

**AFRICAN EXPORT-IMPORT BANK
BANQUE AFRICAINE D'IMPORT-EXPORT
(AFREXIMBANK)**



*Annual Report
and
Financial Statements
for the Year Ended
December 31, 2009*



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Vision and Mission Statements

Vision

To be the Trade Finance Bank for Africa

Mission

To stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a center of excellence in African trade matters.



TRANSMITTAL LETTER

March 27, 2010

**The Chairman
General Meeting of Shareholders
African Export-Import Bank
Cairo
Egypt**

Dear Mr. Chairman,

In accordance with *Article 35* of Afreximbank Charter, I have the honour, on behalf of the Board of Directors, to submit, herewith, the Report of the Bank's activities for the period January 1, 2009 to December 31, 2009, including its audited Financial Statements covering the same period.

The Report also contains a review of the international and African economic environment under which the Bank operated during the period.

Mr. Chairman, please accept the assurances of my highest consideration.

**Jean-Louis EKRA
President and Chairman of the Board of Directors**

BOARD OF DIRECTORS

Chairman Mr. Jean-Louis EKRA
President

MEMBERS OF THE BOARD

Class “A”

Mr. Charles Boamah
Director

Dr. Caleb Fundanga
Director

Hon. Aderemi W. Babalola
Director

Dr. Ahmad Jameel Khadaroo
Director

Class “B”

Dr. G. Gono
Director

Mr. Victor Nembelessini-Silué
Director

Mr. Jean-Marie Benoit Mani
Director

Mr. Aomar Yidar
Director

Class “C”

Mr. F. Kennedy
Director

Mr. Liu Liange
Director

Executive Secretary Dr. George Elombi

MANAGEMENT

President & Chairman of the Board	Jean-Louis EKRA
Executive Vice President (Business Development, Project & Corporate Finance)	B. O. Oramah
Senior Director (Finance & Treasury)	Philip Kamau
Executive Secretary & Head of Legal Services	George Elombi
Director (Credit)	Samuel Loum
Director (Research, Planning & International Cooperation)	Francis Mbroh
Director (Trade Finance & Branches)	Kanayo Awani
Director (Project & Export Development Finance)	Kofi Adomakoh
Director (Risk Management)	James Mwangi

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1

Introduction / Executive Summary

1.1 This document (the “Report”) presents the activities and operations of the Bank during 2009, the third year of implementation of the Bank’s Project ASPIRE, the operating name of the Bank’s Third Strategic Plan. The Theme of the 2009 Budget as drawn from Project ASPIRE is “*Extending the Frontiers of Progress,*” an indication that 2009 was intended to be the year the Bank would begin to break new grounds in pursuit of its mandate. The Report has been prepared in line with the Bank’s corporate practice and reporting requirements.

1.2 The Report is organized in five Chapters. This Chapter introduces the Report in the form of an Executive Summary of its contents. Chapters 2 and 3 review the global and African macroeconomic environments under which the Bank operated during the review period. The review detailed in Chapters 2 and 3 of the Report provides the basis for an understanding of the challenges and opportunities that informed the slant and outcome of the Bank’s activities and operations during 2009 as presented in Chapter 4 of this Report. These are followed in Chapter 5 by a review of the Bank’s financial performance during 2009.

1.3 The Report shows that the unprecedented deceleration in global economic activity seen during the second

half of 2008 precipitated by the turbulence in major financial markets and the consequent decimation of consumer and business confidence across developed and major emerging economies intensified, especially during the first half of 2009 before easing somewhat during the second half. On account of these challenging developments, the global economy entered its worst recession in 60 years with the level of global output contracting by 0.6% in 2009 in sharp contrast to a 3% expansion achieved in 2008. It is pertinent to note that the rate of contraction in global output seen in 2009 was far lower than previous estimates and expectations --- a reflection of the success of concerted and coordinated fiscal and monetary policy actions in major developed and developing economies aimed at combating a possible depression that loomed as 2009 dawned. The contraction of the global economy seen during the review period was a direct consequence of widespread deleveraging activities and the consequent credit squeeze in international financial markets and its constraining effect on investment spending; continued deterioration in equity and housing markets across the mature economies, especially during the first half of 2009; and generally weak consumer and investor confidence, especially in the United States of America (US), the United Kingdom (UK) and other mature economies. Other growth constraining factors included

a sharp drop in global trade occasioned by sharp cutbacks in international trade financing caused by severe shrinkage in the capital and balance sheet of many banks; and drastic declines in domestic absorption in major economies. Other factors that negatively impacted global output and trade during the review period included an apparent return to “economic nationalism” policies as some major economies sought to stimulate economic activities through protection of domestic industries; lingering difficulties in reconciling sharp differences between developed and developing countries in the ongoing Doha Round of Multilateral Trade Talks; generally poor growth performance of many developing countries as a result of weak commodity prices, sharp retreat in migrant remittances, foreign direct investment (FDI) and other capital inflows, especially among commodity-dependent and capital-deficient developing countries; and isolated pockets of political difficulties that lingered in a number of countries, including Afghanistan, Iran, Madagascar, Sudan, Somalia and Honduras, among others.

1.4 It is pertinent to note, however, that the lower-than-expected contraction of the global economy during the review period owed much to unprecedented coordinated global policy interventions by governments and central banks in the form of massive fiscal stimuli, bail-out of major financial and non-financial institutions that were considered “too big to be left to fail” through provision of liquidity and public guarantees, as well as pursuit of more accommodative monetary policy reflected by coordinated cuts in interest rates (to “near-zero”); and government-backed

recapitalizations of financial institutions across the mature economies in an attempt at containing systemic risks and stimulating lending. These interventions contributed in averting a global depression that threatened at the beginning of the review period. Further, continued expansion of emerging economies, albeit at a highly decelerated rate, led by China (8.7%) and India (5.6%), on the back of fiscal stimuli and expansionary monetary policies, helped to ameliorate the dampening effect of the severe contraction of many advanced economies on the performance of the global economy. Continued recourse to sound macroeconomic policies across the developing world coupled with modest recovery in FDI flows driven by a pickup in commodity prices and inventory levels during the second half of 2009, also helped to lift the level of activity in many commodity-dependent economies in the developing world.

1.5 The review period saw African economies, as a group, experience a deterioration in economic performance with the rate of growth of their gross domestic product (GDP) decelerating to 2.26%, from 5.5% in 2008. The deceleration in growth suffered by the continent derived from weak commodity prices and low export receipts caused by weak global demand; a tightening of international credit markets and virtual dry-up of trade finance; and sharp retreat in tourism receipts, migrant remittances and other forms of capital inflows, such as FDI as a result of the heightening of global economic uncertainties. As a result of the deterioration in the global and African macroeconomic environments and the international credit and

commodity markets in particular, the level of African trade retreated as low export earnings constrained the import capacity of many commodity-dependent and capital-deficient African economies and pushed downward the value of total African trade. In this regard, the value of total African trade, which rose by an impressive 29% year-on-year to reach an all-time high of US\$1,073.4 billion in 2008, shrank by about 21% to US\$849.4 billion in 2009. Intra-African trade also declined by a significant 8% from a level of US\$95.74 billion in 2008 to US\$88.2 billion in 2009 as a result of deterioration of the global and African macroeconomic environments.

1.6 The observed highly challenging global and African environments impacted the Bank's operations during the period in the form of higher demand for the Bank's facilities which required significant human and financial resources to meet at a time that the international credit markets were difficult to tap. The uncertainties in the global and African economies also called for greater caution in implementing the lending programmes of the Bank. Nonetheless, total credits outstanding and total assets, on a net basis, rose by respective 24% and 35% year-on-year to US\$1,145 million and US\$1,445 million at the end of 2009. Credit approvals also rose by 11% year-on-year to US\$1,742 million in 2009, on the back of over US\$14 billion worth of loan applications received

during the year. The observed sharp growth in facility approvals was due to intensified marketing efforts as well as a surge in demand for the Bank's services among potential borrowers across the Continent triggered partly by the international credit crunch. It also reflected the impact of new hires that joined the Bank in line with manpower plan contained in Project ASPIRE.

1.7 Going forward, the Bank expects the socio-economic challenges that impacted the performance of the global and African economies during 2009 to ease somewhat during 2010 in line with leading signs of a global economic recovery noticed towards the end of 2009. In this regard, the Bank expects downside risks to its business to ease significantly in the form of a gradual resumption of lending in international credit markets which would positively impact its syndication activities; a strengthening of African commodity prices and trade which would ensure a healthy demand for its services; and coming on board of new hires which would strengthen origination and loan management capabilities, among others. Against this backdrop, the Bank forecasts full year loan assets to trend upward to cross the US\$1.3 billion mark with total assets expected to exceed US\$1.5 billion by end of 2010. Compared to 2009, Net Income is also forecast to grow by about 10% to about US\$46 million in 2010.

Part 1: The Operating Environment

This part of the Report discusses the global and African macroeconomic environments within which the Bank operated during 2009.

The Report shows that turbulence in major financial markets and the consequent decimation of consumer and business confidence, especially during the first half of the period, pushed the global economy into recession, and negatively impacted the trade and growth performance of African economies during the review period.



2

INTERNATIONAL DEVELOPMENTS

2.1 DEVELOPMENTS IN OUTPUT AND PRICES

2.1.1 Global Output

The unprecedented deceleration in global economic activity seen during the second half of 2008 precipitated by the turbulence in major financial markets and the consequent decimation of consumer and business confidence across developed and major emerging economies intensified, especially during the first half of 2009 before easing somewhat during the second half of the year. In this regard, the global economy entered its worst recession in 60 years with the level of global output shrinking by about 0.6% in 2009 in sharp contrast to a 3% expansion achieved in 2008. This rate of contraction in global output in 2009 was far lower than previous estimates and expectations given the level of uncertainties and panic that ensued from the extreme asset price volatilities and declines seen on major bourses around the world, especially during the first half of 2009. The output contraction seen during the review period was a direct consequence of an unprecedented deleveraging process and a consequent credit squeeze in international financial markets and its constraining effect on economic activities; continued deterioration in equity and housing markets across the mature economies, especially during the first

half of 2009; and generally weak consumer and investor confidence, especially in the US and Europe. Other growth constraining factors included a sharp drop in global trade caused by severe cutbacks in trade financing and declines in domestic absorption in major economies; lingering difficulties in reconciling sharp differences between developed and developing countries in the ongoing Doha Round of Multilateral Trade Talks; generally poor growth performance of many developing countries as a result of weak commodity prices, sharp retreat in migrant remittances, FDI and other capital inflows, especially among commodity-dependent and capital-deficient developing countries; and isolated pockets of political difficulties that lingered in a number of countries, including Afghanistan, Iran, Madagascar, Sudan, Somalia and Honduras, among others.

It is worth noting, however, that the lower-than-expected contraction of the global economy during the review period owed much to unprecedented coordinated global policy interventions by governments and central banks under the auspices of the Group of Twenty (G20). Some of these interventions were in the form of massive fiscal stimuli, bailout of major financial and non-financial institutions that were considered “too big to be left to fail” through provision of liquidity and public guarantees, and pursuit

of more accommodative monetary policy reflected by coordinated cuts in interest rates (to “near-zero”); and government-backed recapitalizations of financial institutions across the mature economies. These interventions contributed in averting an economic depression that threatened at the beginning of 2009. Further, continued expansion of emerging economies, albeit at a highly decelerated rate, on the back of fiscal stimuli and a turn of global manufacturing, helped to ameliorate the dampening effect of the severe contraction of many advanced economies on the performance of the global economy. Continued implementation of sound macroeconomic policies across the developing world coupled with modest recovery in FDI flows driven by a strengthening of commodity prices and inventory levels, especially during the second half of 2009, also helped to lift the level of activity in many capital-deficient and commodity-dependent economies in the developing world. Presented hereunder is a detailed discussion of major developments in global output and prices as summarized in Table 2.1.

As a result of heightened global economic uncertainties fuelled by difficulties in the global financial system and its constraining effect on activity levels in the real sectors, all economies of the *Group of Seven Industrialized Countries (G7)*, namely the US, UK, Germany, France, Italy, Japan and Canada plunged into deeper recession evidenced by sharp contraction in output in 2009 compared to 2008 (Table 2.1). In more specific terms, the pace of the slowdown of the US economy experienced in 2008 intensified during the

first half of the review period culminating in a significant contraction in GDP of about 2.44% in 2009. This growth performance compared unfavorably to the 0.44% expansion achieved a year earlier. Behind the slump experienced by the US economy were a collapse of consumer demand caused by continued weaknesses in equity and housing markets and rising job losses; and weak investor confidence on account of unrelenting surge in perceived counterparty risks as asset write-downs continued and solvency of many hitherto established financial institutions remained in doubt. Further, the rapid deterioration of the US economy and the panic it created shattered international investor confidence and negatively impacted external portfolio and other capital inflows and investment spending as well as employment levels in the US during the review period, especially during the first half of 2009. It is, however, pertinent to note that leading indicators of economic stabilization and recovery in the US were observed toward the end of the review period, evidenced by a diminished rate of economic decline across sectors, such as in the labor, housing and equity markets; industrial production close to bottoming out; a turning of the inventory cycle; and a semblance of stability in consumer and business confidence. The observed earlier-than-expected turnaround of the US economy was supported by massive fiscal, monetary and financial interventions, which contributed to stabilize consumer and business spending as well as the housing and equity markets during 2009.

During the review period, the Canadian economy also weakened considerably

Table 2.1 Developments in Global Output and Prices, 2007-09

	Exchange Rate (End of period)		Real GDP Growth (annual percent change)		Inflation Rate (annual percent change)		Interest Rate (3-month), % (end of period)		
	2007	2008	2009**	2007*	2008*	2009**	2007*	2008*	2009**
WORLD				5.18	3.02	-0.60	4.01	5.97	2.45
ADVANCED ECONOMIES^{a)}				2.76	0.48	-3.16	2.16	3.39	0.13
US	\$/\$	1.00	1.00	2.14	0.44	-2.44	2.87	3.82	-0.32
UK	£/\$	0.50	0.67	2.56	0.55	-4.92	2.35	3.63	2.17
France	€/€	0.68	0.74	2.26	0.32	-2.19	1.60	3.16	0.10
Japan	¥/\$	112.24	91.32	2.36	-1.19	-5.20	0.00	1.40	-1.38
Italy	€/€	0.68	0.74	1.48	-1.32	-5.04	2.04	3.50	0.75
Canada	C\$/€	1.00	1.23	2.53	0.41	-2.64	2.13	2.38	0.29
Germany	€/€	0.68	0.74	2.52	1.25	-4.97	2.28	2.75	0.08
<i>Memo Item</i>				2.77	0.65	-4.08	2.13	3.31	0.31
<i>EURO Area^{b)}</i>	€/€	0.68	0.74	2.26	0.07	-3.91	1.90	2.95	0.24
<i>Average^{c)}</i>				8.32	6.14	2.38	6.46	9.23	5.23
DEVELOPING COUNTRIES^{d)}				6.93	5.54	2.26	6.80	11.63	9.20
Africa ^{e)}				10.62	7.88	6.63	5.41	7.44	3.12
Developing Asia ^{f)}				5.60	5.09	2.42	10.00	13.45	6.58
Middle East				5.81	4.25	-1.79	5.41	7.90	5.96
Latin America and the Caribbean				5.79	1.77	-0.89	2.23	4.48	1.29
NEWLY INDUSTRIALIZED ASIAN ECONOMIES				5.55	3.04	-3.66	6.03	8.07	4.69
CENTRAL AND EASTERN EUROPE				8.61	5.54	-6.62	9.72	15.60	11.24
COMMONWEALTH OF INDEPENDENT STATES									

* Actual

** Estimates

^{a)} Figures include the G7 and other industrial countries.^{b)} EURO Area countries are: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.^{c)} Average relates to G7.^{d)} Emerging market and developing countries.^{e)} Inflation figures for Zimbabwe were not included in the calculations because they would bias the average for Africa.^{f)} Asia other than the Newly Industrialized Economies (i.e. Hong Kong SAR, Korea, Singapore, and Taiwan Province of China).**Sources:** 1) *The Economist* (various issues).2) IMF (2009) *World Economic Outlook* (October).3) IMF *World Economic Outlook Database*.4) IMF (2010), *WEO Update* (April)

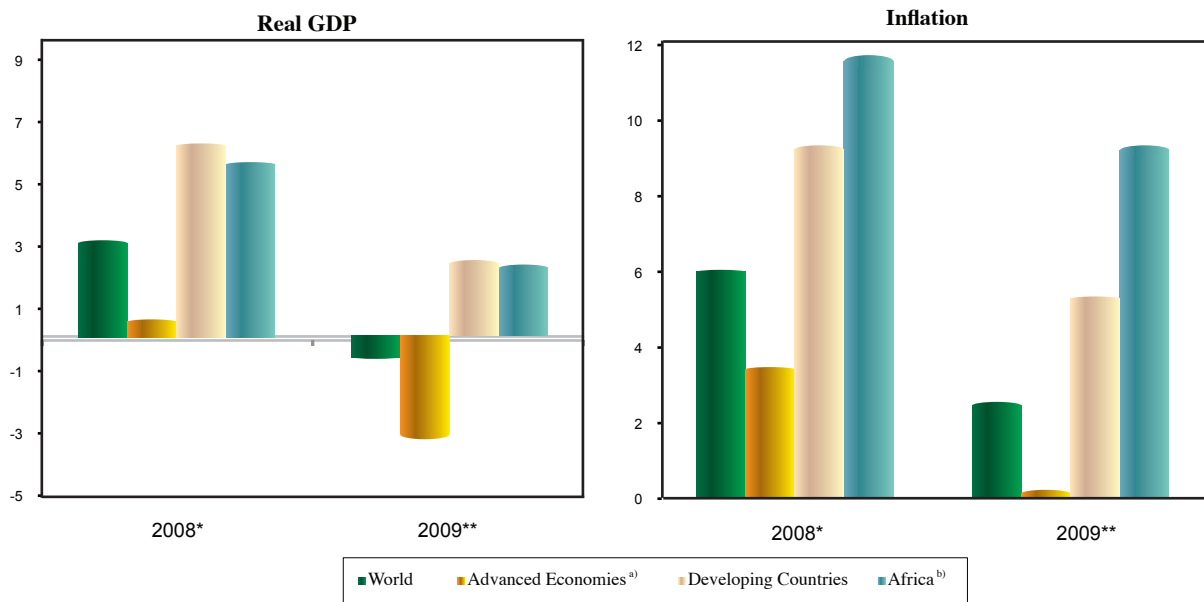
5) Afreximbank Staff Estimates

resulting in a sharp contraction in real GDP of about 2.6% compared to a 0.4% growth in output achieved in 2008. The contraction suffered by the Canadian economy was caused by a sharp drop in domestic absorption precipitated by a declining labour market and weaker external demand, especially from its major trading partner, the US; lower commodity prices and export receipts; sharper-than-expected decline in FDI inflows, especially to the extractive industries such as oil and gas; and tighter credit market conditions, which contributed to subdued investment spending during the period under review, among other constraining factors.

The pace of economic recession in Japan intensified during the review period leading to a contraction in real GDP of about 5.2% in 2009 compared to a lower contraction of about

1.2% suffered in 2008. Behind the deeper recession seen in Japan were a virtual dry-up of consumer and investment finance caused by the deleveraging process precipitated by the global financial crisis; generally poor growth in Japanese exports of consumer durables (the bulk of Japanese exports) caused by weak global demand and strong competition from other suppliers in Asia; and continued slippages in corporate and public sector reforms, among other inhibitions to growth. The UK economy, during the review period, weakened considerably resulting in a year-on-year contraction of 4.92% in domestic output in 2009. This performance compared unfavourably with real year-on-year economic expansion of 2.56% and 0.55% achieved in 2007 and 2008 respectively. The poor performance of the UK economy seen during the review period stemmed from a

Figure 2.1 Global Output and Inflation, 2007 -09
(annual percent change)



a) Figures include the G7 and other industrial countries.

b) Inflation figures for Zimbabwe were not included in the calculations because they would bias the average for Africa.

* Revised

** Estimates

Source: Derived from Table 2.1

sharp deceleration in domestic absorption precipitated by a collapse of consumer demand on the back of weak labour, housing and equity markets; continued deterioration in business confidence and investment spending arising from doubts regarding the solvency of banks and major corporates; tight international credit market situation; and weak external demand. It is pertinent to note that the scale of decline of the UK economy was significantly subdued by bold government interventions in the financial sector in the form of funded and unfunded “bailout” of distressed financial institutions, among other forms of state intervention.

The economic decline experienced by Italy in 2008 worsened during 2009. Following this development, economic output in Italy underwent a year-on-year contraction of 5.04% in 2009. The rate of output growth in Germany and France, which were positive in 2008 also deteriorated and averaged the review period at respective rates of -4.97% and -2.19% in 2009. This development resulted primarily from the global credit squeeze; continued drop in consumer and business confidence caused by rising job losses and weak housing and equity markets conditions; rising global economic uncertainties and its knock-on effect on capital inflows and investment spending; and weak external demand and a consequent contraction of export receipts. On account of the contraction in output suffered by the three flagship economies of the Eurozone, namely France, Germany and Italy, and the general poor growth performance of other member economies, such as Spain, Netherlands, Belgium and Greece, the rate of

output growth across the Euroland economies, as a group, which decelerated from 2.77% in 2007 to 0.65% in 2008, worsened to a contraction of 4.08% in 2009. Following these developments, the G7 economies, as a group, saw the rate of growth of their real GDP weaken further from respective rates of 2.26% and 0.1% in 2007 and 2008, to a contraction of 3.91% in 2009.

The dismal growth performance of the Advanced Economies during the review period adversely impacted the level of economic activity across developing economies and regions, especially those linked to the US and other western economies while others rode the difficulties and maintained solid, if slower, economic growth performances. In this regard, the rate of growth of GDP of *Developing Countries*, as a group, trended downward to reach 2.38% in 2009, from respective levels of 8.32% and 6.14% in 2007 and 2008 (Table 2.1 and Figure 2.1). Specifically, the economies of *Developing Asia*, as a group, experienced another year of growth in 2009, albeit at a lower rate of 6.6%, down from a level of 7.9% in 2008. Responsible for the continued growth were unrelenting solid growth of the two flagship economies of the region, namely China and India buoyed by a continued expansion of activity in their manufacturing sector; extensive fiscal and monetary interventions by some governments and central banks in the region which contributed in easing uncertainties in financial markets and somewhat dampened the effect of weak global demand, especially in China and India; lower-than-expected deceleration in net export growth; and modest growth

performance achieved by the economies of the Association of South East Asian Nations (ASEAN), as a group. That notwithstanding, the overall growth performance of the region during 2009 was reportedly weighed down by natural disasters, such as floods in India, Bangladesh and Philippines, as well as severe winter and earthquake in China; anemic global demand for automobiles, electronics and other consumer durables that account for a bulk of industrial production and net exports of the region; and unresolved political difficulties in certain parts of the region, especially in Nepal, Afghanistan, Pakistan and Myanmar, which adversely affected international investor confidence and thus FDI and other (trade and project) finance flows to the region, among other constraining factors.

During the review period, the economies of the *Commonwealth of Independent States* (CIS), as a group, experienced a sharp slowdown with the rate of growth of their GDP plummeting from 5.5% in 2008 to a contraction of 6.6% in 2009. Responsible for the contraction in output suffered by the region were lower commodity prices and export revenues; sharp deceleration in FDI flows into the extractive industries in the region, especially in Russia, Ukraine and Kazakhstan; a decline in investment spending occasioned by an abrupt dry-up of external private and official funding (from the EU in particular), which had in recent times been the lifeline to large corporates and the banking system in the Eastern European countries; a sharp contraction of the flagship Russian economy (of about 9%), which adversely impacted the performance of many small

regional economies that are dependent on Russia for remittance and other capital flows as well as export earnings; and pockets of political difficulties in Georgia and Ukraine.

The rate of expansion of the economies of the *Middle East*, as a group, decelerated to 2.4% in 2009, from an impressive level of 5.1% in 2008. The slowdown in activity experienced by the region during the review period was caused primarily by weak oil and gas prices and lower export receipts; unexpected sharp weakening of activity in the non-oil sector, especially banking, real estate and tourism as a result of the impact of the global economic crisis; and stagnation in government spending on the heels of lower oil export receipts. Other constraining factors included a sharp reversal of capital inflows caused by deepening geopolitical tensions in the region, such as the Israeli / Palestinian war that broke out in early 2009 and lingering international tensions over Iran's nuclear programme.

Largely as a result of its links with the declining US economy, the region's major trading partner, activity level across the economies of *Latin America and the Caribbean*, as a group, weakened significantly during the review period. In this regard, the region, as a group, suffered a contraction in output of 1.79% in 2009 in sharp contrast to real output growth of about 4.3% achieved in 2008. The region's poor growth performance was caused primarily by depressing external demand and lower export receipts (especially for major commodity producers such as Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Trinidad and Tobago, Uruguay,

and Venezuela); and a decline in private and official capital, tourism receipts and migrant remittance flows into the region on account of economic difficulties in the US and other major regional economies. Moreover, real and/or perceived threats of possible nationalization of foreign assets in Bolivia and Venezuela coupled with recent leaning of some countries towards policies of “economic nationalism,” and isolated pockets of political and civil strifes across the region, especially in Colombia, Honduras, Bolivia, and Nicaragua, adversely affected investment spending and growth performance of the region during the review period.

2.1.2 Inflation

Consistent with the cooling global economy, the general level of prices remained subdued during the period. In this regard, compared to 2008, the average rate of increase in the general level of prices retreated significantly in 2009. This development was traced primarily to the observed weakening of the global economy and a let-up in food and energy prices. In this regard, in addition to Japan and the US that experienced deflation, the average rate of price inflation decelerated in all other G7 economies in 2009 compared to their average levels in 2008. Consequently, the average rate of inflation among the G7 economies, as a group, which trended upward to reach 2.95% in 2008 from a level of 1.9% in 2007, tumbled to 0.24% in 2009 (Table 2.1 and Figure 2.1).

Further, the economies of the Eurozone, as a group, experienced a significant retreat in

the general level of prices during the review period resulting in the average rate of inflation trending downwards to 0.31% in 2009, from a level of 3.31% in 2008. This development in prices arose from a general weakening of energy and food prices brought about by the global economic recession and economic recession experienced by these economies during the period.

As shown in Table 2.1 and Figure 2.1, the general level of prices trended downward across all major regions of the developing world in 2009 in line with the declining global economy and demand. In this regard, the average rate of inflation for developing countries, as a group, decelerated to 5.2% in 2009, from 9.2% in 2008 (Table 2.1 and Figure 2.1). It emerged during the period that a significant share of the energy and food price declines were transmitted to consumers in the form of lower energy and food prices.

2.2 DEVELOPMENTS IN INTERNATIONAL FINANCIAL MARKETS

2.2.1 Financial Markets

As in 2008, the review period witnessed continued international effort aimed at addressing perceived and/or real risks to sustainable expansion of the global economy through proactive coordination of macroeconomic policies, especially among major developed and developing economies as well as international development agencies. In

this regard, several international conferences were organized by international development agencies, such as the World Bank, the International Monetary Fund, and the World Trade Organization (WTO), and major economic groupings, such as the G7 and G20 for the purpose of evolving a robust and effective coordinated international response to contain the risks to global output growth, namely the devastating effect of the credit crisis that intensified during the year. Specifically, as a way of containing the negative impact of the international financial crisis and mounting global economic uncertainties, governments and central banks,

especially those of Organisation of Economic Cooperation and Development (OECD) countries and major developing countries such as China, Brazil and India, under the auspices of the G20, actively pursued highly accommodative monetary policies in the form of injection of liquidity into the financial system and downward revision of interest rates (to “near-zero”); rescued distressed financial institutions through fund injections and guarantees in an attempt to thaw the “frozen” international credit markets, and in some cases, addressed the liquidity challenges of major non-financial industries and/or corporates as discussed in Box 2.1.

BOX 2.1 RESOLVING GLOBAL ECONOMIC PROBLEMS THROUGH MACROECONOMIC POLICY COORDINATION: THE ROLE OF THE G20¹

Over the past few decades, financial crises such as the one that occurred in Latin America and other parts of the developing world in the early 1980s, Mexico in 1995, East Asia in 1997/8, Russia in 1998, and Argentina in 2002, have become more frequent, more disruptive and contagious as a result of inter-relatedness of national economies. Rapid integration of national economies with the global economy through cross border trade, capital and investment flows in recent times portends economic gains as well as risks, such as the current global financial and economic crises. The current crisis was transmitted globally through reduction in demand for exports, which affected economies dependent on exports for growth; sharp declines in asset prices as a result of sustained weakening of consumer and investor confidence; sharp retreat in FDI, and other forms of private capital flows; and virtual dry-up of external credit in international credit markets, among other channels.

The current global financial crisis has shown that growing business links among financial markets and a deepening of cross-market integration coupled with under-regulation of international securitization and other banking activities undermined market efficiency, fuelled systemic risk and exacerbated cross-border transmission of financial shocks. A heightening of global economic uncertainties, rising default and asset write-offs, and the turbulence that ensued created panic in late 2008 which occasioned a disorderly deleveraging process and consequent dampening of economic activity across both the developed and developing worlds, especially during the first half of 2009. These worrying global economic developments prompted academics and policy-makers in major developed and developing countries particularly members of the G20, to see the crisis as a global challenge that required a coordinated policy response.

Policy coordination may be defined simply as “supranational rules” or norms agreed upon by Member States of an

¹The Group of 20 (G20) is a grouping which was created in 1999 as a response both to the financial crises of the late 1990s and the need to include key developing economies in global economic discussion and governance. The Group comprises the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, the United Kingdom, and the United States of America plus representatives of the European Union.

economic bloc or group of countries which leave primary responsibility for the policy area, with the national authorities, but sets limits on their discretion. The coordinated effort may cover monetary, fiscal, cross-border trade, investment, and a gamut of policies with the intention and capacity to influence the structure and overall performance of national economies or the economies in a trade bloc or grouping. Thus, policy coordination seeks to: (i) improve allocative efficiency by removing or minimizing policy distortions affecting commodity and factor movements within a trade bloc and economy; and/ or (ii) prevent or avoid negative spillovers from one national economy to other national economies in a trade bloc or that of a trading partner.

In the absence of policy coordination, one government could, for example, crowd out other governments in international credit markets through its massive borrowing which could cause weak performance and economic slowdown in other countries. Such a situation could also trigger countervailing measures from affected economies which may eventually weaken the performance of the global economy. This explains why there emerged a consensus on the need for policy coordination among the G8 economies in late 2008 and, later among the G20 countries in early 2009. The decision to switch towards the enlarged composition of the G20, as opposed to the G8, was an acknowledgement of the global nature of the crisis, the growing economic importance and potential contribution of major developing economies (such as the BRICs) towards amelioration of the global economic difficulties, as well as growing interdependence among national economies, markets and institutions.

Against this backdrop, governments and central banks, sought to ameliorate the current global economic challenges through policy coordination. In this regard, over the short term, as a way of thawing the international credit freeze for the resumption of lending to revive the receding global economy, leaders of the G20 undertook coordinated cuts in policy interest rates. Following this coordinated efforts, policy interest rates in major developed and developing countries maintained a downward trend to near zero, as highlighted in Table B2.1. Bail-outs and recapitalization of ailing financial institutions and major non-financial corporates with global subsidiaries and operations were also deemed necessary measures to stimulate global economic recovery as discussed in Box 2.2 and elsewhere in this report.

Table B2.1. Nominal Policy Rates in Selected Mature Economies, 2007 – 9 (%)

	Dec-2007	Dec-2008	Dec-2009
Federal Reserve of the US	4.25	1.00	0.25
Bank of England	5.50	2.00	0.50
European Central Bank	4.00	2.50	1.00
Bank of Canada	4.25	1.50	0.25
Bank of Japan	0.50	0.10	0.10
G7* (Average)	3.70	1.31	0.42

*(G7 – Canada, France, Germany, Italy, Japan, the UK and the US)

Source: Central Banks' Websites

Further, as a more dynamic forum for international macroeconomic policy coordination, leaders of the G20 agreed a broad set of measures to be followed by national policy makers and national and international regulators in order to safeguard the stability of the global financial system in the future. In this regard, in order to promote international financial stability over the long term through better information exchange and international cooperation, the G20, at their Summit Meeting held in London in April 2009, established the Financial Stability Board (FSB), as the new regulator of global financial stability. Membership of the FSB includes representatives of the G20, Spain and the European Commission. In order to avert the recurrence of a financial crisis of the magnitude as the current one, the new regulator, FSB, is to coordinate, at the international level, the work of national financial authorities and international standard setting bodies as well as develop and facilitate the implementation of effective regulatory, supervisory and other financial sector policies.

Specifically, the FSB has the mandate to: (i) assess vulnerabilities affecting the financial system and identify and oversee action needed to address them, (ii) promote co-ordination and information exchange authorities responsible

for financial stability; (iii) monitor and advise on market developments and their implications for regulatory policy; (iv) advise on and monitor best practice in meeting regulatory standards; (v) undertake joint strategic reviews of the policy development work of the international standard setting bodies to ensure their work is timely, coordinated, focused on priorities, and addressing gaps; (vi) set guidelines for, and support the establishment of, supervisory colleges; (vii) manage contingency planning for cross-border crisis management, particularly with respect to systemically important firms; and (viii) collaborate with the IMF to conduct Early Warning Exercises.

The establishment of college of supervisors to oversee the activities of all major cross-border financial institutions, for example, is a clear evidence of enhanced co-operation at the international level. Further, to ensure policy harmonization, during the review period, the FSB began developing a system of peer reviews among member countries involving both single-country and thematic reviews in order to assess progress and convergence in the implementation of agreed international financial standards and policies.

The Forum provided by the G20 is also a perfect platform for addressing longer-term global economic problems. It is expected that rigorous pursuit of the mission of the FSB of the G20 could contribute to restrain national governments from resorting to “protectionist” policies that may deepen the crisis or undermine the budding recovery in other countries and elsewhere, given the commitment of members to cooperate at the international level on issues of common economic interest.

Overall, it is expected that international policy coordination via the platform provided by the G20 will enable effective monitoring of global financial stability through better exchange of economic and business information between authorities of the major developed and developing economies. It could also enhance the pursuit of mutually compatible macroeconomic policies and targets while adjusting to the selection of policy instruments, their magnitude and timing to avoid conflict with trade/economic partners or countries based on agreed joint actions that are mutually beneficial to partner countries.

Policy coordination among the G20 economies could also help to better manage the evolving structural changes in the global economy, given that it would help re-balance economic power to take account of evolving “geographical shifts” in the distribution of the global foreign exchange reserve holdings, savings, and exports, among others.

On account of the coordinated pursuit of accommodative monetary policies, average short-term interest rates among the G7 economies maintained its downward trend to reach 1.01% at the end of 2009, from respective levels of 4.06% and 2.15% at the end of 2007 and 2008. In line with ongoing global efforts at improving the availability of credit, short-term interest rates were lowered across the economies of the Eurozone. Following this development, short-term interest rates across the Eurozone economies ended the review period at 1.75%, significantly lower than their respective levels of 4.67% and 3% at the end of 2007 and 2008.

In the currency markets, the US dollar depreciated against all major international currencies during the review period in relation to their average exchange rates at the end of 2008 (Table 2.1). Specifically, during the review period, the US dollar depreciated by respective 7.46%, 2.05% and 14.63% against the British Pound, Japanese Yen and the Canadian dollar in comparison to their exchange values at the end of 2008. In line with market trend, the US dollar weakened by about 9.46% against the euro during the review period to exchange for €0.67/\$1 at the end of 2009, from a rate of €0.74/\$1 at the end of 2008 (Table 2.1). Compared to the

euro value of the dollar at the end of 2007, however, the dollar was just 1.47% lower at the end of 2009. The observed weakness of the US dollar against the euro derived from poor near- to medium-term prospects of the US economy, vis-à-vis better prospects for an early recovery of the Eurozone economies.

2.2.2 International Financing

During the review period, financing conditions in international credit markets remained significantly tight as a result of increased perception of counterparty risk and deepening uncertainties that ensued from the turbulence in global financial markets, especially during the first half of 2009. This process led to a virtual dry-up of funding needed to support the operations of major corporates in both developed and developing countries who depended on such funding. Consequently, the global credit crisis adversely impacted activities across all sectors of the global economy and those of mature economies in particular during the period.

Access of developing country counterparties to the international credit markets were further restricted in the face of mounting regulatory pressures on international commercial banks to improve the quality of their assets which

made many to be very selective in their activities. Further, many regulators put pressure on their banks to focus on their domestic economies which made many to cut back on international lending. Thus, access of developing country borrowers to external credit was severely constrained, except for “overpriced, highly secured, very short tenored facilities”. In many cases, country spreads rose by ten fold and constrained access to international finance. This dire situation prompted the launch of a number of international initiatives, such as the IFC- coordinated Global Trade Liquidity Programme (GTLP) and bilateral funding arrangements by members of the G20, among others, for the purpose of ensuring that capital deficient developing countries have the resources to fund essential imports.

It is pertinent to note, however, that activity levels on major international financial markets showed signs of modest recovery towards the end of 2009 from the record lows they hit during the first half of 2009. The rebound was aided by improved global economic fundamentals and continued bold policy interventions by governments and central banks across the developed and major developing economies as discussed in Box 2.2.

BOX 2.2 DELEVERAGING, QUANTITATIVE EASING AND OPTIMAL EXIT STRATEGY IN THE CONTEXT OF THE GLOBAL ECONOMIC CRISIS

During 2009, the global financial crisis which began as a sub-prime mortgage market crisis in the US in 2007, metamorphosed into a global economic crisis. The economic uncertainties that ensued negatively impacted global economic activity with world output contracting by 0.6% in 2009. One of the principal causes of the economic crisis was the high level of financial sector leverage in the US. Emerging data, however, suggest that this was only one aspect of a much larger and record level of leveraging across most advanced countries and economic sectors. Driven by unusually low interest rates and risk spreads in advanced and emerging economies from the

beginning of 2000, borrowing levels grew substantially in these economies with little or no appreciation of the implications of such high level of leveraging. A study by McKinsey Global Institute shows that leverage levels, measured by debt to GDP, increased from about 200% in 1995 to over 300% in 2008 in ten mature economies.¹ Further, leverage levels in four big and rapidly growing emerging economies, including Brazil, Russia, India and China (the “BRICs”) also grew, albeit at a comparatively lower rate, to average about 137% of GDP at the end of 2008. Aside from the financial sector, non-financial corporate sector leverage also grew significantly. At the retail level, households increased their borrowing substantially, particularly through home mortgages and credit card spending on the back of rising house and equity prices.

High borrowing across sectors eventually created difficulties in the financial markets and the wider economy that brought lending activities to an abrupt halt in the form of a disorderly deleveraging. The deleveraging process created serious liquidity challenges that impacted activity levels across sectors and economies. These worrying developments prompted various forms of government and central bank interventions, including quantitative easing, around the world with a view to stimulating national and global economic recoveries. We discuss in more detail below the concepts of Deleveraging and Quantitative Easing, and examine the issue of Optimal Exit Strategy from the expansionary policies currently in place to contain the economic crisis.

Deleveraging

Deleveraging refers to scaling back of borrowing or the unwinding of debt at the government, corporate or household level. It also refers to a process of deliberate roll-back of lending activities by financial institutions across sectors. The collapse of the sub-prime mortgage market in the US, sharp declines in housing and asset prices, massive defaults and write-offs during 2007-9, put credit markets under severe strain. The IMF estimates that total bank write downs and loss provisions between 2007 and early 2010 amounted to US\$2.3 trillion.² In the midst of the crisis, even interbank lending dried up as banks could not fathom the extent of exposure of fellow banks to the subprime crisis and thus the volume of worthless “toxic assets” on other banks’ books. These financial sector developments and rising economic uncertainties pushed the international credit markets into an impromptu, disorderly process of deleveraging. Deleveraging became a “must do” strategy for many financial and non-financial institutions in advanced economies. Specifically, it prompted financial and non-financial institutions to rethink their growth strategies, including the financing of their future expansions, and near term mergers and acquisition programs, among others, with a view to ensuring the survival of their organizations.

The debilitating impact of the deleveraging process included, among others,; (i) a virtual dry-up of funding to support the operations of major corporates in developed countries; (ii) roll-back of operations of businesses which relied heavily on debt financing, including traders; (iii) shelving of business expansion plans; (iv) limited access of developing country borrowers to external financing, except for “overpriced, highly secured, very short tenored facilities”; and (v) sharp drop in debt refinancing. One major consequence was a sharp drop in trade values in 2009 given that financing is critical to trading activities.

