Environment • Reduce deforestation and degradation • Poverty reduction • Sustainable forest management • Sustainable development • Capacity building	• Assessment and funding of Projects • Establishment of CBFF secretariat and systems • Governing Council meetings • Preparation of annual work plan • Monitoring missions of CBFF projects • Sensitization workshops and seminars • Establishment of Monitoring & Evaluation system
Global Strategy to Improve Agriculture & Rural Statistics				
	USD 5,819,710	**3,974,560**	• Agricultural statistics	• Technical assistance • Training • Improvements in the coverage and quality of the minimum core data set, focusing on both national and regional priority data needs • Greater integration of agricultural statistics into the NSSs
Governance Trust Funds (GTF)				
Transfer from Nordic Trust for Governance: Finland Denmark Norway Donor Contributions: Norway Sweden Switzerland	 USD 84,068 USD 84,308 USD 76,882 USD 1,124,986 USD 2,286,789 USD 3,131,525	**4,653,976**	• Governance	• Measures to analyze and improve governance and reduce corruption. • Promotion of credible audit. • Accountability mechanisms and oversight institutions • Good Financial management including public procurement • Support to investment climate and business environment • 2014 Work Plan approved, new call for proposals in April 2015 pending replenishment

Annex IV – *Continued*

A — Thematic Trust Funds/Special Funds Resources Available for Commitment as of 31 December 2015

	Amount in the Agreement			
Trust Fund	Donor Currency	UA	Area of Intervention	Activities
Infrastructure Consortium for Africa (ICA)				
DfID Russia Canada Italy USAID EIB Germany/KFW South Africa	USD 3,020,990 USD 200,000 USD 1,147,871 USD 472,749 USD 81,840 USD 400,570 USD 130,613 USD 99,900	**3,618,093**	• Help improve the lives and economic well-being of Africa's people through encouraging, supporting and promoting increased investment in infrastructure in Africa, from both public and private sources	
Making Finance Work for Africa (MFW4A)				
AfD DfID EIB Germany/GIZ Netherlands SIDA DANIDA USAID MinBuza AfDB	EUR 500,000 EUR 166,298 EUR 369,950 EUR 1,564,960 EUR 300,000 EUR 143,315 EUR 120,464 EUR 758,266 EUR 580,678 (Contribution in kind)	**4,503,931**	• Financial sector development ranging from access to finance to Capital Markets	
MENA Trust Fund				
IBRD	USD 21,543,900	**14,713,366**	• Finance • Trade • Governance	• Investing in Sustainable Growth • Inclusive Development and Job Creation • Enhancing Economic Governance • Competitiveness and integration
Microfinance Capacity Building Fund (MCBTF)				
Spain UNCDF	EUR 5,000,000 EUR 119,550	**4,533,946**	• Microfinance	• Consultancy services • Training • Capacity Building • Preparation of policy and sector studies
Migration and Development Initiative Fund				
France IFAD USAID	EUR 7,000,000 EUR 162,615 EUR 154,906	**6,480,500**	• Migration and Development	• Studies • Technical Assistance
Multi-Donor Water Partnership Programme (MDWPP)				
Canada Denmark SIDA Support to the First African Water Week IsDB Support to the First African Water Week	EUR 3,302,815 EUR 2,010,841 EUR 10,524 EUR 13,690	**4,727,293**	• Water Sector	• Policies • Workshops • Conferences • Training • Studies and Seminars

Annex IV – *Continued*
A — Thematic Trust Funds/Special Funds Resources Available for Commitment as of 31 December 2015

Trust Fund	Amount in the Agreement Donor Currency	UA	Area of Intervention	Activities
NEPAD Infrastructure Project Preparation Facility Fund (NEPAD-IPPF)				
Denmark Canada Norway UK-DfID Germany Government SPAIN ABD Contribution Danish Fund for Technical Assistance DfID Co-financing Project USAID	DKK 17,700,000 CAD 19,750,000 NOK 45,000,000 GBP 9,000,000 EUR 12,000,000 EUR 2,001,194 UA 6,300,000 DKK 5,000,000 USD 193,670 USD 1,000,000	**48,710,464**	• ICT • Transport • Energy • Water and Sanitation	• Regional Project identification • Preparation, Workshops, Seminars in line with NEPAD Agenda • RECs Capacity Building
Rural Water Supply and Sanitation Initiative Grants (RWSSI)				
Burkina Faso Canada Denmark France Italy Switzerland Netherlands	EUR 82,571 EUR 26,404,626 EUR 30,829,647 EUR 66,000,000 EUR 500,000 EUR 23,085,654 EUR 9,287,804	**133,070,614**	• Water Sector	• Policy and strategy • Capacity building • Training • Programmes and project preparation
South–South Cooperation Trust Fund (SSCTF)				
Brazil (Financial status as of September 2014)	USD 5,999,802	**3,908,131**	• Agriculture and Agribusiness • Private Sector Development • Clean Energy • Governance • Health • Social Development	• Technical Assistance • Capacity Building • Human Resources Development • Seminars • Workshops
Special Fund for Reconstruction and Development for the Great Lakes Region (SFRD)				
Angola Burundi Congo, Democratic Republic of Congo Kenya Rwanda Uganda Zambia	USD 500,000 USD 80,606 USD 1,000,000 USD 967,500 USD 1,027,355 USD 100,000 USD 250,000 USD 500,000	**3,022,360**	• Security • Democracy and good governance • Economic development • Regional integration • Humanitarian, social, and environmental issues	• Address the specific needs and circumstances of the Great Lakes Region
Sustainable Energy Fund For Africa (SEFA)				
Denmark USAID	USD 51,933,100 USD 5,000,000	**38,882,355**	• Renewable Energy • Energy Efficiency	• Project preparation for projects of total investment needs of USD 30-200 million (support of projects with an independent power producer or within a PPP structure; sovereign entities are not eligible as project sponsors) • Contribution of equity to a Private equity fund • Creation of an enabling environment for private investments in sustainable energy

Annex IV – *Continued*
A — Thematic Trust Funds/Special Funds Resources Available for Commitment as of 31 December 2015

Trust Fund	Amount in the Agreement		Area of Intervention	Activities
	Donor Currency	UA		
Trust Fund for Countries Transition (TFT)				
DfID DANIDA	EUR 3,258,244 EUR 2,719,335	**5,092,762**	• Finance • Trade • Governance	• Technical Assistance • Fosters partnerships for technical cooperation projects
Value for Money Sustainability & Accountability in Social Sectors (VfM)				
NORAD GAVI	USD 1,403,465 USD 400,000	**465,253**	• Health • Education • Social protection	• Evidence-based • sector policies and strategies • Systems' results orientation and performance • Stakeholder cooperation • Value for money • Sustainability and accountability for health results • Planning and budgeting for results • Governance and accountability structures and tools
Zimbabwe Multi-Donor Trust Fund (Zim-Fund)				
Denmark Germany UK Switzerland Sweden Norway Australia	USD 139,802,263	**95,477,697**	• Infrastructure investments in water & sanitation • Energy	• Rehabilitation of infrastructure projects
		703,462,387		

Source: AfDB Resource Mobilization and External Finance Department.

Annex IV
B — Bilateral Trust Funds Resources Available for Commitment as of 31 December 2015

	Amount in the Agreement			
Donor Country	Donor Currency	UA	Area of Intervention	Activities
Canada				
Canadian Grant for Technical Assistance (TCA 2008)	CAD 5,023,528 CAD 573,187 from the CATF	3,592,299	• Activities that will strengthen the Bank's capacity in the following sectors: Development effectiveness, gender, good governance, natural-resource management and private sector development	• Policy articulation • Studies • Capacity building
China				
Chinese Trust Fund	USD 2,000,000	1,348,538	• All sectors	• Project identification, preparation, studies
Bill & Melinda Gates				
Bill & Melinda Gates Foundation	USD 2,853,000	2,027,379	• Multiple sectors	• As agreed with the Foundation, it could be different from one project to another
Finland				
Finnish Consultancy Trust Fund II	EUR 14,426,305	12,698,260	• Environment • Climate-change adaptation and mitigation • Science and technology related to renewable and clean energy • Forestry management • Water and irrigation • Education	• Technical assistance
France				
Programme de Coopération BAD/France Fonds d'assistance Technique	EUR 3,350,000	3,638,845	• All sectors • Resources are partially tied	• Technical assistance
India				
Indian Trust Fund	USD 6,753,686	4,172,096	• Infrastructure • Private sector • Information and communications technology • Trade • Science and Technology	• Technical assistance • Capacity building • Training seminars • workshops • Consultation and knowledge sharing on policy issues
Italy				
Cooperation Programme AfDB/Italy	EUR 2,783,573	2,913,176	• Risk Mitigation	• Fully earmarked for the Initiative for Risk Mitigation in Africa
Japan				
The Policy and Human Resources Development Grant of JAPAN (PHRDG)	JPY 2,783,888,691	16,134,183	• Trade and Customs • Social Business • Higher Education • (Work Programme agreed in TICAD V)	• Analytical work • Capacity Building and Workshops
Korea				
Korea-Africa Economic (KOAFEC) Technical Cooperation Trust Fund	USD 46,723,727 USD 2,000,000 (Amount for old Korea Technical Cooperation Fund (KTCF))	33,275,779	• Infrastructure and natural resources • Information and communications technology • Knowledge sharing on Korea's economic development experience • Human resources development	• Implementation of Korea-Africa Economic Cooperation (KOAFEC) Action Plan

Annex IV – *Continued*
B — Bilateral Trust Funds Resources Available for Commitment as of 31 December 2015

Donor Country	Amount in the Agreement: Donor Currency	Amount in the Agreement: UA	Area of Intervention	Activities
Nigeria				
Nigeria Technical Cooperation Fund (NTCF)	USD 25,000,000 Maximum of USD 2.5 million can be committed per year	18,783,044	Capacity building and regional integration in the areas of: • Science and technology • Human development (health and education) • Agriculture • Public administration • Business and finance	• Pre-feasibility and feasibility studies • Project identification • Preparation • Appraisal • Post-evaluation • Mid-term review • Rehabilitation of existing projects experiencing difficulties • Training • Capacity building
Norway				
Norway Technical Cooperation Agreement (Financial status as of September 2014)	NOK 21,000,000	2,100,998	• Gender and provision of technical assistants; balance earmarked for African Women in Business initiative	• Fully programmed
Portugal				
Portugal Technical Cooperation	EUR 2,336,236	1,990,420	• Private-sector development • Infrastructure • Renewable energy and energy efficiency • Good governance and capacity building • Agriculture • Water • Promotion of Portuguese language in the Bank's operations	• Project cycle activities including pre-feasibility and feasibility studies • Capacity building and human resource development • Policy and sector studies • Institution and policy dialogue
Sweden				
Swedish Technical Cooperation Fund	SEK 47,543,711	4,370,871	• All sectors	• Earmarked for Private Sector Strategy
Switzerland				
Swiss grant for Technical Assistance	CHF 5,576,413 + CHF 5,900,000	8,178,955	• TA Position in OWAS already funded • The Swiss TF has been replenished but the resources will be dedicated to enhance the Bank's ability to identify and address situations of fragility and conflict	
UK-DfID (New agreement)				
DfID—Technical Cooperation Framework Arrangement	GBP 2,000,000	2,156,899	• Consulting services and technical assistance in support of project-cycle activities, and policy and sector studies • Training, capacity building and provision of institutional support	• Gender • Fragile states • Climate change • Results management • Helping the Bank improve its procedures and processes, such as procurement and budgeting • Deliver commitments on institutional effectiveness
Total		**117,381,743**		

Source: AfDB Resource Mobilization and External Finance Department.