Governments and central banks in mature economies, under the auspices of the **G20**, intervened swiftly to ameliorate the side effects of the disorderly deleveraging process and in so doing prevented a potential meltdown of the global financial system. Some of these interventions included, among others, massive fiscal stimuli, bail-out of major financial and non-financial institutions; government-backed recapitalizations of financial institutions; and pursuit of more accommodative monetary policy reflected by coordinated cuts in interest rates (to “near-zero”). In this regard, nominal policy rate was reduced significantly around the world with that of the US, for example, which stood at 1% in December 2008, steadily revised downwards to 0.25%

¹ McKinsey Global Institute (2010): “*Debt and Deleveraging: the global credit bubble and its economic consequence*”. The Study identified over-leveraging in 10 mature economies, namely Canada, France, Germany, Italy, Japan, South Korea, Spain, Switzerland, the United Kingdom, and the United States.

² IMF (2010) *Global Financial Stability Report, 2010* provides a comprehensive review of this subject.

at the end of December 2009; from 2% at the end of 2008 to 0.5% at end of 2009 in the UK; from 2.5% at end of 2008 to 1% across the Eurozone economies, and from 1.5% at the end of 2008 to 0.25% at the end of 2009 in Canada, among other members of the **G20**. Following these developments, average policy rate for the G7 economies stood at 0.42% at the end of 2009, down from a level of 1.31% at the end of December 2008. Nevertheless, the coordinated cuts in interest rates to near zero levels proved ineffective at stimulating lending activities given the size of the shock and the disruptions in the transmission mechanism from policy rates to private borrowing rates in the real economy.

Accordingly, the monetary authorities had to act swiftly, creatively and decisively by using quantitative easing and other liquidity enhancing instruments to prop up the credit markets to enable banks resume lending for the purpose of stimulating global economic growth.

Quantitative Easing

Quantitative easing is an unconventional monetary policy instrument usually used to provide monetary stimulus when normal monetary policy instruments, in particular lower interest rates fail to stimulate lending activities in an economy, as was observed at the height of the global financial crisis in 2009. There are basically two main approaches to quantitative easing. First, central banks can provide direct lending to financial institutions for on-lending to the corporate and household sectors. Secondly, central banks can purchase long-term treasury securities or other assets as a means of injecting liquidity into the financial system to stimulate credit activities. It is pertinent to note that for quantitative easing to be successful, it must be anchored on the central bank's commitment to explicitly keep policy rates low so as to assure the markets that monetary stimulus will not be withdrawn until financial market conditions improve and real recovery firmly takes hold. The purchase of longer-term government securities by the central bank as a way of providing liquidity to the banks was also aimed at reducing long-term private borrowing rates as the rate on long-term treasury securities usually serves as benchmarks for pricing a variety of private-sector assets.

It is worth mentioning that quantitative easing, which assumed popularity during the current crisis, was used by the Bank of Japan (BoJ) during Japan's financial crisis in the early 2000s with limited success. Although analysts disagree whether quantitative easing helped to improve the performance of Japan's economy due to the difficulty in establishing the counterfactual, there is a general belief that BoJ's failure to deal decisively with the country's undercapitalized banking system contributed to undermine the effectiveness of monetary and fiscal policies and programmes that were introduced for the purpose of reviving the Japanese economy.

Although there were some differences in approach reflecting individual country circumstances, the use of quantitative easing by central banks in mature economies in the face of the crisis basically involved a combination of direct lending to financial institutions and indirect liquidity provision through the purchase of long term bonds and securities.³ For example, in the United Kingdom, the Asset Purchase Facility (APF), which was set up by the Bank of England to buy high-quality assets as a means of improving liquidity in credit markets, purchased about £200 billion worth of assets within one year from early 2009. In the United States, the Federal Reserve implemented a number of programs, such as the Primary Dealer Credit Facility (PDCF), Term Auction Facility, and Term Securities Lending Facility (TSLF), among others, with a view to providing liquidity to banks and other financial institutions to enable them resume lending. In more specific terms, in March 2009, the Federal Reserve announced plans to purchase up to US\$300 billion worth of longer term Treasury Securities in addition to increasing its purchase of Government Sponsored Enterprise Debt and Mortgage-Backed Securities up to US\$200 billion and US\$1.5 trillion respectively. The European Central Bank (ECB), on its part, among other

³ For more on the specific approaches adopted by each country, see IMF (2009): "Unconventional Choices for Unconventional Times: Credit and Quantitative Easing in Advanced Economies. (Available at www.imf.org/external/pubs/ft/spn/2009/spn0927.pdf)

initiatives, announced in June 2009 the purchase of €60 billion euro-denominated bonds in both the primary and secondary markets as part of its Enhanced Credit Support scheme intended to provide liquidity to credit markets in the Eurozone. For the major developing economies, a combination of conventional and unconventional instruments were used depending on the extent of the contagion effect of the crisis on their financial markets. For instance, China resorted to loose monetary policy through reduction in required reserve ratios and interest rate cuts to ensure the smooth operation of its financial markets. Some of the liquidity enhancing measures used by the Reserve Bank of India included the introduction of a second Liquidity Adjustment Facility (LAF) to provide liquidity to banks, increase in export credit refinance limit for commercial banks, and special refinance facilities for specialised financial institutions, such as the Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB), and Export-Import Bank of India (EXIM India). Records show that the additional liquidity that was made available by the Government of India during the 2008/9 fiscal year exceeded US\$80 billion, equivalent to 7.9 per cent of GDP.⁴

These initiatives provided massive financial resources to financial institutions, which helped to somewhat stimulate lending activities in the credit markets and thereby eased the difficulties brought about by the deleveraging process. These measures, together with government fiscal stimuli, have been somewhat successful in stabilizing global financial markets. Thus, overall, it could be argued that quantitative easing helped in ameliorating the devastating effect of the deleveraging process on the global economy in 2009 as well as saving the global financial system from collapse.

Optimal Exit Strategy

The use of quantitative easing measures to address the challenges created by the disorderly deleveraging process as a way of reviving the global economy is expected to continue for some time until there are clear signs of recovery in global financial markets and economies. At some point in time, however, the monetary authorities will have to exit from these unconventional monetary policy actions by unwinding the various lending programs and returning to interest rate management as the principal monetary policy tool. This is important to avoid inflationary pressures that may emerge. Some observers contend that unwinding will happen automatically when real recovery in credit markets occurs and renders unnecessary continuous use of central bank funding. Others, however, maintain that central banks should at some point in time deliberately unwind many of these policy programmes, although they acknowledge that such a process would require a well thought-out exit plan and skillful execution.

In the US, the Federal Reserve has already wound down some of the programs. Activity under the Commercial Paper Funding Facility (CPFF) and the Primary Dealer Credit Facility (PDCF), for example, were suspended in February 2010. However, the Federal Reserve has indicated that it will continue to extend credit through the Term Asset-Backed Securities Loan Facility (TALF) for loans collateralised by newly issued Commercial Mortgage-Backed Securities until end of June 2010.

The timing of such exit strategies is crucial for success. In this regard, it is important that the monetary authorities develop strategies aimed at ensuring a smooth, gradual and well sequenced exit from these programs in order to avoid unwarranted disruption to the budding recovery. Further, to address concerns about inflation and the risk that premature withdrawal of liquidity might pose to the fragile recovery, monetary authorities may need to communicate clearly their exit strategies to the markets. In this regard, exit strategies should be designed and rolled out in a manner that would safeguard smooth return to private credit intermediation and effective functioning of national and global financial systems.

⁴ See *Annual Report 2008-09* of the Reserve Bank of India. (Available at <http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/I1RAR080809.pdf>)

These foregoing policy developments in the mature economies and global financial markets seriously impacted the economies of the Bank's member countries and its business in late 2008 and 2009. For example, the turbulence that prevailed in international financial markets during that period led to unprecedented demand for the Bank's facilities as many African businesses lost access to the international financial markets. In this regard, applications received by the Bank rose from the normal average of about US\$3 billion per annum to about US\$14 billion in 2009. These developments in fact threatened to take Africa back to the difficult days of the 1980s when international banks massively cut credit lines to Africa. In response, the Bank intensified its leveraging activities to raise funds to meet the rising demand. In this regard, it entered into an Euro Medium Term Note (EMTN) programme in an amount of US\$1.5 billion and issued bonds amounting to US\$300 million in 2009; entered the Euro-syndicated loans market and raised an aggregate amount of US\$368 million and €180 million during the year; expanded its borrowing relationship to include funding from Export Credit Agencies and Development Finance Institutions; and mobilized funding from African International Financial Institutions under an Alliance of African International Financial Institutions it initiated during the year.

Given the modest stability in international credit markets and leading signs of recovery across the mature economies aided in part by quantitative easing, the Bank expects actual lending in global markets to pick up in 2010. The Bank is therefore carefully monitoring on-going policy developments in the mature financial markets and the global economy with a view to evolving more appropriate strategic responses to the outcomes of these policy initiatives so as to be able to continue to support its member countries affected by the global economic challenges.

In spite of these positive developments, the prospects for a strong rebound in activity in 2010 are fraught with uncertainties. This concern derives from the fact that although the flow of credit from non-bank sources, such as corporate bond issuance, had picked up, the volumes which have, in most cases, been utilized to refinance existing debt, have been insufficient to offset the massive retreat in bank lending and the financing of capacity expansion programmes of corporates. Emerging data suggest that the budding recovery is expected to push up demand for credit over the near-term, but recapitalization and funding challenges facing banks are expected to constrain their capacity to lend, which ultimately may hold-back the pace of the nascent global recovery expected in 2010.

2.3 WORLD TRADE AND TRADING ENVIRONMENT

2.3.1 World Trade

Largely as a result of the contraction of the global economy, the level of global trade shrank during the review period with the volume of global merchandise trade contracting by an estimated 11.84% in 2009 in sharp contrast to an expansion of 2.36% in 2008. The severe contraction in volume of world merchandise trade seen in 2009 stemmed from a sharper-than-expected weakening of consumer and business confidence in major developed and developing economies, especially during the first half of 2009; lacklustre global demand for commodities, especially in the developed countries; virtual dry-up of trade finance which dampened global trade; resort to "economic nationalism" policies as

some major economies sought to stimulate domestic production and employment through protection of domestic industries; and lingering difficulties in reconciling sharp differences between developed and developing countries in the ongoing Doha Round of Multilateral Trade Talks, among other inhibitions to global trade.

During 2009, all major developed and developing regions suffered significant contraction in volume of both merchandise exports and imports (Figure 2.2). In more specific terms, the severest year-on-year contraction in volume of merchandise exports was suffered by the Group of Advanced Economies (-13.45%), followed by Developing Asia and Latin America and the Caribbean (-8.98%), and the Middle East (-8.82%) with Africa sustaining the least contraction (of -7.2%) in 2009. On the import side, Western Hemisphere sustained the severest year-on-year contraction in volume of merchandise imports (of -16.31%) in 2009, followed by the Group of Advanced Economies (-13.02%), Africa (-6.93%) and the Middle East (-3.8%) (Figure 2.2).

2.3.2 Global Trading Environment

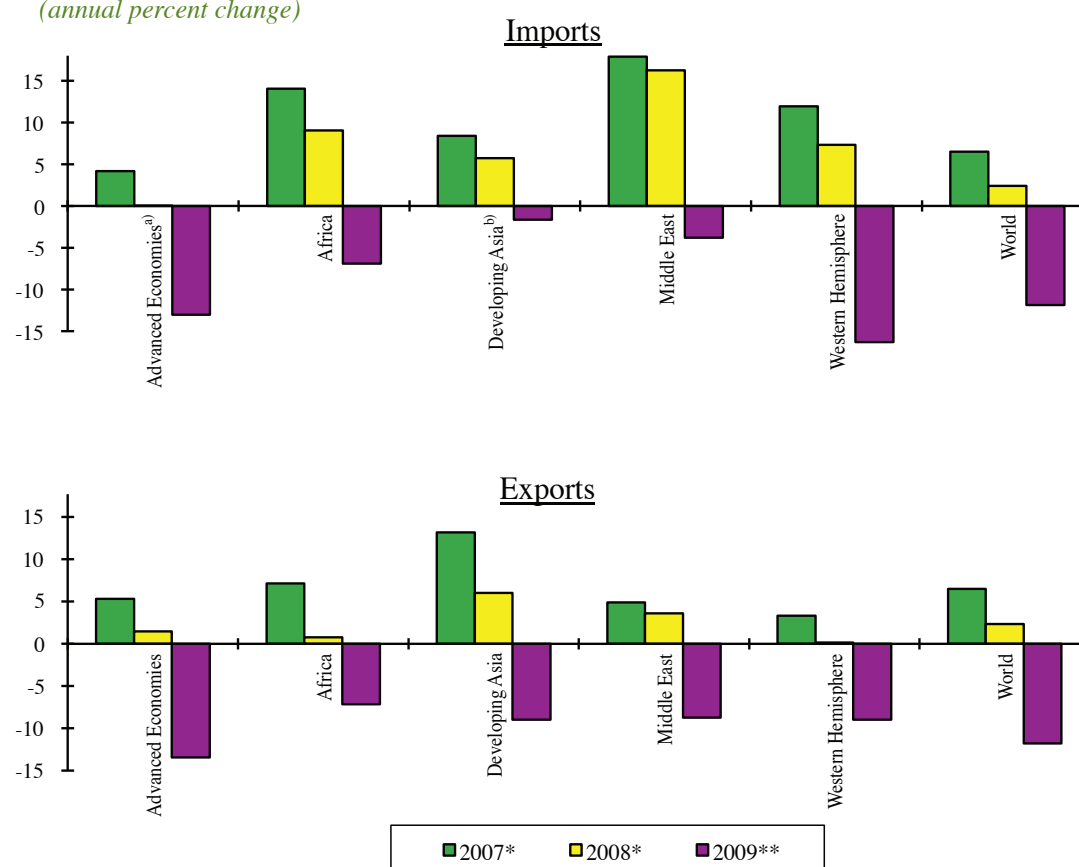
Despite the continued rise in number of trade disputes brought before the Dispute Settlement Body (DSB) of the World Trade Organization (WTO), during the review period, the international trading environment did not suffer any disruptive shock from trade disputes as member countries continued to comply with international trade laws and/or rely on the dispute settlement mechanisms of

the WTO. Accordingly, a number of serious trade disputes, which could have sparked retaliatory trade measures from the affected country (or region), for example, the raging dispute regarding provision of agricultural subsidies to US and European farmers amidst opposition from a large group of affected developing countries, and strong opposition to the introduction of Genetically Modified Organisms (GMO) in the European Union in spite of repeated objection from the US, were successfully managed during the review period. Other ongoing contentious trade disputes, such as the provision of Community and State subsidies for the design and development of large civil aircraft (LCA) between the US and the European Community, France, Germany, Spain and the UK, as well as difficulties relating to the implementation of WTO ruling on Cotton and Banana Trade, were all successfully contained. Discussed hereunder are major developments that emerged in the global trading environment during the period under review.

2.3.2.1 The World Trade Organisation (WTO)

During the review period, attempts to mobilize global support for the conclusion of the stalled Doha Round of Multilateral Trade Talks (“Doha Round”) took centre stage in all the activities of the world body. In this regard, during 2009, the Director General of the WTO, Mr. Pascal Lamy, took advantage of the opportunity provided by certain international fora to mobilize support for the conclusion of the Doha Round. Specifically, at the International Chamber of Commerce

Figure 2.2: Growth Rates of Merchandise Trade Volume in Major Regions of the World, 2007 -09
(annual percent change)



^{a)} Figures include the G7 and other industrial countries.

^{b)} Asia other than the Newly Industrialized Economies (i.e. Hong Kong SAR, Korea, Singapore, and Taiwan Province of China).

* Revised

**Estimates

Source: IMF, *World Economic Outlook Database* (April 2010) (Available at www.imf.org)

(ICC) Meeting held on February 2, 2009, in Geneva, Switzerland, Mr. Lamy urged the business community and their governments to support the Doha Round arguing that trade could be part of the solution to the global economic crisis. At that meeting, Mr. Lamy entreated the business community not to resort to inward-looking “economic nationalism” policies as a result of the global economic crisis but to support open trade. Mr. Lamy also commended the ICC for its active involvement and support for the Doha Round and urged the organisation and its members to

continue to support the creation and defence of a more open trade and stronger multilateral rules. In a related development, on March 6, 2009, Mr. Lamy, speaking to the Auckland Chamber of Commerce, urged the business community in New Zealand to continue to back the Doha Round Negotiations for the benefit of the New Zealand economy and as a contribution to global economic recovery.

At a conference on Aid-for-Trade (AFT) held during May 28-9, 2009, in Siem Reap, Cambodia, and attended by Ministers, trade

officials and senior government officials from around Asia, the President of the Asian Development Bank, Mr. Haruhiko Kuroda and the Director General of the WTO, urged the international community to support ongoing efforts at promoting global trading activities, particularly of developing countries in the face of the prolonged global financial crisis and the risk of protectionism. Contributing to the discussions and his call to support open trade, Mr. Lamy stated that “trade is an essential ingredient to exit the crisis.” In his keynote address, Mr. Kuroda emphasised that developing countries, particularly least-developed countries and small states needed “Aid for Trade” not simply to grapple with the global economic crisis, but more importantly, to lay the foundation for longer-term development and structural adjustment necessary for the attainment of sustainable growth and development of their economies.

In a related development, at the launching of the WTO *World Trade Report 2009* on July 22, 2009, in Singapore, Mr. Lamy emphasised the need for a fine balance between flexibilities and commitments in order to keep trade open in times of crisis. He argued that well balanced contingency measures like anti-dumping duties or safeguards could act as “safety valves” to help WTO members deal with a variety of unanticipated market situations, such as the current global financial crisis. He thus emphasized the need for a balance between “flexibility” and “commitments” and welcomed the APEC Trade Ministers’ commitment to work towards a conclusion of the Doha Round, as positive.

Due largely to the growing global recognition of the WTO as a fair arbiter capable of reconciling the diverse trade interests of different member countries, the number of cases brought before the DSB of the WTO increased during the period in review. In this regard, during the period, the number of disputes brought before the DSB rose to 402 at the end of December 2009, from a level of 388 at the end of December 2008. During 2009, membership of the WTO remained unchanged from its level at the end of December 2008, at 153. However, Bosnia and Herzegovina, Laos and a number of countries reported significant progress in bilateral accession talks during the review period.

In fulfilment of their commitment towards assisting developing countries acquire or develop the requisite technical capacities to participate effectively in the multilateral trade systems, especially in the Doha Round, a number of developed member countries contributed and/or pledged donations to the Technical Assistance Fund of the WTO, the Doha Development Agenda Global Trust Fund (DDAGTF). Specifically, during 2009, contributions and/or pledges of donation were received from the European Community (3.5 million Euros), Australia (2.1 million Swiss Francs), Finland (1.4 million Euros), Denmark (1.2 million Swiss Francs), Ireland (1.1 million Euros), United States (1.03 million Swiss Francs) and Switzerland (700,000 Swiss Francs). In a related development, Sweden and Japan donated respectively 5.2 million Swiss Francs and US\$ 278,368 to the WTO for projects intended to help developing countries analyse and implement international

standards on food safety and animal and plant health --- the so-called sanitary and phytosanitary (SPS) measures.

Aided by the financial contributions and/or pledges of donations to its Technical Assistance Fund, the WTO organised several international trade-related training courses and seminars/workshops for the purpose of boosting the technical capacity of its developing member countries to enable them effectively participate in the ongoing Doha Round. In this regard, on January 19, 2009, in Bogota, Colombia, the WTO, in association with the Sergio Arboleda University, launched a Regional Trade Policy course for the benefit of twenty-three representatives from 16 Latin American countries. The regional trade policy course covering all trade issues being dealt with under WTO auspices, which was concluded on April 10, 2009, was intended to offer participants a better understanding of the multilateral trading system and the functioning of the WTO, including its Agreements, for the purpose of advancing the integration of developing countries into world trade and improving their participation in the negotiation of international trade agreements.

During the review period, a total of 1,091 government officials from developing and least developed countries were admitted to three WTO online training courses which started on March 30, 2009. The 6-8 week courses, which focused on: (i) trade-related aspects of intellectual property rights, (ii) eWTO: the multilateral trade agreements, and (iii) trade remedies and the WTO, were intended to deepen understanding of the WTO system,

including its economic and legal rationale, and the relationship between the various WTO Agreements. Again, on May 4, 2009, the WTO launched two courses in French for the purpose of providing training on matters related to international trade and WTO agreements. The 6-week online training programme, which benefited 302 developing country officials, focused on: (i) Introduction to the WTO, and (ii) Technical Barriers to Trade.

2.3.2.2 Trade Relations and Plurilateral Arrangements

On June 18, 2009, at a Meeting attended by the European Commission and the US Environmental Protection Agency (EPA), the EU and the US agreed on new ambitious specifications for computers, copiers and printers under the EU-US “Energy Star” Programme for the purpose of reinforcing energy efficiency standards for office equipment. The new criteria, which became effective on July 1, 2009, are expected to trigger major energy savings. “Energy Star” is part of the EU’s strategy to manage energy demand better, contribute to security of energy supply and mitigate climate change. The new technical specifications for computers and imaging equipment such as printers, copiers and fax machines were developed together by Member States of the European Union, the US Environment Protection Agency and other stakeholders from around the world. The new criteria are expected to save 22 TKWh [Thousand Kilowatt Hour] of electricity during the next four to six years in the EU, which is comparable to the annual electricity consumption of Ireland.

On June 25, 2009, the 2953rd Meeting of the Council of the European Union was held in Luxembourg to discuss the Environment, among other subjects. Concerning environment, the meeting discussed: (i) Biodiversity and invasive alien species; (ii) Industrial emissions; (iii) Soil protection; (iv) Climate Change; and (v) Biowaste. Concerning biowaste, the Council, at that meeting, charged the Commission to continue the impact assessment with a view to preparing, if appropriate, a EU legislative proposal on bio-degradable waste by 2010, and to consider the need to stipulate, if appropriate and while respecting the subsidiary principle and taking into account local conditions: (i) measures for introducing separate collection of bio-degradable waste where necessary to guarantee high quality for subsequent recycling; and (ii) a quality assurance system based on the principle of integrated chain management and traceability throughout the process up to the final receptor, without entailing disproportionate costs or administrative burdens, among others; adopted conclusions concerning both biodiversity and invasive alien species; reached political agreement with a view to the subsequent adoption of a common position concerning the recast of the directive on integrated pollution prevention and control, paying special attention to the issue of large combustion plants (LCPs), that is, power plants, as well as combustion installations in oil refineries and the metal industry; considered the draft directive establishing a framework for the protection of soil based on the principles of: (i) integration of soil concerns into other policies and preservation of soil functions;

(ii) prevention of threats to soil through the identification of priority areas and the establishment of action programmes; and (iii) identification of contaminated sites and remediation of such sites; exchanged views on, and reaffirmed their commitment to, the ultimate objective of achieving an ambitious and comprehensive global agreement on a new protocol under the Convention and/or a revision of the Kyoto Protocol in Copenhagen in December, including the EU proposal for amendment of the Kyoto Protocol; and adopted the conclusions on biowaste.

In a related development, during December 7-18, 2009, the 2009 United Nations Climate Change Conference commonly referred to as the Copenhagen Summit (the “Summit”) was held at the Bella Center in Copenhagen, Denmark. The Summit included the 15th Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change and the 5th Meeting of the Parties (COP/MOP 5) to the Kyoto Protocol. Following extensive debate, consultations and negotiations, the Summit produced the “Copenhagen Accord”. The Copenhagen Accord recognised the scientific case for keeping temperature rises below 2°C (but did not prescribe binding commitments for emission reductions needed to achieve this target); and pledged in favour of developing countries a grant of US\$30 billion per annum which would rise steadily to reach US\$100 billion in 2020, to help poor countries adapt to climate change (see Box 2.3).

On March 1, 2009, the Heads of State and Government of the ASEAN member

states met in Chaam Hua Hin, Thailand, to discuss the global economic and financial crises, among other matters of interest to the bloc. At that meeting, the leaders, among others: (i) concurred on the necessity of proactive and decisive policy actions to restore market confidence and ensure continued financial stability to promote sustainable regional economic growth; (ii) reaffirmed their determination to ensure the free flow of goods, services and investment, and facilitate movement of business persons, professionals and labour, and freer flow of capital; (iii) commended the ASEAN+3 Finance Ministers on the outcome of a Special ASEAN+3 Finance Ministers' Meeting held in Phuket, Thailand, on 22 February 2009, which was convened in response to the global financial crisis; (iv) acknowledged that the scope for regional cooperation must be expanded to mobilise

savings for investments in productive areas, particularly infrastructure development to spur regional growth; (v) recognized efforts to promote financial sector cooperation in various ASEAN-led fora, including ASEAN+1, ASEAN+3 and East Asia Summit; (vi) urged that more coordinated action by both developed and developing countries be taken to restore financial stability and ensure the continued functioning of financial markets to provide support to growth; (vii) called for a bold and urgent reform of the international financial system to achieve a more comprehensive, equitable and inclusive system that takes into consideration the interests and voices of the emerging and developing economies; and (viii) pledged to work with other partners to convey the above views at the London Summit of the G20 in April 2009.

BOX 2.3 THE COPENHAGEN ACCORD AND ENVIRONMENTAL SUSTAINABILITY: CHALLENGES AND OPPORTUNITIES FOR AFRICA

Climate change due to sustained emission of Green House Gases (GHGs) essentially in the form of carbon dioxide (CO₂), chlorofluorocarbons, methane, and nitrogen oxides has become one of the major global challenges of our time and one that has generated intense debate around the world. According to the Intergovernmental Panel on Climate Change (IPCC), the natural levels of these gases have been rising due to pressures emanating from human activities, including the burning of coal, oil and natural gas, farming activities, and changes in land use, among others. To deal with this threat, at a United Nations-sponsored conference, 165 countries adopted the Kyoto Protocol to the UN Framework Convention on Climate Change (UNFCCC). Countries that ratified the Kyoto Protocol committed themselves to reduce their carbon emissions with the developed (or Annex I) countries expected to reduce their carbon emissions to 5% below 1990 levels, while no such commitments exist yet for non-Annex I (developing) countries. The Kyoto Protocol is scheduled to expire in 2012. The observed unrelenting surge in emission of GHGs is believed by those knowledgeable about the subject matter to be presently warming the earth's surface and lower atmosphere, causing dire changes in cloud cover, rainfall, wind patterns, and the duration of seasons. The threats of climate change to human security are in the form of floods, droughts, hurricanes, and spread of diseases, among other devastating natural disasters.

Given the urgency of the need to forge global consensus on remedial actions to reverse or at least contain the harmful effects of climate change and the near-expiry of the Kyoto Protocol, the 2009 United Nations Climate Change Conference, which is commonly referred to as the Copenhagen Summit (the "Summit") was held in December 2009 in Copenhagen, Denmark, as a follow-up to the Action Plan and outcome of the Kyoto

Protocol. The Summit, which was attended by approximately 1,000 leaders from business, government, and civil society, including 20 Heads of States and Governments, had the overarching objective of reaching an agreement on reducing global emissions of GHGs so as to maintain the evolution of global temperature below 2 degrees Celsius over the long term without specific annual target (but agreed a review of the targets by 2015). The Summit included the 15th Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change and the 5th Meeting of the Parties (COP/MOP 5) to the Kyoto Protocol. Following extensive debate, consultations and negotiations, the Summit produced the “Copenhagen Accord”. The Copenhagen Accord recognised the scientific case for keeping temperature rises below 2°C, but did not prescribe either binding commitments or time frame for reductions in carbon emissions needed to achieve this target.

The Summit, after a protracted debate and negotiations, acknowledged the adverse effects of climate change on human security and vulnerable, small, and poor countries in particular, and agreed to establish a comprehensive “adaptation programme” for developing countries on the back of a coordinated international support, given that difficulties in adapting to the adverse effects of climate change is a global challenge. Enhanced global cooperation with regard to adaptation, the meeting agreed, was necessary to ensure the success of the global fight against climate change and its side-effects. In furtherance of this goal, developed countries were required to provide adequate, predictable and sustainable financial resources, technology and technical assistance to facilitate the implementation of programmes aimed at strengthening capacity for adaptation to climate change across the developing world.

Further, participating countries agreed to work together in meeting global and national emissions reduction targets, since a low-emission development strategy is considered as indispensable to the attainment of sustainable economic growth and development. Besides, for the purpose of accelerating technology development and transfer in support of required action on adaptation and mitigation of the side effects of climate change, the Summit agreed to set up a Technology Mechanism (TM). The design of the TM, it was agreed, should be country-driven and based on circumstances and development priorities of individual countries. The Summit pledged in favour of developing countries a grant of US\$ 30 billion per annum, which would be raised steadily to reach US\$ 100 billion by 2020, to assist developing countries to build the requisite capacities to cope with the harmful effects of climate change. This funding, according to the Accord, is expected to come from public, private, bilateral, and multilateral sources of funding. A significant portion of the funding, it was further decided, should be channeled or disbursed through the proposed Copenhagen Green Climate Fund.

Challenges for Africa

Africa posted average economic growth of about 5% during the last decade. However, Africa’s real GDP growth is strongly correlated to the performance of the agriculture sector. This sector, which still depends on rainfall as a result of the lack of modern agricultural infrastructure, such as irrigation facilities, is the mainstay of the large population that live in the rural communities in Africa. Rising temperature, changes in precipitation patterns, rising sea levels, and more frequent weather-related disasters, could threaten agricultural production, food, and water supplies in the future across Africa. In addition, climate change could impact African trade, given the important contribution of agricultural exports, such as cotton, cocoa, coffee, tea, among others, to foreign exchange earnings and import capacity of many commodity-dependent African countries. Climate change-induced droughts and floods, according to some observers, pose numerous socio-economic challenges to millions of Africans whose livelihood depends on agriculture and livestock, for example. These potential adverse effects of climate change are likely to constrain activity level in the agricultural sector and thus the overall rate of growth of many agrarian economies across Africa. It has thus been argued that the expected drop in average rate of growth of many agrarian economies in Africa over the long run could reverse some of the recent gains made in the fight against poverty and hunger in Africa. Overall, the main socio-economic challenges that many African countries would have to grapple with as a result of climate change can be summarized as follows:

- Environmental threats arising from flooding in low-lying areas and rapid desertification across the Sahel region. These threats could exacerbate food insecurity and occasion unwarranted increases in forced migration;
- Economic difficulties due to lower economic growth in the long run, as a result potential decline and/or fluctuations in agricultural production, such as food and cash crop production;
- Potential decline or stagnation in the production of export crops and thus the overall level of African trade due to the present large contribution of agricultural exports to total exports of many agrarian economies in the continent;
- Rising sea levels and threats to life and property in coastal areas in Africa;
- Adverse health effects of warmer temperatures and increase in climate-dependent diseases such as malaria, diarrhea and respiratory illness as well as increase in skin cancer arising from depletion of the ozone layer and harmful sun radiation; and
- Hurricanes and extreme weather conditions that could raise the incidence of damage to life and property.

Opportunities for Africa

The Copenhagen Summit proposed the establishment of a Copenhagen Green Climate Fund, which will operate as the financing mechanism under the Accord. This Fund will finance projects, programmes and other activities in developing countries related to mitigation of the effects of climate change, including REDD,¹ capacity-building, technology development and transfer. Many African countries have limited access to modern sources of energy. However, Africa is well endowed with water bodies, sun, biomass and wind power that could be harnessed to produce clean energy for domestic use and export. African countries could therefore take advantage of the additional financing and the appropriate technology expected to be made available to developing countries under the “adaptation” and “mitigation” mechanisms of the Copenhagen Accord, to address their pressing energy needs in a sustainable manner.

Further, through the technology transfer and technical assistance mechanisms of the Copenhagen Accord, African countries could adopt new environmentally-friendly technologies to progress other socio-economic development priorities of theirs, such as desired improvements in the creation of energy-efficient transportation systems, sanitation and water management systems, and agricultural production systems, including irrigation and sustainable use of arable land.

To conclude, African countries could take advantage of the opportunities offered by the Copenhagen Accord to advance their socio-economic development programmes by improving their capacities in energy supply, transport networks, water management systems, and irrigation and sustainable food production. Afreximbank is a multilateral financial institution that cherishes environmental sustainability by supporting the promotion and financing of environmentally-friendly projects under the Kyoto Protocol’s Clean Development Mechanism (CDM) through its Carbon Financing Programme (CFP). In this regard, the Bank is studying the provisions of the Copenhagen Accord with a view to assisting member African countries to take advantage of the many opportunities it (i.e. the Accord) offers while assisting them to strengthen their capacity to promote CDM projects in Africa in line with the “adaptation” and “mitigation” mechanisms of the Accord.

¹ Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

During June 29-30, 2009, the First ASEAN-Gulf Cooperation Council (GCC) Ministerial Meeting was held in Manama, Bahrain. The meeting, which was attended by Ministers, high level representatives of ASEAN and

GCC Member States and the Secretaries-General of ASEAN and GCC, agreed to: (i) explore the possibility of establishing an ASEAN-GCC Cooperation Framework and Trade Agreement; (ii) foster people-to-

people ties and tourism; and (iii) accreditation of ASEAN Ambassadors in Riyadh or in neighbouring countries in the Gulf to the GCC Headquarters in Riyadh and reciprocal accreditation of GCC Ambassadors in Jakarta or neighbouring ASEAN Member States to the ASEAN.

As a demonstration of their growing importance and search for more “say” and/or “role” in global trade and economic affairs, leaders of the BRICs (Brazil, Russia, India and China) (an acronym coined by the Chief Economist of Goldman Sachs to describe the four largest developing economies), held the first formal Summit meeting of the quartet on June 16, 2009 in Yekaterinburg, Russia. The meeting, which focussed on the search for measures to ease the global financial crisis while seeking greater role for emerging economies in the global economy, called for “a greater voice and representation” and stressed the need for a “diversified, stable and predictable currency system” arguing that the existing set of reserve currencies had failed to perform their functions; and called for “comprehensive reform” of the United Nations Organisation (UN) to effectively deal with global challenges by offering Brazil and India a greater role in the workings of the UN, among other measures.

During November 14-15, 2009, the 17th APEC (Asia-Pacific Economic Cooperation) Economic Leaders’ Meeting was held in Singapore. The Meeting, which focussed on the Theme “Sustaining Growth: Connecting the Region”, deliberated on: (i) Supporting Balanced Growth; (ii) Fostering Inclusive

Growth; (iii) Promoting Sustainable Growth; (iv) Resisting Protectionism; (v) Supporting the Multilateral Trading System and (vi) Accelerating Regional Economic Integration. Concerning the objective of supporting balanced growth, the meeting expressed its support for the goals of the G20 Framework for strong, sustainable and balanced growth, and committed to: (a) work together to ensure that the macroeconomic, regulatory and structural policies of the grouping are collectively consistent with more sustainable and balanced trajectories of growth; (b) promote current account sustainability and open trade and investment to advance global prosperity and growth sustainability; (c) undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilisation; and (d) promote development and poverty reduction as part of the process of rebalancing global growth.

Further, the meeting rejected all forms of protectionism and reaffirmed members’ commitment to keep markets open and refrain from raising new barriers to investment or to trade in goods and services, and instructed their Ministers to continue to regularly review members’ adherence to these commitments with a view to reinforcing the WTO’s own monitoring mechanism, and acting as another bulwark against protectionist pressures by ensuring transparency in the measures taken in response to the crisis; and reaffirmed that the most effective means of dealing with protectionist pressures and delivering a global stimulus package to sustain and secure economic recovery is an

ambitious and balanced conclusion of the Doha Development Agenda (DDA) in 2010, based on the progress achieved to-date, and instructed their Ministers to work closely on

what needed to be done to bring the DDA to a successful conclusion and to assess the situation in early 2010.

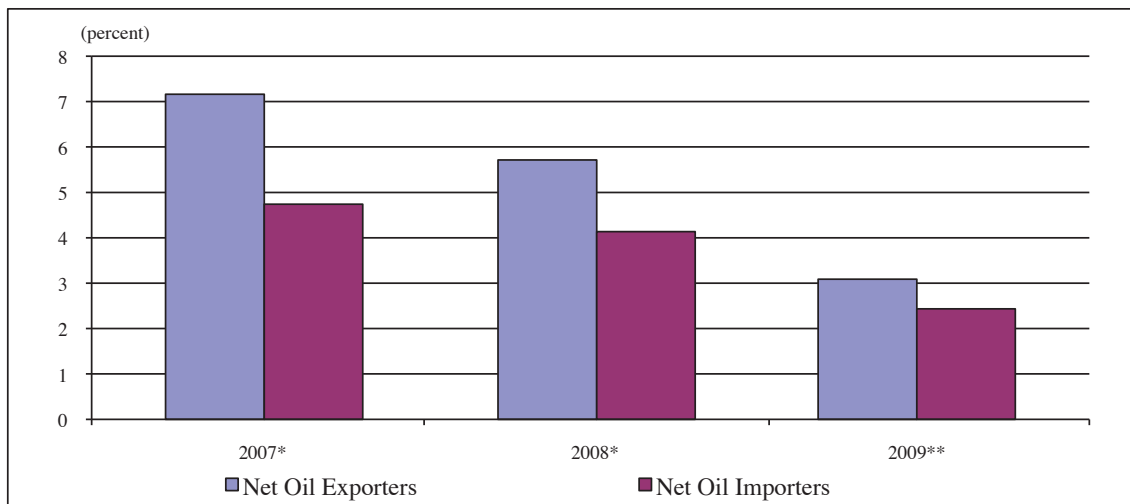
3.1 REVIEW OF ECONOMIC CONDITIONS

The review period saw the performance of African economies, as a group, adversely impacted by the global financial and economic crises through weak global demand and consequent sharp contraction in commodity exports. For a continent whose economic performance is driven largely by activity levels in the agricultural, fuels and mineral commodity sectors, the weak commodity prices that prevailed during the period had a deleterious effect on the rate of economic growth. The situation was further compounded by a decline in tourism receipts, and retreat

in migrant remittances and other forms of private capital inflows, such as FDI as a result of global economic uncertainties and weak international investor confidence.

These developments negatively impacted the level of activity of most of the commodity-dependent and capital-deficient economies in the region. As a result of these challenging developments, the level of economic activity across African economies, as a group, weakened with the rate of growth of their real GDP decelerating to 2.26% in 2009, from an impressive level of 5.5% attained in 2008. Some of the hardest hit economies included Botswana, which contracted by 6%

Figure 3.1 Average GDP Growth of African Net Oil Exporters and Importers, 2007 - 09



* Revised
** Estimates

Sources: 1) IMF (2010) *World Economic Outlook Database*.
2) IMF (2010) *World Economic Outlook* (April).

Table 3.1 Africa: Real GDP Growth, 2007 - 09
(annual percent change)

Africa	2007*	2008*	2009**
Algeria	3.0	2.4	2.0
Angola	20.3	13.2	-0.4
Benin	4.7	5.0	2.7
Botswana	4.8	3.1	-6.0
Burkina Faso	3.6	5.2	3.2
Burundi	3.6	4.5	3.5
Cameroon	3.3	2.9	2.0
Cape Verde	7.8	5.9	4.1
Central African Republic	3.7	2.0	1.7
Chad	0.2	-0.4	-1.6
Comoros	0.5	1.0	1.1
Congo, Dem. Rep. of	6.3	6.1	2.8
Congo, Rep. of	-1.6	5.6	7.6
Cote d'Ivoire	1.6	2.3	3.8
Djibouti	5.1	5.8	5.0
Egypt	7.1	7.2	4.7
Equatorial Guinea	21.4	10.7	5.3
Eritrea	1.4	-9.8	3.6
Ethiopia	11.8	11.2	9.9
Gabon	5.3	2.7	-1.4
Gambia	6.3	6.1	4.6
Ghana	5.7	7.3	3.5
Guinea	1.8	4.9	-0.3
Guinea-Bissau	0.3	3.5	3.0
Kenya	7.0	1.5	2.1
Lesotho	2.4	4.5	-1.4
Liberia	9.4	7.1	4.6
Libya	7.5	3.4	1.8
Madagascar	6.2	7.1	-5.0
Malawi	1.2	9.4	8.0
Mali	4.2	4.9	4.5
Mauritania	1.0	3.7	-1.1
Mauritius	5.4	4.2	1.5
Morocco	2.7	5.6	5.2
Mozambique	7.3	6.7	6.3
Namibia	5.5	3.3	-0.7
Niger	3.5	9.3	-0.9
Nigeria	7.0	6.0	5.6
Rwanda	5.5	11.2	4.1
Sao Tome and Principe	6.0	5.8	4.0
Senegal	4.8	2.3	1.6
Seychelles	11.5	-0.9	-7.6
Sierra Leone	6.4	5.5	4.0
Somalia	n/a	n/a	n/a
South Africa	5.5	3.7	-1.8
Sudan	10.2	6.8	4.5
Swaziland	3.5	2.4	0.4
Tanzania	7.2	7.4	5.5
Togo	2.0	1.8	2.5
Tunisia	6.4	4.7	3.0
Uganda	8.4	8.7	7.1
Zambia	6.2	5.7	6.3
Zimbabwe	-3.6	-14.5	4.0

* Revised

** Estimates

n/a: not available.