Annex V
The African Development Bank Group

The African Development Bank (ADB). Resources for this facility are generally raised from the capital market for onward lending on non-concessional terms to the Bank's Regional Member Countries (RMCs). The ADB window is also used to support private sector projects in all the RMCs through direct loans, lines of credit, trade finance facilities, equity and quasi-equity participations, guarantees to financially sound and viable private enterprises, and multinational projects that promote regional integration.

The standard loan product of the ADB has evolved over time, with terms that are increasingly more responsive to client needs. The current standard loan product provided to sovereign and sovereign-guaranteed clients is called the Enhanced Variable Spread Loan (EVSL). The EVSL gives borrowers a high degree of flexibility to manage interest-rate risks. For non-sovereign-guaranteed clients, the loan product offered is the Fixed Spread Loan (FSL).

The lending rate on the EVSL comprises of a floating base rate (6-month LIBOR for USD and YEN, 6-month EURIBOR for euro, and 3-month JIBAR for ZAR), a funding margin that is a function of the Bank's cost of funding relative to LIBOR, EURIBOR, or JIBAR computed every six months, and a contractual spread that has been set at 60 basis points (bps) since 1 January 2011. At a borrower's request, the EVSL offers a free option to convert the floating base rate into a fixed component (amortizing swap rate set at borrower's request for disbursed loan balances). The repayment period for sovereign and sovereign-guaranteed loans (SGLs) is up to 20 years, including a grace period not exceeding 5 years.

The lending rate on the FSL comprises a floating base rate as for the EVSL and remains floating until maturity date, or a fixed base rate plus a risk-based credit spread. Non-sovereign-guaranteed loans (NSGLs) have repayment periods of up to 15 years including a grace period not exceeding 5 years.

In December 2013, the ADB Board of Directors approved the introduction of the Fully Flexible Loan (FFL) to a suite of products available to sovereign and sovereign-guaranteed borrowers. The FFL embeds risk management features currently offered through the Bank's Risk Management Products in SGLs, thereby providing fully customized flexibility in interest rate and currency conversion to borrowers. It also has a maturity-based pricing structure that has increased the maximum tenor, grace period, and average maturity (weighted average time to repay a loan) of SGLs from the previous 20, 5, and 12.75 years to 25, 8, and 17 years, respectively to allow borrowers to select loan profiles that match their funding needs and debt-management capacities.

The lending rate on the FFL is also consistent with that of the EVSL plus a maturity premium, where applicable. With maturity-based pricing, loans with average maturity less than or equal to 12.75 years will not attract a maturity premium. However, loans with average maturity greater than 12.75 years but less than or equal to 15 years will attract a 10 bps maturity premium, while loans with an average maturity greater than 15 years attract a 20 bps maturity premium.

The resources from the **African Development Fund (ADF)** financing window emanate from contributions and periodic replenishments by ADF-State Participants, usually on a 3-year basis. Prior to the current ADF-13 replenishment, the ADF was operating under differentiated lending terms for ADF-eligible countries classified as blend, gap, and graduating, versus ADF-only countries. Accordingly, loans extended to blend, gap, and graduating countries had a maturity period of 30 years, including a grace period of 8 years with an interest rate of 1 percent per annum. For ADF-only countries, loans had a maturity period of 50 years, including a grace period of 10 years, with no interest rate. The standard commitment fee of 0.50 percent per annum on undisbursed amounts and service charge of 0.75 percent per annum on outstanding balances were still applicable for all ADF loans.

In order to preserve the long-term financial sustainability and capacity of the ADF facility, the ADF-13 replenishment introduced two main accessibility criteria: (i) hardened and differentiated lending terms, and (ii) two sub-groups of ADF-only countries: the "regular" or the "advance" group. The financing terms for regular and advance ADF-only countries, as well as for blend, gap, and graduating countries, were

Annex V – *Continued*
The African Development Bank Group

hardened. An accelerated repayment clause and a voluntary prepayment framework were also introduced.

Accordingly, new loans extended under ADF-13 to regular ADF countries have a maturity of 40 years, including a grace period of 10 years, and loans extended to advance ADF countries have a maturity of 40 years, including a grace period of 5 years. The standard commitment fee of 0.50 percent per annum on undisbursed amounts and service charge of 0.75 percent per annum in outstanding balances remain applicable. Loans to blend, gap, and graduating countries have a maturity of 30 years including a 5-year grace period, and an interest-rate charge of 1 percent per annum in addition to the standard commitment and service fees.

The **Nigeria Trust Fund (NTF)** resources are provided entirely by the Federal Republic of Nigeria under an Agreement signed with the Bank in 1976 for an initial period of 30 years. Following its revision in April 2008, the Agreement provides that resources from the NTF shall be used in accordance with the terms of the following three options.

- First option: (i) no interest charges on NTF loans; (ii) a service charge of 0.75 percent per annum on outstanding balances; (iii) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (iv) a 20-year repayment period, including a grace period of 7 years.

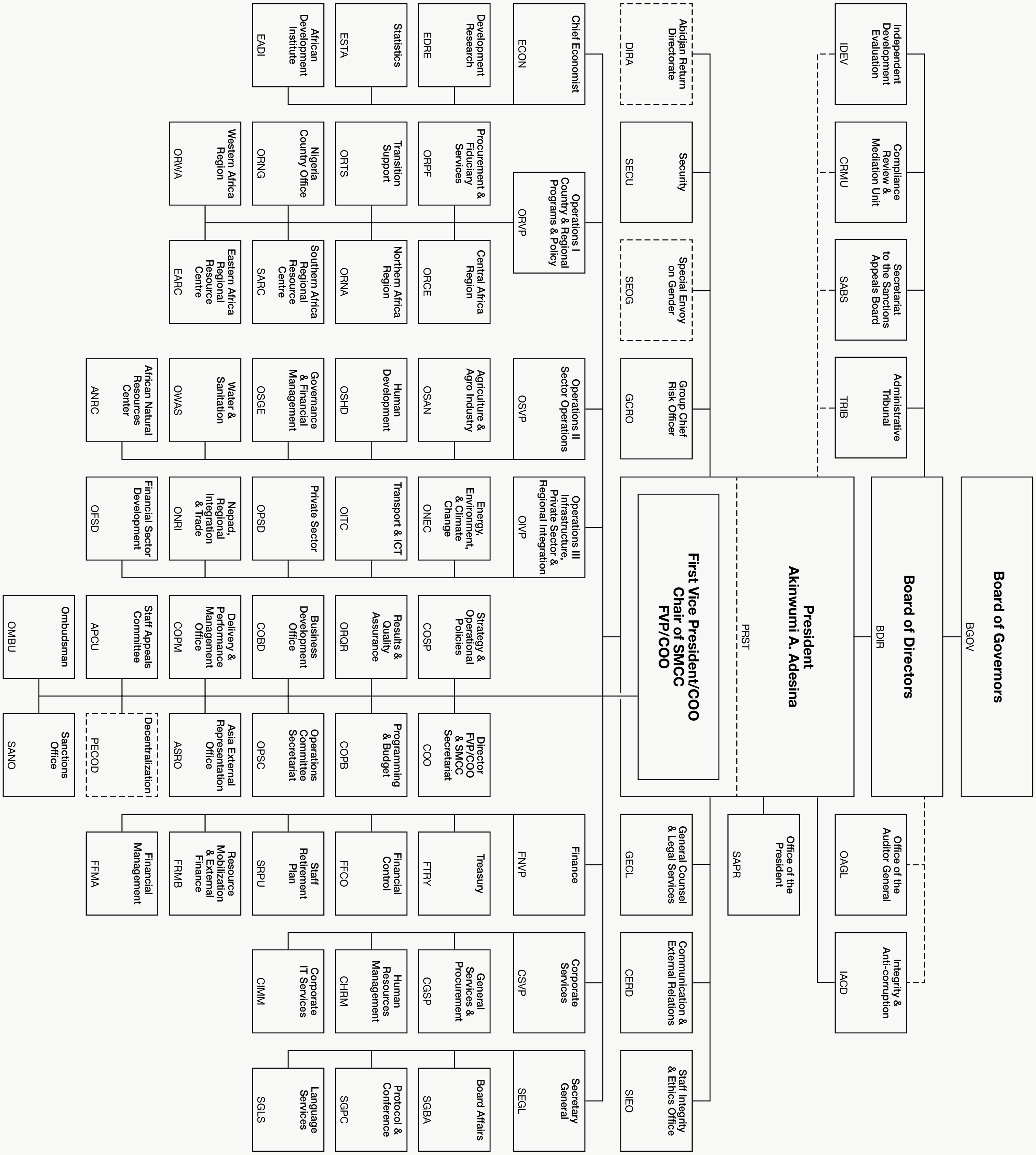
- Second option: (i) no interest charges on NTF loans; (ii) a service charge of 0.75 percent per annum on outstanding balances; (iii) a commitment fee of 0.5 percent per annum on undisbursed commitments; and (iv) a 15-year repayment period including a 5-year grace period.

- Third option: Same terms as for the ADB private sector loans, taking into consideration provisions of the Guidelines for the Bank's private sector financing as well as the risk analysis of the project.

Loans granted prior to the revision of the Agreement carried interest at rates ranging from 2 percent to 4 percent, with a commission of 0.75 percent on undisbursed portions.

Appendices

Appendix I–1
ADB Organizational Chart as of 31 December 2015



Appendix I–2
Principal Officers of the Bank Group as of 31 December 2015

TITLE	SURNAME	OTHER NAMES	COMPLEX
PRESIDENCY, UNITS REPORTING TO THE PRESIDENT, AND UNITS REPORTING TO THE BOARDS			
President	ADESINA	Akinwumi Ayodeji	PRST
Director of Cabinet/Chief of Staff	MOYO	Sipho	PRST
Group Chief Risk Officer	TURNER	Timothy	GCRO
Special Envoy on Gender	FRASER-MOLEKETI	Geraldine Joslyn	SEOG
General Counsel and Director	GADIO	Kalidou	GECL
Auditor General	OKONKWO	Chukwuma	OAGL
Director, Integrity, & Anti-Corruption	BOSSMAN	Anna	IACD
Director, Compliance Review, & Mediation	TOURE	Sekou	CRMU
Evaluator General	NANGIA	Rakesh	IDEV
FIRST VICE PRESIDENCY/COO			
First Vice President, Chief Operating Officer	MBI	Emmanuel Ebot	FVP/COO
Director, Strategy, & Operational Policies	KAPOOR	Kapil	COSP
Director, Results, & Quality Assurance	MIZRAHI	Simon	ORQR
SECRETARY GENERAL			
Secretary General & Vice President	AKINTOMIDE	Cecilia	SEGL
OFFICE OF THE CHIEF ECONOMIST			
Officer in Charge, Chief Economist, & Vice President	LUFUMPA	Charles	ECON
CORPORATE SERVICES			
Acting Vice President, Corporate Services	NWABUFO	Nnenna	CSVP
FINANCE			
Vice President	BOAMAH	Charles Owusu	FNVP
Acting Director, Financial Control	HOLLIST	Omobola	FFCO
Director, Treasury	N'SELE	Hassatou	FTRY
OPERATIONS I: COUNTRY & REGIONAL PROGRAMS & POLICY			
Acting Vice President	LITSE	Janvier Kpourou	ORVP
OPERATION II: SECTOR OPERATIONS			
Vice President	ABOU-SABAA	Aly Abdel-Hamed	OSVP
OPERATIONS III: INFRASTRUCTURE, PRIVATE SECTOR & REGIONAL INTEGRATION			
Vice President	ASAMOAH	Solomon	OIVP

Source: AfDB Human Resources Management Department.