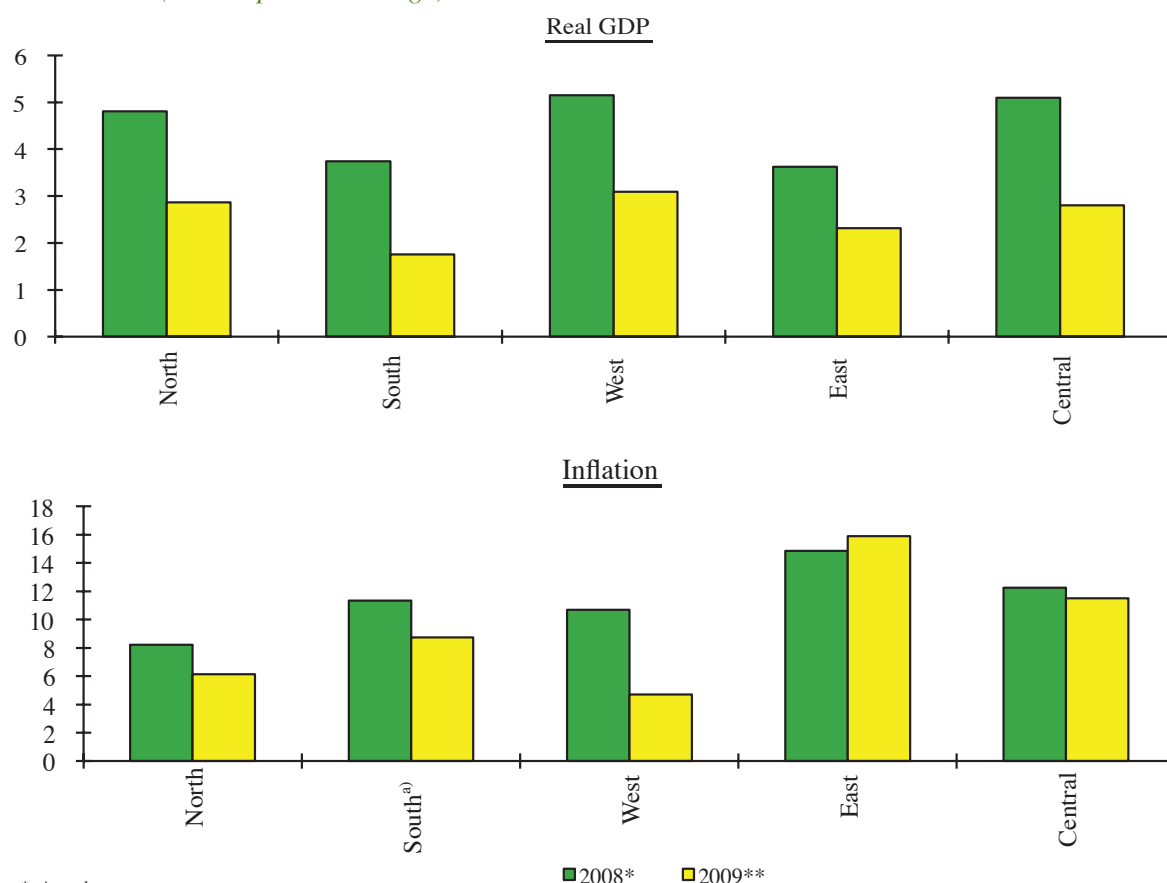
Sources: 1) IMF (2010) *World Economic Outlook Database*.
2) IMF (2010) *World Economic Outlook* (April).
3) EIU

as a result of the collapse in global demand and price of diamonds; Seychelles (-7.6%) due to severe contraction in tourism revenues and dry-up of external financial inflows; and South Africa (-1.8%) on account of its strong integration with the global financial system and the contracting global economy and weak commodity prices. However, a small number of African countries who either have a relatively more diversified export base or whose major export products did not suffer significant price declines during the period posted modest growth performances in 2009. The countries that posted good growth performances included Ethiopia (10%), Malawi (8%), Uganda (7.1%), Zambia (6.3%), Mozambique (6.3%), Nigeria (5.6%), Tanzania (5.5%), Equatorial Guinea (5.3%), Morocco (5.2%), Djibouti (5%), and Egypt (4.7%), among others (Table 3.1).

The weakening of oil and food prices coupled with the general retreat in domestic absorption contributed to subdue inflationary pressures during the review period.

The review period witnessed a deterioration in economic performance of both Net Oil Exporting Countries (NOECs) and Net Oil Importing Countries (NOICs). Specifically, the performance of NOECs, as a group, was adversely affected by lower oil prices and export receipts as well as tight domestic and international credit market conditions which contributed to restrain consumer and investment spending and thus aggregate demand during the review period. Following these developments, the rate of GDP growth for the NOECs, as a group, slowed to

Figure 3.2: Africa: Output and Inflation by Region, 2008 - 09
(annual percent change)



a) Inflation figures for Zimbabwe were not included in the calculations for the South region because they would bias the average for Africa.

Sources: 1) IMF (2009) *World Economic Outlook Database*.
2) IMF (2009) *World Economic Outlook* (October).

3.1% in 2009, from an impressive level of 5.7% achieved in 2008 (Figure 3.1). The economic growth performance of Net Oil Importing Countries (NOICs), as a group, was also affected by the global financial crisis on account of weak global demand for commodities and lower export receipts, sharp retreat in migrant remittances and FDI inflows, and lower tourism receipts. Consequently, the rate of growth of the economies of the NOICs, as a group, declined to 2.4% in 2009, from a level of 4.1% in 2008.

During the review period, economic growth performance of all the sub-regions in Africa deteriorated due to the challenges that prevailed in the African and global economic environments. *North Africa* suffered from low oil and gas prices, as well as significant declines in migrant remittances and tourism receipts. However, due to the diversified nature of the economies of the region, north Africa suffered a relatively lower weakening of economic activity with the rate of growth of real GDP of the region, as a group, decelerating from 4.81% in 2008 to 2.87% in 2009 (Table

Table 3.2 Africa: Inflation, 2007 - 09^{a)}
(annual percent change)

Africa	2007*	2008*	2009**
Algeria	3.6	4.9	5.7
Angola	12.2	12.5	14.0
Benin	1.3	8.0	2.2
Botswana	7.1	12.6	8.1
Burkina Faso	-0.2	10.7	2.6
Burundi	8.3	24.4	11.3
Cameroon	1.1	5.3	3.0
Cape Verde	4.4	6.8	1.2
Central African Republic	0.9	9.3	3.5
Chad	-7.4	8.3	10.1
Comoros	4.5	4.8	4.8
Congo, Dem. Rep. of	16.7	18.0	46.2
Congo, Rep. of	2.6	6.0	4.3
Cote d'Ivoire	1.9	6.3	1.0
Djibouti	5.0	12.0	1.7
Egypt	11.0	11.7	16.2
Equatorial Guinea	2.8	4.3	7.1
Eritrea	9.3	19.9	34.7
Ethiopia	15.8	25.3	36.4
Gabon	5.0	5.3	2.1
Gambia	5.4	4.5	4.6
Ghana	10.7	16.5	19.3
Guinea	22.9	18.4	4.7
Guinea-Bissau	4.6	10.4	-1.7
Kenya	9.8	13.1	11.8
Lesotho	8.0	10.7	7.7
Liberia	13.7	17.5	7.4
Libya	6.2	10.4	2.7
Madagascar	10.4	9.2	9.0
Malawi	7.9	8.7	8.4
Mali	1.5	9.1	2.2
Mauritania	7.3	7.3	2.2
Mauritius	8.8	9.7	2.5
Mayotte Islands	n/a	n/a	n/a
Morocco	2.0	3.9	1.0
Mozambique	8.2	10.3	3.3
Namibia	6.7	10.0	9.1
Niger	0.1	11.3	4.3
Nigeria	5.4	11.6	12.4
Rwanda	9.1	15.4	10.4
Sao Tome and Principe	18.5	26.1	17.0
Senegal	5.9	5.8	-1.1
Seychelles	5.3	37.0	31.8
Sierra Leone	11.7	14.8	9.2
Somalia	n/a	n/a	n/a
South Africa	7.1	11.5	7.1
Sudan	8.0	14.3	11.3
Swaziland	8.2	13.1	7.6
Tanzania	7.0	10.3	12.1
Togo	1.0	8.7	2.0
Tunisia	3.1	5.1	3.7
Uganda	6.8	7.3	14.2
Zambia	10.7	12.4	13.4
Zimbabwe	n/a	n/a	n/a
Average ^{b)}	6.8	11.6	9.2
Median	6.8	10.4	7.3
Standard Deviation	5.2	6.4	9.8
Skew	0.5	1.7	2.1
Kurtosis	1.6	4.2	4.8

* Revised

** Estimates

n/a not available.

^{a)} Figures are average percent change in consumer price index over previous year.^{b)} Inflation figures for Zimbabwe for 2007, 2008 and 2009 were not included in the calculations because they would bias the average for Africa.Sources: 1) IMF (2010) *World Economic Outlook Database*.
2) IMF (2010) *World Economic Outlook* (April).
3) EIU: Various Country reports

3.1 and Figure 3.2). The sub-region posted the second highest year-on-year rate of GDP growth in Africa in 2009. Morocco (5.2%) and Egypt (4.7%) led the economic growth in the sub-region. Inflationary pressures eased in all north African countries during 2009 compared to their average levels in 2008, with the exception of Algeria and Egypt where the average rate of inflation rose in 2009 compared to 2008. On account of these inflationary developments, the average rate of inflation for the region, as a group, declined from 8.22% in 2008 to 6.12% in 2009 (Table 3.2 and Figure 3.2). The general deceleration in the average rate of inflation in most north African economies was brought about by lower energy and food prices in 2009 relative to their 2008 levels, and the dampening effect of the global economic slowdown.

In *Southern Africa*, the level of economic activity declined during the review period with the region's GDP growth rate tumbling to 1.76% in 2009, from a level of 3.75% achieved in 2008 (Table 3.1 and Figure 3.2). The dismal growth performance of the region was caused by weak global demand and decline in commodity exports as well as a significant contraction of the South African economy, the region's flagship economy as a result of sharp retreat in FDI and other capital flows into that country. In more specific terms, the difficulties in the global economy and the credit crisis in particular, heightened risk aversion on the part of international investors and held back FDI and other private capital flows into the capital intensive mining industries across the sub-region. Some of the economies in the region, including the flagship economy of South Africa (-1.8%), as well as Botswana (-6%), Lesotho

(-1.4%) and Namibia (-0.7%) shrank in 2009 in relation to 2008. Regarding the rate of inflation across the region, the average level declined from 11.32% in 2008 to 8.75% in 2009 (excluding Zimbabwe) (Table 3.2 and Figure 3.2). This development in inflation arose primarily from lower fuel and food prices as well as the lower level of economic activity in the region.

In 2009, the rate of growth of the economies of *West Africa*, as a group, slowed to 3.09%, from a level of 5.15% a year earlier (Table 3.1 and Figure 3.2). The observed weakening of the region's growth performance was caused by the challenging global economic environment that prevailed during the period reflected by declining global demand for commodities, falling export receipts, and lower remittance, FDI and other capital inflows. The Nigerian economy, the flagship economy of the region, recorded a 5.6% growth in 2009, slightly lower than the 6.0% achieved in 2008 as a result of lower revenues from its oil and gas sector. Liberia (4.6%), Mali (4.5%), Côte d'Ivoire (3.8%) and Ghana (3.5%), also managed modest growth as their major export industries did not suffer much from the commodity price weaknesses seen in 2009. The region experienced a significant drop in average rate of inflation from 10.69% in 2008 to 4.69% in 2009 (Table 3.2 and Figure 3.2).

During 2009, the economies of *Eastern and Central Africa*, as a group, were not spared from the deleterious effects of the global economic and financial crises. In this regard, the growth performance of the economies in the region, as a group, was adversely affected

by weak global commodity demand and prices, retreat in capital and migrant remittance inflows, as well as a tight international credit market situation. Growth in services, especially telecommunications and finance across the region also slowed significantly during the period. On account of these developments, east African economies, as a group, recorded a lower real GDP growth of 2.32%, compared to a rate of 3.63% achieved in 2008; while central African economies saw their rate of GDP growth decelerate sharply from a level of 5.1% in 2008 to 2.8% in 2009. Concerning the general price level, consistent with global and regional trends, the average rate of inflation across central Africa slowed in 2009 compared to 2008. Accordingly, central African economies, as a group, experienced a decline in average rate of inflation from 12.24% in 2008 to 11.5% in 2009. Out of step with global trend, the average rate of inflation across east Africa rose to 15.9% in 2009, from a level of 14.85% in 2008 (Table 3.2 and Figure 3.2).

Concerning *reserve position*, African economies, as a group, saw their total reserve holdings rise by 3.6% year-on-year to US\$469.1 billion at the end of 2009 (Table 3.3). The observed rise stemmed from modest increases in reserve positions of many NOICs which more than offset the sharp drop in reserves of most of the NOECs (the traditional major contributors), as some members, such as Angola, Equatorial Guinea, Nigeria and Sudan sustained marked declines in reserve holdings in 2009 as a result of low oil prices and exports receipts (Table 3.3). In 2009, total exports of the Continent declined sharply by 31% compared to a relatively lower drop in

Table 3.3 Reserve Position of African Countries, 2007 - 09
(in US\$ million unless otherwise indicated)

AFRICA	Total Reserves minus Gold*					Gold Reserve (Million Fine Troy Ounces)					Months of Imports Covered by Reserves		
	2007*	2008*	2009**	Percentage Change 2008/2007	Percentage Change 2009/2008	2007*	2008*	2009**	Percentage Change 2008/2007	Percentage Change 2009/2008	2007*	2008*	2009**
Algeria	110,318.00	143,243.00	149,041.00	29.85	4.05	5.583	5.580	5.583	-0.05	0.05	48.50	39.77	43.89
Angola	11,196.80	17,869.40	13,643.78	59.59	-23.65	n.a.	n.a.	n.a.	n/a	n/a	10.25	10.34	12.56
Benin	1,209.20	1,263.35	1,229.80	4.48	-2.66	0.000	0.000	0.000	0.00	0.00	2.82	2.98	2.03
Botswana	9,789.74	9,118.64	9,239.83	-6.86	1.33	n.a.	n.a.	n.a.	n/a	n/a	34.08	34.08	25.32
Burkina Faso	1,029.18	927.57	1,295.80	-9.87	39.70	0.000	0.000	0.000	0.00	0.00	8.05	7.86	6.88
Burundi	176.33	265.70	322.17	50.68	21.25	0.001	0.001	0.001	4.07	0.00	6.58	5.47	9.44
Cameroon	2,906.77	3,086.38	3,586.26	6.18	16.20	0.030	0.030	0.030	0.15	-0.15	9.63	9.64	8.61
Cape Verde	281.21	258.49	n.a.	-8.08	n/a	0.000	0.000	0.000	0.00	0.00	4.18	3.98	3.71
Central African Republic	82.59	121.79	211.50	47.46	73.66	0.011	0.010	0.011	-10.12	11.26	2.91	2.90	3.82
Chad	955.06	1,345.47	607.54	40.88	-54.85	0.011	0.010	0.011	-10.12	11.26	16.05	15.97	11.17
Comoros	117.16	112.16	138.80	-4.27	23.75	0.001	0.001	0.001	0.00	-3.50	8.78	9.00	8.35
Congo, Democratic Rep. of	180.68	77.73	247.12	-56.98	217.92	n.a.	0.000	0.000	0.00	0.00	0.70	0.71	0.31
Congo, Rep. of	2,174.29	3,871.78	3,758.27	78.07	-2.93	0.011	0.011	0.011	-0.23	0.00	7.01	7.09	6.49
Cote d'Ivoire	2,518.96	2,252.08	3,266.80	-10.59	45.06	0.000	0.000	0.000	0.00	0.00	4.53	4.84	3.53
Djibouti	132.14	175.50	241.83	32.81	37.80	n.a.	n.a.	0.000	n/a	n/a	0.81	0.83	3.63
Egypt	30,187.70	32,216.10	32,253.00	6.72	0.11	2.431	2.431	2.431	0.01	0.00	7.14	7.17	6.83
Equatorial Guinea	3,845.92	4,431.19	3,596.59	15.22	-18.83	0.000	0.000	0.000	0.00	0.00	34.46	34.64	16.34
Eritrea	34.28	57.90	88.15	68.87	52.25	0.000	0.000	0.000	0.00	0.00	0.71	0.71	1.16
Ethiopia	1,289.87	870.50	1,780.90	-32.51	104.58	0.000	0.000	0.000	0.00	0.00	2.75	n/a	n/a
Gabon	1,227.24	1,923.49	2,023.73	56.73	5.21	0.013	0.013	0.013	-0.29	0.00	5.38	5.34	8.96
Gambia	152.45	116.52	212.12	-23.57	82.05	n.a.	n.a.	n/a	n/a	n/a	2.16	2.12	n/a
Ghana	n.a.	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Guinea	n.a.	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Guinea-Bissau	112.89	124.56	168.59	10.34	35.35	0.000	0.000	0.000	0.00	0.00	5.48	5.64	8.68
Kenya	3,355.00	2,878.52	3,849.00	-14.20	33.71	0.001	0.001	0.001	0.00	0.00	3.57	3.89	3.12
Lesotho	n.a.	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Liberia	119.36	160.86	169.97	34.77	5.66	n.a.	n.a.	n.a.	n/a	n/a	0.16	0.16	2.57
Libya	79,404.70	92,313.30	99,026.00	16.26	7.27	4.624	4.624	4.624	0.00	0.00	73.13	72.57	44.06
Madagascar	846.68	982.31	1,135.50	16.02	15.59	n.a.	n/a	n.a.	n/a	n/a	4.05	3.62	4.84
Malawi	216.61	242.78	163.08	12.08	-32.83	0.013	0.013	0.013	0.00	0.00	2.87	2.77	2.94
Mali	1,087.12	1,071.10	1,604.50	-1.47	49.80	0.000	0.000	0.000	0.00	0.00	4.59	4.63	3.87
Mauritania	197.80	135.50	n.a.	-31.50	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Mauritius	1,780.30	1,742.65	2,178.80	-2.11	25.03	0.062	0.062	0.130	-0.81	111.38	5.51	5.52	4.76
Morocco	24,123.30	22,103.80	22,797.00	-8.37	3.14	0.708	0.708	0.708	0.00	0.00	8.90	8.85	6.77
Mozambique	1,444.69	1,577.73	1,874.48	9.21	18.81	0.095	0.095	0.085	0.01	-10.51	5.56	4.56	n/a
Namibia	896.02	1,292.95	2,164.18	44.30	67.38	0.000	0.000	0.000	0.00	0.00	3.48	3.47	4.38
Niger	592.96	705.21	655.50	18.93	-7.05	0.000	0.000	0.000	0.00	0.00	6.56	6.48	6.75
Nigeria	51,334.20	53,001.80	45,469.00	3.25	-14.21	0.687	0.687	0.687	0.00	0.00	15.85	15.63	14.24
Rwanda	552.79	596.28	742.74	7.87	24.56	0.000	0.000	0.000	0.00	0.00	8.28	8.62	9.52
Sao Tome and Principe	39.33	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	5.80	5.83	n/a
Senegal	1,660.04	1,602.20	2,123.20	-3.48	32.52	0.000	0.000	0.000	0.00	0.00	3.90	4.02	4.46
Seychelles	40.77	63.83	190.55	56.57	198.53	n.a.	n.a.	n.a.	n/a	n/a	0.47	0.49	0.61
Sierra Leone	216.56	220.17	n.a.	1.67	n/a	n.a.	n.a.	n.a.	n/a	n/a	4.22	4.04	2.72
Somalia	n.a.	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
South Africa	29,588.60	30,583.50	35,237.00	3.36	15.22	3.995	4.009	4.013	0.35	0.10	3.77	3.77	4.06
Sudan	1,377.92	1,399.04	1,094.20	1.53	-21.79	n.a.	n.a.	n.a.	n/a	n/a	1.89	2.15	2.15
Swaziland	774.19	751.94	839.74	-2.87	11.68	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Tanzania	2,886.38	2,862.90	3,470.40	-0.81	21.22	n.a.	n.a.	n.a.	n/a	n/a	6.13	6.33	5.03
Togo	438.09	581.82	703.20	32.81	20.86	0.000	0.000	0.000	0.00	0.00	1.20	1.26	4.51
Tunisia	7,850.77	8,849.30	11,057.30	12.72	24.95	0.218	0.218	0.218	0.00	0.00	4.76	4.70	4.58
Uganda	2,559.79	2,300.57	3,004.50	-10.13	30.60	n.a.	n.a.	n.a.	n/a	n/a	8.79	10.81	7.79
Zambia	1,089.95	1,095.61	2,561.80	0.52	133.82	0.000	0.000	0.000	0.00	0.00	3.27	3.27	2.80
Zimbabwe	n.a.	n.a.	n.a.	n/a	n/a	n.a.	n.a.	n.a.	n/a	n/a	n/a	n/a	n/a
Total	394,392.37	452,844.96	469,065.22	14.82	3.58	18.49	18.50	18.57	0.05	0.36	409.68	398.52	338.21
Average	8,216.51	9,635.00	10,660.57			0.56	0.54	0.53			8.91	8.86	8.05
Median	1,088.54	1,263.35	1,827.69			0.00	0.00	0.00			5.07	4.84	4.80
Standard Deviation	20,937.63	25,760.53	27,454.28			1.43	1.41	1.39			13.40	12.94	9.36
Skew	3.66	4.03	3.98			2.71	2.76	2.81			3.42	3.47	2.99
Kurtosis	14.21	17.58	17.02			6.38	6.67	6.98			12.83	13.77	9.43

* Growth rates are Afreximbank Staff calculations.

* Total Reserves and Gold Reserves are end of quarters available.

** Revised

*** Estimates

n/a: not available

Sources: 1) IMF (2009) *Direction of Trade Statistics Database*.2) IMF (2010) *International Financial Statistics Database*.3) EIU, *Country Report* (various issues).

4) Afreximbank estimates.

Table 3.4 Africa: Exchange Rate Developments, 2007 - 09^{a)}
(per US\$ unless otherwise indicated)

Africa	2007* (1)	2008* (2)	2009** (3)	Percentage change between ^{b)}	
				(2) & (1)	(3) & (2)
Algeria - <i>dinar</i>	66.830	71.183	72.346	6.51	1.63
Angola - <i>kwanza</i>	75.023	75.169	141.611	0.19	88.39
Benin - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Botswana - <i>pula</i>	6.006	7.519	6.588	25.19	-12.39
Burkina Faso - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Burundi - <i>franc</i>	1,119.540	1,234.980	1,231.500	10.31	-0.28
Cameroon - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Cape Verde - <i>escudos</i>	74.907	79.234	73.401	5.78	-7.36
Central African Republic - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Chad - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Comoros - <i>franc</i>	334.195	353.501	322.477	5.78	-8.78
Congo, Dem. Rep. of - <i>Congo franc</i>	502.986	639.320	775.490	27.10	21.30
Congo, Rep. of - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Cote d'Ivoire - <i>franc</i>	445.593	471.335	436.650	5.78	-7.36
Djibouti - <i>franc</i>	177.721	177.721	177.721	0.00	0.00
Egypt - <i>pound</i>	5.504	5.504	5.556	0.01	0.94
Equatorial Guinea - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Eritrea - <i>nakfa</i>	15.375	15.375	1.375	0.00	-91.06
Ethiopia - <i>birr</i>	9.201	9.955	12.598	8.20	26.55
Gabon - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Gambia - <i>dalasi</i>	22.539	26.542	26.950	17.76	1.54
Ghana - <i>cedi</i>	0.970	1.214	1.486	25.11	22.38
Guinea - <i>Guinea franc</i>	4,181.73	5,160.96	4,697.29	23.42	-8.98
Guinea-Bissau - <i>franc</i>	445.590	471.335	436.635	5.78	-7.36
Kenya - <i>shilling</i>	62.675	77.711	75.239	23.99	-3.18
Lesotho - <i>loti</i>	6.810	9.305	7.430	36.64	-20.15
Liberia - <i>Liberia dollar</i>	62.500	64.000	70.500	2.40	10.16
Libya - <i>dinar</i>	1.223	1.255	1.215	2.60	-3.12
Madagascar - <i>Ariary</i>	1,786.700	1,860.360	1,976.450	4.12	6.24
Malawi - <i>kwacha</i>	140.316	140.600	143.790	0.20	2.27
Mali - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Mauritania - <i>ouguiyas</i>	252.880	234.740	n/a	-7.17	n/a
Mauritius - <i>rupee</i>	28.216	31.756	29.464	12.54	-7.22
Morocco - <i>dirham</i>	7.713	8.098	7.683	4.99	-5.13
Mozambique - <i>meticals</i>	23.820	25.500	24.350	7.05	-4.51
Namibia - <i>namibia dollar</i>	6.810	9.305	7.430	36.64	-20.15
Niger - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Nigeria - <i>naira</i>	117.968	132.563	148.167	12.37	11.77
Rwanda - <i>franc</i>	544.220	558.898	568.670	2.70	1.75
Sao Tome and Principe - <i>dobra</i>	14,362.300	15,228.100	16,630.400	6.03	9.21
Senegal - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Seychelles - <i>rupee</i>	7.998	16.573	10.584	107.21	-36.14
Sierra Leone - <i>leone</i>	2,977.600	3,042.240	3,609.460	2.17	18.64
Somalia - <i>shilling</i>	n/a	n/a	n.a	n.a	n.a
South Africa - <i>rand</i>	6.810	9.305	7.430	36.64	-20.15
Sudan - <i>dinar</i>	2.053	2.184	2.271	6.40	3.98
Swaziland - <i>tilangeni</i>	6.810	9.305	7.430	36.64	-20.15
Tanzania - <i>shilling</i>	1,132.090	1,280.300	1,312.700	13.09	2.53
Togo - <i>franc</i>	445.593	471.335	436.635	5.78	-7.36
Tunisia - <i>dinar</i>	1.221	1.310	1.293	7.31	-1.33
Uganda - <i>shilling</i>	1,697.340	1,949.180	1,870.730	14.84	-4.02
Zambia - <i>kwacha</i>	3,844.810	4,832.260	4,678.090	25.68	-3.19
Zimbabwe - <i>Zimbabwe dollar</i>	30,000.000	n.a	n.a	n/a	n/a

* Actual

** Estimates

n/a: not available

^{a)} End of period figures available.^{b)} Figures should be seen as simple percentage changes and therefore do not represent nominal exchange rate depreciation or appreciation since, theoretically, a currency cannot depreciate by more than 100% or it ceases to exist.Sources: 1) Economist Intelligence Unit *Country Report* (various issues).2) IMF (2009) *International Financial Statistics Database*.

imports of 11% (see Table 3.7). These led to the marginal rise in external reserves of 3.6% in 2009 (compared to about 15% achieved in 2008). On account of these developments, average import cover declined from 8.9 months in 2008 to 8.1 months in 2009 (Table 3.3).

It is worth noting that five countries, namely Algeria (US\$149 billion), Libya (US\$99 billion), Nigeria (US\$45.5 billion), South Africa (US\$35.2 billion) and Egypt (US\$32.3 billion) accounted for over 70% of the total reserve holdings of the Continent at the end of 2009.

In the currency markets, most *African currencies* recovered from the sharp depreciation they suffered in 2008 as a result of oil and food price hikes. Following these foreign exchange market developments, with the exception of the Algerian dinar, Angolan kwanza, the Democratic Republic of Congo franc, Egyptian pound, Ethiopian birr, Gambian dalasi, Ghanaian cedi, Liberian dollar, Madagascar ariary, Malawian kwacha, Nigerian naira, Rwanda franc, Sao Tome and Principe dobra, Sierra Leonean leone, Sudanese dinar and Tanzanian shilling, the value of all African currencies ended the review period higher than their levels at the end of 2008 (Table 3.4).

3.2 AFRICAN TRADE

3.2.1 Review of Commodities of Trade Interest to Africa

During 2009, most of the commodities of trade interest to Africa suffered significant

price losses. Records show that two broad commodity groups of trade interest to the Continent, namely Agriculture and Energy sustained nominal price losses during the review period compared to their average levels in 2008. However, the average nominal price of the group of metals improved by about 1% in 2009 compared to 2008 on the back of firm nominal gold prices (Table 3.5 and Annex 1). Despite the weak nominal prices, the real prices of Agriculture, Energy and Mineral/Metals ended 2009 about 68%, 12% and 74% higher than their respective average levels in 2005, a period of marked rally in commodity prices (Table 3.6). Compared to 2008, the real prices of all three broad commodity groups at the end of 2009 were lower (Table 3.6). The sharp nominal price declines seen during the period were caused by weak global demand for commodities precipitated by the global economic slowdown, especially in Western Europe and the US, coupled with a virtual dry-up of commodity and trade finance.

Concerning price fluctuations, all three broad commodity groups experienced volatilities ranging from 13% (Agriculture) to 25% (Metals). On individual basis, Gold exhibited the highest volatility of 32%, followed by Lead (27%), Copper (26%) and Sugar (24%) with Soybean prices exhibiting the least volatility of 7%. As a result of the global economic uncertainties and the attendant volatility in asset prices on major bourses around the world, 2009 witnessed the continued use of some commodities and precious metals in particular, as safe-haven assets by investors during the review period. On account of these developments, activity levels on major commodity exchanges in

the developed world declined while those on bourses in the developing world rose. In this regard, activity level measured by the volume of traded contracts on commodity exchanges in mature economies, such as *London Metal Exchange (LME)* and *Chicago Mercantile Exchange (CME)* reportedly declined by respective 1% and 18% year-on-year in 2009, while some bourses in developing countries, such as the *Multi-Commodity Exchange of India (MCX)* and *Dalian Commodity Exchange (DCE)* of China saw their activity levels rise by respective 71% and 31% year-on-year in 2009.

Due largely to unfavourable market conditions, especially during the first half of 2009, nominal prices of *Agricultural Commodities*, as a group, weakened by 5.54% in 2009 in sharp contrast to an impressive year-on-year gain of 25.2% posted in 2008. As a result of the nominal price decline, the real price of *Agricultural Commodities*, as a group, ended the review period about 22.36% lower compared to their average level in 2008.

In more specific terms, *Cocoa Beans* posted nominal and real price gains during 2009 compared to their average levels in 2007 and 2008 (Tables 3.5 and 3.6). Monthly average movement in prices show that from a level of US\$3,434.5 per metric tonne in January 2009, the nominal price of cocoa beans rose to US\$3,554 per metric tonne in February 2009. Thereafter, the average monthly price of the commodity deteriorated steadily over the following three months before recovering steadily over the remaining part of the year to reach US\$4,115.3 per metric tonne in

December 2009. On account of the 31% rise in nominal price, the real price of cocoa beans ended the review period about 131% and 55% higher than its respective average levels in 2005 and 2008. Responsible for the firm cocoa bean prices were favourable market conditions driven by a surge in global demand at a time of declining global inventories and lingering uncertainties regarding the reliability of future supplies from Côte d'Ivoire (producer of over 30% of global supplies) as a result of logistic and/or infrastructure bottlenecks, limited success in addressing black pod disease, and low farm gate price of 35-40% of world prices (compared to over 45% in neighbouring producer countries). In a related development, it was reported during the period that the Committee set up by the government of Côte d'Ivoire to reform the country's cocoa industry had recommended a rollback of the role of private companies in the industry and the creation of a state-run body to set the price to be paid to Ivorian farmers at the beginning of every cocoa season, organise inputs, arrange for expert advice for farmers, as well as set levels of taxation on cocoa export proceeds in Côte d'Ivoire.

During the review period, nominal and real prices of *Coffee* decreased significantly in relation to their average levels in 2007 and 2008. The result was that nominal coffee prices ended the review period about 15.6% and 30% lower compared to their average levels in 2007 and 2008. The drop in nominal price of coffee caused the real price of the commodity to weaken by about 65% to end the review period about 49.7% higher than its 2005 level (down from a corresponding level of 115% at

Table 3.5 Nominal Price Developments for Commodities of Export Interest to Africa, 2007 - 09
(in US\$/Metric tonnes unless otherwise indicated)

COMMODITY	2007	2008	2009	Annual Growth Rate 2008/2007	Annual Growth Rate 2009/2008	Price Volatility*** 2007	Price Volatility*** 2008	Price Volatility*** 2009
AGRICULTURE:								
Cocoa Bean	2,017.33	2,678.43	3,511.48	32.77	31.10	0.11	0.11	0.09
Coffee	1,768.08	2,143.98	1,492.90	21.26	-30.37	0.13	0.12	0.11
Copra**	711.94	815.83	479.75	14.59	-41.20	0.25	0.25	0.08
Cotton*	1,373.90	1,559.23	1,362.03	13.49	-12.65	0.08	0.13	0.12
Maize	151.30	221.08	197.02	46.12	-10.89	0.07	0.10	0.11
Palm Oil*	777.08	944.20	678.69	21.51	-28.12	0.16	0.31	0.11
Rubber*	1,338.11	1,494.65	1,166.18	11.70	-21.98	0.05	0.22	0.21
Soyabean	384.03	940.61	738.21	144.93	-21.52	0.18	0.18	0.07
Sugar (world)**	222.13	282.23	399.13	27.06	41.42	0.05	0.08	0.24
Tea**	2,036.25	2,413.75	2,721.33	18.54	12.74	0.09	0.11	0.14
Average	1,078.02	1,349.40	1,274.67	25.17	-5.54	0.12	0.16	0.13
ENERGY:								
Crude Oil*	529.47	712.10	449.84	34.49	-36.83	0.17	0.30	0.20
Average	529.47	712.10	449.84	34.49	-36.83	0.17	0.30	0.20
METALS:								
Copper	7,109.49	6,929.62	5,141.18	-2.53	-25.81	0.12	0.28	0.26
Gold	2,455,588.19	3,073,880.90	3,100,786.25	25.18	0.88	0.09	0.07	0.32
Lead	2,578.92	2,089.38	1,713.96	-18.98	-17.97	0.27	0.32	0.27
Tin*	14,368.95	19,057.10	13,431.44	32.63	-29.52	0.11	0.27	0.13
Average ^{a)}	619,911.39	775,489.25	780,268.21	25.10	0.62	0.15	0.24	0.25
^{b)}	8,019.12	9,358.70	6,762.19	16.70	-27.74	0.17	0.29	0.22

* Spot Prices. Others are future prices at the LIFFE and London Metal Exchange (nearest trading month).

** World Bank figures.

*** Measured by the coefficient of variation (CV) of price of relevant commodity.

CV is the ratio of each standard deviation to its associated mean.

^{a)} Gold is included.

^{b)} Gold is not included.

Sources: 1) *Financial Times* (various issues).

2) www.worldbank.org/prospects/pinksheets

Table 3.6 Afreximbank Price Index, 2007 - 09 ^{a)}
(2005 = 100)

COMMODITY	Change %				
	2007 (1)	2008 (2)	2009 (3)	2008 (4) = (2) - (1)	2009 (5) = (3) - (2)
AGRICULTURE:					
Cocoa Bean	132.90	176.45	231.33	43.55	54.88
Coffee	177.31	215.01	149.71	37.70	-65.29
Copra**	172.05	197.16	115.94	25.11	-81.22
Cotton*	113.44	128.74	112.46	15.30	-16.28
Maize	155.04	226.54	201.88	71.51	-24.66
Palm Oil*	184.76	224.50	161.37	39.73	-63.13
Rubber**	139.93	156.30	121.96	16.37	-34.35
Soyabean	125.10	306.40	240.47	181.30	-65.93
Sugar (world)**	101.99	129.58	183.26	27.60	53.67
Tea**	123.63	146.55	165.23	22.92	18.68
Average	142.61	190.72	168.36	48.11	-22.36
ENERGY:					
Crude Oil*	131.86	177.34	112.03	45.48	-65.31
Average	131.86	177.34	112.03	45.48	-65.31
METALS:					
Copper	193.90	189.00	140.22	-4.91	-48.78
Gold*	156.79	196.27	197.99	39.48	1.72
Lead	264.43	214.24	175.74	-50.20	-38.49
Tin* ^{b)}	195.01	258.63	182.28	63.63	-76.35
Average ^{c)}	202.53	214.54	174.06	12.00	-40.48
	217.78	220.62	166.08	2.84	-54.54

* Spot Prices

** World Bank figures.

^{a)} This index covers all commodities which together contribute over 85% of Africa's total exports and is based on US\$ per metric tonne prices.

^{b)} Gold is included.

^{c)} Gold is not included.

Source: Derived from Table 3.5 by Afreximbank Staff

the end of 2008). The nominal price weakness exhibited by coffee during the period resulted from a rise in global inventories at a time of considerable weakness in global demand for the commodity. During the period, global coffee production reportedly increased by over 100 million bags in 2007/8 season to 130 million bags in 2008/9. The increase in global supplies was traced to recovery in production levels in some of the major producing countries, such as Brazil and Vietnam, two countries that account for approximately 40% of global output, on account of good weather conditions. Supplies from major African countries, such as Kenya and Ethiopia were also said to have picked up during the period as a result of improvements in agronomic factors. Further, available data suggest that demand for coffee weakened considerably during the review period, especially in the OECD countries driven by generally weak consumer demand precipitated by declining household wealth and labour income caused partly by the global economic slowdown.

During the review period, the nominal price of *Tea* maintained its upward trend with a rise of 12.74 % compared to 2008. Compared to 2007, the average nominal price of the commodity in 2009 was 33.6% higher. As a result of the nominal price increase, the real price of tea rose about 19% to end the period about 65% higher than its average level in 2005. The firm tea price was supported by declining global supplies in 2009 compared to 2008, precipitated by declining production in the three major black tea producer countries, namely Kenya (11.7%), Sri Lanka (4%) and India (3%). The drop in Kenyan supplies was reportedly caused by a two-year drought compounded

by civil strikes in 2009; while the Sri Lankan crop was reduced by high costs of transport and energy supplies, limited application of fertilizer (due to high prices and drought), and labour strikes. Firm global demand on the back of modest growth in consumption of the commodity in major consuming countries such as Britain, Russia and Middle Eastern countries contributed to strengthen tea prices during the review period.

The average nominal price of *Natural Rubber* suffered a year-on-year decrease of about 22% in 2009. The nominal price decline contributed to reduce the real price of the commodity by about 34% to end the review period about 22% above its average level in 2005, down from a corresponding level of 56% at the end of 2008. Responsible for the observed softening of natural rubber prices were the collapse in global production of tyres caused by a sharp retreat in global automobile sales, especially in high-income countries, and the sudden collapse in the cost of producing synthetic rubber occasioned by low price of crude oil and petrochemicals (the major ingredients in the production of synthetic rubber) as some tyre producers switched from natural to synthetic rubber as feedstock.

During 2009, the nominal price of *Cotton*, which firmed by about 13.5% year-on-year in 2008, suffered a decline of 12.7%. In spite of the nominal price decline, the real price of cotton ended the review period about 12.5% higher than its average level in 2005. The price weakness exhibited by cotton during the review period stemmed from rising global inventories driven by increased production in the US, India, China and Africa vis-a-vis weak

global demand caused partly by a slowdown of the global economy. The continued rise in cotton production in China and India during the period arose from a strategic policy decision to ensure uninterrupted supply of raw cotton for their booming apparel export industries.

During 2009, the nominal price of **Sugar**, which posted a year-on-year gain of 27% in 2008, maintained its upward trend with an impressive rise of 41% compared to 2008. Following the nominal price increase, the real price of the commodity strengthened further to average the review period about 83% higher than its 2005 level. Among all commodities of trade interest to Africa, Sugar posted the highest nominal price gain in 2009. The price rally was aided by a 44% shortfall in production in India, a major consuming nation, as a result of continued diversion of arable land and other resources away from sugar into production of cash crops coupled with unrelenting surge in global demand by the biofuel industry for sugar cane, the lowest-cost feedstock for the production of bio-fuels. In this regard, it emerged during the period that Brazil, which had hitherto been the world's largest sugar supplier accounting for half of global sugar exports, diverted about 60% of its sugarcane production as feedstock for the production of ethanol.

The prices of **Grains** softened during the period largely as a result of weak global demand for grains as a less attractive feedstock in the production of bio-fuels and fears of an imminent probable global inventory glut. Accordingly, during the period, the nominal price of **Maize** which strengthened by 46% year-on-year in 2008, suffered a decline of

about 11% in 2009 compared to 2008. The decline in **Maize** prices seen during the period resulted primarily from a significant growth in global inventories and declining orders for maize as feedstock in the production of ethanol (an environmentally-friendly source of energy), as the price of crude oil remained at relatively low levels in 2009. This price development rendered crude oil a less expensive alternative to ethanol and consequently dented global demand for maize as feedstock.

During the review period, the prices of **Fats and Oils** fell sharply. In this regard, the nominal price of **Palm Oil** underwent a year-on-year decline of 28% compared to its average level in 2008. Compared to 2007, the loss in Palm Oil price during the review period was lower (about 13%). In spite of the nominal price decline, the real price of the commodity ended about 61% higher than its average level in 2005. The nominal price of **Copra**, during 2009, slid by 41% year-on-year, and averaged the period about 32.6% lower compared to 2007. In spite of the sharp decline in nominal price, the real price of copra ended the period about 16% higher than its average level in 2005. The observed weak Palm Oil and Copra prices were a direct result of low crude oil prices which rendered bio-fuels an expensive alternative energy and adversely impacted global demand for palm oil and copra as feedstock for the production of biofuel. Generally weak global consumer demand caused by a receding global economy and growing health awareness among consumers also dented household consumption of palm oil and copra products during the review period.

During 2009, nominal **Soybean** price fell about

22% year-on-year in sharp contrast to a 145% gain in 2008. In spite of the nominal price decline, the real price of Soybean averaged the period about 140% higher than its level in 2005. The sharp decline in soybean prices seen during the period arose from a weakening in demand for the commodity as feedstock by the animal feed and biofuel industries vis-a-vis rising global supplies.

During the review period, the prices of **Metals and Minerals**, as a group, increased by about 1% compared to their average levels in 2008. The first half of 2009 saw a strong recovery with key commodities indices rise by around 20% compared to their levels in January 2009. Restocking by China accounted for a significant proportion of the modest recovery in prices of Metals and Minerals seen during the period. Compared to other broad categories of commodities, Metals and Minerals, as a group, exhibited the highest level of price volatility of 25%. Specifically, during 2009, the nominal price of **Copper** fell by about 26% year-on-year to average US\$5,141.18 per metric tonne. Monthly evolution of Copper prices shows that from a level of US\$3,185.96 per metric tonne in January 2009, the price of the commodity rose steadily to peak at US\$6,974.63 per metric tonne in December 2009. The modest pickup in Copper prices from record low in January 2009 was driven mainly by strong demand from China. Chinese Copper reserves reportedly reached about one million metric tonnes at the end of 2009. Accordingly, China imported less scrap and produced domestically more Copper during 2009 than in the previous years. Copper demand in other major developing economies also recovered slightly. Despite the low average

Copper prices that prevailed during the first half of 2009, the real price of the commodity ended the period about 40% higher than its average level in 2005. The modest recovery in nominal copper prices seen during the second half of the year were supported by declining global inventory and supply disruption in the major copper producing countries, such as Chile and Zambia, and lower-than-expected retreat in activity in the global electronic and semi-conductor industries.

With regard to **Gold**, the period in review saw the nominal price of the commodity rise by about 1% year-on-year. Time-wise evolution of Gold prices shows that the monthly price of the commodity, which averaged US\$3,028,703.70 per metric tonne in January 2009, rose steadily amidst fluctuations to average US\$4,042,030 per metric tonne in December 2009. An important factor behind the firm gold prices was the strong growth in holdings of physically backed exchange-traded funds (ETFs). Accordingly, gold holdings of ETFs reportedly increased by almost 47% during the review period, equivalent to 23% of global mine production. This development was occasioned by a rush of global investors into gold holdings as a safe-haven asset, given the continued global investor concerns over the US dollar and macroeconomic and financial conditions of major developed economies, among other unsettling global market developments.

During 2009, the average nominal price of **Lead** maintained its downward trend to end the period about 18% and 33.54% lower compared to its respective levels in 2008 and 2007. This development arose from a significant slump in demand for the metal emanating from the global

economic slowdown caused by the global financial crisis. Also, the nominal price of *Tin*, during 2009, fell by about 30% compared to its average level in 2008. Despite these nominal prices declines, the real prices of both Lead and Tin ended the review period about 76% and 82% higher than their respective average levels in 2005. Behind the softening of Lead prices was pressure from environmentalists to end the manufacture of lead-based paints as a result of mounting global concerns over the potential health hazards caused by lead. Further, the global economic slowdown hit the consumer electronics market the hardest and seriously dented demand for tin.

The nominal price of *Crude Oil* suffered a sharp year-on-year decline of about 37% in 2009 contrary to a gain of 34% posted in 2008. In spite of the sharp drop in nominal price, the real price of the commodity averaged the period about 12% higher than its 2005 level. Primarily responsible for the lower Crude Oil prices was the global economic recession, which reduced global demand for the commodity especially in the U.S. However, news of rising car sales in China, cut-back in oil production by members of the Organisation of Petroleum Exporting Countries (OPEC), and lingering geopolitical tensions across the Middle East and West Africa, major sources of global supplies of oil, helped oil prices to recover slightly during the second half of the review period.

3.2.2 African trade with the world

The unfolding global economic crisis seriously affected global demand and funding for commodities during the review period.

Specifically, a weakening of global commodity demand and export receipts combined with unavailability of trade finance to hold back import demand of many commodity-dependent and capital-deficient African economies and consequently the overall level of African trade in 2009. In this regard, the total value of African trade shrank 21% year-on-year to reach US\$ 849.36 million in 2009 as shown in Table 3.7. The observed poor trade performance of African economies, as a group, resulted from substantial contraction in export receipts recorded by a number of oil exporting countries, namely Algeria (45%), Angola (26%), Gabon (29%), Libya (42%), Nigeria (35%) and Sudan (36%). Further, the drops in exports contributed to weaken the capacity of many oil exporting countries to import consumer and capital goods during the review period. In this regard, Sudan, Gabon, Angola, Nigeria and Algeria suffered respective year-on-year contraction in imports of 16.33%, 14.95%, 9.11%, 5.16% and 3.79% in 2009 as a result of declining export revenues.

With regard to oil importing countries, low oil prices coupled with depreciation of the US dollar against the Euro and other major currencies contributed to subdue the US dollar value of their overall imports during the review period. It is pertinent to note, however, that this was offset by the sharp weakening in non-oil commodity prices, such as metals (excepting Gold) and agricultural commodities. In this regard, many oil-importing countries, namely, Botswana (-36.7%), Morocco (-27%), Zimbabwe (-24.6%), Namibia (-23.5%), Guinea (-18.37%), Kenya (-17%), Senegal (-16.5%), Cote d'Ivoire (-15.7%), Sierra Leone (-14.1%), Mauritius (-14.2%),

Table 3.7 Africa: World Trade, 2007 - 09
(in US\$ billion unless otherwise indicated)

	Total Exports			Country Share of Total Exports, %			Growth Rate, %			Total Imports			Country Share of Total Imports, %			Growth Rate, %			Total Trade			Growth Rate, %			Country Share of Total Trade, %				
	2007*	2008*	2009**	2007	2008	2009	2007*	2008*	2009**	2007*	2008*	2009**	2007	2008*	2009**	2007	2008*	2009**	2007	2008*	2009**	2007	2008*	2009**	2007	2008*	2009**		
Africa	56,499	76,314	41,884	13.81	14.00	11.08	37,205	39,335	37,834	44.11	3.79	6.45	7.45	8.03	83,705	115,648	79,777	38.01	31.06	31.06	10.07	10.77	8.39	31.06	31.06	31.06	10.07	10.77	8.39
Algeria	30,666	66,432	49,151	8.97	12.18	13.00	13,107	21,322	19,299	61.90	9.11	3.00	4.42	4.08	69,772	87,603	68,450	76.13	-21.92	-21.92	5.98	8.17	8.06	76.13	-21.92	-21.92	5.98	8.17	8.06
Angola	9,483	4,707	5,982	1.36	0.86	0.79	5,143	4,088	3,829	30.20	-14.68	0.81	0.33	1.48	5,592	7,195	6,811	35.93	6.86	6.86	0.67	0.71	0.88	35.93	6.86	6.86	0.67	0.71	0.88
Botswana	0,277	6,505	0,442	0.01	0.09	0.12	1,533	1,716	1,622	11.93	5.67	0.34	0.32	0.34	2,010	2,271	2,064	16.88	-2.93	-2.93	0.24	0.21	0.24	16.88	-2.93	-2.93	0.24	0.21	0.24
Burundi	0,059	0,069	0,099	0.00	0.01	0.03	0,322	0,410	0,348	27.32	14.95	0.08	0.08	0.04	0,380	0,429	0,447	25.90	-6.54	-6.54	0.05	0.04	0.05	25.90	-6.54	-6.54	0.05	0.04	0.05
Cameroon	5,020	5,832	3,432	1.23	1.07	0.91	3,621	4,385	3,777	21.08	18.86	0.86	0.83	0.80	8,641	10,217	7,209	18.23	29.44	29.44	0.04	0.05	0.04	18.23	29.44	29.44	0.04	0.05	0.04
Cape Verde	0,030	0,069	0,039	0.01	0.01	0.01	0,808	1,014	0,888	25.50	19.22	0.19	0.19	0.17	0,838	1,017	0,858	29.18	20.73	20.73	0.10	0.10	0.10	29.18	20.73	20.73	0.10	0.10	0.10
Central African Rep.	0,123	0,223	0,134	0.03	0.04	0.04	0,340	0,488	0,463	43.51	-5.24	0.08	0.09	0.10	0,463	0,711	0,597	53.45	16.12	16.12	0.06	0.07	0.07	53.45	16.12	16.12	0.06	0.07	0.07
Chad	2,275	3,481	2,193	0.56	0.64	0.58	0,714	0,880	0,876	24.50	-1.48	0.17	0.17	0.19	2,989	4,369	3,069	46.19	-29.76	-29.76	0.33	0.41	0.36	46.19	-29.76	-29.76	0.33	0.41	0.36
Comoros	0,035	0,034	0,027	0.01	0.01	0.01	0,160	0,224	0,209	39.67	-6.65	0.04	0.04	0.04	0,195	0,257	0,236	32.28	8.47	8.47	0.02	0.02	0.02	32.28	8.47	8.47	0.02	0.02	0.02
Congo, Dem. Rep. of	1,931	2,778	2,053	0.47	0.51	0.54	3,098	4,335	4,330	39.96	-0.12	0.73	0.82	0.92	5,028	7,113	6,383	41.47	10.26	10.26	0.66	0.66	0.75	41.47	10.26	10.26	0.66	0.66	0.75
Congo, Rep. of	7,050	10,619	8,156	1.72	1.95	2.16	3,720	3,595	3,469	3.37	-3.74	0.88	0.68	0.73	10,770	14,214	11,616	31.98	-18.28	-18.28	1.29	1.32	1.37	31.98	-18.28	-18.28	1.29	1.32	1.37
Cote D'Ivoire	8,295	10,227	8,623	2.03	1.88	2.28	6,668	7,611	6,356	14.15	-16.50	1.57	1.44	1.35	14,963	17,838	14,978	19.22	-16.03	-16.03	1.80	1.66	1.76	19.22	-16.03	-16.03	1.80	1.66	1.76
DRC	0,333	0,400	0,410	0.08	0.07	0.11	1,969	2,459	2,264	24.90	-7.94	0.46	0.47	0.48	2,301	2,858	2,674	24.21	-6.45	-6.45	0.28	0.27	0.31	24.21	-6.45	-6.45	0.28	0.27	0.31
Djibouti	23,859	29,319	24,658	5.83	5.38	6.53	50,768	64,672	59,722	27.39	-7.65	11.99	12.24	12.67	74,627	93,992	84,380	25.95	-10.23	-10.23	8.97	8.76	9.93	25.95	-10.23	-10.23	8.97	8.76	9.93
Egypt	8,201	13,221	8,251	2.01	2.42	2.18	1,339	1,671	1,750	24.74	-2.39	0.32	0.32	0.37	9,540	14,891	10,001	56.10	-32.84	-32.84	1.15	1.39	1.18	56.10	-32.84	-32.84	1.15	1.39	1.18
Ethiopia	0,011	0,011	0,011	0.00	0.00	0.00	0,581	0,602	0,587	3.47	-2.39	0.14	0.11	0.12	0,592	0,613	0,598	3.48	-2.41	-2.41	0.82	0.82	0.98	3.48	-2.41	-2.41	0.82	0.82	0.98
Ethiopia	1,230	1,429	1,382	0.30	0.26	0.37	5,623	7,383	6,904	31.29	-6.49	1.33	1.40	1.46	6,853	8,812	8,286	28.58	-5.97	-5.97	0.82	0.82	0.98	28.58	-5.97	-5.97	0.82	0.82	0.98
Gabon	6,272	8,490	6,069	1.53	1.56	1.61	2,736	2,807	2,388	2.60	-14.95	0.65	0.53	0.51	9,008	11,297	8,456	25.41	-25.15	-25.15	1.08	1.05	1.00	25.41	-25.15	-25.15	1.08	1.05	1.00
Gambia, The	0,046	0,062	0,046	0.01	0.01	0.01	0,848	0,892	0,873	5.22	-2.11	0.20	0.17	0.19	0,894	0,954	0,919	6.68	-3.59	-3.59	0.11	0.09	0.11	6.68	-3.59	-3.59	0.11	0.09	0.11
Ghana	3,242	3,753	3,379	0.79	0.69	0.89	9,572	11,912	10,106	24.45	-15.17	2.26	2.26	2.14	12,814	15,665	13,485	22.25	-13.92	-13.92	1.54	1.46	1.59	22.25	-13.92	-13.92	1.54	1.46	1.59
Guinea	1,683	1,896	1,548	0.41	0.35	0.41	2,967	3,767	3,581	26.95	-4.95	0.70	0.71	0.76	4,650	5,663	5,128	21.78	-9.45	-9.45	0.56	0.53	0.60	21.78	-9.45	-9.45	0.56	0.53	0.60
Guinea-Bissau	0,373	0,191	0,147	0.09	0.04	0.04	0,247	0,306	0,299	23.74	-2.33	0.06	0.06	0.06	0,620	0,497	0,446	-19.84	-10.29	-10.29	0.05	0.05	0.05	-19.84	-10.29	-10.29	0.05	0.05	0.05
Kenya	4,936	5,697	4,723	1.21	1.04	1.25	11,266	13,072	11,488	16.03	-12.12	2.66	2.47	2.44	2,409	2,501	2,373	15.84	-13.63	-13.63	1.95	1.75	1.91	15.84	-13.63	-13.63	1.95	1.75	1.91
Lesotho	0,805	0,882	0,820	0.20	0.16	0.23	1,604	1,618	1,553	0.87	-4.03	0.38	0.31	0.33	2,409	2,501	2,373	3.79	-5.10	-5.10	0.29	0.23	0.23	3.79	-5.10	-5.10	0.29	0.23	0.23
Liberia	1,864	0,846	0,836	0.46	0.16	0.23	8,806	11,641	10,902	32.19	-6.35	2.08	2.20	2.31	10,670	12,486	11,738	17.02	-5.99	-5.99	1.28	1.16	1.38	17.02	-5.99	-5.99	1.28	1.16	1.38
Libya	43,399	59,355	34,650	10.61	10.89	9.17	13,030	19,211	20,951	47.44	9.06	3.08	3.64	4.45	56,429	78,566	55,601	39.23	-29.23	-29.23	6.78	7.32	6.55	39.23	-29.23	-29.23	6.78	7.32	6.55
Madagascar	1,227	1,314	1,149	0.30	0.24	0.30	2,907	4,141	4,301	65.21	3.86	0.59	0.78	0.91	3,734	5,456	5,450	46.12	-0.10	-0.10	0.45	0.51	0.64	46.12	-0.10	-0.10	0.45	0.51	0.64
Malawi	0,792	0,846	0,911	0.19	0.16	0.24	0,905	1,224	1,301	35.33	11.19	0.21	0.23	0.29	1,696	2,070	2,272	22.04	9.76	9.76	0.20	0.19	0.27	22.04	9.76	9.76	0.20	0.19	0.27
Mali	0,255	0,241	0,260	0.06	0.04	0.07	2,843	3,085	2,908	8.51	-2.81	0.67	0.58	0.64	3,098	3,302	3,259	6.59	-1.31	-1.31	0.37	0.31	0.38	6.59	-1.31	-1.31	0.37	0.31	0.38
Mauritania	1,704	2,241	1,982	0.42	0.41	0.52	1,774	2,281	1,970	28.61	-13.63	0.42	0.43	0.42	3,478	4,522	3,953	30.01	-12.59	-12.59	0.42	0.42	0.47	30.01	-12.59	-12.59	0.42	0.42	0.47
Mauritius	1,968	2,015	1,729	0.48	0.37	0.46	3,877	4,567	3,989	17.80	-12.66	0.92	0.86	0.85	5,845	6,582	5,718	12.61	-13.12	-13.12	0.70	0.61	0.67	12.61	-13.12	-13.12	0.70	0.61	0.67
Morocco	15,607	19,408	14,156	3.82	3.56	3.74	32,540	42,075	33,140	29.30	-21.24	7.69	7.97	7.03	48,148	61,483	47,296	27.70	-23.08	-23.08	5.78	5.73	5.57	27.70	-23.08	-23.08	5.78	5.73	5.57
Mozambique	2,737	2,359	1,931	0.67	0.43	0.51	3,120	3,848	4,027	23.33	4.66	0.74	0.73	0.85	5,857	6,207	5,958	5.97	-4.01	-4.01	0.70	0.58	0.70	5.97	-4.01	-4.01	0.70	0.58	0.70
Namibia	2,915	3,107	2,376	0.71	0.57	0.63	3,087	3,932	4,388	27.37	11.59	0.73	0.74	0.93	6,003	7,039	6,764	17.27	-3.91	-3.91	0.18	0.30	0.36	17.27	-3.91	-3.91	0.18	0.30	0.36
Niger	0,384	1,518	1,450	0.09	0.28	0.38	1,085	1,662	1,605	53.14	-3.40	0.26	0.31	0.34	1,469	3,180	3,055	116.39	-3.91	-3.91	0.18	0.30	0.36	116.39	-3.91	-3.91	0.18	0.30	0.36
Nigeria	60,223	77,887	50,783	14.73	14.29	13.43	38,864	53,598	50,830	37.91	-5.16	9.18	10.15	10.78	99,087	131,485	101,613	32.70	-22.72	-22.72	11.90	12.25	11.96	32.70	-22.72	-22.72	11.90	12.25	11.96
Rwanda	0,243	0,289	0,280	0.06	0.05	0.07	0,801	1,148	1,067	43.28	-7.09	0.19	0.22	0.23	1,044	1,437	1,347	37.61	-6.24	-6.24	0.13	0.13	0.16	37.61	-6.24	-6.24	0.13	0.13	0.16
Sao Tome and Principe	0,009	0,007	0,008	0.00	0.00	0.00	0,081	0,105	0,102	29.50	-2.82	0.02	0.02	0.02	0,091	0,112	0,110	23.51	-1.52	-1.52	0.01	0.01	0.01	23.51	-1.52	-1.52	0.01	0.01	0.01
Senegal	1,724	1,906	1,591	0.42	0.35	0.42	5,113	6,404	4,936	25.26	-22.93	1.21	1.21	1.05	6,836	8,310	6,527	21.56	-21.45	-21.45	0.82	0.77	0.77	21.56	-21.45	-21.45	0.82	0.77	0.77
Seychelles	0,334	0,364	0,357	0.08	0.07	0.09	1,051	1,351	1,027	28.54	-24.00	0.25	0.26	0.22	1,385	1,715	1,383	23.80	-19.3										

Tanzania (-11%) and Ghana (-10%), among others, suffered sharp decreases in exports in 2009 compared to 2008. The observed sharp declines in export receipts weakened their capacity to import many essential goods. Consequently, the overall level of trade of oil-importing countries shrank significantly in 2009 in comparison to 2008.

During 2009, Africa recorded a trade deficit of about US\$93.3 billion in sharp contrast to the surplus of US\$17.01 billion posted in 2008 (Table 3.7). The trade deficit resulted from lower commodity prices which pushed down export revenues and worsened the trade balances of many African countries.

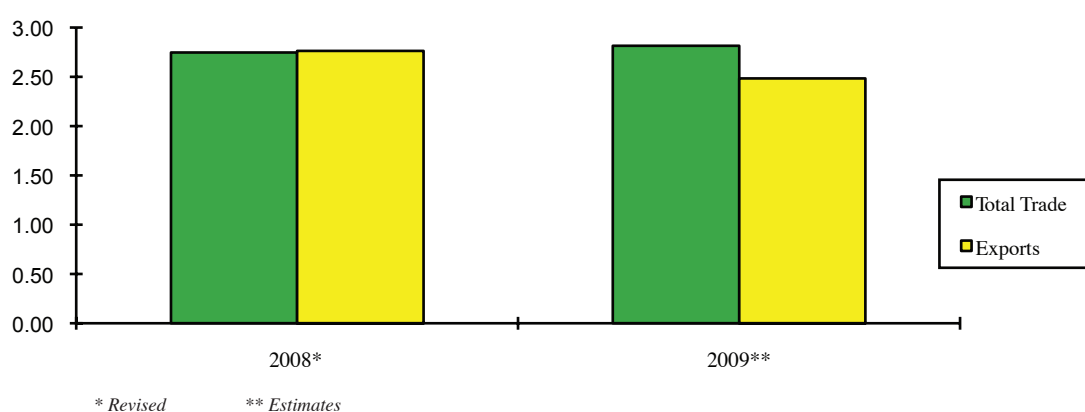
As in the previous years, a small number of leading exporting countries accounted for a lion's share of total African exports during the review period. Accordingly, five countries, namely South Africa (US\$60.44 billion or 15.99%), Nigeria (US\$50.78 billion or 13.43%), Angola (US\$49.15 billion or 13.00%), Algeria (US\$41.88 billion or

11.08%), and Libya (US\$34.65 billion or 9.17%) emerged as the leading exporting nations accounting for a combined share of about 62.7% of the Continent's total exports during 2009, a decrease of 3.8 percentage points compared to 2008.

With regard to imports, six leading importing countries, namely South Africa (US\$81.35 billion or 17.26%), Egypt (US\$59.72 billion or 12.67%), Nigeria (US\$ 50.83 billion or 10.78%), Algeria (US\$ 37.8 billion or 8.03%), Morocco (US\$ 33.14 billion or 7.03%) and Libya (US\$20.95 billion or 4.45%) accounted for a combined share of over 60% of the value of total African imports during the review period.

Consistent with trend, South Africa maintained its position as the leading trading nation during the period accounting for a share of 16.69 % of the value of total African trade in 2009 (slightly lower compared to the corresponding shares 18.94% and 16.97% in 2007 and 2008 respectively); followed by Nigeria (11.96% versus 12.25% in 2008), Egypt (9.93% vs.

Figure 3.3 Africa's Share of World Trade, 2008 - 09
(percent)



Sources: 1) IMF (2009) *Direction of Trade Statistics* (Database).
2) EIU, *Country Report* (various issues).
3) Afreximbank Staff estimates.

Table 3.8 Intra-African Trade, 2007 - 09^{a)}
(in US\$ billion unless otherwise indicated)

	Intra-African Exports			Country Share of Total Intra-African Exports, %			Intra-African Imports			Country Share of Total Intra-African Imports, %			Total Intra-African Trade			Growth Rate, %			Country Share of Total Intra-African Trade			Trade Balance Value (Exports - Imports)			
	2007*	2008*	2009**	2007	2008	2009	2007*	2008*	2009**	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007*	2008*	2009**	
Africa	1,025	2,587	1,660	2.86	5.66	3.97	93.14	-0.39	1.30	1.97	2.12	1.535	3,575	2,645	132.93	26.03	2.04	3.73	3.00	0.516	1,599	0,676			
Algeria	1,688	2,846	3,422	4.71	6.23	8.18	15.35	-0.75	2.60	2.37	2.54	2,709	4,033	4,599	48.87	14.05	3.40	4.21	5.21	0.668	1,660	2,244			
Angola	0.141	0.166	0.173	n/a	n/a	n/a	0.10	-16.51	1.13	1.06	0.96	0.585	0.699	0.618	19.45	-11.65	0.78	0.73	0.70	-0.303	-0.366	-0.272			
Benin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Botswana	0.087	0.107	0.088	0.24	0.23	0.21	0.44	-12.36	1.70	1.55	1.47	0.152	0.883	0.768	16.65	-13.05	1.01	0.92	0.87	-0.584	-0.669	-0.592			
Burkina Faso	0.009	0.012	0.011	0.03	0.03	0.03	0.13	-8.19	0.26	0.22	0.22	0.177	0.124	0.114	10.58	-7.67	1.05	1.13	0.13	-0.094	-0.101	-0.092			
Cameroon	0.506	0.578	0.529	1.41	1.26	1.26	7.35	0.928	1.87	1.86	1.54	1.241	1.506	1.244	21.33	17.43	1.65	1.57	1.41	-0.229	-0.350	-0.187			
Cape Verde	0.003	0.004	0.004	0.01	0.01	0.01	0.044	0.050	0.057	0.113	0.12	0.047	0.054	0.061	14.10	13.71	0.06	0.06	0.07	-0.040	-0.046	-0.054			
Central African Rep.	0.024	0.029	0.027	0.07	0.06	0.06	0.063	0.065	0.056	-11.10	-13.69	0.11	0.13	0.12	8.65	-12.10	0.10	0.10	0.09	-0.009	-0.033	-0.029			
Chad	0.014	0.016	0.014	0.04	0.03	0.03	0.163	0.193	0.161	-4.90	-16.31	0.41	0.39	0.35	18.16	-15.90	0.23	0.22	0.20	-0.149	-0.177	-0.147			
Comoros	0.003	0.003	0.003	0.01	0.01	0.01	0.037	0.032	0.028	-23.32	-13.00	0.09	0.06	0.06	11.46	-11.99	0.05	0.04	0.03	-0.034	-0.029	-0.025			
Congo, Dem. Rep. of	0.206	0.232	0.195	12.68	-15.77	0.57	1.721	2.429	2.522	46.51	3.81	4.38	4.86	5.44	1.927	2.661	2.717	38.10	2.10	2.56	-1.516	-2.198	-2.327		
Congo, Rep. of	0.105	0.129	0.099	23.14	-23.33	0.29	0.234	0.268	0.241	-13.22	-9.90	0.63	0.48	0.47	0.354	0.369	0.315	4.24	-14.59	0.47	-0.145	-0.112	-0.118		
Cote D'Ivoire	2,579	3,035	2,923	17.65	-3.66	7.19	6.64	6.99	2.107	2.685	2.010	-4.61	-25.15	5.36	5.37	4.34	4.687	5.720	4.934	22.05	-13.75	0.472	0.349	0.913	
Djibouti	0.280	0.320	0.346	0.85	0.78	0.70	0.099	0.089	0.081	-18.06	-9.15	0.25	0.18	0.17	0.379	0.409	0.427	7.91	4.30	0.50	0.481	0.231	0.265		
Egypt	1,619	1,977	2,023	22.09	2.31	4.51	4.33	4.83	1,550	1,827	1,482	-4.36	-18.88	3.94	3.65	3.20	3.169	3,804	3,505	20.04	-7.87	0.070	0.150	0.540	
Equatorial Guinea	0.122	0.139	0.063	0.34	0.30	0.15	0.201	0.229	0.176	-12.34	-22.99	0.41	0.46	0.38	0.323	0.368	0.239	13.98	34.97	0.43	0.38	0.27	-0.079	-0.090	-0.113
Eritrea	0.000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Ethiopia	0.128	0.155	0.142	21.72	-8.60	0.36	0.182	0.283	0.246	35.42	-13.16	0.46	0.57	0.53	0.309	0.439	0.388	41.81	-11.54	0.41	0.46	0.44	-0.054	-0.128	-0.104
Gabon	0.218	0.246	0.209	12.75	-14.78	0.61	0.275	0.316	0.238	-6.10	-18.26	0.70	0.63	0.56	0.493	0.562	0.408	15.94	-16.74	0.66	0.59	0.53	-0.057	-0.071	-0.049
Gambia, The	0.004	0.004	0.003	-5.31	-12.25	0.01	0.190	0.215	0.185	-2.47	-13.94	0.48	0.43	0.40	0.194	0.219	0.189	12.95	-13.91	0.26	0.23	0.21	-0.186	-0.212	-0.182
Ghana	0.341	0.396	0.363	16.02	-8.31	0.95	0.87	0.87	2.238	2.879	2.110	-5.75	-26.74	5.69	5.76	4.55	2.579	3.275	2.472	26.98	-24.51	3.43	3.42	2.80	
Guinea	0.130	0.052	0.045	-6.08	-13.59	0.11	0.234	0.268	0.241	2.97	-10.14	0.54	0.52	0.363	0.320	0.285	-12.07	-10.70	0.48	0.33	0.32	-0.024	-0.216	-0.196	
Guinea-Bissau	0.032	0.041	0.041	25.85	-0.59	0.09	0.056	0.064	0.136	143.08	112.17	0.14	0.13	0.29	0.088	0.105	0.177	18.70	68.86	0.12	0.11	0.20	-0.004	-0.023	-0.095
Kenya	1.740	1.928	1.721	10.83	-10.73	4.85	4.22	4.11	1,304	1,445	1,359	4.23	-5.97	3.32	2.89	2.93	3,044	3,373	3,080	10.84	-8.69	4.05	3.52	3.49	
Lesotho	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Liberia	0.021	0.041	0.035	96.76	-14.65	0.06	0.09	0.08	0.143	0.428	0.145	-1.34	-66.10	0.37	0.86	0.31	0.168	0.469	0.180	179.43	-61.64	0.22	0.49	0.20	
Libya	1.089	1.447	0.965	32.84	-33.29	3.04	1.123	1.428	1.417	26.19	-2.09	2.62	2.89	3.06	2.212	2.894	2.382	30.83	17.69	2.94	3.02	2.70	-0.034	-0.001	-0.452
Madagascar	0.271	0.334	0.381	33.62	-15.91	0.16	0.17	0.15	0.298	0.411	0.370	24.05	-9.97	0.76	0.82	0.80	0.555	0.487	0.434	37.12	10.91	0.47	0.51	0.49	
Malawi	0.028	0.032	0.028	13.99	0.75	0.73	0.91	0.502	0.502	0.502	0.685	36.48	36.48	1.28	1.00	1.48	0.773	0.836	1.066	8.21	27.49	1.03	0.87	1.21	
Mali	0.028	0.032	0.028	15.35	-12.22	0.08	0.07	0.07	1.432	1.555	1.493	4.24	-3.98	3.64	3.11	3.22	1.460	1.587	1.521	8.70	-4.15	1.94	1.66	1.72	
Mauritania	0.236	0.264	0.249	11.91	-5.43	0.66	0.66	0.58	0.60	0.154	0.196	0.163	0.163	0.39	0.35	0.390	0.459	0.412	17.89	-10.28	0.52	0.48	0.47		
Mauritius	0.238	0.210	0.189	-11.66	-10.12	0.66	0.46	0.45	0.454	0.630	0.573	26.12	-9.09	1.16	1.26	1.24	0.693	0.841	0.762	21.40	-9.35	0.92	0.88	0.86	
Monaco	0.755	0.870	0.754	15.29	-13.35	2.10	1.998	1.936	1.490	-25.45	-23.04	5.08	3.87	3.21	2.753	2.806	2.243	1.92	-20.04	3.66	2.93	2.54	-1.244	-1.066	-0.736
Mozambique	0.548	0.366	0.306	-33.21	-16.44	1.53	1.094	1.159	1.130	3.33	-2.46	2.78	2.32	2.44	1.642	1.525	1.436	-7.14	-5.82	2.18	1.59	1.63	-0.546	-0.793	-0.824
Namibia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Niger	0.128	0.160	0.162	25.28	8.85	0.36	0.36	0.35	0.268	0.483	0.369	37.49	-23.56	0.68	0.96	0.80	0.396	0.643	0.530	62.25	-17.48	0.53	0.67	0.60	
Nigeria	5,684	6,983	4,602	22.86	-34.10	15.84	15.28	11.00	1,938	2,631	2,669	37.67	1.44	4.93	5.26	5.76	7,622	9,614	7,270	26.13	-24.38	10.14	10.04	8.24	
Rwanda	0.010	0.013	0.013	31.88	5.71	0.03	0.03	0.03	0.301	0.405	0.365	61.20	-9.84	0.77	0.81	0.79	0.311	0.418	0.379	34.34	-9.37	0.41	0.44	0.43	
Sao Tome and Principe	0.001	0.001	0.001	15.81	-6.28	0.00	0.006	0.006	0.005	-6.64	-11.75	0.01	0.01	0.01	0.006	0.007	0.006	6.91	-11.08	0.01	0.01	0.01	-0.005	-0.005	-0.004
Senegal	0.728	0.834	0.740	14.45	-11.21	2.03	1.82	1.77	0.614	0.734	0.630	2.57	-14.14	1.56	1.47	1.36	1.343	1.568	1.370	16.74	-12.58	1.79	1.64	1.55	
Seychelles	0.052	0.059	0.058	13.30	-0.21	0.14	0.14	0.14	0.095	0.106	0.106	11.13	0.21	0.24	0.21	0.23	0.147	0.164	0.165	11.74	0.06	0.20	0.17	0.19	
Sierra Leone	0.013	0.015	0.018	16.08	17.24	0.04	0.03	0.04	0.107	0.112	0.109	1.97	-2.96	0.27	0.22	0.23	0.120	0.127	0.127	6.30	-0.52	0.16	0.13	0.14	
Somalia	0.018	0.022	0.021	21.94	-3.58	0.05	0.05	0.05	0.389	0.472	0.500	28.57	5.89	0.99	0.94	1.08	0.407	0.494	0.521	21.45	5.46	0.54	0.52	0.59	
South Africa	9,489	12,626	13,267	33.06	5.08	26.45	27.62	31.71	5,884	7,562	7,589	28.98	0.36	14.96	15.11	16.37	15,373	20,888	20,856	31.32	3.31	20.44	21.09	23.65	
South Sudan	0.095	0.206	0.196	115.94	-4.64	0.27	0.45	0.47	0.733	1.193	1.242	69.44	4.13	1.86	2.38	2.68	0.828	1.399	1.438						

Table 3.9 Africa: Intra-Regional Trade Statistics by Country, 2007 - 09
(in US\$ billion unless otherwise indicated)

	Total Exports			Intra-African Exports			Share of Intra-African Exports in Total Exports, %			Total Imports			Intra-African Imports			Share of Intra-African Imports in Total Imports, %			Total Trade			Total Intra-African Trade			Share of Intra-African Trade in Total Trade, %						
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009				
Africa	56 009	76 314	41 884	1 025	2 587	1 660	1 81	3 39	3 96	27 295	39 135	37 843	1 87	2 51	2 60	83 795	115 648	79 727	1 535	3 575	2 665	1 83	3 09	3 32	1 535	3 575	2 665	1 83	3 09	3 32	
Algeria	36 666	66 432	49 151	1 088	2 846	3 422	4 60	4 28	6 96	13 107	21 232	19 299	1 021	1 186	1 177	7 79	5 59	6 10	2 709	4 033	4 599	5 44	4 60	6 72	2 709	4 033	4 599	5 44	4 60	6 72	
Angola	0 453	6 603	0 519	0 141	0 166	0 173	3 112	27 58	33 33	5 146	7 008	6 993	0 444	0 533	0 445	8 03	7 60	6 36	0 585	0 699	0 618	10 45	9 19	8 22	0 585	0 699	0 618	10 45	9 19	8 22	
Benin	5 158	4 707	2 982	n/a	n/a	0 000	n/a	n/a	n/a	3 447	4 488	3 829	n/a	n/a	n/a	43 72	45 21	41 92	0 757	0 883	0 768	37 66	39 76	37 20	0 757	0 883	0 768	37 66	39 76	37 20	
Botswana	0 477	0 505	0 442	0 087	0 107	0 088	18 17	21 25	19 89	0 322	0 410	0 348	0 103	0 112	0 103	32 00	27 41	29 59	0 112	0 114	0 114	29 46	25 87	25 56	0 112	0 114	0 114	29 46	25 87	25 56	
Burkina Faso	0 059	0 069	0 099	0 009	0 012	0 011	15 46	16 74	11 37	0 322	0 410	0 348	0 103	0 112	0 103	32 00	27 41	29 59	0 112	0 114	0 114	29 46	25 87	25 56	0 112	0 114	0 114	29 46	25 87	25 56	
Burundi	5 020	5 832	3 432	0 506	0 578	0 529	10 08	9 91	15 40	3 621	4 385	3 777	0 735	0 928	0 715	20 31	21 17	18 93	1 241	1 506	1 244	14 37	14 74	17 25	1 241	1 506	1 244	14 37	14 74	17 25	
Cameroun	0 300	0 269	0 039	0 003	0 004	0 004	1 913	5 82	9 30	0 808	1 014	0 819	0 044	0 050	0 057	5 39	4 89	6 99	0 047	0 054	0 061	5 60	4 94	7 09	0 047	0 054	0 061	5 60	4 94	7 09	
Cape Verde	0 123	0 223	0 134	0 024	0 029	0 027	1 913	13 08	19 91	0 340	0 488	0 463	0 063	0 065	0 065	18 41	13 22	12 04	0 086	0 094	0 082	18 60	13 17	13 80	0 086	0 094	0 082	18 60	13 17	13 80	
Central African Rep.	2 275	3 081	2 193	0 014	0 016	0 014	8 28	7 91	9 96	0 160	0 224	0 206	0 163	0 163	0 161	22 79	21 68	18 41	0 176	0 209	0 175	5 91	4 77	5 71	0 176	0 209	0 175	5 91	4 77	5 71	
Chad	0 035	0 034	0 027	0 003	0 003	0 003	8 28	7 91	9 96	0 160	0 224	0 206	0 163	0 163	0 161	22 79	21 68	18 41	0 176	0 209	0 175	5 91	4 77	5 71	0 176	0 209	0 175	5 91	4 77	5 71	
Comoros	1 931	2 778	2 053	0 206	0 232	0 195	10 86	8 34	9 50	3 098	4 335	4 330	1 721	2 429	2 322	55 57	56 03	58 24	1 927	2 661	2 717	38 32	37 41	42 56	1 927	2 661	2 717	38 32	37 41	42 56	
Congo Dem. Rep. of	7 050	10 619	8 156	0 105	0 129	0 099	1 48	1 21	1 21	3 720	3 595	3 460	0 250	0 240	0 217	6 71	6 69	6 26	0 354	0 369	0 315	3 29	2 60	2 71	0 354	0 369	0 315	3 29	2 60	2 71	
Congo, Rep. of	8 295	10 227	8 623	2 579	3 035	2 923	3 109	29 67	33 90	6 668	7 611	6 536	2 107	2 685	2 010	31 61	35 28	31 63	4 687	5 720	4 934	31 32	32 07	32 94	4 687	5 720	4 934	31 32	32 07	32 94	
Cote D'Ivoire	0 333	0 400	0 410	0 280	0 320	0 346	84 27	80 09	84 26	1 969	2 459	2 264	0 099	0 089	0 081	5 02	3 63	3 58	0 379	0 409	0 427	16 48	14 32	15 96	0 379	0 409	0 427	16 48	14 32	15 96	
Djibouti	23 389	29 319	24 658	1 619	1 977	2 023	6 79	6 74	8 20	50 768	64 672	59 722	1 550	1 827	1 482	1 550	2 83	2 48	74 627	93 992	84 380	3 169	3 804	4 25	4 05	3 169	3 804	4 25	4 05	4 15	
Egypt	8 201	13 221	8 251	0 122	0 139	0 063	1 48	1 05	0 76	1 339	1 671	1 750	0 201	0 229	0 176	15 03	13 71	10 08	0 323	0 368	0 239	3 39	2 47	2 39	0 323	0 368	0 239	3 39	2 47	2 39	
Equatorial Guinea	0 011	0 011	0 011	n/a	n/a	n/a	n/a	n/a	n/a	0 381	0 602	0 587	n/a	n/a	n/a	n/a	n/a	n/a	0 592	0 613	0 598	n/a	n/a	n/a	n/a	0 592	0 613	0 598	n/a	n/a	n/a
Eritrea	1 230	1 429	1 382	0 128	0 155	0 142	10 39	10 88	10 28	5 623	7 383	6 904	0 182	0 283	0 246	3 23	3 84	3 56	0 309	0 439	0 388	4 52	4 98	4 69	0 309	0 439	0 388	4 52	4 98	4 69	
Ethiopia	6 272	8 490	6 069	0 218	0 246	0 209	3 47	2 89	3 45	2 736	2 807	2 388	0 275	0 316	0 258	10 06	11 26	10 82	0 493	0 562	0 468	5 47	4 97	5 53	0 493	0 562	0 468	5 47	4 97	5 53	
Gabon	0 046	0 062	0 046	0 004	0 003	0 003	8 32	5 91	6 91	0 848	0 892	0 873	0 190	0 215	0 110	23 33	24 17	20 88	0 194	0 219	0 189	21 70	22 97	20 52	0 194	0 219	0 189	21 70	22 97	20 52	
Gambia, The	3 242	3 753	3 379	0 341	0 396	0 363	10 52	10 55	10 74	9 272	11 912	10 106	2 238	2 879	2 110	23 38	24 17	20 88	12 814	15 665	13 485	2 579	3 275	2 472	12 814	15 665	13 485	2 579	3 275	2 472	
Ghana	1 683	1 896	1 548	0 130	0 082	0 045	7 71	2 73	2 89	2 967	3 767	3 581	0 234	0 268	0 241	7 88	7 11	6 72	0 363	0 320	0 285	7 82	5 64	5 57	0 363	0 320	0 285	7 82	5 64	5 57	
Guinea	0 373	0 191	0 147	0 032	0 041	0 041	8 67	21 29	27 82	0 347	0 306	0 299	0 056	0 064	0 136	22 62	20 94	45 50	0 088	0 105	0 177	14 23	21 08	39 67	0 088	0 105	0 177	14 23	21 08	39 67	
Guinea-Bissau	4 936	5 697	4 723	1 740	1 928	1 721	35 25	35 85	36 45	11 266	13 072	11 488	1 304	1 445	1 359	11 57	11 05	11 83	16 202	18 769	16 210	3 044	3 373	3 080	16 202	18 769	16 210	3 044	3 373	3 080	
Kenya	0 805	0 882	0 820	n/a	0 000	n/a	n/a	n/a	n/a	1 604	1 618	1 553	n/a	n/a	n/a	n/a	n/a	n/a	2 409	2 501	2 373	n/a	n/a	n/a	n/a	2 409	2 501	2 373	n/a	n/a	n/a
Lesotho	1 864	0 846	0 836	0 021	0 041	0 035	1 11	4 81	4 15	8 806	11 641	10 902	0 147	0 428	0 145	1 67	3 68	1 33	0 168	0 469	0 180	1 57	3 75	1 53	0 168	0 469	0 180	1 57	3 75	1 53	
Liberia	43 399	59 355	34 650	1 089	1 477	0 965	2 51	2 44	2 78	13 030	19 211	20 951	1 298	1 448	1 417	8 62	7 54	6 76	56 429	78 566	55 601	2 212	2 894	2 382	56 429	78 566	55 601	2 212	2 894	2 382	
Libya	1 227	1 314	1 149	0 057	0 076	0 064	4 66	5 81	5 59	2 307	4 141	4 301	0 283	0 441	0 370	11 90	9 92	8 60	0 355	0 487	0 434	9 52	8 93	7 97	0 355	0 487	0 434	9 52	8 93	7 97	
Madagascar	0 792	0 846	0 911	0 271	0 334	0 381	34 20	39 52	41 83	0 805	1 224	1 264	0 502	0 502	0 502	55 49	41 00	50 33	0 773	0 836	1 066	45 56	40 39	46 92	0 773	0 836	1 066	45 56	40 39	46 92	
Malawi	0 255	0 217	0 260	0 028	0 028	0 028	10 91	14 77	10 81	2 843	3 085	2 998	1 432	1 555	1 493	50 37	50 40	49 79	1 460	1 587	1 521	47 13	48 06	46 92	1 460	1 587	1 521	47 13	48 06	46 92	
Mali	1 704	2 241	1 982	0 236	0 264	0 249	13 83	11 77	12 58	1 774	2 461	1 970	0 154	0 196	0 160	8 68	8 57	8 25	0 390	0 459	0 412	11 20	10 16	10 42	0 390	0 459	0 412	11 20	10 16	10 42	
Mauritania	1 968	2 015	1 729	0 238	0 210	0 189	12 11	10 45	10 94	3 877	4 567	3 989	0 454	0 630	0 573	11 72	13 80	14 37	0 693	0 841	0 762	11 85	12 78	13 33	0 693	0 841	0 762	11 85	12 78	13 33	
Mauritius	15 007	19 408	14 156	0 755	0 870	0 754	4 84	4 48	5 33	32 540	42 075	33 140	1 998	1 936	1 490	6 14	4 60	4 49	48 148	61 483	47 296	2 753	2 806	2 243	48 148	61 483	47 296	2 753	2 806	2 243	
Morocco	2 737	2 359	1 931	0 548	0 366	0 306	20 03	15 53	15 85	3 120	3 848	4 027	1 094	1 130	1 130	35 06	30 11	28 07	1 642	1 525	1 436	28 04	24 57	24 11	1 642						

8.76% in 2008), Algeria (9.39% vs. 10.77% in 2008), Angola (8.06% vs. 8.17% in 2008), Libya (6.55% vs. 7.32% in 2008) and Morocco (5.57% vs. 5.73% in 2008). During the review period, the Continent's share of global exports declined from 2.76% in 2008 to 2.48% in 2009, while its share of global trade increased slightly to 2.82% from a level of 2.75% in 2008 (Figure 3.3).