Appendix II–1
Resolutions Adopted by the Board of Governors in 2015 for the ADB

B/BG/2015/01	Updated Revised Procedure for the Designation of the Members of the Bureau and the Joint Steering Committee of the Boards of Governors
B/BG/2015/02	By-election of an Executive Director of the African Development Bank
B/BG/2015/03	Updated Rules for the Designation of the Members of the Standing Committee of the Board of Governors on the Conditions of Service of Elected Officers
B/BG/2015/04	The Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2014
B/BG/2015/05	Allocation and Distribution of the Allocable Income of the ADB for the Financial Year Ended 31 December 2014
B/BG/2015/06	Distribution of part of the Income of the Nigeria Trust Fund for the Financial Year Ended 31 December 2014
B/BG/2015/07	Election of the President of the African Development Bank
B/BG/2015/08	Vote of Thanks of the Board of Governors to Dr. Donald KABERUKA, outgoing President, for the Eminent Services rendered to the African Development Bank Group

Source: Office of the Secretary General, AfDB.

Appendix II–2
Board of Governors and Voting Powers of Member Countries as of 31 December 2015

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Algeria	Abderrahmane Benkhalfa	Miloud Boutabba	271,650	4.191
2	Angola	Armando Manuel	Job Graça	74,867	1.155
3	Benin	Lionel Zinsou	Komi Koutche	13,030	0.201
4	Botswana	Ontefetse Kenneth Matambo	Taufila Nyamadzabo	70,077	1.081
5	Burkina Faso	Jean Gustave Sanon	Lassane Kabore	26,273	0.405
6	Burundi	Tabu Abdallah Manirakiza	Côme Manirakiza	15,894	0.245
7	Cabo Verde	Cristina Duarte	Carlos Furtado	5,544	0.085
8	Cameroon	Louis Paul Motaze	Charles Assamba Ongodo	70,227	1.083
9	Central African Republic	Florence Limbio	Assane Abdallah Kadre	3,327	0.051
10	Chad	Mariam Mahamat Nour	*	5,153	0.079
11	Comoros	Mohamed Ali Soilihi	Alfeine Sitti Soifiat Tadjiddine	1,167	0.018
12	Congo	Gilbert Ondongo	Raphael Mokoko	29,825	0.460
13	Congo, Democratic Republic of	Henri Yav Mulang	Lamy Lamiel	83,414	1.287
14	Côte d'Ivoire	Albert Toikeusse Mabri Abdallah	Niale Kaba	240,188	3.705
15	Djibouti	Ilyas Moussa Dawaleh	Ahmed Osman Ali	1,838	0.028
16	Egypt	Hisham Ramez	Sahar Nasr	351,035	5.415
17	Equatorial Guinea	Miguel Obiang Engonga	Valentin Ela Maye	10,870	0.168
18	Eritrea	Berhane Habtemariam	Martha Woldegiorghis	2,628	0.041
19	Ethiopia	Abdulaziz Mohammed	Ahmed Shide	102,258	1.577
20	Gabon	Regis Immongault	Christian Magnagna	77,538	1.196
21	Gambia, The	Abdou Kolley	Abdoulie Jallow	10,388	0.160
22	Ghana	Seth Terkper	Henry Kofi Wampah	137,755	2.125
23	Guinea	Mohamed Diare	Sekou Traore	26,544	0.409
24	Guinea-Bissau	Geraldo Joao Martins	Degol Mendes	2,177	0.034
25	Kenya	Henry Kiplagat Rotich	Kamau Thugge	93,601	1.444
26	Lesotho	Mamphono Khaketla	Mapalesa Rapapa	4,348	0.067
27	Liberia	Amara Mohamed Konneh	Mounir Siaplay	13,028	0.201
28	Libya	Kamel A. Elhassi	Ali Mohamed Salem	215,118	3.319
29	Madagascar	François Marie Maurice Gervais Rakotoarimanana	Pierre-Jean Feno	41,895	0.646
30	Malawi	Goodall Edward Gondwe	Ronald Mangani	18,471	0.285
31	Mali	Mamadou Igor Diarra	Mamadou Gaoussou Diarra	28,489	0.439
32	Mauritania	Sid Ahmed Ould Raiss	Cheikh El Kebir Moulaye Taher	4,329	0.067
33	Mauritius	Seetanah Lutchmeenaraidoo	Dharam Dev Manraj	42,688	0.659
34	Morocco	Mohammed Boussaid	Driss El Azami El Idrissi	228,243	3.521
35	Mozambique	Adriano Afonso Maleiane	Ernesto Gouveia Gove	38,708	0.597
36	Namibia	Carl Hermann Gustav Schlettwein	Ericah B. Shafudah	22,742	0.351
37	Niger	Saidou Sidibe	Mohamed Boucha	16,773	0.259
38	Nigeria	Kemi Adeosun	Mahmoud Isa-Dutse	574,669	8.865
39	Rwanda	Claver Gatete	Uzziel Ndagijimana	9,105	0.140
40	São Tomé & Príncipe	Americo D'Oliveira Ramos	Maria Do Carmo Trovoada Pires De Carvalho Silveira	4,975	0.077
41	Senegal	Amadou Ba	Lat Diop	67,962	1.048
42	Seychelles	Jean-Paul Adam	Caroline Abel	2,448	0.038
43	Sierra Leone	Kaifala Marah	Edmund Koroma	19,097	0.295
44	Somalia	Mohamed Adam Ibrahim	Bashir Isse	2,566	0.040
45	South Africa	Pravin Jamandas Gordhan	Mcebisi Hubert Jonas	324,558	5.007
46	South Sudan	David Deng Athorbei	Kornelio Kariom Mayiik	32,655	0.504
47	Sudan	Badr Eldien Mahmoud Abbas	Magdi Hassan Yassin	22,036	0.340
48	Swaziland	Martin Gobizandla Dlamini	Hlangusemphi Dlamini	8,010	0.124
49	Tanzania	Saada Mkuya Salum	Servacius Beda Likwelile	49,668	0.766
50	Togo	Adji Oteth Ayassor	Kossi Assimaidou	10,695	0.165
51	Tunisia	Yassine Brahim	*	90,800	1.401
52	Uganda	Matia Kasaija	Keith Muhakanizi	31,369	0.484
53	Zambia	Alexander Bwalya Chikwanda	Fredson Kango Yamba	80,813	1.247
54	Zimbabwe	Patrick Anthony Chinamasa	Willard L. Manungo	133,699	2.063
	Total Regionals			**3,867,225**	**59.658**