3.2.3 Intra African Trade

During the review period, the total value of intra-African trade contracted by about 8% year-on-year. It is worth noting, however, that the decline in value of intra-African trade was much lower than the 21% contraction in the value of total African Trade. The lower than expected contraction in total intra-African trade seen in 2009 owed much to the continued pursuit of export-led economic growth strategy by many African countries; continued search for cross-border trade opportunities within the Continent by African entrepreneurs and corporates; sustained efforts of African governments in deepening economic integration at the sub-regional and regional levels; improved intra-African air and shipping links; and rising intra-regional banking relationships driven by Afreximbank-sponsored African Bankers' Association (AfBA) and banking sector reforms in a number of African countries, all of which enabled many African countries to source some of their import needs from within the Continent. As in previous periods, during 2009, many African countries continued to source a significant proportion of their grain needs from South Africa and Kenya while many net oil importing African countries

sourced a significant proportion of their refined petroleum needs from major refineries in Africa. In line with historical trend, South Africa maintained its position as the leading intra-African trading nation accounting for a share of about 24% of total intra-African trade during the period, up from a level of 21% in 2008 (Table 3.8).

Consistent with past trend, cross-country distribution of intra-African exports continued to be dominated by a small number of countries. In this regard, seven countries, namely South Africa (31.71%), Nigeria (11.0%), Angola (8.18 %%), Côte d'Ivoire (6.99%) Egypt (4.83%), Kenya (4.11%) and Algeria (3.97%) accounted for a combined share of about 71 % of total intra-African exports during 2009, slightly higher than their combined share of 70% achieved a year earlier (Table 3.8).

During 2009, intra-African imports shrank by about 7.34% to reach US\$46.36 billion, from a level of US\$50.03 billion in 2008. Six countries, namely South Africa (16.37%), Zimbabwe (6.12%), Zambia (6.10%), Nigeria (5.76%), Congo, Democratic Republic (5.44%) and Ghana (4.55%), emerged as the leading intra-African importing countries with a combined share of over 44% of total intra-African imports in 2009, slightly higher than their share of 41% in 2008 (Table 3.8).

Largely as a result of the sharp decline of 21% in total African trade compared to a lower contraction of about 8% in total intra-African trade, the share of intra-African trade in total African trade increased to 10.38% in 2009, from a level of 8.92% in 2008 (Table 3.9 and Figure 3.4).

In line with historical trend, during the period, regional distribution of intra-African trade saw southern (38.95%) and western (22.51%) Africa maintain their positions as the leading intra-African trading sub-regions with a combined share of over 61% of the trade (Table 3.8 and Figure 3.5).

As shown in Table 3.9, the countries that traded the most with Africa given the percentage share of their intra-African trade in their total trade, during the review period, included

Zimbabwe (74.7%), Somalia (59.91%), Zambia (56.81%), Malawi (46.92%), Mali (46.68%), Democratic Republic of Congo (42.56%) and Guinea Bissau (39.67%). As in previous periods, the bulk of the imports originated from South Africa, Nigeria, Cote d'Ivoire and Kenya.

During the review period, all but eleven countries recorded deficits in their balances of intra-African trade, unchanged from the number of countries (that registered such

Figure 3.4 Share of Intra-African Trade in Total African Trade, 2008 - 09

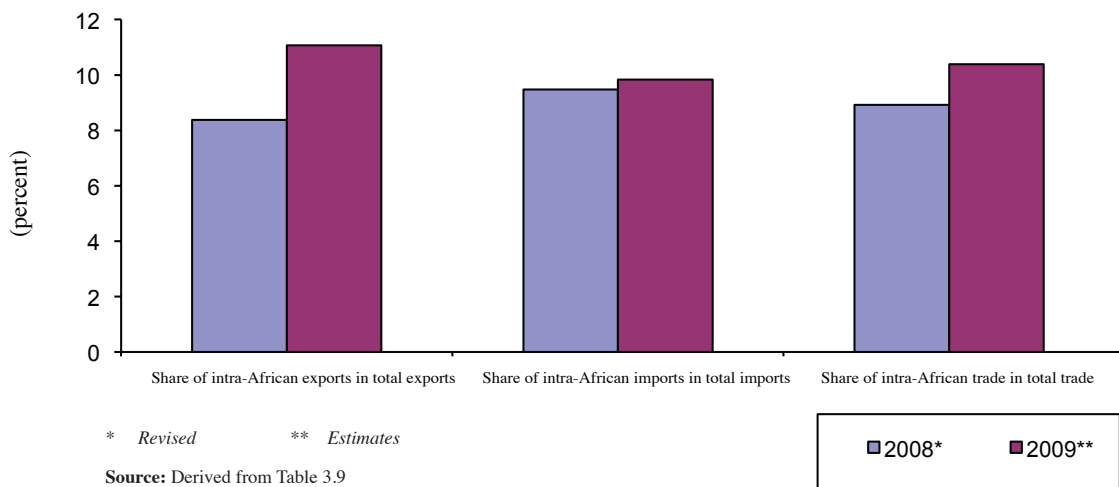
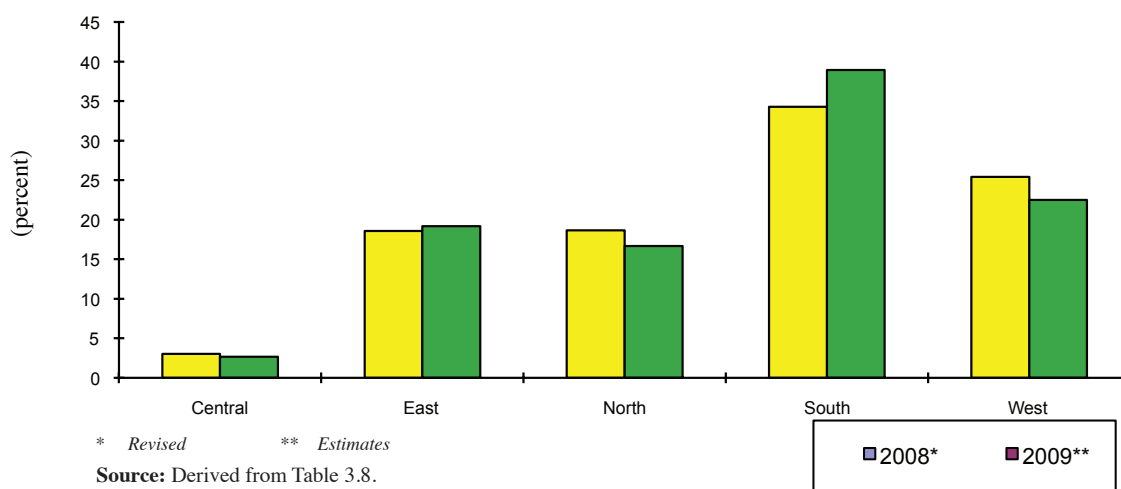


Figure 3.5: Sub-Regional Share of Total Intra-African Trade, 2008 -09



surpluses) a year earlier (Table 3.8). This situation arose from high concentration of intra-African exports and the continued domination of the trade by a handful of countries. During the review period, a higher concentration reflected by a higher skew statistic of about 5.1 was exhibited by intra-African exports compared to a broader spread of the intra-African import trade evidenced by a lower skew statistic of 3.3 for the trade (Table 3.9).

3.2.4 Regional Cooperation in Africa

On May 15, 2009, a meeting of the ECOWAS (Economic Community of West African States) Ministerial Monitoring Committee (MMC) was held in Abuja, Nigeria to address outstanding issues relating to the Negotiation of the bloc's EPA (Economic Partnership Agreement) with the European Union. At that meeting, the MMC, which comprises of ECOWAS Ministers of Trade and Finance, urged regional negotiators to work towards securing unequivocal commitment from the European Commission and EU Member States to contribute to the funding of a EPA development programme ("EPA Development Programme" or "EPADP") to ameliorate the potential side-effects of the agreement on the socio-economic development of West Africa, and ensure that financial contribution to the EPADP is "adequate and accessible" beyond the commitment already made in the European Development Fund (EDF); called for a rapid mobilization of resources required to implement priority projects that will improve the competitiveness of West African economies as they open their markets to EU goods; and

reiterated their position of July 2007 that only 60-70% of the regional economy should be affected over a transition period of 25-30 years preceded by a 5-7 year moratorium; and urged the ECOWAS Commission to ensure linkages between the market access and the commitment expected from the EC in respect of the financing of the proposed development package, among others.

During May 27-28, 2009, the 3rd SADC (Southern Africa Development Community) Multi-stakeholder Water Dialogue was held in Johannesburg, South Africa. The Meeting was attended by 110 delegates comprising groundwater scientist, representatives from water, health, mining, economic planning, tourism, environment and agriculture sectors from the SADC member states, as well as representatives of donor and international development agencies. The Water Dialogue was organized on behalf of SADC Secretariat by the Global Water Partnerships South Africa (GWP-SA) and funded by the Government of Denmark under the SADC/DANIDA Regional Water Sector Programme. At that meeting, delegates noted the inadequate use and development of underground water in the region and attributed it to widespread lack of knowledge of groundwater and its role in national and regional development objectives; emphasized the need for greater awareness on groundwater's role towards improvement in water supply in the rural areas of many countries in the region; and underscored the need for policy makers to understand groundwater and fully integrate it in their planning, management, and resource allocation so that the region can benefit from the hidden resource in a sustainable manner.

On November 13, 2009, a meeting of SADC Ministers of Environment and Sustainable Development was held in Victoria Falls, Zimbabwe. The Meeting, which was attended by Ministers from Botswana, Lesotho, Malawi, Namibia, South Africa and Zimbabwe, as well as representatives from the Democratic Republic of Congo and the United Republic of Tanzania, reviewed the status of implementation of key decisions taken at their previous meetings; deliberated on the implementation of ongoing programmes; and provided a road-map for the sector. Further, the Meeting underscored the importance of the environment and natural resources and called for effective implementation of the environment and natural resource programmes; stressed the need to strengthen the capacity of the Environment and Sustainable Development Unit and made recommendations to the SADC Council in that regard; and approved the Sub-Regional Environment Action Plan (SREAP) for the purpose of promoting sustainable use of the region's natural resources, supporting implementation of multilateral environmental agreements, and enhancing human and institutional capacities within the bloc to enable them grapple with environmental challenges facing the region.

3.3 CONCLUDING REMARKS

The major politico-economic developments that shaped the Bank's operating environment in 2009 chronicled in Chapters 2 and 3 of this Report shows an operating environment that was generally difficult with the first half of the

year being more challenging than the second half, as the turbulence that began during the second half of 2008 in major financial markets and the consequent decimation of consumer and business confidence across the developed economies, intensified during the first half of 2009 before easing somewhat during the second half of 2009. In this regard, the financial crisis, which affected the Advanced economies during the second half of 2008, entered a more turbulent phase and mutated into a serious global economic and financial crises marked by a potential global financial meltdown given the extreme volatilities and declines in asset prices on major bourses and sharp contraction in output in both developed and developing countries during the first half of 2009. These challenging developments constrained activity levels in both developed and developing economies and pushed the global economy into its worst recession in 60 years, culminating in respective year-on-year contraction in global output and trade of about 0.6% and 11% in 2009.

African economies were directly affected by the difficulties that prevailed in the global economic environment during the period. Specifically, the levels of activity of African economies and counterparties were negatively impacted by the credit crunch that affected availability and cost of funds in the international credit market, and the global economic slowdown that pushed down prices and earnings from Africa's commodity exports, especially during the first half of 2009. That notwithstanding, Africa benefited from a number of positive external developments that occurred during the second half of 2009, such as the modest rebound in commodity demand and prices,

low interest rates, and a pickup in official capital inflows driven by coordinated global initiatives of the G7, G20, and multilateral financial institutions, such as the World Bank and the IMF aimed at stimulating financial flows into developing countries, especially trade financing for essential imports. These positive external factors coupled with other internal ones, such as sustained improvement in economic fundamentals in many parts of Africa as a result of continued recourse to sound macroeconomic policies, let-up in civil and political conflicts, and general improvement in political governance, amongst others, helped the Continent to achieve another

year of economic growth, albeit at a highly decelerated rate. Against this back drop, the rate of growth of Africa's real GDP decelerated sharply to 2.26% in 2009 from an impressive level of 5.5% in 2008. Africa's total trade and intra-regional trade also suffered respective year-on-year contraction of 21% and 8% in 2009.

The review of the global and African macroeconomic environments presented in this and the previous Chapter, that is, Chapters 2 and 3, shed light on the major developments that shaped the Bank's operational performance as discussed in Chapter 4 of this Report.

Part 2: Afreximbank Activities

Part Two of this Report discusses operations and activities of the Bank during the year in review. It also analyses the Bank's financial performance. The Report shows that the Bank maintained improved operational and financial performance despite the difficulties precipitated by global financial and economic crises that contributed to a contraction of the global economy, and a slowdown of the African economies, as a group, during the review period.



4 AFREXIMBANK OPERATIONS AND ACTIVITIES

4.1 INTRODUCTION

The Bank's operations and activities in 2009 were undertaken within the context of the Bank's strategic plans for the year as captured in Project ASPIRE and developments in the global economy in general and the African economy in particular. As discussed in Chapters Two and Three of the Report, the global economic slowdown that began during the second half of 2008 intensified during the first half of 2009 before easing somewhat during the second half of the year. Those difficulties provided both challenges and opportunities which informed the focus and slant of the Bank's lending operations and activities during the review period.

Internally, Management intensified the implementation of the Bank's Third Strategic Plan, mindful of heightened operational risks that arose from the uncertain external environment. Focus was maintained on growing and diversifying the Bank's loan assets by product and geography; enhancing the Bank's profitability; tenacious pursuit of the Bank's goal of diversifying its funding base which itself was dependent on achieving an investment grade international credit rating; elevating the Bank's profile internationally; and pursuing the strengthening of the Bank's systems and branch offices as well as issues connected with final reconciliation of all Shareholders. Management also had to deal with the challenge of how to respond to an unprecedented demand for the

Bank's resources. These issues required an active implementation of the Bank's staffing plan for the year; continued active mobilization of equity; raising appropriate funding in support of the planned loan asset growth; and a reform of the Bank's Human Resource Systems to bring them in line with best practices in the industry while enabling the identification and reward of high performers. For the purpose of consolidating the Bank's position as a credible counterparty in the international credit markets, the Bank subjected itself to a credit rating by international credit rating agency, namely Fitch Ratings. Following a rigorous ratings process, Fitch Ratings assigned an investment grade credit rating of BBB- to the Bank in October 2009. The assigned rating was based on the intrinsic strength of the Bank and not on Shareholder support as is the case with most multilaterals. The rating was significant for two reasons namely: (a) it was achieved at a period of great global economic uncertainty; and (b) the Bank's assets were 85% accounted for by loans and advances to African entities. Fitch Ratings anchored the assigned rating on the Bank's preferred creditor status in its 33 member countries and the highly secure and structured nature of its trade finance lending.

Externally, the Bank's activities and operational achievements were influenced by a number of challenges in the global and African environments principal among them being the ongoing deleveraging process and the

consequent credit squeeze in international financial markets which weighed down global investment spending; deepened global economic uncertainties; a sharp contraction in levels of African and global trade occasioned by weak global demand and signs of return to “economic nationalism” policies as some major economies sought to stimulate domestic production and employment through protection of domestic industries; lingering difficulties in reconciling sharp differences between developed and developing countries in the ongoing Doha Round of Multilateral Trade Talks; and generally poor growth performance of many African economies as a result of weak commodity prices, sharp retreat in migrant remittances, FDI, and other capital inflows, among other constraints. Moreover, financial sector difficulties in our key operating markets, such as Nigeria where the Central Bank of Nigeria (CBN) intervened to deal with the problem of bad loans and other governance issues within the banking industry, and Zimbabwe where the issue of recapitalisation of banks and dollarization, and other challenges relating to national economic recovery efforts, worked to constrain the Bank’s business during the review period.

The above developments chronicled in Chapters Two and Three of the Report show a very challenging operating environment for business during the review period. It also opened opportunities for institutions, such as

the Bank, created in response to, and equipped to deal with such crisis. For example, the retreat of international banks from African trade finance contributed in pushing the demand for the Bank’s facilities from the usual annual average of about US\$3 billion to unprecedented level of about US\$14 billion by the end of the year. Against this backdrop, Management intensified efforts to ensure that the Bank assisted member countries to access the international financial market for crucial trade finance needs. The expanded demand for the Bank’s facilities raised the Bank’s loan portfolio and created other fee-based revenue enhancing opportunities. Given a higher risk environment, Management operated within the Bank’s risk tolerance levels founded on maintaining a good balance between profitability, liquidity and safety. It also strengthened the Bank’s risk management system by adopting the Enterprise Risk Management (ERM) Framework, which necessitated the creation of a distinct risk management function. These and other innovative approaches to managing the Bank’s business during the global financial crisis of 2008/9 are summarised in Box 4.1.

This chapter discusses the activities and operations of the Bank in the context of the global and African socio-economic environments that prevailed during the review period and the operational goals and targets deriving from the Bank’s 2009 Budget.

BOX 4.1 THE IMPACT OF THE GLOBAL ECONOMIC AND FINANCIAL CRISES ON THE OPERATIONS OF THE BANK

The global economic crisis which began during the second half of 2008 intensified during the first half of 2009. The crisis had its origins in 2007 as a U.S mortgage market crisis, which metamorphosed into a credit, then financial and eventually a global economic crisis. These challenges pushed the global economy

into its worst recession in 60 years with the level of global output contracting by 0.6% in 2009 in sharp contrast to respective growth rates of 5.2% and 3% achieved in 2007 and 2008. The contraction in global output was precipitated by turbulence in major financial markets; widespread deleveraging activities and the consequent credit squeeze in international financial markets and its constraining effect on consumption and investments worldwide; and continued weak equity and housing markets across mature economies which negatively affected consumer and business confidence across developed and major emerging economies, among others.

African economies were not spared the ravages of the crises due to the increasing integration of the Continent into the global economy. For a continent whose economic performance is driven largely by activity levels in the tradables sector comprising agriculture and the extractive industries, the weak international commodity prices that prevailed during 2009 constrained the trade and economic growth performances of African economies, as a group. The impact of the global economic crisis on Africa was transmitted through a number of channels: (a) economic recession in developed economies, which negatively affected the demand for Africa's exports and reduced import capacity of many African economies; (b) a significant drop in equity prices as foreign portfolio flows exited; (c) sharp cuts in external financing and a virtual dry-up of trade finance flows to Africa; (d) sharp retreat in tourism receipts, migrant remittances and other forms of capital inflows, such as FDI as a result of heightened global economic uncertainties; and (e) near-collapse of international investor confidence, especially in investment vehicles and/or opportunities offered by developing counterparties, especially those in Africa.

On account of these developments, the value of total African trade, which rose by an impressive 29% year-on-year to reach an all-time high of US\$1,073 billion in 2008, shrank by about 21% year-on-year to US\$849.4 billion in 2009. Intra-African trade also declined by a significant 8% from a level of US\$95.74 billion in 2008 to US\$88.2 billion in 2009. Against this backdrop, African economies, as a group, experienced a deterioration in economic performance with the rate of growth of their gross domestic product (GDP) decelerating to 2.26%, from an impressive 5.5% in 2008.

As a result of the difficult global and African macroeconomic conditions that prevailed in 2009, the Bank's operations witnessed certain challenges. These included:

- a) the moral and actual pressure of how to deal with a crisis situation similar to what triggered the Bank's conception and establishment. The withdrawal of international banks from African trade finance and the high cost of trade finance that prevailed, were the problems the Bank was created to tackle;
- b) related to and arising from (a) was the challenge of over three-fold increase in demand for the Bank's services. Requests for lines of credit in favour of local banks and Letter of Credit Confirmation lines for equipment and other essential goods imports ballooned as a result of high volume of facility requests from a number of African counterparties that had hitherto not approached the Bank for assistance, as well as increased facility requests from existing customers. Export finance requests also rose significantly;
- c) heightened pre-export financing risks as it was no longer possible to trust even highly rated corporates and banks in OECD countries as good payment risk counterparties;
- d) increased pressure on human and financial resources of the Bank to meet the surge in demand for the Bank's credit facilities and services;
- e) increased credit risks associated with uncertainties in the global and African macroeconomic environments following the sharp drop in exports and the consequent worsening of external balances of many African countries and counterparties, which called for caution in the Bank's lending operations; and
- f) stringent borrowing terms that also confronted the Bank, including short tenors and higher spreads. Some correspondent banks abruptly cut credit lines to the Bank as they sought to strengthen their balance sheets.

As the crisis intensified, Management assessed the situation and concluded that the immediate impact on the Bank would be on liquidity, given that many of its partner banks would not be in a position to continue lending. Management considered it critical that whatever the situation, the Bank should:

- (i) meet all its obligations on terms agreed with its creditors and other counterparties, including maintaining a decent profitability level; and
- (ii) continue lending as Management was convinced that the crisis offered a rare opportunity for the Bank to demonstrate to its Shareholders in need of its support, the value of the investment they made in the Bank.

Accordingly, the President established a Liquidity Management Working Group (LMWG) tasked with the following:

1. ensuring that the Bank maintained adequate liquidity and profitability to fulfill the obligations listed in (i) and (ii) above;
2. to identify any opportunities that might arise from the crisis and which the Bank should take advantage of; and
3. given the elevated risk environment, to monitor the Bank's debtors, depository banks, countries where the Bank had exposure to, as well as other credit counter-parties, for any early warning signals that might require a strategic response from the Bank.

Management thought that the crisis also provided an opportunity to hire very good professionals, as the pool of such individuals would have enlarged due to massive job losses around the world.

The lessons of the crisis also brought to the fore the benefits of adopting an Enterprise Risk Management Framework as the philosophical basis for risk management in the Bank, and Management embraced this approach.

The results of these efforts were in Management's view remarkable, as summarized below:

- (a) The key objectives regarding meeting all obligations, maintaining profitability and continuing lending when others were retreating, were achieved. Being able to close a deal in late 2008, working with HSBC, in an amount of about US\$200 million, earned the Bank two major Awards from Euromoney in 2009.
- (b) The Bank, within a short period, diversified its funding sources. Funding from Export Credit Agencies (ECAs) and Development Finance Institutions (DFIs) such as EKN, Sweden, SACE, Italy, Exim China, the US-GSM Programme, JBIC, China Development Bank, DBSA, IFC, EDC, Canada, in an aggregate amount of about US\$1 billion, were signed or about to be signed at the time of this Report.
- (c) The Bank was, in spite of the difficult environment, assigned an international credit rating of investment grade (BBB-) by Fitch Ratings. On the back of the ratings, the Bank launched a US\$1.5 billion Euro Medium Term Note Programme and tapped the market in November 2009 for an amount of US\$300 million in a deal which was more than 5 times oversubscribed in a very difficult market.
- (d) The focused manner with which the Bank approached the crisis, which enabled it to continue to lend in difficulty, attracted additional membership in the Bank.
- (e) As envisaged, the crisis did give an opportunity for the Bank to hire about 10 staff to fill key positions. Hitherto, staff hiring exercises had not been as successful. This also enabled the Bank to be better equipped to implement the Enterprise Risk Management Framework it had adopted as Risk Management officers were also hired.
- (f) The only key problem that has not been fully resolved is the issue of high cost of funding for African businesses. This is because the Bank's own funding cost remains relatively higher than normal, although some easing has been observed.
- (g) The efforts made by the Bank to mobilize funds from African institutions, attracted many African

international financial institutions to commence depository relationship and risk sharing activities with the Bank. Given the success, the Bank initiated the creation of an Alliance of African International Financial Institutions (AAIFI), aimed at creating a platform for risk sharing and other forms of collaboration among the institutions. Management developed the necessary background papers for the establishment of the Alliance, and convened a meeting of potential members on the sidelines of the 2009 Annual Meetings of the African Development Bank Group that held in May 2009 in Dakar, Senegal. At the time of this Report, about 10 institutions have signed on to the initiative. It is expected that such a Network will bring significant benefits to the Continent as a whole, by providing member institutions the requisite platform to share business information, risks and technical and financial resources needed for the realization of their respective corporate goals, including that of Afreximbank.

It is pertinent to note that Management, through its planning and operational risks management activities, anticipated the impact of the crisis on Africa and the business of the Bank and took proactive measures that enabled the Bank not only to ride the crisis, but also to make significant contributions that ameliorated its impact on some of its member countries. Management's response to the crisis also created certain longer term opportunities for the Bank.

The Bank expects the challenges that impacted the performance of the global and African economies as well as the Bank's operations during 2009 to ease somewhat during 2010, in line with leading signs of global economic recovery which were noticed towards the end of 2009. The Bank also expects the business environment to ease significantly, in the form of a gradual resumption of lending in international credit markets, which would positively impact its syndication activities; a strengthening of African commodity prices and trade, which would improve credit quality; improved capacity to leverage external financing to fund its loan assets as a result of its investment grade credit rating by Fitch Ratings; and coming on board of new hires which would strengthen origination and loan management capabilities, among others.

The downside risk to this forecast, is related to the possibility of premature withdrawal of fiscal and monetary policy support in major economies, as well as the possibility of deeper economic crisis to be faced by some members of the group of Eurozone economies, such as Portugal, Ireland, Greece and Spain. The Bank will therefore remain vigilant and continue to pursue the strategy of diversifying its funding sources and strengthening Risk Management. Further, Management plans to embark on an aggressive equity mobilization exercise and diversification of its funding base through further tapping of the bond market and new syndicated loan issuances, to achieve further loan pricing reduction. It also intends to strengthen partnerships with ECAs, DFIs and other Pan-African institutions. The Bank will also continue to aggressively pursue other strategies in its Third Strategic Plan, to enable it effectively manage potential challenges that may be triggered by possible unexpected worsening of the global and African macroeconomic environments in 2010 and in the near term.

4.2 REVIEW OF CREDIT OPERATIONS

The Bank's credit operations were during the period, implemented in the context of the global and African economic environments as discussed in the preceding chapters. As in previous years, emphasis continued to be placed on the Dual Recourse Facility (DRF) programme through which the Bank

extends recourse on credit exposure to the direct borrower and acceptable banks. Under the DRF programme, the Bank lends to a corporate against the guarantee or aval of an acceptable bank or another creditworthy corporate.

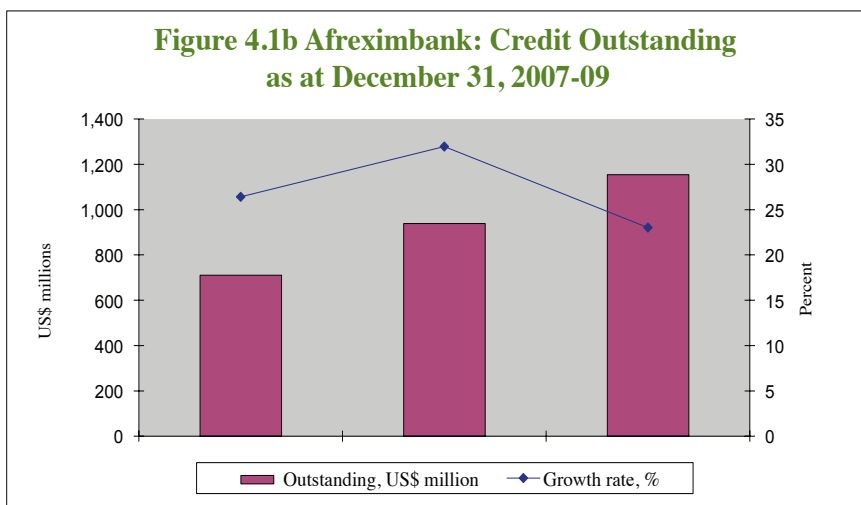
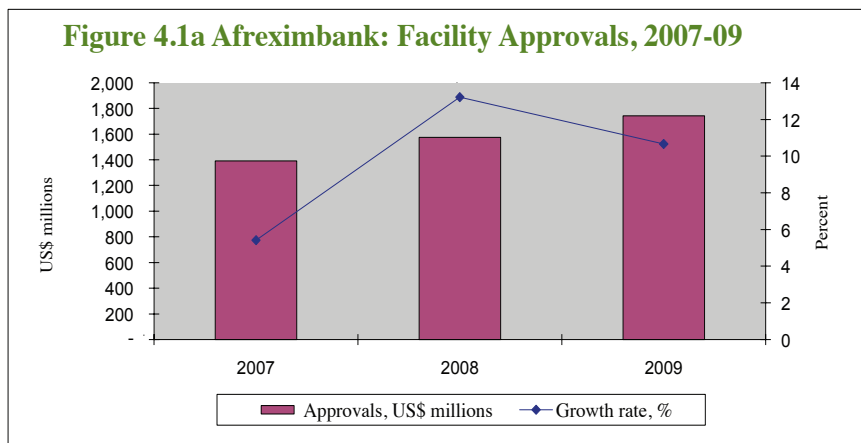
The value of financing applications received by the Bank in 2009 amounted to US\$14 billion, an amount about 118% higher than the value of

applications received a year earlier. The largest proportion of credit applications received was from the Financial Institutions sector, which accounted for about 45% of such applications.

In 2009, facility approvals increased by 11% year-on-year to reach US\$1,742 million (Table 4.1 and Figure 4.1a). This was driven by increased approvals under the Line of Credit Programme which grew by about 41% year-on-year in 2009 and accounted for about 39% of total credit approvals during the period. Credit approvals under the Syndications Programme declined by 23% in 2009 resulting in its share of total approvals retreating to 35% from a level of 50% in 2008. The Bank's gross loan portfolio

grew 23% year-on-year to reach US\$1,154 million at the end of 2009 (Table 4.1 and Figure 4.1b), which reflected the observed increased demand for the Bank's services as well as the Bank's strong liquidity position which enabled it to expand its loans at a time of great difficulty in the credit markets. Credit activities were, in particular, intensified during the last quarter of the year due to improved liquidity arising from additional funding sourced from the international capital markets.

In line with the Third Strategic Plan, the Bank progressed with the implementation of its various programmes and facilities as elaborated hereunder.



Source: Afreximbank

Table 4.1 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Programme

Type of Programme	Approvals (US\$m)			Growth Rate (%)			Share of Approvals by Type of Programme (%)			Outstandings (US\$m) (End of Period)			Growth Rate (%)			Share of Outstandings by Type of Programme (%)		
	2007	2008	2009	2008/2007	2009/2008	2009/2007	2007	2008	2009	2007	2008	2009	2008/2007	2009/2008	2009/2007	2007	2008	2009
1. Line of Credit Programme	541,000	477,400	671,250	-11.76	40.61	23.14	38.91	30.32	38.53	237,502	189,316	401,296	-20.29	111.97	33.40	20.18	34.77	
i. Export & Import	491,000	377,400	596,250	-23.14	57.99	35.31	35.31	23.97	34.23	203,830	172,744	362,026	-15.25	109.57	28.67	18.41	31.37	
ii. Pre- and Post-Export Financing	45,000	85,000	25,000	88.89	-70.59	3.24	5.40	1.44	1.44	33,672	16,572	39,270	-50.78	136.97	4.74	1.77	3.40	
iii. Letter of Credit Confirmation and Refinancing Facility	5,000	15,000	50,000	200.00	233.33	0.36	0.95	2.87	2.87	0,000	0,000	0,000			0.00	0.00	0.00	
2. Note Purchase Programme	70,000	84,000	149,000	20.00	77.38	5.34	5.03	8.55	8.55	61,319	121,306	133,388	97.83	9.96	8.62	12.93	11.56	
3. Receivables Purchase/Discounting Programme	54,000	0,000	25,000	-100.00	0.00	3.88	0.00	1.44	1.44	16,582	15,603	0,000	-5.90	-100.00	2.33	1.66	0.00	
i. Forfaiting	54,000	0,000	0,000	-100.00	0.00	3.88	0.00	0.00	0.00	7,841	9,000	0,000	14.78	-100.00	1.10	0.96	0.00	
ii. Invoice/Receivable Discounting Facility	0,000	0,000	10,000	0.00	0.00	0.00	0.00	0.57	0.57	8,741	6,603	0,000	-24.46	-100.00	1.23	0.70	0.00	
iii. Factoring and Receivables Management Facility	0,000	0,000	15,000	0.00	0.00	0.00	0.00	0.86	0.86	0,000	0,000	0,000			0.00	0.00	0.00	
4. Direct Financing Programme	87,000	146,400	149,100	68.28	1.84	27.27	6.26	9.30	8.56	161,636	106,089	124,394	-34.37	17.25	22.73	11.31	10.78	
5. Project-Related Financing Programme	22,000	28,000	20,000	27.27	-28.57	38.91	1.58	1.78	1.15	4,238	25,699	11,776	506.39	-54.18	0.60	2.74	1.02	
6. Syndications Programme ^{a)}	570,500	792,500	610,750	38.91	-22.93	275.00	41.03	50.34	35.06	197,249	405,797	339,489	105.73	-16.34	27.74	43.25	29.42	
7. Special Risks Programme ^{b)}	4,000	15,000	10,000	275.00	-33.33	0.00	0.29	0.95	0.57	0,000	0,000	0,000	0.00	0.00	0.00	0.00	0.00	
Country Risk	4,000	0,000	0,000	-100.00	0.00	0.29	0.00	0.00	0.00	0,000	0,000	0,000			0.00	0.00	0.00	
Other Risk	0,000	15,000	10,000		-33.33	0.00	0.95	0.57	0.57	0,000	0,000	0,000			0.00	0.00	0.00	
8. Future-Flow Pre-Financing Programme	10,000	31,000	107,000	210.00	245.16	0.00	0.72	1.97	6.14	32,457	36,860	143,722	13.57	289.91	4.57	3.93	12.45	
9. Asset-Backed Lending Programme	32,000	0,000	0,000	-100.00	0.00	2.30	0.00	0.00	0.00	0,000	37,500	0,000	-100.00	0.00	4.00	0.00	0.00	
10. Export Development Finance Programme	0,000	0,000	0,000	0.00	0.00	0.00	0.00	0.00	0.00	0,000	0,000	0,000	0.00	0.00	0.00	0.00	0.00	
Memorandum Items:																		
Country Programme	145,000	250,000	20,000	72.41	-92.00													
Investment Banking Programme	1,076,000	1,870,000	0,000	73.79	-100.00													
Total	1,390,500	1,574,300	1,742,100	13.22	10.66	100.00	100.00	100.00	100.00	710,983	938,170	1,154,065	31.95	23.01	100.00	100.00	100.00	
Cumulative Totals ^{c)}	11,590,514	13,164,814	14,906,914	13.58	13.23													

^{a)} Includes co-financing and sub-participation

^{b)} Contingent liabilities

^{c)} Since the Bank began operations in September 1994

Note: Gaps represent infinity.