Appendix II–2 – *Continued*

Board of Governors and Voting Powers of Member Countries as of 31 December 2015

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Argentina	Axel Kicillof	Alejandro Vanoli Long	6,472	0.100
2	Austria	Johann Georg Schelling	Edith Frauwallner	29,394	0.453
3	Belgium	Johan Van Overtveldt	Ronald De Swert	41,782	0.644
4	Brazil	Nelson Barbosa	Claudio Alberto Castelo Branco Puty	26,698	0.412
5	Canada	Stephane Dion	Rob Stewart	246,629	3.805
6	China	Zhou Xiaochuan	Yi Gang	74,364	1.147
7	Denmark	Martin Bille Hermann	Birgitte Markussen	76,461	1.180
8	Finland	Elina Kalkku	Pekka Puustinen	32,120	0.495
9	France	Bruno Bézard	Guillaume Chabert	242,606	3.743
10	Germany	Thomas Silberhorn	Marianne Kothé	266,265	4.108
11	India	Arun Jaitley	Shakitikanta Das	16,719	0.258
12	Italy	Pier Carlo Padoan	Filippo Giansante	156,988	2.422
13	Japan	Taro Aso	Haruhiko Kuroda	354,493	5.469
14	Korea	Kyunghwan Choi	Juyeol Lee	30,786	0.475
15	Kuwait	Anas Khalid Al-Saleh	Hesham Al–Waqayan	29,833	0.460
16	Luxembourg	Pierre Gramegna	Georges Heinen	13,284	0.205
17	Netherlands	Lilianne Ploumen	Christiaan Rebergen	56,455	0.871
18	Norway	Tone Skogen	Henrik Harboe	75,379	1.163
19	Portugal	Maria Luis Albuquerque	Manuel Rodrigues	16,047	0.248
20	Saudi Arabia	Yousef Ibrahim Albassam	Ahmed Mohammed Al-Ghannam	13,045	0.201
21	Spain	Luis De Guindos Jurado	Inigo Fernandez De Mesa	69,878	1.078
22	Sweden	Ulrika Modéer	Per Örnéus	100,182	1.545
23	Switzerland	Raymund Furrer	Chantal Nicod	95,113	1.467
24	Turkey	Cavit Dağdaş	Ahmet Genç	7,197	0.111
25	United Kingdom	Justine Greening	Grant Shapps	113,384	1.749
26	United States of America	Jacob Joseph Lew	Catherine Novelli	423,487	6.533
	Total Non-Regionals			**2,615,061**	**40.342**
	Grand Total			**6,482,286**	**100.000**

Source: AfDB Treasury Department.
Note: * Vacant

Appendix II–3
Board of Directors of ADB: Voting Powers and Countries Represented as of 31 December 2015

Executive Director	For	Total Votes	Voting Power %
Tarik Al-Tashani	Libya	215,118	
Hussein Abdi Halane (Alternate)	Somalia	2,566	
	Mauritania	4,329	
		222,013	**3.425**
Mulu Ketsela	Ethiopia	102,258	
Vacant	Eritrea	2,628	
	Kenya	93,601	
	Rwanda	9,105	
	Seychelles	2,448	
	Tanzania	49,668	
	Uganda	31,369	
		291,077	**4.490**
Shahid Khan	South Africa	324,558	
Bheki Sibonangaye Bhembe (Alternate)	Swaziland	8,010	
	Lesotho	4,348	
		336,917	**5.197**
Amadou Kone	Côte d'Ivoire	240,188	
Bernardo Abaga Ndong Mayie (Alternate)	Equatorial Guinea	10,870	
	Guinea	26,544	
		277,602	**4.282**
Mahomed Rafique Jusob Mahomed	Mozambique	38,708	
Heinrich Mihe Gaomab II (Alternate)	Namibia	22,742	
	Angola	74,867	
	Zimbabwe	133,699	
		270,016	**4.165**
Soraya Mellali	Algeria	271,650	
Alfredo Mendes (Alternate)	Bissau-Guinea	2,177	
	Madagascar	41,895	
		315,722	**4.871**
Abdelmajid Mellouki	Morocco	228,243	
Vacant	Togo	10,695	
	Tunisia	90,800	
		329,738	**5.087**
Abdallah Msa	Comoros	1,167	
Ousman Sougui Abakar (Alternate)	Chad	5,153	
	Benin	13,030	
	Burkina Faso	26,273	
	Cabo Verde	5,544	
	Gabon	77,538	
	Mali	28,489	
	Niger	16,773	
	Senegal	67,962	
		241,929	**3.732**
Petronella Mukelabai Nawa Mwangala	Zambia	80,813	
Cornelius Karlens Dekop (Alternate)	Botswana	70,077	
	Malawi	18,471	
	Mauritius	42,688	
		212,049	**3.271**
Alieu Momodou Ngum	Gambia,The	10,388	
Miata Beysolow (Alternate)	Liberia	13,028	
	Ghana	137,755	
	Sierra Leone	19,097	
	Sudan	22,036	
		202,303	**3.121**
Bright Erakpoweri Okogu	Nigeria	574,669	
Maria das Neves Ceita Batista de Sousa (Alternate)	São Tomé & Príncipe	4,975	
		579,644	**8.942**

Appendix II–3 – *Continued*
Board of Directors of ADB: Voting Powers and Countries Represented as of 31 December 2015

Executive Director	For	Total Votes	Voting Power %
Leonard Sentore	Burundi	15,894	
Félicité Célestin Omporo Enouany (Alternate)	Congo	29,825	
	Cameroon	70,227	
	Central African Republic	3,327	
	Congo, Democratic Republic of	83,414	
		202,686	**3.127**
Vacant	South Sudan	32,655	
		32,655	**0.504**
Mohamed Zaghloul	Egypt	351,035	
Ali Mohamed Ali (Alternate)	Djibouti	1,838	
		352,873	**5.444**
Total Regionals		**3,867,225**	**59.658**
Tomoya Asano	Japan	354,493	
Saleh Barabba (Alternate)	Saudi Arabia	13,045	
	Argentina	6,472	
	Austria	29,394	
	Brazil	26,698	
		430,102	**6.635**
Ronald Meyer	Germany	266,265	
Vacant	Portugal	16,047	
	Switzerland	95,113	
		377,425	**5.822**
Mariano Munoz-Carpena	Spain	69,878	
Abdenor Brahmi (Alternate)	France	242,606	
	Belgium	41,782	
		354,266	**5.465**
Dominic O'Neil	United Kingdom	113,384	
Eric Hilberink (Alternate)	Netherlands	56,455	
	Italy	156,988	
		326,827	**5.042**
Hau Sing Tse	Canada	246,629	
Thamer Mohammad Alfailakawi (Alternate)	Kuwait	29,833	
	China	74,364	
	Korea	30,786	
	Turkey	7,197	
		388,809	**5.998**
Heikki Tuunanen	Finland	32,120	
Vacant	Denmark	76,461	
	India	16,719	
	Norway	75,379	
	Sweden	100,182	
		300,861	**4.641**
Vacant	Luxembourg	13,284	
		13,284	**0.205**
Vacant	United States of America	423,487	
Matthew Turner (Alternate)	United States of America		
		423,487	**6.533**
TOTAL NON-REGIONALS		**2,615,061**	**40.342**
GRAND TOTAL		**6,482,286**	**100.000**

Source: AfDB Treasury Department.

Appendix III–1
Resolutions Adopted by the Board of Governors in 2015 for the ADF

F/BG/2015/01	Updated Revised Procedure for the Designation of the Members of the Bureau and the Joint Steering Committee of the Boards of Governors
F/BG/2015/02	Annual Report and Audited Special Purpose Financial Statements for the Year ended 31 December 2014
F/BG/2015/03	Participation of Angola in the African Development Fund
F/BG/2015/04	Vote of Thanks of the Board of Governors to Dr. Donald KABERUKA, outgoing President, for the Eminent Services rendered to the African Development Bank Group

Source: Office of the Secretary General, AfDB.

Appendix III-2

Board of Governors of ADF: Voting Power of State Participants and of the ADB as of 31 December 2015

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	African Development Bank			1,000.000	50.000
2	Argentina	Axel Kicillof	Alejandro Vanoli Long	0.073	0.004
3	Austria	Johann Georg Schelling	Edith Frauwallner	18.466	0.923
4	Belgium	Johan Van Overtveldt	Ronald De Swert	20.414	1.021
5	Brazil	Nelson Barbosa	Claudio Alberto Castelo Branco Puty	5.672	0.284
6	Canada	Stephane Dion	Rob Stewart	71.373	3.569
7	China	Zhou Xiaochuan	Yi Gang	21.213	1.061
8	Denmark	Martin Bille Hermann	Birgitte Markussen	24.696	1.235
9	Finland	Elina Kalkku	Pekka Puustinen	19.899	0.995
10	France	Bruno Bézard	Guillaume Chabert	102.808	5.140
11	Germany	Thomas Silberhorn	Marianne Kothé	103.803	5.190
12	India	Arun Jaitley	Shakitikanta Das	3.531	0.177
13	Italy	Pier Carlo Padoan	Filippo Giansante	54.947	2.747
14	Japan	Taro Aso	Haruhiko Kuroda	108.552	5.428
15	Korea	Kyunghwan Choi	Juyeol Lee	10.064	0.503
16	Kuwait	Anas Khalid Al-Saleh	Hesham Al-Waqayan	7.614	0.381
17	Luxembourg	Pierre Gramegna	Georges Heinen	0.573	0.029
18	Netherlands	Lilianne Ploumen	Christiaan Rebergen	44.679	2.234
19	Norway	Tone Skogen	Henrik Harboe	45.622	2.281
20	Portugal	Maria Luis Albuquerque	Manuel Rodrigues	5.919	0.296
21	Saudi Arabia	Yousef Ibrahim Albassam	Ahmed M. Al-Ghannam	11.421	0.571
22	Spain	Luis De Guindos Jurado	Inigo Fernandez De Mesa	22.609	1.130
23	Sweden	Ulrika Modéer	Per Örnéus	51.117	2.556
24	Switzerland	Raymund Furrer	Chantal Nicod	38.855	1.943
25	Turkey	Cavit Dağdaș	Ahmet Genç	1.607	0.080
26	United Arab Emirates	*	*	0.327	0.016
27	United Kingdom	Justine Greening	Grant Shapps	98.277	4.914
28	United States of America	Jacob Joseph Lew	Catherine Novelli	105.869	5.293
	TOTAL			**2,000.000**	**100.000**

Source: AfDB Treasury Department.