Source: Afreximbank

a) Line of Credit Programme (LOCP)

The LOCP is a programme through which the Bank provides funded and unfunded credit lines to creditworthy African and non-African banks designated as the Bank's Trade Finance Intermediaries (TFIs). Through this programme, the Bank provides loan and guarantee facilities to small and medium-sized trading entities whose balance sheet size and trade turnover would not normally qualify them for the Bank's direct lending. Facilities provided under this programme included the i) Export-Import facility; ii) Pre- and Post-Export financing facility; iii) L/C Confirmation and Refinancing Facility, and iv) Re-Imbursement Guarantee Facility. During 2009, approvals under this Programme increased by about 41% year-on-year to a level of US\$ 671.3 million, driven mainly by an impressive 58% growth in activity under the Export-Import Facility segment. The LOCP accounted for a share of about 39% of total loan approvals in 2009, up from a level of 30% in 2008. Loans outstanding under this Programme also increased by an impressive 112% year-on-year to US\$401.3 million, lifting its share of the Bank's loan portfolio to 35% at the end of 2009, from a level of 20% in 2008 (Table 4.1). The sharp increase in loans outstanding under the Programme during the review period was due to a surge in demand for such facilities in response to cuts in credit lines to African banks by major international banks.

b) Note Purchase Programme

This is a programme through which the Bank provides financing to corporates by the purchase of Promissory Notes or similar instruments issued or accepted by them and avalized or guaranteed by an acceptable bank or other acceptable corporates. During 2009, approvals under this Programme increased by about 77% year-on-year to US\$149 million. Loans outstanding under the Programme also grew by 10% from US\$121.3 million at the end of 2008 to US\$133 million at the end of 2009, to account for about 11.6% of the Bank's loan portfolio (Table 4.1).

c) Receivables Purchase/Discounting Programme

This programme comprises of a family of facilities involving purchase of specific receivables of goods and services sold to foreign or domestic buyers, with or without recourse to the seller. The facilities operated under this programme are: i) Forfaiting, ii) Invoice/receivable discounting facility, iii) Factoring and receivables management facility; and iv) Joint bill discounting/financing and re-financing facility. Approvals under the programme amounted to US\$25 million, representing about 1.4% of total facility approvals made in 2009. There were no outstandings as debt obligations under the programme were fully repaid at the end of the year (Table 4.1).

d) Direct Financing Programme

Through this Programme, the Bank provides pre- and post-export financing directly to corporates with balance sheet size of at least US\$2 million and an annual trade turnover of at least US\$10 million. Approvals under this programme rose 2% year-on-year to about US\$149 million in 2009. Loans outstanding under the Programme stood at about US\$124 million at the end of 2009, representing a 17% increase compared to the level at the end of 2008. The programme's share of the Bank's loan portfolio at the end of 2009 stood at 11%, marginally lower than the level at the end of 2008 (Table 4.1).

e) Project-Related Financing Programme

The purpose of this Programme is to develop Africa's export manufacturing capacity by financing the import of equipment needed for export manufacturing and infrastructure projects that facilitate exports or generate traded infrastructure services, such as power, ports, and telecoms etcetera, as well as the development of facilities for the creation of tradable services, such as tourism services as discussed in Box 4.2. It is also aimed at assisting private project promoters as well as African governments and their agencies executing essential projects which may not be directly export generating but may

BOX 4.2 BANKING ON TOURISM: INTRODUCING A NEW PRODUCT FOR FINANCING TOURISM IN AFRICA

Africa's exports are dominated by merchandise goods with agriculture, fuels, metals and minerals being the principal export commodities. Export of services such as financial, insurance, travel and tourism, information technology, among others, is largely insignificant, with the exception of a few countries, namely Egypt, Morocco, South Africa and Tunisia. Available data shows that service exports accounted for about 13% of total export receipts of the economies of Sub-Saharan Africa, as a group, in 2007, compared to respective shares of 55%, 43% and 24% of total exports of Egypt, Morocco and Tunisia.¹ The relatively lower share of service exports in total exports of South Africa of about 13% is due to its huge merchandise export receipts. That notwithstanding, South Africa emerged as the second largest exporter of services in Africa after Egypt in nominal value terms in 2007. The importance of the service export industry is underscored by its potential contribution to foreign exchange earnings, fiscal revenues, job creation and poverty alleviation, especially in developing economies. It has been argued that a well-developed tourism industry, for example, could make immense contribution to employment given that it is a labour-intensive industry that employs a wide range of skilled as well as unskilled labour.

Accordingly, the tourism industry has been identified as one of the key service industries with great potential to contribute to the growth and development of African economies. This view is hinged on the quality and enormity of the Continent's resource endowment for tourism, including its vast cultural heritage; the scenic beaches; and exotic ecosystems, etcetera. Ongoing promotion efforts, low costs and general warmth of staff and people at holiday resorts and destinations in Africa appear to have contributed to lift the overall level of

¹ World Bank (2009) "World Development Indicators, 2009"

activity in the continent's tourism industry in recent times. World Tourism Organization (WTO) statistics show Africa as one of the fast-growing tourist destinations, and the only region that experienced growth in tourism business in 2009 as shown in Table B4.2.²

Table B4.2 International Tourist Arrivals by Region, 2000-9 (in millions)

Region	2000	2005	2008	2009	Annual Growth (2009 vs. 2008)	Average Annual Growth (2000-2009)
Europe	392.2	441	487.1	459.7	-5.6%	1.8%
Asia and the Pacific	110.1	153.6	184.1	180.5	-2.0%	5.6%
Americas	128.2	133.3	147.1	139.6	-5.1%	1.0%
Africa	27	36.4	45.7	48	5.0%	6.6%
<i>North Africa</i>	10.2	13.9	17.2	17.7	2.9%	6.3%
<i>Sub-Saharan Africa</i>	16.8	22.5	28.6	30.4	6.3%	6.8%
Middle East	24.9	37.9	55.6	52.5	-5.6%	8.6%

Source: World Tourism Organization (2010), *UNWTO World Tourism Barometer*. (January)

That notwithstanding, the continent's 5.5% share of global tourism business compares unfavourably with its tourism resource endowment and potential. Except for a handful of countries, including South Africa, Morocco, Egypt, Kenya, among others, many African countries have less developed tourism infrastructure, such as hotel and resort facilities of international standards, reliable internal aviation services, good road and railway networks, etcetera. The situation is compounded by limited marketing of the industry to global holiday makers; low human resource capacity in the industry; and low quality of service delivery; among other constraints. Further, the creation of physical infrastructure for tourism is severely constrained by inavailability of long-term finance for such capital-intensive projects.

In recognition of the economic contribution and developmental impact of tourism in Africa and its mandate to promote African trade, including service exports, Afreximbank is presently spear-heading a new continent-wide initiative aimed at promoting the development of the requisite infrastructure to support tourism activities in Africa. In this regard, the Bank has developed and launched a special instrument for the financing of tourism facilities in Africa. The Bank's earlier attempts at financing the development of tourism projects in Africa were constrained by a major challenge relating to the risk of project completion as it is not well equipped to manage that risk. The new product offers an opportunity for the Bank to transfer project completion risks to contractors and/or financial institutions able to manage such risks while it retains operating risks it has the expertise to manage.

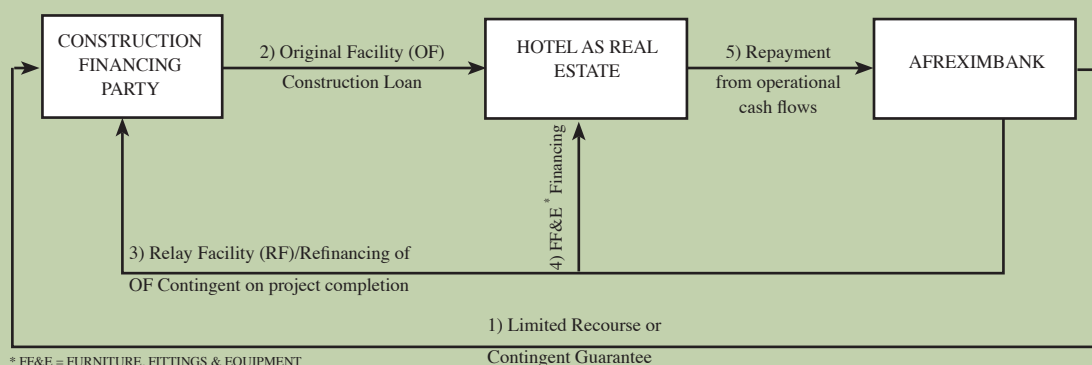
The financial product is called *Afreximbank Construction / Tourism-linked Relay Facility*. The product is managed through a risk sharing arrangement in which a partner bank or similar institution will be responsible for structuring, arranging and providing loans for the construction of hotels and other tourism facilities as a real estate project on the back of contingent guarantee to be provided by Afreximbank.³ Recourse to Afreximbank under the guarantee will be limited to the successful completion and hand-over of the real estate project and delivery of the security taken for its construction financing to the Bank (and other Lenders). Upon completion of construction of the tourism facility, construction financing parties are refinanced by Afreximbank, which will also provide additional financing for Furniture, Fittings and Equipment (FF&E) and pre-operating expenses for the hotel or resort facility. The risk sharing arrangement ensures that tourism

² Measured by the number of International Tourist Arrivals.

³ And any other syndicate of banks Afreximbank may arrange to jointly fund such projects.

infrastructure projects benefit from the experience of partner institutions in managing the risks in real estate development and Afreximbank's expertise in structuring financial future flow transactions as they relate to hotels and tourism facilities. A diagrammatic presentation of the financing structure/relationship is shown in Figure B4.2

Figure B4.2: Afreximbank Construction/ Tourism-Linked Relay Facility



The financial product is targeted at project promoters, governments, consultants and financial advisory service companies and others involved in the promotion of tourism projects or facilities in Africa. Some of the key eligibility requirements for Afreximbank support under the programme include: (i) the project to be financed must satisfy a minimum of 30% African content;⁴ (ii) the company must be registered in an African country with at least 40% African ownership, but if not registered in Africa, it must have a minimum of 60% African ownership; (iii) the project promoter(s) must have track record of at least five years of successfully operating hotels or resorts of international standards in various African countries; (iv) the promoter(s) must be financially sound; (v) be able to offer Global Reservation Services; and (vi) must demonstrate ability for value creation in hotel management.

Afreximbank believes that the product will help improve tourism infrastructure development in Africa, and also bring tremendous value to Afreximbank. The Bank expects both African governments and private sector players to take advantage of this innovative product to enhance the growth and development of this important service export industry in their countries.

⁴ Measured by the sum of rent, interest, wages, and profit retained in Africa per annum

create necessary conducive environment for investments in the export sector. Facility approvals under the programme amounted to US\$20 million in 2009, a decline of about 29% compared to the previous year. Loans outstanding under this programme declined by 54% year-on-year to US\$12 million to account for a 1% share of the Bank's loan portfolio at the end of 2009 (Table 4.1).

f) Syndications Programme

The Syndications programme is one of the main risk-sharing instruments the Bank uses to leverage international trade and project financing into Africa. Under this programme, the Bank arranges or joins a syndicate or club of reputable international and/or African banks in providing financing to African entities. This programme was adversely affected by the economic crisis that raged during the

review year. Consequently, credit approvals under the programme declined by about 23% year-on-year to US\$611 million in 2009. Credits outstanding under the programme also declined 16% year-on-year to US\$339 million at the end of 2009. That notwithstanding, the syndications programme remained a useful vehicle for leveraging international financing into Africa on the back of continued firm interest of international financial institutions in using the Bank as the preferred partner in “big ticket” African trade finance deals. It should, however, be noted that the figure reported represent Afreximbank’s participation amounts excluding those sold down under syndicated deals originated by the Bank. The Programme ended the review period accounting for the second largest share of 29% of the Bank’s loans outstanding (Table 4.1).

g) Special Risks programme

This Programme is designed to provide comfort to lenders extending facilities to African sovereigns, banks and corporates by transferring some of the financing risks to Afreximbank risk. Approvals under this programme amounted to US\$10 million in 2009.

h) Future Flow Pre-Financing Programme

Financial future-flow transactions refer to future-flow debt offerings that rely upon receivables not generated from export of physical goods for repayment. Such receivables include credit card or cheques, migrant remittances, royalties arising from Bilateral Air Services Agreements (BASA),

over flight fees, etcetera. During the review period, facility approvals under the programme amounted to US\$107 million, about 245% higher compared to the previous year’s level. Loans outstanding under the Programme rose 290% year-on-year to US\$144 million, to account for 12% of the Bank’s loan assets at the end of 2009, significantly higher than its share of 4% at the end of 2008 (Table 4.1).

i) Asset-Backed Lending Programme

As a result of privatization and the drive in many African countries to increase indigenous participation in all sectors of their national economies, there is a growing demand by African entrepreneurs for financing to enable them take advantage of the privatization and local content promotion opportunities by acquiring physical assets. In view of the specialized nature of this kind of financing, especially their asset-based nature, the Bank introduced this programme. A good feature of asset-backed financing is that the assets can serve as good collateral as their values are normally expected to grow with inflation. There were no approvals under this programme during the review period. There were also no loan outstandings under the programme as previous loan facilities had been fully repaid as at end of 2009.

j) Export Development Finance Programme

Through this Programme, the Bank promotes export manufacturing in the Continent as a means of facilitating the diversification of

Africa's exports away from commodities. The Bank defines its Export Development Finance Programme ("EDFP") as a process of combining credit, risk bearing, twinning, market access as well as advisory services geared towards creating non-commodity export products for sale to a broad range of export markets. During the review period, the Bank intensified its partnership building efforts with a view to expanding its twinning, risk sharing and market access activities under the Export Development Programme (EDP). In this regard, the Bank pursued several funding lines from its partner institutions during the review period. To ensure effective implementation of the programme, a Project and Export Development Finance Department was set up towards the end of 2009 to focus on developing this important aspect of the Bank's business.

k) Country Programme

Under the Country Programme the Bank assists its member countries in peculiar difficulties not amenable to solutions offered by any one of the Bank's menu of products. During the review period, approvals under this programme amounted to US\$20 million reflecting initiatives implemented to develop specific solutions for some of the Bank's challenging markets.

4.3 ANALYSIS OF TRANSACTIONS

4.3.1 Sector Financed

As in the previous years, the review period saw Financial Institutions accounting for a

lion's share of the Bank's loan approvals and outstandings. This is a reflection of the Bank's operational emphasis on Dual Recourse Facilities (DRFs). In this regard, as shown in Table 4.2, approvals in favour of the Financial Institutions sector maintained its upward trend with a year-on-year rise of about 18% to reach US\$998 million in 2009, and accounted for about 57% of total facility approvals during the period. The Financial Institutions sector also accounted for the largest share of about 42% of the Bank's gross loan assets in an amount of US\$480 million at the end of 2009, up from a share of 34% at the end of 2008 (Table 4.2 and Figure 4.2).

The Energy sector accounted for the second highest share of loan approvals in an amount of US\$226 million, equivalent to 13% of facility approvals made in 2009. This figure was about 25% lower compared to the approvals made in favour of the Sector in 2008. Loans outstanding under the Sector rose by a marginal 1.4% year-on-year during the period to reach US\$111 million to account for a share of about 10% of the loan assets of the Bank at the end of 2009 (Table 4.2 and Figure 4.2). The Telecommunications sector, during the period, benefitted from a 1,800% rise in facility approvals from a level of US\$10 million in 2008 to US\$190 million in 2009. Loans outstanding under the Sector also increased 37% year-on-year to US\$152.9 million at the end of 2009 to account for 13% of the Bank's loan portfolio, slightly higher than its share of 12% at the end of 2008 (Table 4.2 and Figure 4.2). As shown in Table 4.2, other three important sectors financed by the Bank, namely Manufacturing, Services, and Transportation accounted for respective

Table 4.2 Afreximbank: Distribution of Loan Approvals and Outstandings by Sector

Sector Financed	Approvals (US\$m)			Growth Rate, (%)			Share of Approvals by Sector (%)			Outstandings (US\$m) (End of Period)			Growth Rate, %			Share of Outstandings by Sector (%)		
	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009
Agriculture	0.000	45.000	0.000		-100.00		0.00	2.86	0.00	44.122	29.720	22.392	-32.64	-24.66	6.21	3.17	1.94	
Energy	123.000	300.200	226.300	144.07	-24.62		8.85	19.07	12.99	135.674	109.757	111.236	-19.10	1.35	19.08	11.70	9.64	
Services	162.000	156.500	105.300	-3.40	-32.72		11.65	9.94	6.04	139.973	171.683	157.764	22.65	-8.11	19.69	18.30	13.67	
Metals and Minerals	45.000	87.500	72.750	94.44	-16.86		3.24	5.56	4.18	52.782	0.000	6.145	-100.00		7.42	0.00	0.53	
Transportation	15.000	54.500	109.500	263.33	100.92		1.08	3.46	6.29	60.662	80.394	54.117	32.53	-32.69	8.53	8.57	4.69	
Manufacturing	82.000	71.200	40.000	-13.17	-43.82		5.90	4.52	2.30	102.618	114.437	169.636	11.52	48.24	14.43	12.20	14.70	
Telecommunications	114.000	10.000	190.000	-91.23	1800.00		8.20	0.64	10.91	60.303	111.762	152.875	85.33	36.79	8.48	11.91	13.25	
Government	4.000	0.000	0.000	-100.00			0.29	0.00	0.00	7.841	0.000	0.000	-100.00		1.10	0.00	0.00	
Financial Institutions ^{a)}	845.500	849.400	998.250	0.46	17.52		60.81	53.95	57.30	107.008	320.417	479.900	199.43	49.77	15.05	34.15	41.58	
Total	1,390.500	1,574.300	1,742.100	13.22	10.66		100.00	100.00	100.00	710.983	938.170	1154.065	31.95	23.01	100.00	100.00	100.00	
Cumulative Total^{b)}	11,590.514	13,164.814	14,906.914	13.58	13.23													

^{a)} Approvals for financial institutions include unfunded credit guarantees but excludes commodity specific lending made through banks.

^{b)} Outstandings for financial institutions exclude commodity specific lending made through banks.

Since the Bank began operations in September 1994

Note: Gaps represent infinity

Source: Afreximbank

shares of 14.7%, 13.7%, and 4.7% of the Bank's loan portfolio at the end of 2009 (Table 4.2 and Figure 4.2).

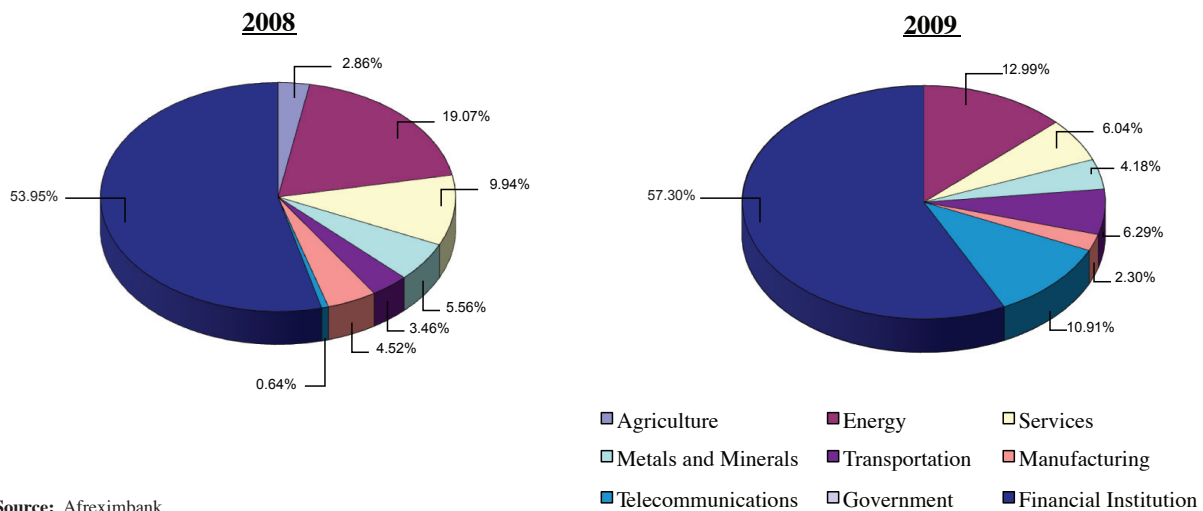
4.3.2 Beneficiary Institutions

During the period under review, most of the Bank's credit went to banks. Accordingly, the review period saw banks accounting for 61% of the Bank's credit facility approvals with corporates receiving 39% of approvals. Further, in terms of outstanding credits, banks accounted for a lion's share of 69% of the Bank's loan assets at the end of 2009, up from a level of 64% at the end of 2008 (Table 4.3). The increase in share arose from a year-on-year increase of 31% in credits outstanding to banks in 2009 compared to a relatively lower increase of 7.7% in loans outstanding to corporates over the same period (Table 4.3). There were again no credits extended to governmental institutions during the review period, reflecting the Bank's emphasis on private sector operators.

4.3.3 Direction of Trade Financed

The direction of trade financed by the Bank, as summarised in Table 4.4, shows that most of the approvals were oriented toward mixed directional trade (intra- and extra-African), which accounted for 86% of total approvals during 2009 (Table 4.4). This development arose from a 41% growth in facility approvals in favour of mixed directional trade. Consequently, in terms of gross loans outstanding, financing in support of extra- and intra-African trade accounted

Figure 4.2 Afreximbank: Distribution of Loan Approvals by Sector, 2008 - 2009
(percent)



Source: Afreximbank

for a lion's share of 87% at the end of 2009 (Table 4.4).

4.3.4 Transaction Size and Other Transaction Features

The Bank's Risk Management Policies and Procedures (RMPP) impose certain limits on the Bank's exposure to any one obligor or transaction. These limits relate to certain percentages of the Bank's shareholders' funds. The objective is to diversify the Bank's assets and reduce the risk it faces.

A review of the Bank's operations in the context of the above shows that average transaction size in 2009 remained unchanged from the level in 2008, at about US\$25 million (Figure 4.3). However, the number of transactions approved increased to 69 in 2009, from the 63 in 2008.

Figure 4.4 shows that average maturities of facilities approved by the Bank during the period under review rose by about 6% to 914 days in 2009, from 860 days in 2008.

The lengthening in maturities of the facilities granted by the Bank arose from increased demand for such facilities as well as the Bank's strategy of granting longer facility maturities to clients with which it had built sufficient knowledge about. In some cases, it also reflected Management's goal of keeping good assets longer in the books. It is to be noted that although maturities were extended, individual drawings under the facilities were normally for tenors mostly not exceeding 360 days. The lengthened maturities affected yearly approvals as there were fewer approvals for renewals. The standard deviation of the distribution of maturities rose during the period in review compared to 2008 indicating a higher disparity in the distribution of the maturities (Figure 4.4).

4.3.5 The Bank's Leveraging Role

Traditional instruments used by the Bank in leveraging international financing into Africa included arranging or co-arranging syndications and club deals and inviting others to share the risk of such deals; granting lenders

Table 4.3 Afreximbank: Distribution of Loan Approvals and Outstandings by Type of Beneficiary Institution

Type of Beneficiary Institution	Approval (US\$m)			Growth Rate (%)			Share of Approvals by Type of Beneficiary Institution (%)			Outstandings (US\$m) (End of Period)			Growth Rate (%)			Share of Outstandings by Type of Beneficiary Institution (%)		
	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009
Corporate/Government Agency/Parastatal	486.00	575.40	671.35	18.40	16.68	16.68	34.95	36.55	38.54	277.093	333.35	359.07	20.30	7.71	38.973	35.53	31.11	
Bank	900.50	998.90	1070.75	10.93	7.19	7.19	64.76	63.45	61.46	426.049	604.82	795.00	41.96	31.44	59.924	64.47	68.89	
Government	4.00	0.00	0.00	-100.00			0.29	0.00	0.00	7.841	0.00	0.00	-100.00		1.103	0.00	0.00	
Total	1,390.50	1,574.30	1,742.10	13.22	10.66	10.66	100.00	100.00	100.00	710.983	938.17	1,154.06	31.95	23.01	100.00	100.00	100.00	
Cumulative Total^{a)}	11,590.51	13,164.81	14,906.91	13.58	13.23	13.23												

^{a)} Since the Bank began operations in September 1994

Source: Afreximbank

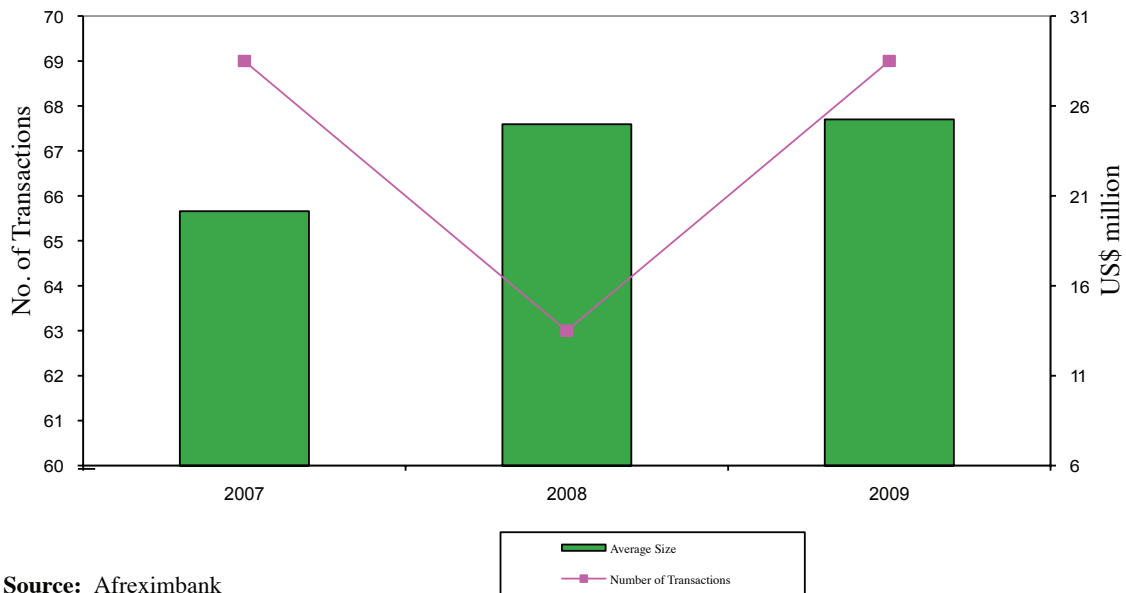
Table 4.4 Afreximbank: Distribution of Loan Approvals and Outstandings by Trade Direction

Trade Direction	Approvals (US\$m)			Growth Rate (%)			Share of Approvals by Trade Direction (%)			Outstandings (US\$m) (End of Period)			Growth Rate (%)			Share of Outstandings by Trade Direction (%)		
	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009	2007	2008	2009	2008/2007	2009/2008	2009/2008	2007	2008	2009
Intra-African	53.500	155.200	71.500	190.09	-53.93	-53.93	3.85	9.86	4.10	72.896	114.975	53.485	57.72	-53.48	10.25	12.26	4.63	
Extra-African	128.500	363.700	179.800	183.04	-50.56	-50.56	9.24	23.10	10.32	245.841	77.601	97.739	-68.43	25.95	34.58	8.27	8.47	
Intra-and Extra-African	1,208.500	1,055.400	1,490.800	-12.67	41.25	41.25	86.91	67.04	85.57	392.246	745.594	1002.841	90.08	34.50	55.17	79.47	86.90	
Total	1,390.500	1,574.300	1,742.100	13.22	10.66	10.66	100.00	100.00	100.00	710.983	938.170	1,154.065	31.95	23.01	100.00	100.00	100.00	
Cumulative Total^{a)}	11,590.514	13,164.814	14,906.914	13.58	13.23	13.23												

^{a)} Since the Bank began operations in September 1994

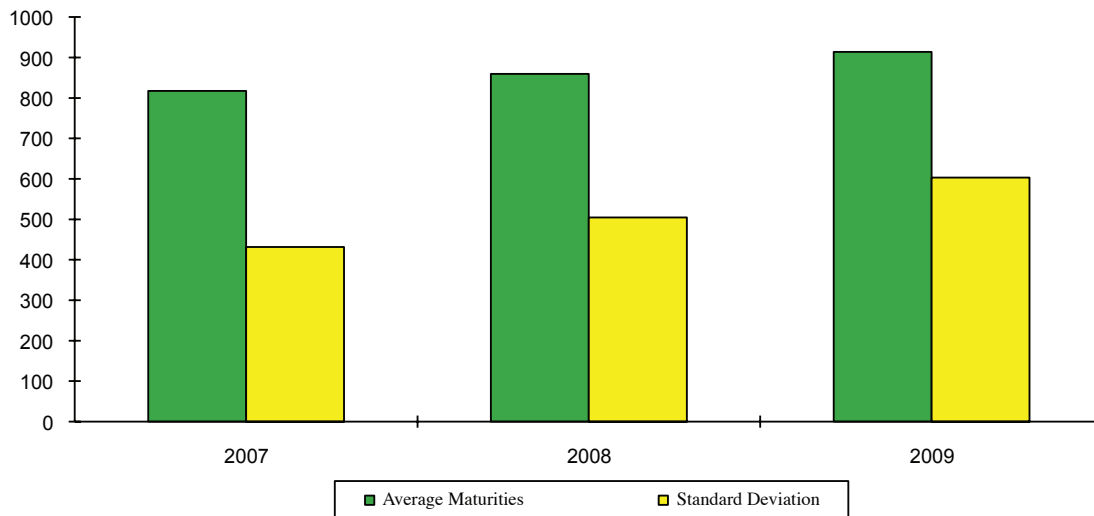
Source: Afreximbank

Figure 4.3: Afreximbank: Number and Average Size of Approved Transactions, 2007 - 09

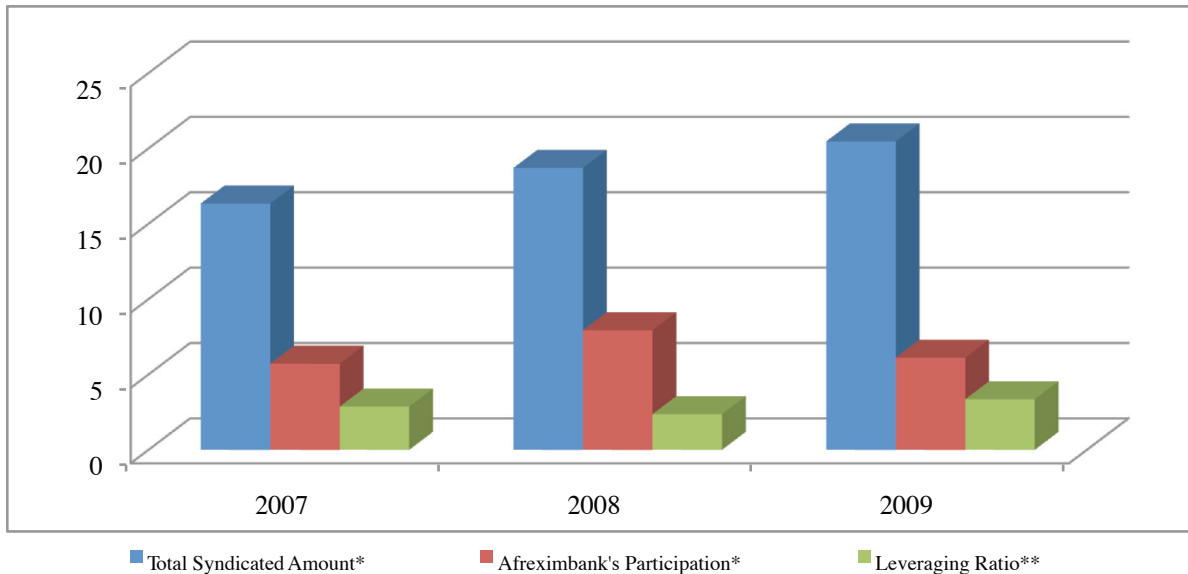


Source: Afreximbank

Figure 4.4: Average Maturities and Variance, 2007 - 2009 (days)



Source: Afreximbank

Figure 4.5 Syndications/Club Deals Arranged or Co-arranged by the Bank, 2007 - 09

* In USD hundred million

** Shows amount attracted per USD participation by the Bank

Source: Afreximbank

taking African exposures certain guarantees that enable them to fund such facilities; raising money in its name from the market and on-lending to entities that would ordinarily not be able to access the international financial markets; and providing Advisory Services that encourage the inflow of loans and Foreign Direct Investments. The number of syndicated transactions that the Bank arranged, co-arranged or participated declined to 21 in 2009 from 23 in 2008. That notwithstanding, the total amount of syndicated transactions the Bank arranged, co-arranged or participated, increased to US\$2.05 billion in 2009, from a level of US\$1.87 billion in 2008 as shown in Figure 4.5. Further, it is worth noting that the Bank's participation in the syndicated facilities, in terms of approvals, decreased to US\$610.75 million in 2009 from a level of US\$792.5 million in 2008. As a result, for every US dollar funding committed by the

Bank, it was able to attract about US\$3.4 in 2009, up from US\$2.4 in 2008.

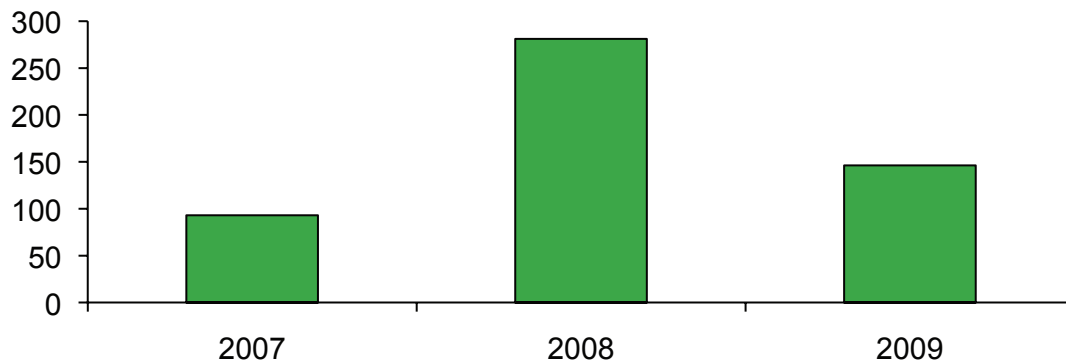
As in previous years, the Bank also leveraged international financing by providing guarantees in support of lenders funding African entities. The Bank also actively used its borrowing activities, discussed more fully in Section 4.4 below, in leveraging international financing into Africa during the review period.

4.4 TREASURY ACTIVITIES

4.4.1 Treasury Activities and Risk Management

The Bank continued to implement its treasury activities in accordance with the provisions of the Treasury Policies and Procedures

Figure 4.6: Afreximbank: Amount of Treasury Lines Received, 2007-09
(US\$ million)



Source: Afreximbank

under its Risk Management Policies and Procedures. The main treasury operations conducted included borrowing, investments, and hedging related to non-US Dollar exposures of the Bank.

During the 2009 budget year, the Bank raised an amount of US\$1,069 million and €179 million in credit facilities.

In 2009, the Bank continued to raise funds in the Euro Loan Syndications Market and from partner banks. In June 2009, the Bank exercised the extension option for the dual tranche syndicated term loan facility of June 2008 amounting to US\$150 million and €22 million for another one year. The extension option was exercised along with a general syndication. This syndication attracted 34 Banks from Europe, Middle East, Africa and Asia and raised about US\$188.3 million and €95 million. The syndication was nearly twice oversubscribed.

In November 2009, the Bank repaid the November 2006 syndicated loan in an amount of US\$175 million. This was followed by the launch of another general syndication

of US\$124 million and €40 million. The syndicated loan issue was oversubscribed by about US\$159 million. It attracted 31 banks from Europe, Middle East and Asia and raised US\$211 million and €89 million. The Bank accepted only US\$180 million and €85 million from this syndication.

Also in November 2009, as part of its efforts to diversify funding sources and markets, the Bank arranged a US\$1.5 billion Euro Medium Term Note (EMTN) programme to issue securities in the international bond markets. After successful roadshows in Europe and Asia the order books were closed with orders in excess of US\$1.5 billion from 135 different accounts spread across Europe, Asia, Middle East and US offshore investors. Based on the Bank's funding needs, only US\$300 million was taken from the orders received. The tenor of 5 years was chosen in line with the objectives of the Bank towards lengthening the tenor of its liabilities.

The three successful transactions above confirmed the bank's wide support in the investor community in the financial markets. A further booster to its international credit

standing was the assignment of an investment grade rating (BBB-) to the Bank by Fitch Ratings in the second half of the review year. Also, the Bank attracted short term placements from African Banks in response to the Bank's effort to strengthen collaboration amongst African international financial institutions.

In terms of repayments made in 2009, it is worth noting that the Bank fully repaid the US\$175 million syndicated loan raised in November 2006. The Bank also repaid US\$77 million of the June 2008 syndication which was extended in June 2009. About US\$73 million and €13.20 million represent repayments in the course of the year on bilateral lines with depositary banks. The short term deposit placement from a Nigerian bank of US\$50 million was also repaid in March 2009.

Further, the Bank also received several money market and trade finance lines from international banks amounting to US\$150 million in 2009, significantly lower than the US\$261 million received in 2008 (Figure 4.6). This development arose from the challenges that prevailed in the international financial markets that forced some partner institutions to reduce their lines to the Bank during the review period.

4.4.2 Risk Management

During the review period, the Board of Directors considered and approved a new Risk Management Policies and Procedures (RMPP) for the Bank. The RMPP is framed on the basis of Enterprise Risk Management

(ERM) and integrates strategic planning into the Bank's risk management processes. The Bank's operational risk management is to be conducted under the ERM Approach. In furtherance of the risk management objectives of the Bank, a Risk Management Department was established and staffed with the recruitment of a Director and Risk Management Officer during the period.

4.5 SHAREHOLDER MATTERS

4.5.1 During the review period, three new entities, namely Government of Lesotho (Class "A"), Pan African Capital, Nigeria (Class "B") and BIAO, Cote d'Ivoire (Class "B"), joined the Bank as shareholders. The Government of Gabon (Class "A") and SONADIG (Class "B") had their shareholding transferred to Banque Gabonaise de Development, an existing Class "B" shareholder. Following these developments, the number of shareholders of the Bank increased to 122 at the end of 2009, from 121 at the end of 2008. The total number of shares subscribed also increased from 41,310 units at the end of 2008 to 41,533 at the end of 2009 with a nominal value of US\$415.330 million, due to additional shares subscribed by new and existing shareholders. As at the end of 2009, all shareholders had met their obligations under the first instalment of share subscriptions. Regarding arrears on the second instalment, the number of defaulting shareholders as at the end of 2009 remained unchanged at 4, with the arrears reducing to US\$0.115 million (or 0.14% of second

instalment amounts due) from US\$0.172 million (or 0.21% of total amount due).

4.5.2 During 2009, the number of countries and multilateral institutions that had ratified the Bank Agreement increased to 24, following the ratification of the Agreement by the Government of Uganda. The Government of Lesotho acceded to the Bank Agreement during the year bringing the number of African countries that had signed or acceded to the Agreement for the Establishment of Afreximbank to 33.

4.5.3 The Bank held its 16th General Meeting of Shareholders in Gaborone, Botswana, on 4th July 2009. The Meeting was opened by the former President of the Republic of Botswana, His Excellency Festus Mogae. The Government of Botswana, through its Ministry of Finance and Development Planning, contributed immensely to the success of the Meetings by providing extensive financial and logistic support.

4.5.4 The General Meeting approved the Bank's Annual Report and Financial Statements for the year ended December 31, 2008; and also approved dividend payments to shareholders in an amount of US\$8 million. The General Meeting also elected Honourable Baledzi Gaolathe, the Honourable Minister of Finance and Development Planning of the Government of Botswana, as Chairman of the General Meeting for a term of office of one year.

4.5.5 The General Meeting, on that occasion, also approved the remuneration of the Bank's

External Auditors, Deloitte and Touche and Ernst and Young, for their 2008 Audit Work. Further, the General Meeting approved the re-appointment of Ernst and Young and Deloitte and Touche as the Bank's External Auditors for the 2009 financial year.

4.5.6 Further, at the 16th General Meeting, Shareholders considered ways of selecting a new Headquarters for the Bank and implementing Charter Amendments in a manner that would ensure continued unanimity. It was agreed therefore to establish an Ad hoc Committee with the mandate to review the Charter Amendments previously recommended to the General Assembly. The Committee was also mandated to review the recommendations made by the Consultants regarding the relocation of the Bank's Headquarters. On completion of their task, the Committee was required to make recommendations that would promote harmonious relations among Shareholders as well as serve the best interests of the Bank.

4.6 MEETINGS AND COOPERATION

4.6.1 As part of the activities marking the 16th General Meeting of Shareholders, the Bank's Advisory Group on Trade Finance and Export Development in Africa (the "Group") held its 15th Annual Meeting on July 3, 2009 on the theme: *"Making Africa's Foreign Exchange Reserves Work for Africa – A Case For an Optimal Intra-African Foreign Exchange Resource Re-Allocation"*. The event, which was opened by Honourable Keletso Rakhudu, Assistant Minister of

Finance and Development Planning of Botswana, was chaired by the Deputy Governor of Bank of Botswana, Mr. Oduetse Motshidisi. The President of the Bank, Mr. Jean-Louis EKRA, delivered the keynote address at the meeting. The colloquium was led by a distinguished Lecture on: *“Africa’s Foreign Exchange Reserves – Evolution, Characteristics, Country Distribution and Stability”*, delivered by Dr. Francis Mbroh, Director, Research, Planning and International Cooperation, Afreximbank. Dr. Simon N’guiamba, a Senior Economic Consultant at the Bank delivered the second lead paper on: *“Reserves for African Good: A Case for an African Chiang Mai Initiative and Any Role for Multilateral Development Banks”*. The presentations formed the basis for a Roundtable discussion on the theme: *“Challenges and Opportunities for Managing Africa’s Reserves By African Financial Institutions”*. The Roundtable discussion was chaired by Mr. Christopher Edordu, Former President of Afreximbank. Panellists for the roundtable discussion included Dr. Caleb Fundanga, Governor, Bank of Zambia; Dr. Temitope W. Oshikoya, Director General, West African Monetary Institute (WAMI); and Mr. Tony Okpanachi, Managing Director, Ecobank Kenya. Mr. Siyanga Malumo, AFI, Johannesburg provided a synthesis of the Roundtable discussion. The questions debated by the panel included: (i) *“What are the Key Determinants of the Decision on a Choice of Financial Institutions to place Foreign Exchange Reserves With?”*; (ii) *“Are There Benefits to be Derived from The Management of Africa’s Foreign Exchange Reserves by African Financial Institutions*

(AFIs)?”; (iii) *“What are the Potential Risks, Technical and Regulatory Challenges Associated with the Management of Africa’s Foreign Exchange Reserves by AFIs?”*; (iv) *“What are the Concerns of Reserve Surplus Countries as regards Depositing their Foreign Exchange Reserves in AFIs?”*; (v) *“How Could AFIs be Proactively Involved in the Management of Africa’s Foreign Exchange Reserves?”*; (vi) *“Is There Any Role for African Multinationals in Ensuring that Concerns of Reserve Holders are Assuaged to Facilitate the Management of Africa’s Foreign Exchange Reserves by AFIs?”*; and (vii) *“Is There A Case for the Creation of An African Chiang Mai Initiative?”*

As part of the activities organized around the Advisory Group Meetings, an Investment Forum was held. The Forum was led by three presentations on *“The Tourism Sector in Botswana”* by Mr. Joseph Motse, Marketing Manager, Botswana Tourism Board; *“Investment Climate in Botswana”* by Mr. Brian Mosenene, Export Development Manager, Botswana Export Development and Investment Authority (BEDIA); and *“The Establishment of a Commodities Exchange in Botswana”* by Mr. Letsebe Sejoe, Senior Business Development Executive, IFSC, Botswana. As in the previous years, the Forum was followed by one-on-one meetings between visiting prospective investors and business people in Botswana. Further, as part of the activities organized around the 16th General Meeting, an exhibition was mounted by the organized private sector drawn from Botswana and other parts of Africa. The exhibition was well attended by participants at the General Meeting, Members

of the Advisory Group and representatives of the banking and business communities in Botswana.

4.6.2 During the review period, some officers of the Bank attended meetings, conferences, courses, seminars and workshops in line with the Bank's strategy of using selected fora to train officers as well as market its products and services. In this regard, during January 31 - February 2, 2009, a two-man delegation led by the President of the Bank participated in the 12th African Union (AU) Summit that held in Addis Ababa, Ethiopia. During the Summit, the Bank's delegation met with partner institutions participating in the Summit; met with senior officials of the Trade Commission of the AU to advance discussion on joint Afreximbank/AU initiatives aimed at promoting the growth and development of African trade; and attended a number of Seminars that were organised by the AU around the Summit on: *"The Development of Energy and Transport Infrastructure in Africa"*, and *"The Current International Financial Crisis and Its Impact on African Economies"*, among other issues of socio-economic relevance to ongoing efforts at promoting economic development in the continent. During March 26-27, 2009, a three-man delegation led by the President of the Bank, participated in the 3rd Annual Africa Trade and Investment Conference held in Cape Town, South Africa. During the Conference, the President delivered a key note address at the Session on: *"The Growth of South-South Trade between Africa and other Emerging Countries"*, while a senior official of the Bank participated in a Panel Discussion on: *"Liquidity:*

Discovering Untapped Sources of Funding".

The delegation used the opportunity of the Conference to deepen their understanding of the global financial crisis and the challenges posed to African Trade and Trade Finance as well as efforts being made to ameliorate the situation in Africa. The delegation also explored opportunities for collaboration with selected participating institutions, and pursued business opportunities with existing and potential clients.

4.6.3 As part of its efforts at creating awareness of, and evolving appropriate response to, the effect of the global credit crisis on African Trade and Trade Finance, the Bank collaborated with the African Development Bank, the IFC and other partner institutions to organize a one-day conference on the subject on April 14, 2009 in Tunis, Tunisia. At that meeting, the President of the Bank briefed delegates on Afreximbank's efforts at easing the global liquidity constraint on African Trade at the Opening Session, and moderated the session on *"Key Constraints to Trade Finance in Africa"*. The conference took account of the negative effect of the global credit crisis on African economies and identified a number of strategic policies and programmes that could be deployed to ameliorate the effect of the global credit crunch on African Trade and Trade Finance.

4.6.4 In line with the Bank's strategy of equipping staff with appropriate skills through structured training courses, two officers of the Bank attended a Workshop on: *"Corporate Governance – Director Skills Development"* that held in Pretoria, South Africa during April 27 – May 1, 2009.

4.6.5 At the invitation of Global Network of Eximbanks and Development Finance Institutions (G-NEXID), a two-man delegation from the Bank attended the 4th Annual Meeting of G-NEXID that held during May 4-5, 2009 at Palace des Nations, Geneva, Switzerland. The delegation used the opportunity to learn and share with participating member institutions of G-NEXID experiences and best practices in trade and project finance as well as learn of evolving challenges in the African and global trade/project finance arena. The delegation further used the opportunity of the Conference to meet with representatives of participating member institutions of G-NEXID with a view to forging business partnerships for the implementation of the Bank's ECA Loans Facilitation Programme. Further, at that meeting, Mr. EKRA, the President of the Bank, was elected Honourary President of G-NEXID for a period of two years.

4.6.6 At the invitation of AfDB, the President led a three-man delegation of the Bank to the 2009 Annual Meetings of the AfDB that held in Dakar, Senegal, during May 11-14, 2009. The delegation used the opportunity to discuss with its partner institutions and shareholders developments regarding the operating environment and its strategies for grappling with the adverse effects of the global economic and financial crises on the Bank's operations, and briefed them on efforts being made by the Bank to assist member countries facing trade finance challenges as a result of the global credit squeeze. Further, the Bank's delegation held meetings with existing and potential clients of the Bank with a view to resolving pending operational

matters and winning new business for the Bank. The Bank also used the opportunity provided by the meeting to organize the first meeting of prospective members of the Bank-sponsored Alliance of African International Financial Institutions. The meeting, which was well attended, agreed a roadmap for the launching of the initiative.

4.6.7 During June 18-19, 2009, two officers of the Bank attended the "*Emerging Markets Development and Agency Finance Conference*" that held in Washington D.C., U.S. The Conference was held to discuss topical issues in trade and project finance within the context of the recent global financial crisis. The Bank was represented on the panel which discussed: "*The Return of ECA and Agency Finance: Sticking with the Tried and Trusted or Innovating to Face New Market Conditions*". The delegation also used the opportunity of the conference to meet with other ECAs with a view to seeking partnerships for the implementation of the Bank's ECA Loans Facilitation Programme.

4.6.8 At the invitation of the Corporate Council for Africa (CCA), a four-man delegation of the Bank attended the "*Seventh Biennial US – Africa Business Summit*" which took place during September 29- October 1, 2009, in Washington D.C., USA. At the Summit, the President of the Bank, Mr. Jean-Louis EKRA, chaired a workshop on the theme: "*Building Relationships to Improve Africa's Access to Trade Finance*". The Executive Vice President of the Bank, who participated in a panel discussion on the above topic, elaborated on the innovative products and programmes the Bank had deployed to support trade finance in the

face of the global financial crisis in Africa. The delegation used the opportunity offered by the summit to discuss business development issues with other international financial institutions attending the summit. At the invitation of the *Africa Investor* and New York Stock Exchange (NYSE), a representative of the Bank attended the African Investor Index Series Summit and Awards Ceremony which was organized in association with NYSE EuroNext on September 21, 2009, in New York, USA. The Bank's representative used the opportunity provided by the gathering to educate participants on the Bank's credit facilities and programmes as well as its efforts at supporting trade finance transactions in Africa in the face of the global financial crisis.

4.6.9 During October 3–7, 2009, the Bank participated in the Annual Meetings of the World Bank/International Monetary Fund (IMF) that held in Istanbul, Turkey. The Bank's delegation used the opportunity of the meeting to meet with representatives of its Shareholders and partner banks; attend the African Bankers Award Ceremony and the African Investment Forum; and pursue other businesses with the Bank's partner institutions.

4.6.10 A five-member delegation attended the Annual Meetings of the International Factors Group (IFG), which held during October 11–15, 2009, in Saint Petersburg, Russia. The Bank's delegation participated in a training programme organised for the benefit of IFG members, and met with representatives of member institutions to discuss various business opportunities and ways of promoting factoring in Africa.

4.6.11 At the invitation of the Food and Agriculture Organization of the United Nations (FAO), a two-man delegation of the Bank attended the "*World Summit on Food Security*", which took place during November 16–18, 2009, in Rome, Italy. The delegation used the opportunity to attend the deliberations of the World Heads of State on measures taken and instruments for tackling the worsening global food security situation. The delegation further met with the President of the International Fund for Agricultural Development (IFAD), Mr. Kanayo F. Nwanze, and exchanged ideas on possible cooperation between the Bank and IFAD with regard to the development of agriculture exports in Africa consistent with the mandates of the two institutions.

4.6.12 The President led a two-member delegation to participate in the "*Trade and Investment Forum on Sierra Leone*" that held on November 18, 2009, in London, UK. The Bank's delegation used the opportunity to educate participants about the Bank's lending operations and held discussions with senior government officials on collaboration between the Bank and the Government of Sierra Leone with regard to the promotion and financing of that country's external trade sector.

4.6.13 At the invitation of the United Nations Conference on Trade and Development (UNCTAD), a two-man delegation of the Bank attended UNCTAD's "*Multi-year Expert Meeting on International Cooperation: South-South Cooperation and Regional Integration*", which took place in Geneva during December 14–16, 2009. At that meeting, the President of the Bank, Mr. Jean-

Louis EKRA, spoke on the subject: *“How to Enhance South-South Trade Financing and Trade-Related Infrastructure for Agriculture”*. His presentation discussed the economic rationale for promoting South-South trade and efforts being made by the Bank to promote trade and investment flows under its Export Development Finance Programme (EDFP), as well as the Bank’s experience in promoting and financing South-South trade and trade-related infrastructure for agriculture in Africa. The Meeting, which was well attended, agreed to continue to evolve innovative programmes and instruments to support agricultural production through “triangular cooperation”.

The foregoing Meetings, Conferences and Seminars provided an opportunity for the Bank’s staff not only to acquire skills but also to advance the Bank’s business and fulfil its commitments under various Cooperation Agreements with other institutions.

4.6.14 In pursuit of its goal of developing and strengthening trade finance capacity in Africa, the Bank organized its Ninth Annual Seminar/Workshop on “Structured Trade Finance” during November 22-24, 2009, in Lusaka, Zambia. The three-day training event was opened by the Honourary Minister of Finance and National Planning of the Republic of Zambia, Dr. Situmbeko Musokotwane. The event, which attracted 107 participants from within and outside Africa, began with a two-day seminar on *“Advanced Structured Trade Finance”*. The title of the Papers presented at the Seminar included: *“The African Trade and Projects Financing Environment in the Context of Current Global Economic Crisis:*

Challenges and Opportunities”; *“Structuring Trade Finance Deals: Risk Identification, Risk Mitigation, Security and Pricing Issues”*; *“Critical Issues in Asset-Based Lending in the Context of Volatile Asset Prices”*; *“The Concept of Collateral Management and its use in Risk Management under Structured Trade Finance”*; *“A Primer on the Emerging Pan African Commodity and Derivatives Exchange and its Possible Impact on African Trade Finance”*; *“The Fundamentals of, and Ratings Criteria for, Asset-Backed Bond Issuances”*; *“Rating Financial Institutions in Difficult Markets: Lessons of Experience”*; *“Critical Issues in Customer Due Diligence when Operating Under a Structured Trade Finance Environment”*; *“Aircraft Financing: Challenges, Risks and Risk Mitigating Structures”*; *“Financing Projects under Limited Recourse Financing Structure: Issues, Risks, Risk Transfer Instruments, Pricing and Deal Breakers”*; *“Managing Operational Risks Under Structured Trade Finance Framework: Challenges and Solutions”*; and *“Understanding Basel II and its Treatment of Structured Trade Finance Assets”*.

Resource persons for the Seminar included individuals with extensive knowledge and practical experience in African trade finance matters, namely Mr. Wilson Chola, Head of Operations, Africa Division, Citibank, Johannesburg; Dr. B.O. Oramah, Executive Vice President, African Export-Import Bank; Mr. Richard Hodder, Director, Sub Saharan Africa, HSBC, London; Mr. Lamon Rutten, Managing Director, MCX, India; Mr. Chris Goromonzi, Executive Director, Bourse Africa, Botswana; Mr. Ade Adebajo, Head, Debt Capital Markets Africa, Standard

Chartered, London; Mr. Tertius Smith, Managing Director, Fitch Ratings, South Africa; Mr. Tagbo Gozie Agbazue, Senior Advisor, African Institute of Corporate Citizenship, South Africa; and Mr. Charles Carlson, Global Head, Structured Export Finance, Standard Chartered Bank, London. Other speakers included Mr. Siyanga Malumo, Director, Africana Finance and Investment, South Africa; Dr. Kunle Oladosu, Director, Emerging Market Financial Group, Canada; and Mr. Andrew Gamble, Partner, Lovells London, UK. Sessions of the Seminar were chaired by Dr. Caleb Fundanga, Governor, Bank of Zambia; Dr. Michael Gondwe, President, PTA Bank; Mr. Agbai Abosi, Secretary General, West African Bankers' Association; Mr. Saviour Chibiya, Managing Director of Citibank Zambia and Chairman of Bankers' Association of Zambia; and Mr. Geoff Gondwe, Secretary General, COMESA Bankers' Association. The two-day seminar was organised by the Bank in collaboration with the Bank of Zambia, Bankers' Association of Zambia, COMESA Bankers' Association, and West African Bankers' Association.

The Seminar was followed by a Workshop on the theme: *“Issues in Environmental and Social Risks Management and Carbon Financing”* organized by Afreximbank in collaboration with the G-NEXID. Discussions at the Workshop were guided by four presentations, namely: *“Opportunities and Challenges in the Emerging Renewable Energy Markets – The Experience of African Bio-fuels and Renewable Energy Fund (ABREF)”*, presented by Mr. Thierno Bocar Tall, Director, African Biofuel & Renewable Energy Fund Project, ECOWAS

Bank of Investment & Development, Lome, Togo; *“Understanding and Mitigating Environmental and Social Risks in Trade and Project Financing”*, presented by Mr. Michael Fisher, DEG Consultant, South Africa; *“Carbon As A New Commodity Class – Understanding Afreximbank’s Carbon Financing Program”*, presented by Dr. Francis Mbroh, Director, Research, Planning and International Cooperation, Afreximbank; and *“Lessons of Experience in the Promotion and Financing of CDM Projects – Experience of G-NEXID Member”*, presented by Mr. S. Prahalathan, General Manager, EXIM Bank of India, India.

4.7 THE BOARD

4.7.1 During the review period, the Board met four times and took very important decisions on issues affecting the Bank. In particular, the Board reviewed the Annual Report and Financial Statements of the Bank for the year ended December 31, 2008, and approved that it be submitted to the Sixteenth General Meeting of Shareholders. It also reviewed preparations for the 16th General Meeting of Shareholders.

During 2009, the Remuneration Committee of the Board oversaw the development of a new organisational structure for the Bank which is aligned with the Bank’s overall long-term strategic goals and business needs, and considered and approved the introduction of a new performance-based remuneration structure. The new performance-based remuneration system was introduced with a

view to ensuring that diligence is encouraged and sufficiently rewarded so as to maintain overall staff productivity at the highest possible level. These recommendations were subsequently approved by the Board for implementation by Management in 2010.

4.7.2 During the review period, the Statutory Committees of the Board met to deliberate on issues relating to the Bank's operations and activities. In this regard, the Executive Committee, the Branch Management Committee and the Audit Committee of the Board met in accordance with their meeting schedules and deliberated on issues within their respective terms of reference. The Executive Committee of the Board approved financing transactions and received reports on the Bank's credit operations. The Audit Committee reviewed the 2009 financial statements as well as the status of the 2009 financial year internal and external audit programmes while the Branch Management Committee reviewed reports on the activities of Branches and proposed measures for improving their operational efficiency.

4.8 MEMBERSHIP MOBILIZATION

The period under review saw the Bank intensify its membership mobilization efforts and considerable success made in mobilizing additional equity. In this regard, three new members, namely Government of Lesotho (Class "A"), Pan African Capital, Nigeria (Class "B"), and BIAO, Cote d'Ivoire (Class "B"), joined the Bank as shareholders. Further, several existing shareholders increased their

shareholdings in the Bank by subscribing for additional shares. At the end of the review period, a number of prospective shareholders were finalising their internal approval processes for equity participation in the Bank.

4.9 BRANCHES

During the review period, the Branch offices of the Bank functioned in line with the operational targets set for them by Management. A summary of activities of the branches is presented below.

4.9.1 Harare Branch Office (HBO)

During 2009, operational activities of HBO increased significantly compared to 2008. In this regard, the total volume of business generated by HBO increased by 31% year-on-year to US\$817 million in 2009. Of this volume of business generated in 2009, transactions approved by the Executive Committee of the Board of Directors amounted to US\$537 million, representing a decline of about 6.1% from the level of US\$572 million in 2008. Total volume of transactions at different stages of development stood at US\$280 million at the end of 2009, about 460% higher than the level at the end of 2008. The Branch also continued to effectively monitor transactions in its area of coverage during the review period.

4.9.2 Abuja Branch Office (ABO)

During the review period, the volume of new business generated by ABO amounted to

US\$243.3 million. The Branch continued to provide support in terms of following up on documentation necessary for disbursements, as well as other relationship management support as required of ABO.

4.10 TRADE INFORMATION

The review period saw the Bank intensify efforts at providing its clients with country reports, financial sector reports, commodity market reports, and reports on international trade issues of economic interest to African entities, among others. In this regard, the Bank advanced work on several studies relating to the development of a number of new financial products, namely (i) Acquisition Financing Programme in Support of African Entrepreneurs, (ii) an Export-Linked Domestic Letter of Credit Facility in support of manufacturing entities, (iii) a Local Currency Programme, (iv) use of Commodity Funds as Vehicles for Relaunching Trade Finance, (v) China and India Initiative, (vi) Development of a Market for Bankers' Acceptances in Africa, and (vii) a Proprietary Computer Model for Structuring Trade Finance Deals, among others. The Bank also continued to expand its data base on African banks and commodities of trade interest to Africa.

4.11 ADMINISTRATION AND PERSONNEL

The human resource capacity of the Bank was strengthened during the review period with

the employment of 9 additional staff bringing the staff position of the Bank (including Abuja and Harare) to 63 (including elected officers) at the end of the review period, from 55 at the end of 2008.

In line with Management's objective of equipping staff with relevant skills through appropriate training and knowledge sharing, some staff of the Bank attended training courses, conferences and seminars in areas considered relevant to the attainment of the Bank's medium-term goals. Some of the training courses, seminars and conferences attended by staff members are presented in Paragraph 4.6 of this Report.

Another major development in the area of human resource management of the Bank was the implementation of a new staff performance appraisal system during the review period. The purpose of the exercise was to strengthen the link between employee performance and reward. Working with PricewaterhouseCoopers London, Management also embarked on salary survey and job evaluation exercise in August 2009 which resulted in the recommendation of a new grading and salary structure. These proposals, which were put together as a new Performance and Reward Policy, was approved by the Board of Directors in December 2009.

4.12 BANKING RELATIONSHIPS

During the review period, the Bank continued to deepen the scope and depth

of its relationship with African and non-African partner institutions. Given the increased focus on business development, the Bank, during the period, continued to receive at its headquarters delegations from major African and non-African institutions seeking to develop business relationship with the Bank. In this regard, during 2009, 73 visiting delegations were received at the Bank's Headquarters in Cairo compared to 40 received in 2008. Conscious efforts were also made to strengthen business relationships with major financial institutions in the Euro credit market through business calls and participation in syndicated and/or club deals originated by some of those partner banks. It is worth noting also that the Bank issued its first Euro Medium Term Note, which was arranged by HSBC, Commerzbank and Mitsubishi UFJ Securities, following a series of Road Shows undertaken during the year to make presentations to the international investor and business communities in Singapore, Germany and the United Kingdom, among other major financial centres.

Further, the Bank undertook a road show in April 2009 in London to present the results of its 2008 operations and inform its partner institutions and potential investors of the Bank's strategy in the coming years with a view to broadening its shareholder base with regard to mobilisation of additional Class "C" shareholders from among international financial institutions and investors.

4.13 AWARDS

Afreximbank received in 2009 three Awards for Excellence, namely (i) *the African Banker Magazine* Best Development Bank Award; (ii) *Trade Finance Magazine* Best ECA/DFI in Africa Award; and (iii) *Trade Finance Magazine* Deal of the Year Award for co-arranging US\$106 Million ECA-backed Bridge Financing Facility for Arik Air, Nigeria. These Awards recognized the Bank's capacity at structuring innovative deals during a period of great economic uncertainty.



5

OPERATING RESULTS FOR FINANCIAL YEAR ENDING DECEMBER 31, 2009

5.1 INTRODUCTION

The financial statements of the Bank include Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the accompanying notes. This Chapter discusses and analyses the Bank's financial statements for the year ended 31st December 2009, paying particular attention to the factors that influenced the observed results.

5.2 STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income shows that the Bank posted a net income in an amount of US\$ 42.613 million in 2009 as compared to an amount of US\$ 38.742 million achieved in 2008, an increase of about 10%. This increase in net income arose mainly from an increase in net interest income and net fees and commissions for the year 2009. A detailed analysis of the Statement of Comprehensive Income is presented hereunder.

5.2.1 Net Interest Income And Margin

During the period under review, Net Interest Income which captured the difference between the interest paid by the Bank and the interest received during the period, increased by about 10% to US\$ 38.519 million (2008: US\$ 35.163 million). This increase was accounted for mainly by higher interest income arising from higher loan volumes compared to 2008.

Net interest margin declined to 3.2% (2008: 3.8%). The decline is explained mainly by increased funding costs due to liquidity premium occasioned by the global financial crisis witnessed in 2009.

5.2.2 Non-Interest Income

Net Fee and Commission Income, which is the difference between the fees and commissions paid by the Bank and the fees and commissions received, increased by 0.8% or US\$ 0.18 million to US\$ 22.930 million in 2009. This is accounted for mainly by fee and commission income which increased by 23% in 2009 due to higher loan volumes and investment banking services. On the other hand there was 193% increase in fee and commission expense. This is explained by higher borrowing costs in 2009 due to

the global financial crisis as well as fee and commissions incurred on the debut issue of US\$ 300 million worth of bonds.

5.2.3 Operating Income

Operating income, which is the sum of Net Interest Income, Net Fees and Commissions Income and Other Operating Income increased by 6% in 2009 to US\$ 61.87 million (2008: US\$ 58.36 million). The increase is explained mainly by an increase of about US\$ 3.36 million and US\$ 0.18 million in net interest income and net fee and commission income respectively.

5.2.4 Operating Expenses

Operating expenses increased by about 24% in 2009 to US\$ 15.43 million. The increase is explained mainly by increase in staff costs as a result of recruitment of additional staff and incurring the related one off expenses such as relocation. During the year 2009, the Bank implemented a new performance and reward policy for which professional services fees were paid to the consultants used in the process. Depreciation charges

also increased in 2009 due to the cost of equipping and improving the Abuja Branch offices. The Bank also incurred additional costs of US\$ 0.842 million (2008: US\$ 1.161 million) in relation to the implementation of the shareholders' resolution concerning the shareholders' dispute on the appointment of the President which was legally resolved at the Annual General Meeting held in September 2006. Other costs were generally contained during 2009.

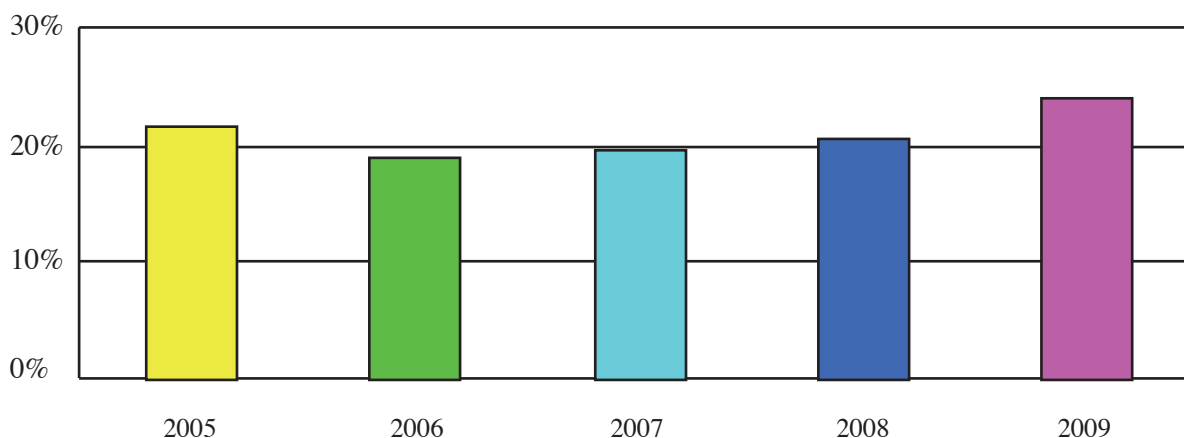
5.2.5 Cost Income Ratio

Figure 5.1 shows that the cost-income ratio of the Bank increased to 24%, from a level of 21% in 2008. The small increase arising from higher operating expenses explained above reflects effective cost controls and higher operating efficiency of the Bank during the year as compared to industry average.

5.2.6 Allowance For Impairment On Loans And Advances

Allowance for impairment on Loans and Advances declined by 54% from US\$ 6.762 million in 2008 to US\$ 3.103 million in 2009.

Fig 5.1 Afreximbank: Cost to income ratio: 2005-2009



The decrease arose mainly from lower specific impairment allowance on non-performing loans as a result improved quality of the Bank's loan assets in 2009.

5.2.7 Earnings Per Share

Earnings per share increased by about 10% from US\$ 0.94 in 2008 to US\$ 1.03 in 2009 as a result of higher net income.

5.2.8 Dividends

On account of higher net income achieved during the year, the Board of Directors recommended a dividend payout amounting to US\$ 9 million to shareholders, reflecting an increase of about 13% over the US\$ 8 million paid out in 2008. The past trend of increasing dividends to shareholders was thus maintained during the review period. Consistent with the tradition of the Bank, shareholders were offered the option of receiving the dividend payment or using their dividend entitlement to acquire new ordinary shares of the Bank.

The Board in making its recommendation on the level of ordinary dividends took into consideration the objective of maintaining a growth trend in dividend payments. This required consideration of a number of factors, including profit performance, need to retain earnings to support ongoing business growth, capital adequacy, inflation, as well as the need to balance internal and external financing.

5.3 STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Bank shows the position of the Bank's assets and liabilities as well as its Net worth or Shareholders' funds at the reporting date. A detailed discussion of these items with respect to 2009 is presented hereunder.

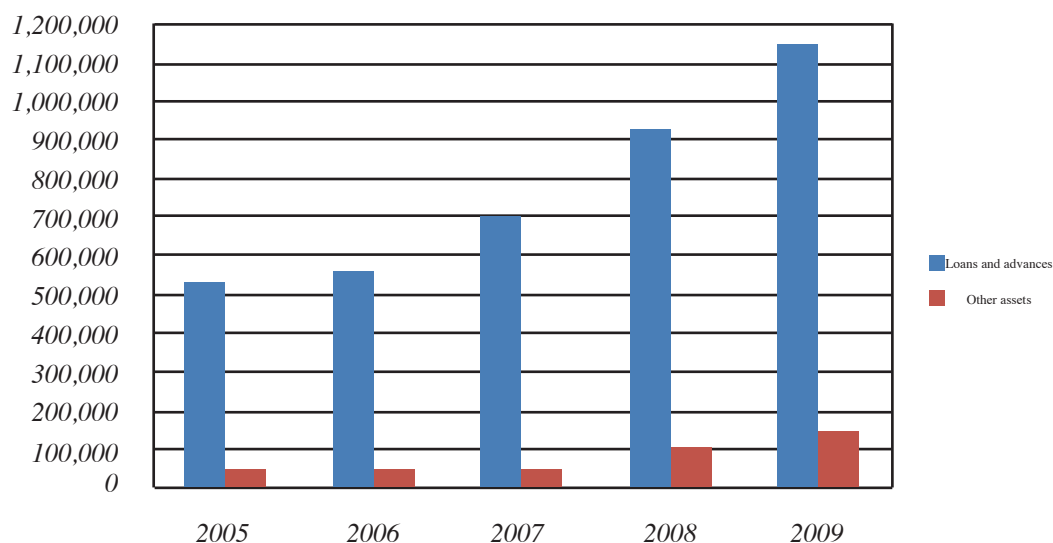
5.3.1 Assets

Total assets of the Bank increased by about 35% in 2009 to US\$ 1,445 million. This growth arose mainly from higher volumes of loans and advances. Loans and advances increased on a net basis by US\$ 219.4 million to US\$ 1,145 million (see Figure 5.2).

A break-down of the Bank's assets in 2009 shows that Loans and Advances accounted for about 79% of total assets. Cash and deposits with other banks (investments) accounted for about 15%. The observed distribution was not much different from the distribution seen in 2008.

5.3.2 Liabilities

During the review year, total liabilities of the Bank rose by about 49% to 1,024.090 million (2008: US\$ 688.488 million) mainly due to debt securities issued in 2009 and increase in borrowings. Due to banks and debt securities accounted for about 60% and 29% respectively of the liabilities making them the largest components of liabilities. The liabilities of the Bank were used in financing the observed increase in the Bank's loan assets.

Fig 5.2 Afreximbank: Assets (US\$ thousands): 2005 – 2009

5.3.3 Shareholders' Funds

As a result of the evolution of the Bank's assets and liabilities as described above, as well as increases in Retained Earnings and General Reserves, the Bank's Capital Funds (Shareholders' Funds) rose by about 10% to US\$ 421.167 million at the end of 2009, from US\$ 383.94 million at the end of 2008. The observed increase also reflected new equity subscriptions made during 2009 in response to an active shareholder mobilization effort by management.

5.4 CONCLUSIONS

A summary of the financial results described above shows that notwithstanding the challenges the Bank faced during 2009, it was able to maintain a solid financial performance reflected in strong profit increase, asset growth and further improvements in capitalization and levels of efficiency.

The Bank expects to continue to improve on its operational and financial performance in the years ahead building on the solid foundation established in past years, in an improving economic environment.

*Financial Statements
for the Year Ended
December 31, 2009*

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS AND GENERAL MEETING OF THE AFRICAN EXPORT-IMPORT BANK

In compliance with the provisions of Article 30(1) and (3) of the Charter of the African Export-Import Bank and pursuant to the terms of Resolution No. Afrexim/BD/9/95/02 concerning the establishment, membership, functions and powers of the Audit Committee of the African Export-Import Bank (as amended), the Audit Committee considered the audited Financial Statements for the year ended 31 December, 2009, at its meeting held on 26 March 2010.

In our opinion, the scope and planning of the audit for the year ended 31 December, 2009 were adequate.

The Committee reviewed Management's comments on the Auditors' findings and both the Committee and the Auditors are satisfied with Management's responses.

After due consideration, the Committee accepted the Report of the Auditors to the effect that the Financial Statements were prepared in accordance with the ethical practice and international financial reporting standards and gave a true and fair view of the state of affairs of the Bank's financial condition as at 31 December, 2009.

The Committee, therefore, recommended that the audited Financial Statements of the Bank for the Financial Year ended 31 December, 2009 and the Auditors' Report thereon be approved by the Board and presented for consideration by Shareholders at the Seventeen General Meeting.

The Committee accepted the provision made in the Financial Statements for the remuneration of the Auditors and recommends that the Board accepts same. Furthermore, the Audit Committee recommends to the Shareholders the reappointment of Deloitte & Touche and Ernst & Young as the Bank's External Auditors for the Financial Year 2010.

Aderemi Babalola
Chairman
Audit Committee

Members of the Committee

Mr A. Babalola (Chairman); Dr G. Gono; Mr L. Liange



JOINT AUDITORS' REPORT
TO THE SHAREHOLDERS OF AFRICAN EXPORT-IMPORT BANK

We have audited the accompanying financial statements of the African Export-Import Bank, which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, 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.

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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditors' 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, the auditor considers 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 policies 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 audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Charter establishing the Bank.

Ernst & Young
Kenya

27 March 2010

Deloitte & Touche
Ghana

27 March 2010

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AFRICAN EXPORT-IMPORT BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Interest income	8	58,739	57,987
Interest expense	9	(20,220)	(22,824)
Net interest income		38,519	35,163
Fee and commission income	10	31,564	25,703
Fee and commission expense	11	(8,634)	(2,949)
Net fee and commission income		22,930	22,754
Other operating income		419	443
Operating income		61,868	58,360
Personnel expenses	12	(7,257)	(6,088)
General and administrative expenses	13	(7,091)	(5,586)
Depreciation and amortisation expense	20,21	(1,081)	(791)
Operating expenses		(15,429)	(12,465)
Exchange adjustments		(2,156)	(1,928)
Operating profit before impairment allowances, provisions and investment property income		44,283	43,967
Allowance for impairment on loans and advances	17	(3,103)	(6,762)
Provisions	17	(299)	(166)
Investment property income		1,732	1,703
NET INCOME FOR THE YEAR		42,613	38,742
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		42,613	38,742
EARNINGS PER SHARE			
Basic and diluted earnings per share (expressed in US\$ per share)	14	1.03	0.94

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

AFRICAN EXPORT-IMPORT BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
<u>ASSETS</u>			
Cash and due from banks	15	94,886	72,303
Deposits with other banks		126,281	45,118
Loans and advances to customers	16	1,144,663	925,264
Hedging derivatives	5	27,563	-
Prepayments and accrued income	18	36,774	14,813
Other assets	19	1,462	1,864
Property and equipment	20	1,703	220
Investment property	21	11,925	12,845
Total assets		<u>1,445,257</u>	<u>1,072,427</u>
<u>LIABILITIES</u>			
Due to banks	22	618,189	553,829
Hedging derivatives	5	26,800	-
Debt securities in issue	23	295,679	-
Deposits and customer accounts	24	56,670	102,068
Other liabilities	25	26,752	32,591
Total liabilities		<u>1,024,090</u>	<u>688,488</u>
<u>CAPITAL FUNDS</u>			
Share capital	26	166,300	165,082
Share premium	27	18,002	16,605
General reserve	28	114,448	97,641
Retained earnings		122,417	104,611
Total capital funds		<u>421,167</u>	<u>383,939</u>
Total liabilities and capital funds		<u>1,445,257</u>	<u>1,072,427</u>

JeanLouis Ekra
Chairman of the Board of Directors

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

AFRICAN EXPORT-IMPORT BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital US\$ 000	Share premium US\$ 000	General reserve US\$ 000	Retained earnings US\$ 000	Total US\$ 000
Balance at 1 January 2008	161,416	13,193	82,270	89,240	346,119
Paid-in capital during 2008	3,666	3,412	-	-	7,078
Total comprehensive income for 2008	-	-	-	38,742	38,742
Transfer to general reserve	-	-	15,371	(15,371)	-
Dividends for 2007	-	-	-	(8,000)	(8,000)
Balance at 31 December 2008	165,082	16,605	97,641	104,611	383,939
Balance at 1 January 2009	165,082	16,605	97,641	104,611	383,939
Paid-in capital during 2009	1,218	1,397	-	-	2,615
Total comprehensive income for 2009	-	-	-	42,613	42,613
Transfer to general reserve	-	-	16,807	(16,807)	-
Dividends for 2008	-	-	-	(8,000)	(8,000)
Balance at 31 December 2009	166,300	18,002	114,448	122,417	421,167

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

AFRICAN EXPORT-IMPORT BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income for the year	42,613	38,742
<u>Adjustment for non-cash items:</u>		
Depreciation of property and equipment	420	94
Depreciation of investment property	661	697
Allowance for impairment on loans and advances	3,323	6,954
Provisions	129	166
Gain on sale of property and equipment	(2)	(7)
Net increase in prepayments and accrued income	(21,961)	(3,959)
Net increase in hedging derivatives assets	(27,563)	-
Net increase in other assets	(165)	(683)
Net increase in hedging derivatives liabilities	26,800	-
Net increase in other liabilities	1,843	3,897
Provisions no longer required	(220)	(192)
Net (decrease)/increase in deposits and customer accounts	(46,496)	34,035
Net increase in loans and advances to customers	(222,502)	(229,481)
Net cash outflow from operating activities	<u>(243,120)</u>	<u>(149,737)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases and additions to property and equipment	(1,644)	(78)
Proceeds from sale of property and equipment	1	-
Net cash outflow from investing activities	<u>(1,643)</u>	<u>(78)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net cash from capital subscriptions and share premium	1,705	7,031
Dividends paid	(13,236)	(1,880)
Proceeds from borrowed funds and debt securities	1,000,947	671,152
Repayment of borrowed funds and debt securities	(640,907)	(491,105)
Net cash inflow from financing activities	<u>348,509</u>	<u>185,198</u>
Net increase in cash and cash equivalents	103,746	35,383
Cash and cash equivalents at 1 January	117,421	82,038
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>221,167</u>	<u>117,421</u>
<u>Composed of:</u>		
Deposits with other banks	126,281	45,118
Cash and due from banks	94,886	72,303
	<u>221,167</u>	<u>117,421</u>

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

AFRICAN EXPORT-IMPORT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATUS AND ACTIVITIES

The African Export-Import Bank (“the Bank”), headquartered in Cairo, Egypt, is a supranational institution, established on 27 October 1993. The Bank started lending operations on 30 September 1994. The principal business of the Bank is the finance and facilitation of trade among African countries and between Africa and the rest of the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank have been approved by the Board of Directors of the Bank and are consistent with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board. The major accounting policies adopted which are consistent with those used in the previous financial year and applied by the Bank are summarized below.

2.1. Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared under the historical cost convention and are presented in US dollars in accordance with the Bank’s Charter. The functional currency of the Bank is the US dollar based on the fact that most of the activities of the Bank are conducted in US dollar. The Bank has not applied any IFRS before their effective dates.

The preparation of financial statements complying with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 below.

2.1.1 Standards, amendments and interpretations effective in 2009

The Bank has adopted the following new standards, amendments and interpretations as at 1 January 2009.

- IFRS 7. Improving disclosures about financial instruments (effective from 1 January 2009)

- IFRS 8. Operating Segments (effective from 1 January 2009)
- IAS 1 (Revised 2007). Presentation of Financial Statements (effective from 1 January 2009)
- IAS 23 Revised. Borrowing Costs (effective from 1 January 2009)
- IAS 32 and IAS 1. Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009, but they are not relevant to the Bank's operations:

- IFRS 1. First-time Adoption of International Financial Reporting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRS 2. Share-based Payment — Vesting Conditions and Cancellations;
- IAS 27. Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRIC 9. Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement Embedded Derivatives;
- IFRIC 13. Customer Loyalty Programmes;
- IFRIC 15. Agreements for the Construction of Real Estate;
- IFRIC 16. Hedges of a Net Investment in a Foreign Operation; and
- IFRIC 18. Transfers of Assets from Customers.

Improvements to IFRS

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have material impact on the financial position or performance of the Bank.

- IFRS 5. Noncurrent Assets Held for Sale and Discontinued Operations (effective 1 July 2009);
- IFRS 7. Financial Instruments: Disclosures;
- IAS 1. Presentation of Financial Statements;
- IAS 8. Accounting Policies, Change in Accounting Estimates and Error;
- IAS 10. Events after the Reporting Period;
- IAS 16. Property, Plant and Equipment;
- IAS 19. Employee Benefits;
- IAS 20. Accounting for Government Grants and Disclosures of Government Assistance;
- IAS 23. Borrowing Costs;
- IAS 27. Consolidated and Separate Financial Statements;
- IAS 28. Investments in Associates;

- IAS 29. Financial Reporting in Hyperinflationary Economies;
- IAS 31. Interest in Joint Ventures;
- IAS 34. Interim Financial Reporting;
- IAS 36. Impairment of Assets;
- IAS 38. Intangible Assets;
- IAS 39. Financial Instruments: Recognition and Measurement;
- IAS 40. Investment Properties; and
- IAS 41. Agriculture;

2.1.2 Amendments to published standards and interpretations issued but not yet effective 1 January 2009

The Bank has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2009. The application of these standards amendments and interpretations will not have material impact on the Bank's financial statements in the period of initial application.

- IFRS 2. Share-based Payment (effective 1 January 2010);
- IFRS 3(Revised). Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements (effective 1 July 2009);
- IFRS 9. Financial Instruments (effective 1 January 2011);
- IAS 24 (Revised). Related Party Disclosure. The revised Standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011;
- IAS 39. Financial Instruments: Recognition and Measurement – Eligible Hedged Items. The amendments to IAS 39 become effective for financial years beginning on or after 1 July 2009;
- IFRIC 14. Prepayments of a Minimum Funding Requirements (amendments);
- IFRIC 17. Distribution of Non-Cash Assets to Owners. This Standard is effective for periods beginning on or after 1 July 2009; and
- IFRIC 19. Distinguishing Financial Liabilities with Equity Instruments.