Appendix III–3
Board of Directors of ADF: Voting Powers and Countries Represented as of 31 December 2015

Executive Directors / Alternates	Participants	Voting Powers in %*	Voting Powers by Constituency in %
Tarik Al-Tashani	ADB	7.143	
Mulu Ketsela	ADB	7.143	
Shahid Khan	ADB	7.143	
Amadou Kone	ADB	7.143	
Rafique Jusob Mahomed	ADB	7.143	
Soraya Mellali	ADB	7.143	
Abdallah Msa	ADB	7.143	
			50.000
Vacant	United States of America		
Matthew Turner	United States of America	5.293	
			5.293
Tomoya Asano	Japan	5.428	
Saleh Barabba	Saudi Arabia	0.571	
	Argentina	0.004	
	Austria	0.923	
	Brazil	0.284	
			7.209
Heikki Tuunanen	Finland	0.995	
Vacant	Denmark	1.235	
	India	0.177	
	Norway	2.281	
	Sweden	2.556	
			7.243
Ronald Meyer	Germany	5.190	
Vacant	Portugal	0.296	
	Switzerland	1.943	
			7.429
Hau Sing Tse	Canada	3.569	
Thamer Mohammad Alfailakawi	Kuwait	0.381	
	China	1.061	
	Korea	0.503	
	Turkey	0.080	
			5.594
Mariano Munoz-Carpena	Spain	1.130	
Abdenor Brahmi	France	5.140	
	Belgium	1.021	
			7.292
Dominic O'Neill	United Kingdom	4.914	
Eric Hilberink	Netherlands	2.234	
	Italy	2.747	
			9.895
Vacant	Luxembourg	0.029	
			0.029
Vacant	United Arab Emirates	0.016	
			0.016
GRAND TOTAL			**100.000**

Source: AfDB Treasury Department.
* Slight differences may occur in totals due to rounding.

Appendix III–4
Subscriptions of State Participants and of the ADB to the ADF as of 31 December 2015

	Participants	Contribution in UA
1	African Development Bank	111,740,678
2	Angola	10,747,844
3	Argentina	18,631,870
4	Austria	486,232,779
5	Belgium	535,095,203
6	Brazil	143,629,532
7	Canada	1,792,693,959
8	China	520,020,932
9	Denmark	662,767,032
10	Egypt	2,628,702
11	Finland	562,332,431
12	France	2,644,215,425
13	Germany	2,693,787,078
14	India	91,858,841
15	Italy	1,689,929,624
16	Japan	2,765,179,778
17	Korea	266,413,961
18	Kuwait	179,683,998
19	Luxembourg	14,514,309
20	Netherlands	1,108,923,791
21	Norway	1,192,306,898
22	Portugal	173,560,750
23	Saudi Arabia	283,700,140
24	South Africa	47,482,400
25	Spain	604,398,558
26	Sweden	1,321,545,910
27	Switzerland	926,150,626
28	Turkey	40,693,468
29	United Arab Emirates	8,289,468
30	United Kingdom	2,612,094,189
31	United States of America	3,010,479,147
	Sub-Total	**26,521,729,320**
	Supplementary Contributions through accelerated encashment to reduce the Gap	**109,161,177**
	Supplementary Contributions through cash to reduce the Gap	**65,869,711**
	GRAND TOTAL	**26,696,760,208**

Source: AfDB Treasury Department.
Note: Subscriptions do not include grant compensation amounts totaling UA 13.03 million.

Appendix IV
Classification of Regional Member Countries

	Category A—Countries Eligible for ADF Resources Only*		
1	Benin**	18	Madagascar**
2	Burkina Faso**	19	Malawi**
3	Burundi	20	Mali**
4	Central African Republic	21	Mauritania
5	Chad	22	Mozambique**
6	Comoros**	23	Niger**
7	Congo, Democratic Republic of**	24	Rwanda**
8	Côte d'Ivoire**	25	São Tomé & Príncipe
9	Djibouti	26	Senegal**
10	Eritrea	27	Sierra Leone**
11	Ethiopia**	28	Somalia
12	Gambia, The**	29	South Sudan**
13	Ghana	30	Sudan
14	Guinea**	31	Tanzania**
15	Guinea-Bissau**	32	Togo**
16	Lesotho**	33	Uganda**
17	Liberia**	34	Zimbabwe
	Category B—Countries Eligible for a Blend of ADB and ADF Resources		
1	Cameroon		
2	Kenya		
3	Zambia		
	Category C—Countries Eligible for ADB Resources Only		
1	Algeria		
2	Angola		
3	Botswana		
4	Cabo Verde		
5	Congo		
6	Egypt		
7	Equatorial Guinea		
8	Gabon		
9	Libya		
10	Mauritius		
11	Morocco		
12	Namibia		
13	Nigeria***		
14	Seychelles		
15	South Africa		
16	Swaziland		
17	Tunisia		

Source: AfDB Strategy and Operational Policies Department.
* Except for limited ADB lending for enclave and private sector projects.
** ADF-only countries, which may be assessed on a case-by-case basis, to access the ADB sovereign window as permitted by the policy on "Diversifying the Bank's products to provide eligible ADF-only countries to the ADB sovereign window (2014)".
*** Nigeria graduated to the ADB-only category in 2014 and is currently benefiting from a transition period of five years which will be concluded on 31 December 2018.

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