Improvements to IFRS

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments which are effective for periods beginning on or after 1 January 2010 (unless otherwise stated) will not have material impact on the Bank's financial statements in the period of initial application.

- IFRS 2. Share-based Payment (effective 1 July 2009);
- IFRS 5. Noncurrent Assets Held for Sale and Discontinued Operations;
- IAS 1. Presentation of Financial Statements;
- IFRS 8. Operating Segments;

- IAS 7. Statement of Cash Flows;
- IAS 17. Leases;
- IAS 18. Revenue;
- IAS 36. Impairment of Assets;
- IAS 38. Intangible Assets (effective 1 July 2009);
- IAS 39. Financial Instruments: Recognition and Measurement;
- IFRIC 9. Reassessment of Embedded Derivatives (effective 1 July 2009); and
- IFRIC 16. Hedge of a Net Investment in a Foreign Operation (effective 1 July 2009).

2.2. Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial instruments, interest income or expense is recognized at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recognized as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

2.3. Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

2.4. Operating expenses

Operating expenses are recorded on accrual basis.

2.5. Foreign currencies

Transactions in foreign currencies are translated into US dollars at the prevailing exchange rate at the date of the transaction.

At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at that date. Any gains or losses resulting from the translation are taken to the statement of comprehensive income.

2.6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, due from banks, and deposits with other banks with less than three months' maturity from the transaction date. Due from banks and deposits with other banks are carried at amortized cost as these balances earn interest.

2.7. Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are carried at amortized cost using the effective interest rate method, and are recognized on the day on which they are drawn down by the borrower. They are initially recognized at fair value plus transaction costs and are de-recognized 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.

2.8. Impairment of loans and advances

The Bank assesses at each balance sheet date whether there is objective evidence that a loan is impaired. A loan is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

The estimated period between a loss occurring and its identification is determined by management for each loan. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The amount of loss is measured as the difference between the loan and advance carrying amount and the present value of estimated future cash flows discounted at the loan and advance effective interest rate determined under contract. The carrying amount of loans and advances are reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

In addition to specific provisions against individually significant loans and advances, the Bank also makes a collective impairment provision against loans and advances which although not specifically identified as requiring specific provisions, have a greater risk of default than when originally granted. This collective impairment is based on any

deterioration in the internal grade of the loan, since it was granted. The amount of provision is based on historical loss experience for loans within each grade and is adjusted to reflect current economic changes. These internal gradings take into consideration various factors such as any deterioration in country risk, industry, identified structural weaknesses or deterioration in cash flows.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, including obtaining Board of Directors approval, and the amount of loss has been determined.

If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

2.9. Property and equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives, as follows:

- Motor vehicles 5 years
- Furniture and equipment 4 years
- Computers 3 years
- Leasehold improvements Over the remaining period of the lease

Property and equipment are periodically reviewed for impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is de-recognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate

2.10. Staff provident fund scheme

The Bank operates a defined contribution plan approved by the Board of Directors. Contributions are recognized in the statement of comprehensive income on an accrual basis. The Bank has no further payment obligations once the contributions have been paid.

2.11. Investment property

The investment property is the Headquarters Building self-constructed by the Bank, located in Cairo, Egypt. The building is stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight line basis at annual rates estimated to write off the carrying values of the building over its expected useful life. The estimated useful life is 20 years.

The investment property is periodically reviewed for impairment. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

The investment property is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is de-recognized.

The Bank is a lessor in lease agreements that are classified as operating leases (IAS 17). A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The property leased out under operating leases is included in 'Investment Property'. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term. The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. The letting fees are capitalised and amortised over the lease term.

2.12. Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. Grants relating to investment property are recorded together with the related asset at fair values.

2.13. Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

2.14. Operating leases

The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. 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 termination takes place.

2.15. Borrowing costs

Borrowing costs are recognized as expenses and recorded on accrual basis.

2.16. Impairment of non-financial assets

The Bank assesses, at each reporting date or more frequently, whether there is an indication that an asset may be impaired. If such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

2.17. Debt securities in issue

Debt securities in issue are one of the Bank's sources of debt funding. Debt securities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using effective interest method.

2.18. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in the fair value of derivative financial instruments, where they are not designated as hedging instruments, are recognised in the statement of comprehensive income.

The business activities of the Bank expose it to financial risks that arise from changes in both foreign exchange rates and interest rates. The Bank uses forward currency contracts and interest rate swaps to hedge these exposures. In accordance with its treasury policy, the Bank does not enter into derivatives for speculative purposes. The Bank designates certain derivatives as either:

- a. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- b. hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the statement of comprehensive income.

If the item being hedged is a non-financial asset or liability then the gains or losses on the associated derivative that had previously been recognised in equity are included in the measurement of the asset or liability at the time it is recognised.

Conversely if the item being hedged is a financial asset or liability, any amounts arising from changes in fair value that are deferred in equity are subsequently recognised in the statement of comprehensive income in the same accounting period in which the hedged item affects net income. Hedge accounting of a transaction is discontinued when the hedging instrument is sold, terminated, or exercised, or when the hedging instrument no longer qualifies for hedge accounting. Under these circumstances any cumulative gain or loss on the hedging instrument, which has already been recognised in equity, is retained in equity until the transaction occurs. However, if a hedged transaction is no longer expected to occur, any net cumulative gain or loss that has already been recognised in equity is immediately transferred to the statement of comprehensive income.

A derivative that is embedded in another financial instrument, or in a host contract, is treated as a separate derivative if its risks and characteristics are not closely related to those of the host contract. Under these circumstances the host contract is not carried at fair value but any unrealised gains or losses on the derivative are reported in the statement of comprehensive income.

2.19. Dividend on ordinary shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the balance sheet date are disclosed as a non-adjusting event after the balance sheet date.

2.20. Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such

financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under operating expenses.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1. Use of financial instruments

The Bank's financial instruments consist primarily of cash and deposits with banks, loans and advances to customers, amounts due to banks, derivative financial instruments, debt securities in issue and customer deposits. The Bank borrows funds to meet disbursements in foreign currency as part of its matching of assets and liabilities in order to manage foreign currency risks. The proceeds from loans repayments are used to repay the borrowings.

3.2. Credit risk

Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment that it has entered into with the Bank. It arises from lending, trade finance, treasury and other activities undertaken by the Bank.

The carrying amounts of cash and deposits with banks and loans and advances to customers appearing on the statement of financial position represent the maximum amount exposed to credit risk.

3.3. Concentration of credit risk

The Bank deals with a variety of major banks and its loans and advances are structured and spread among a number of major industries, customers (dealing with sectors) and geographical areas (comprising group of countries). In addition, the Bank has procedures and policies in place to limit the amount of credit exposure to any counterparty and country. The Bank reviews, on a regular basis, the credit limits of counterparties and countries and takes action accordingly to ensure that exposure limits are not exceeded.

3.4. Credit risk measurement

The Bank assesses the probability of default of customer or counterparty using internal

rating scale tailored to the various categories of counterparties. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Customers of the Bank are segmented into seven rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's Internal Ratings Scale

Bank's rating grade	Description of the rating
1	Low risk
2	Satisfactory risk
3	Fair risk
4	Watch list
5	Sub-Standard risk
6	Doubtful and bad
7	Loss

3.5. Impairment and provisioning policies

The impairment provision shown in the statement of financial position at yearend is derived from each of the seven internal rating grades. However, the impairment provision is composed largely of the sixth grading. The table below shows the percentage of the Bank's loans and advances and the associated impairment provision for each of the internal rating categories.

Bank's rating	2009		2008	
	Loans & advances %	Impairment provision %	Loans & advances %	Impairment provision %
Low risk	14.8	8.6	10	3.7
Satisfactory risk	68.4	40	83	30
Fair risk	14.4	8.4	5	2
Watch list	1.5	0.9	1	0.3
Sub-Standard risk	-	-	-	-
Doubtful and bad	0.9	42.1	1	64
Loss				
Total	100	100	100	100

The internal rating scale assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets, facilities and commitments at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including reconfirmation of its enforceability) and the anticipated receipts for that individual account.

3.6. Maximum exposure to credit risk before collateral held or other credit enhancements

	<u>Maximum exposure</u>	
	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Cash and due from banks	94,864	72,282
Deposits with other banks	126,281	45,118
Loans and advances to customer	1,144,663	925,264
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of credit	28,888	10,000
Loan commitments and other credit related liabilities	318,699	370,267
	<u>1,713,395</u>	<u>1,422,931</u>

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2009 and 31 December 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

3.7. Concentration of risks of loans and advances to customers with credit risk exposure

a) Geographical sectors

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as at 31 December 2009 and 31 December 2008 of the Bank's counterparties.

	<u>2009</u>		<u>2008</u>	
	<u>US\$000</u>	<u>%</u>	<u>US\$000</u>	<u>%</u>
West Africa	918,377	79	832,091	89
North Africa	-	-	2,992	-
Regional	29,500	3	11,603	1
Central Africa	14,864	1	16,600	2
Southern Africa	191,787	17	74,884	8
	1,154,528	100	938,170	100

b) Industry sectors

The following table breaks down the Bank's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sector as at 31 December 2009 and 31 December 2008 of the Bank's counterparties.

	<u>2009</u>		<u>2008</u>	
	<u>US\$000</u>	<u>%</u>	<u>US\$000</u>	<u>%</u>
Agriculture	22,392	2	29,720	3
Energy	111,236	9	109,757	12
Services	157,849	14	171,683	18
Metals and minerals	6,145	1	-	-
Transportation	54,117	5	80,394	9
Manufacturing	169,636	15	110,396	12
Telecommunications	152,875	13	115,803	12
Financial institutions	480,278	41	320,417	34
	1,154,528	100	938,170	100

3.8. Loans and advances

Loans and advances are summarized as follows:

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Neither past due nor impaired	1,126,822	877,264
Past due but not impaired	17,008	51,020
Impaired	10,698	9,886
Gross loans and advances	1,154,528	938,170
Less: Allowance for impairment (note 17)	(9,865)	(12,906)
Net loans and advances	1,144,663	925,264
Individually impaired	(4,146)	(8,265)
Collective impairment	(5,719)	(4,641)
Total	(9,865)	(12,906)

The total impairment charge for loans and advances is US\$ 3,103,000 (2008: US\$ 6,762,000) of which US\$ 1,931,000 (2008: US\$ 5,615,000) represents the individually impaired loans and the remaining amount of US\$ 1,172,000 (2008: US\$ 1,147,000), represents the collective impairment provision. Further information of the impairment allowance for loans and advances to customers is provided in note 17.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of gross amounts of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank as follows:

	<u>Loans and advances</u>	
	<u>2009</u>	<u>2008</u>
Grade	<u>US\$000</u>	<u>US\$000</u>
Low risk	170,724	94,353
Satisfactory risk	790,147	758,911
Fair risk	165,951	24,000
Total	1,126,822	877,264

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amounts of loans and advances to customers that were past due but not impaired were as follows:

	<u>Loans and advances</u>	
	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Past due up to 30 days	-	6,342
Past due 30 - 60 days	-	-
Past due 60 - 90 days	-	44,678
Past due over 90 days	17,008	-
Total	17,008	51,020
Fair value of collateral	16,300	43,785

(c) Loans and advances impaired

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Impaired loans	10,698	9,886
Fair value of collateral	5,862	827

Upon initial recognition of loans and advances, fair value of the collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, fair value is updated by reference to market prices, if available.

3.9. Collateral and other credit enhancements

Collateral available as security for loans and advances past due but not impaired and impaired loans is as follows:

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Promissory notes	21,300	43,617
Assignment of receivables	862	995
	22,162	44,612

3.10. Market risk

At 31 December 2009, if interest rates at that date had been 170 basis points lower with all other variables held constant, profit for the year would have been US\$ 7,325,000 (2008: US\$ 6,795,000) lower, arising mainly as a result of the bigger decrease in interest income on loans than the decrease in interest expense on borrowings. If interest rates had been 170 basis points higher, with all other variables held constant, profit would have been US\$ 7,325,000 (2008: US\$ 6,795,000) higher, arising mainly as a result of higher increase in interest income on loans than the increase in interest expense on borrowing. The sensitivity is higher in 2009 than in 2008 due to increase in interest rate sensitive assets and liabilities.

The table below summarizes the impact on profit and loss for each category of financial instruments held as at 31 December 2009. It includes the Bank's financial instruments at carrying amounts.

	Interest rate risk (IR)		
	<u>Carrying amount</u>	<u>+ 170bp of US\$IR</u>	<u>-170bp of US\$ IR</u>
	<u>US\$000</u>	<u>2009</u>	<u>2009</u>
Financial assets		<u>US\$000</u>	<u>US\$000</u>
Cash due from banks	94,864	1,613	(1,613)
Deposits with other banks	126,281	2,147	(2,147)
Loans and advances to customers (gross)	1,154,528	19,627	(19,627)
Impact on financial assets		<u>23,387</u>	<u>(23,387)</u>
Financial liabilities			
Due to banks	618,189	(10,509)	10,509
Debt securities in issue	270,000	(4,590)	4,590
Deposits and customer accounts	56,670	(963)	963
Impact on financial liabilities		<u>(16,062)</u>	<u>16,062</u>
Total increase/(decrease)		<u><u>7,325</u></u>	<u><u>(7,325)</u></u>

The table below summarizes the impact on profit and loss for each category of financial instruments held as at 31 December 2008. It includes the Bank's financial instruments at carrying amounts.

	Carrying amount	Interest rate risk (IR)	
		+ 170bp of US\$ IR	170bp of US\$ IR
		2008	2008
	US\$000	US\$000	US\$000
Financial assets			
Cash due from banks	72,282	1,229	(1,229)
Deposits with other banks	45,118	767	(767)
Loans and advances to customers (gross)	938,170	15,949	(15,949)
Impact on financial assets		<u>17,945</u>	<u>(17,945)</u>
Financial liabilities			
Due to banks	553,829	(9,415)	9,415
Deposits and customer accounts	102,068	(1,735)	1,735
Impact on financial liabilities		<u>(11,150)</u>	<u>11,150</u>
Total increase/(decrease)		<u>6,795</u>	<u>(6,795)</u>

3.11. Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is managed by the Bank by internal techniques of matching assets and liabilities in respective currencies. The Bank also uses currency derivatives, especially forward foreign exchange contracts to hedge foreign exchange risk. Open currency positions are monitored and appropriate hedging actions taken.

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2009. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (in thousands of US\$):

	<u>Euro</u>	<u>NGN</u>	<u>Other Currencies</u>	<u>2009 Total</u>
Assets				
Cash and due from banks	12,203	79	10	12,292
Deposits with other banks	66,281	-	-	66,281
Loans and advances to customers	137,405	-	-	137,405
Prepayments and accrued income	2,404	-	-	2,404
Hedging derivatives	27,089	-	-	27,089
Total financial assets	245,382	79	10	245,471
Liabilities				
Due to banks	239,189	-	-	239,189
Deposits and customer accounts	4,785	-	-	4,785
Other liabilities	739	-	-	739
Total financial liabilities	244,713	-	-	244,713
Net on balance sheet financial position	669	79	10	758
Credit commitments & financial guarantees	4,730	-	-	4,730

The table below summarises the Bank exposure to foreign currency exchange rate risk as at 31 December 2008. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (in thousands of US\$):

	<u>Euro</u>	<u>NGN</u>	<u>Other Currencies</u>	<u>2008 Total</u>
Assets				
Cash and due from banks	10,807	460	6	11,273
Deposits with other banks	20,940	14,178	-	35,118
Loans and advances to customers	46,152	-	-	46,152
Prepayments and accrued income	572	6	-	578
Total financial assets	78,471	14,644	6	93,121
Liabilities				
Due to banks	78,029	-	-	78,029
Deposits and customer accounts	3,504	-	-	3,504
Other liabilities	255	-	-	255
Total financial liabilities	81,788	-	-	81,788
Net on balance sheet financial position	(3,317)	14,644	6	11,333
Credit commitments & financial guarantees	20,355	-	-	20,355

3.12. Interest rate risk

Interest rate movements affect the Bank's profitability. Exposure to interest rate movements exists because the Bank has assets and liabilities on which interest rates either change from time to time (rate sensitive assets and liabilities) or, do not change (rate insensitive assets and liabilities). Exposure to interest rate movements arises when there is a mismatch between the rate sensitive assets and liabilities.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. The table below summarizes the Bank's exposure to interest rate risks as at 31 December 2009. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

	<u>Up to 3</u>	<u>3-6</u>	<u>6-12</u>	<u>Non</u>	<u>2009</u>
	<u>months</u>	<u>months</u>	<u>months</u>	<u>interest</u>	<u>Total</u>
	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>
Financial assets					
Cash and due from banks	94,864	-	-	22	94,886
Deposits with other banks	126,281	-	-	-	126,281
Loans and advances to customers	986,157	127,213	31,293	-	1,144,663
Prepayments and accrued income	-	-	-	36,774	36,774
Other assets	-	-	-	1,462	1,462
Total financial assets	1,207,302	127,213	31,293	38,258	1,404,066
Financial liabilities					
Due to banks	618,189	-	-	-	618,189
Debt securities in issue	270,000	-	-	-	270,000
Deposits and customer accounts	56,670	-	-	-	56,670
Other liabilities	-	-	-	26,752	26,752
Total financial liabilities	944,859	-	-	26,752	971,611
Total interest repricing gap	262,443	127,213	31,293		

The table below summarizes the Bank's exposure to interest rate risks as at 31 December 2008. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorized by the period of contractual re-pricing.

	<u>Up to 3</u>	<u>3-6</u>	<u>6-12</u>	<u>Non</u>	<u>2008</u>
	<u>months</u>	<u>months</u>	<u>months</u>	<u>interest</u>	<u>Total</u>
	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>	<u>US\$000</u>
Financial assets					
Cash and due from banks	72,282	-	-	21	72,303
Deposits with other banks	45,118	-	-	-	45,118
Loans and advances to customers	789,850	124,320	11,094	-	925,264
Prepayments and accrued income	-	-	-	14,813	14,813
Other assets	-	-	-	1,864	1,864
Total financial assets	907,250	124,320	11,094	16,698	1,059,362
Financial liabilities					
Due to banks	543,829	10,000	-	-	553,829
Deposits and customer accounts	102,068	-	-	-	102,068
Other liabilities	-	-	-	32,591	32,591
Total financial liabilities	645,897	10,000	-	32,591	688,488
Total interest repricing gap	261,353	114,320	11,094		

3.13. Liquidity risk

Liquidity risk concerns the ability of the Bank to fulfill its financial obligations as they become due. The management of the liquidity risk is focused on the timing of the cash inflows and out flows as well as in the adequacy of the available cash, credit lines and high liquidity investments. The Bank manages its liquidity risk by preparing dynamic cash flow forecasts covering all expected cash flows from assets and liabilities and taking appropriate advance actions.

The table below analyses the Bank's financial assets and financial liabilities (including principal and interest) into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date as at 31 December 2009:

	<u>Up to 1</u> <u>month</u> <u>US\$000</u>	<u>1-3</u> <u>months</u> <u>US\$000</u>	<u>3-12</u> <u>months</u> <u>US\$000</u>	<u>1-5</u> <u>years</u> <u>US\$000</u>	<u>2009</u> <u>Total</u> <u>US\$000</u>
Assets					
Cash and due from banks	94,886	-	-	-	94,886
Deposits with other banks	126,281	-	-	-	126,281
Loans and advances	210,554	474,162	266,319	214,773	1,165,808
Total assets	431,721	474,162	266,319	214,773	1,386,975
Liabilities					
Due to banks	5,558	349,855	266,636	-	622,049
Debt securities in issue	-	5,128	1,320	300,000	306,448
Deposits and customer accounts	41,356	15,443	-	-	56,799
Total liabilities	46,914	370,426	267,956	300,000	985,296
Net liquidity gap	384,807	103,736	(1,637)	(85,227)	401,679
Cumulative liquidity gap	384,807	488,543	486,906	401,679	

The table below analyses the Bank's financial assets and financial liabilities (including principal and interest) into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date as at 31 December 2008:

	<u>Up to 1</u> <u>month</u> <u>US\$000</u>	<u>1-3</u> <u>months</u> <u>US\$000</u>	<u>3-12</u> <u>months</u> <u>US\$000</u>	<u>1-5</u> <u>years</u> <u>US\$000</u>	<u>2008</u> <u>Total</u> <u>US\$000</u>
Assets					
Cash and due from banks	72,303	-	-	-	72,303
Deposits with other banks	45,118	-	-	-	45,118
Loans and advances	413,114	345,574	159,499	23,225	941,412
Total assets	530,535	345,574	159,499	23,225	1,058,833
Liabilities					
Due to banks	30,019	54,963	365,886	108,276	559,144
Deposits and customer accounts	102,068	-	-	-	102,068
Total liabilities	132,087	54,963	365,886	108,276	661,212
Net liquidity gap	398,448	290,611	(206,387)	(85,051)	397,621
Cumulative liquidity gap	398,448	689,059	482,672	397,621	

3.14. Capital management

The Bank's objectives when managing capital, which is a broader concept than the equity on the face of balance sheet, are:

- To maintain a set minimum ratio of total capital to total risk weighted assets. The Bank's minimum risk asset ratio is 12 per cent compared to a minimum ratio of 8 per cent prescribed by the Basel Committee on Banking Supervision;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- To maintain a strong capital position necessary for its long term financial health, and to support the development of its business.

The Bank is not subject to capital requirements by a regulatory body such as a central bank or equivalent. However, management has established a capital management policy that is based on maintenance of certain capital adequacy ratio in line with Basel Committee.

Capital adequacy is reviewed regularly by management using techniques based on the guidelines developed by Basel Committee.

Principal changes arising from the change to the Basel II framework were as follows:

- A reduction by 5% in Basel ratio arising from increase in total risk-weighted assets reflecting the application of Standardized Approach to the Bank's credit portfolio and impact of the specific charge for operational and market risk.

With effect from 1 January 2009, the Bank is required to comply with the provisions of the Basel II framework in respect of capital.

The Bank's capital, as managed by the Bank, is divided into two tiers:

- Tier 1 capital: Share capital, share premium, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: Collective impairment allowances.

The risk-weighted assets is measured by means of a hierarchy of seven risk weights classified according to its nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure.

The table below summarizes the composition of statutory capital and the ratio of the Bank's capital for the year ended 31 December.

	<u>2009</u> <u>Basel II</u> <u>Actual</u> <u>US\$000</u>	<u>2008</u> <u>Basel II</u> <u>Pro forma</u> <u>US\$000</u>	<u>2008</u> <u>Basel I</u> <u>Actual</u> <u>US\$000</u>
Tier 1 capital			
Share capital	166,300	165,082	165,082
Share premium	18,002	16,605	16,605
General reserve	114,448	97,641	97,641
Retained earnings	122,417	104,611	104,611
Total Tier 1 capital	<u>421,167</u>	<u>383,939</u>	<u>383,939</u>
Tier 2 capital			
Collective impairment allowance	5,719	4,641	4,641
Total Tier 2 capital	<u>5,719</u>	<u>4,641</u>	<u>4,641</u>
Total statutory capital	<u>426,886</u>	<u>388,580</u>	<u>388,580</u>
Risk – weighted assets:			
On-balance sheet	1,240,957	982,697	976,936
Off-balance sheet	119,900	120,556	62,416
Total risk-weighted assets	<u>1,360,857</u>	<u>1,103,253</u>	<u>1,039,352</u>
Basel ratio	<u>31%</u>	<u>35%</u>	<u>37%</u>

The increase of the statutory capital in 2009 is primarily due to increase in profits and share capital subscriptions. The increase of risk weighted assets arises mainly from expansion of the lending business as reflected in the loan volumes

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale. The fair value of on-balance sheet financial instruments approximate to their carrying amounts as they bear variable interest rates determined under market conditions. The fair values of off-balance sheet financial instruments are the same figures appearing as contingent liabilities and commitments (see note 7).

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into interest rate swaps and foreign exchange forward contracts to hedge its exposure to changes in the fair value and cash flows attributable to changes in market interest and exchange rates on its assets and liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities at yearend

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Assets		
Interest rate swap	474	-
Foreign exchange forward contracts	27,089	-
	<u>27,563</u>	-
Liabilities		
Foreign exchange forward contracts	<u>26,800</u>	-

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The balance of US\$ 3,150,000 (asset) and US\$ 2,676,000 (liability) relates to accrued interest from interest rate swap.

In a foreign exchange swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Foreign exchange swaps are settled gross.

The following shows the interest rate derivative contracts that the Bank held at 31 December 2009:

Interest rate derivative contracts:

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Interest rate swap	<u>270,000</u>	-

The Bank entered into interest rate swap to hedge US\$ 270 million received from the debt securities issued on 13 November 2009 with fixed interest rate. The swap exchanged fixed rate for floating rate on funding to match floating rates received on assets. In respect of fair value hedges, no gain or loss arose on the hedging instruments during the year, because the interest rate swap deal was done by the end of the year so the carrying value of interest rate swap equals to the fair value.

Foreign exchange derivative contracts:

The Bank uses forward foreign exchange contracts to manage its exposure to foreign currency.

The following shows the foreign exchange derivative contracts that the Bank held at 31 December 2009.

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Forward foreign exchange contracts	<u>26,800</u>	-

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements involves management estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank reviews its loan portfolio regularly to assess whether a provision for impairment should be recorded in the statement of comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily subjective based on assumptions about several factors involving varying degrees of judgment and uncertainty. Consequently, actual results may differ resulting in future changes to such provisions.

7. CONTINGENT LIABILITIES AND COMMITMENTS AND LEASE ARRANGEMENTS

7.1. Contingent liabilities

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Letters of credit	<u>28,888</u>	<u>10,000</u>

The credit risk associated with these transactions is considered minimal because the Bank receives letter of credit from sound parties. To limit credit risk, the Bank deals exclusively with creditworthy counterparties.

7.2. Commitments

7.2.1. Credit lines and other commitments to lend

The contractual amounts of the Bank's off-balance sheet commitments as at 31 December are indicated below.

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Less than one year	198,017	249,628
More than one year	120,682	120,639
	<u>318,699</u>	<u>370,267</u>

7.3. Lease arrangements

7.3.1. Operating lease commitments – Bank as lessee

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
After one year but not more than five years	<u>311</u>	<u>409</u>

8. INTEREST INCOME

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Interest on loans and advances	58,141	53,765
Interest on money market investments	598	4,222
	<u>58,739</u>	<u>57,987</u>

Interest income accrued on impaired financial assets is US\$ 378,000 (2008: US\$ 371,000)

9. INTEREST EXPENSE

	<u>2009</u>	<u>2008</u>
	US\$000	US\$000
Interest on due to banks	17,062	21,704
Interest on debt securities in issue	3,142	-
Interest on shareholder and customer deposits	16	1,120
	<u>20,220</u>	<u>22,824</u>

Interest on debt securities above is reduced by US\$ 474,000 , which is the net of accrued interest due from interest rate derivative contracts US\$ 3,150,000 (2008: Nil) and interest payable on interest rate derivative contracts US\$ 2,676,000 (2008: Nil) on the interest rate swap.

10. FEES AND COMMISSION INCOME

	<u>2009</u>	<u>2008</u>
	US\$000	US\$000
Acceptance commissions and participation fees	14,200	13,015
Arrangement and investment banking fees	15,012	8,731
Management, commitment and other fees	2,352	3,957
	<u>31,564</u>	<u>25,703</u>

11. FEES AND COMMISSION EXPENSES

	<u>2009</u>	<u>2008</u>
	US\$000	US\$000
Participation and arrangement fees	8,190	2,870
Other fees paid	444	79
	<u>8,634</u>	<u>2,949</u>

12. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Wages and salaries	4,452	3,831
Staff provident fund costs (note 2.10)	410	371
Other employees benefits	2,395	1,886
	<u>7,257</u>	<u>6,088</u>

13. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses are made up as follows:

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Operational missions and statutory meetings	3,380	2,335
Professional services fees	962	712
Communications	820	614
Office rent	487	470
Other general and administrative expenses	1,442	1,455
	<u>7,091</u>	<u>5,586</u>

Administrative expenses include US\$ 60,000 (2008: US\$ 56,000) in respect of external auditors' fees.

Operating expenses include US\$ 842,000 (2008: US\$ 1,161,000) related to the implementation of the shareholders resolution concerning the shareholders' dispute on the appointment of the President, which was legally resolved at the Annual General Meeting held in September 2006.

14. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

Net income attributable to equity holders of the Bank have been calculated on the basis of assuming that all the net income for the year is distributed.

	<u>2009</u>	<u>2008</u>
Net income attributable to equity holders of the Bank (US\$ 000)	42,613	38,742
Weighted average number of ordinary shares in issue	41,435	41,177
Basic and diluted earnings per share (expressed in US\$ per share)	<u>1.03</u>	<u>0.94</u>

Diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares.

15. CASH AND DUE FROM BANKS

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Cash in hand	22	21
Due from banks	94,864	72,282
	<u>94,886</u>	<u>72,303</u>

16. LOANS AND ADVANCES TO CUSTOMERS

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Loans and advances to customers	1,154,528	938,170
Less: Allowance for impairment (note 17.1)	(9,865)	(12,906)
Net loans and advances	<u>1,144,663</u>	<u>925,264</u>
Current	930,439	903,244
Noncurrent	214,224	22,020
	<u>1,144,663</u>	<u>925,264</u>

The fair value of the loan portfolio is approximately equal to the carrying amount because all loans bear a variable interest rate and are given at market conditions and terms.

17. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES AND PROVISIONS

17.1 Allowance for impairment on loans and advances

Reconciliation of allowance for impairment of loans and advances is as follows:

(a) Statement of Financial Position

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Balance as at 1 January	12,906	8,119
Impairment charge for the year	3,323	5,110
Loans written off during the year as uncollectible	(6,146)	(131)
Repayment of impaired loans during the year	(124)	(192)
Provisions no longer required	(94)	-
Balance as at 31 December (note 3.8)	<u>9,865</u>	<u>12,906</u>

(b) Statement of Comprehensive Income

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Impairment charge for the year	3,323	5,110
Loans written off during the year	(2)	1,844
Provision no longer required	(94)	-
Repayment of impaired loans during the year	(124)	(192)
	<u>3,103</u>	<u>6,762</u>

17.2 Provisions

Reconciliation of provisions is as follows:

(a) Statement of Financial Position

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Balance as at 1 January	948	1,047
Provision for the year	176	120
Exchange adjustments	14	(31)
Provision no longer required	(184)	(188)
Balance at 31 December (note 19)	<u>954</u>	<u>948</u>

(b) Statement of Comprehensive Income

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Provision for possible losses on other assets	176	120
Provision for leave pay	123	46
	<u>299</u>	<u>166</u>

18. PREPAYMENTS AND ACCRUED INCOME

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Accrued income	19,577	10,400
Other prepayments	17,197	4,413
	<u>36,774</u>	<u>14,813</u>

19. OTHER ASSETS

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Other receivables	2,151	2,169
Sundry debtors	265	643
Less: Provision for possible losses on other assets (note 17.2)	(954)	(948)
	<u>1,462</u>	<u>1,864</u>

Other receivables above mainly relate to taxes recoverable from some member countries in accordance with Article XIV of the Agreement for the Establishment of African Export-Import Bank (*note 32*).

20. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Cost		
Motor vehicles	374	198
Furniture and equipment	2,414	1,751
Leasehold improvements	1,009	-
Less : Accumulated depreciation		
Motor vehicles	(146)	(152)
Furniture and equipment	(1,810)	(1,577)
Leasehold improvements	(138)	-
Net carrying value as at 31 December	<u>1,703</u>	<u>220</u>
	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Movement during the year		
Net carrying value as at 1 January	220	229
Additions and disposals at cost		
Addition to motor vehicles	204	-
Addition to furniture and equipment	425	95
Transfer from investment property	265	-
Addition to leasehold improvements	1,009	-
Disposal of motor vehicles	(27)	(21)
Disposal of furniture and equipment	-	(84)
Accumulated Depreciation		
Disposal of motor vehicles	27	13
Disposal of furniture and equipment	-	82
Depreciation charge for motor vehicles	(23)	(20)
Depreciation charge for furniture and equipment	(260)	(74)
Depreciation leasehold improvements	(137)	-
Net carrying value as at 31 December	<u>1,703</u>	<u>220</u>

21. INVESTMENT PROPERTY

The details of investment property are as follows:

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Cost		
Land	6,221	6,221
Less: Government grant	(6,187)	(6,187)
Building	13,667	13,926
Less: Accumulated depreciation	(1,776)	(1,115)
Net carrying value as at 31 December	<u>11,925</u>	<u>12,845</u>

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Movement during the year		
Net carrying value as at 1 January	12,845	13,783
Transfer to property and equipment	(265)	-
Adjustment to building cost	6	(241)
Less : Depreciation charge	(661)	(697)
Net carrying value as at 31 December	<u>11,925</u>	<u>12,845</u>

Adjustment to building cost relates to difference between the accrued variation cost in the previous year and the actual payment made during the year.

The government grant above relates to land received in 1996 from the Government of Arab Republic of Egypt, for the purpose of building the Bank's Headquarters' premises in Cairo, Egypt.

The Bank also has property (i.e. land and improvements thereon) received in 1996 from the Government of Zimbabwe, for the purpose of building the branch offices in Harare, Zimbabwe. The property is subject to use only while the branch offices are in Harare, Zimbabwe.

Rental income recognized from the investment property in year 2009 was US\$ 1,732,000 (2008: US\$ 1,703,000).

Operating expenses for the year 2009 include US\$ 265,000 (2008: US\$ 233,000) related to investment property broken down as follows:

- Management fees and maintenance expenses US\$ 265,000 (2008: US\$ 106,000)

The fair value of the building and the land which reflects market conditions at the balance sheet date was US\$ 31,737,000 (2008: US\$ 41,477,000). This fair value is determined by using valuation techniques of professional valuers. Where valuation techniques are used

to determine fair values, they are validated and reviewed by qualified experts independent of the person that produced them. Income method was used in evaluating the fair value of the building.

22. DUE TO BANKS

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Current	618,189	445,553
Non current	-	108,276
	<u>618,189</u>	<u>553,829</u>

There is no collateral against the above due to banks. The fair value of the due to banks is approximately equal to carrying value, as they are drawn down under variable interest rates, market conditions and terms.

23. DEBT SECURITIES IN ISSUE

On 13 November 2009, the Bank issued US\$ 300 million bonds payable with fixed coupon rate of 8.75% due from 2009 to 2014. Fitch Ratings assigned an investment grade rating (BBB) to the senior notes due on 13 November 2009 issued by the Bank under an EMTN programme.

Debt securities at amortised cost:

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Fixed rate debt securities	300,000	-
Less: Discount on bond payable	(4,321)	-
	<u>295,679</u>	<u>-</u>

24. DEPOSITS AND CUSTOMER ACCOUNTS

	<u>2009</u> <u>US\$000</u>	<u>2008</u> <u>US\$000</u>
Shareholders' deposits for shares	5,882	4,228
Deposit accounts	21,441	8,358
Customer accounts	29,347	89,482
	<u>56,670</u>	<u>102,068</u>

In terms of customer group, the deposits and customer accounts above were from sovereigns, enterprises and financial institutions.

The fair value of the deposits of customer accounts approximate to carrying value, as they have variable interest rates.

25. OTHER LIABILITIES

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Retentions	148	-
Prepaid and unearned income	8,129	8,770
Dividends payable	4,524	12,329
Deposit from tenants	424	424
Accrued expenses	9,820	4,524
Sundry creditors	1,430	3,814
Legal fees deposits	2,277	2,730
	<u>26,752</u>	<u>32,591</u>

26. SHARE CAPITAL

The share capital of the Bank is divided into three classes, payable in five equal installments, of which the first two installments have been called up. Shareholders can use their dividend entitlements to acquire more shares.

Class A shares which may only be issued to (a) African states, either directly or indirectly through their central banks or other designated institutions, (b) the African Development Bank, and (c) African regional and sub-regional institutions;

Class B shares which may only be issued to African public and private commercial banks, financial institutions and African public and private investors; and

Class C shares which may only be issued to (a) international financial institutions and economic organizations; (b) non-African or foreign owned banks and financial institutions; and non-African public and private investors.

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
<u>Authorized capital</u>		
75,000 ordinary shares of US\$ 10,000 each.	<u>750,000</u>	<u>750,000</u>
<u>Paid - in share capital</u>		
Paid in capital - Class A	105,442	104,881
Paid in capital - Class B	43,676	43,029
Paid in capital - Class C	17,182	17,172
	<u>166,300</u>	<u>165,082</u>

The movement in paid up share capital is summarised as follows:

	<u>2009</u>		<u>2008</u>	
	<u>No. of</u>	<u>US\$000</u>	<u>No. of</u>	<u>US\$000</u>
	<u>shares</u>		<u>shares</u>	
At 1 January	41,310	165,082	40,431	161,416
Paid up from dividends during the year	94	418	9	186
Paid up cash during the year	200	800	870	3,480
At 31 December	41,604	166,300	41,310	165,082

27. SHARE PREMIUM

Premiums from the issue of shares are reported in the share premium.

The movement in share premium is summarised as follows:

	<u>2009</u>		<u>2008</u>	
	<u>No. of</u>	<u>US\$000</u>	<u>No. of</u>	<u>US\$000</u>
	<u>shares</u>		<u>shares</u>	
At 1 January	41,310	16,605	40,431	13,193
Paid up from dividends during the year	94	438	9	35
Paid up cash during the year	200	959	870	3,377
At 31 December	41,604	18,002	41,310	16,605

28. GENERAL RESERVE

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Balance at 1 January	97,641	82,270
Transfer for the financial year	16,807	15,371
Balance at 31 December	114,448	97,641

The general reserve is set up in accordance with Article 31 of the Bank's Charter in order to cover general banking risks, including future losses and other unforeseeable risks or contingencies.

29. DIVIDENDS

After the balance sheet date, the directors proposed dividends appropriations amounting to US\$ 9,000,000 (2008: US\$ 8,000,000). The 2009 dividend appropriation is subject to approval by the shareholders in their Annual General Meeting. These financial statements do not reflect the dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 2010.

30. RELATED PARTY TRANSACTIONS

The Bank's principal related parties are its shareholders. The Bank transacts commercial business such as loans and deposits directly with the shareholders themselves and institutions which are either controlled by the shareholder governments or over which they have significant influence. The details of the related party transactions are as follows:

30.1. Loans and advances to related parties

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Outstanding loans at 1 January	27,619	65,732
Loans disbursed during the year	64,980	33,319
Loan repayments during the year	(43,561)	(71,432)
Outstanding loans at 31 December	<u>49,038</u>	<u>27,619</u>
Interest income earned during the year	<u>3,295</u>	<u>3,243</u>
Fees and commission earned during the year	<u>2,564</u>	<u>659</u>

Loans to related parties are made at market interest rates and subject to commercial negotiations as to terms.

30.2. Deposits from related parties

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Deposits at 1 January	7,139	13,209
Deposits received during the year	4,953	113,265
Deposits repaid during the year	(12,092)	(119,335)
Deposits at 31 December	<u>-</u>	<u>7,139</u>
Interest expense on deposits	<u>1</u>	<u>257</u>

The above deposits are unsecured, carry variable interest rates and are repayable on demand within 3 months or less.

30.3. Key management personnel compensation

Compensation paid to the Bank's management and directors during the year is as follows:

	<u>2009</u>	<u>2008</u>
	<u>US\$000</u>	<u>US\$000</u>
Salaries and short-term employee benefits	2,866	1,956
Post-employment benefits	128	113
Termination benefits	138	89
	<u>3,132</u>	<u>2,158</u>

The Bank also provides loans and advances to its staff, including those in management. Such loans and advances are guaranteed by the staff terminal benefits payable at the time of departure from the Bank. The staff loans and advances are interest bearing and are granted in accordance with the Bank's Rules and Regulations. At 31 December 2009, outstanding balances on loans and advances to management staff amounted to US\$ 188,000 (2008: US\$154,000). Short-term benefits above include meeting allowances for Board members and staff allowances for children's education, dependency, home leave and housing.

No loans to related parties were written off in 2009 and 2008.

31. SEGMENT REPORTING

The Bank is multilateral trade finance institutions whose products and services are similar in nature, and are structured and distributed in a fairly uniform manner across borrowers. In the opinion of management, the Bank operates in a single operating segment.

32. TAXATION

According to Article XIV of the Agreement for the Establishment of African Export-Import Bank, which is signed and ratified by African member countries, the Bank's property, assets, income, operations and transactions are exempt from all taxation and custom duties.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

34. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

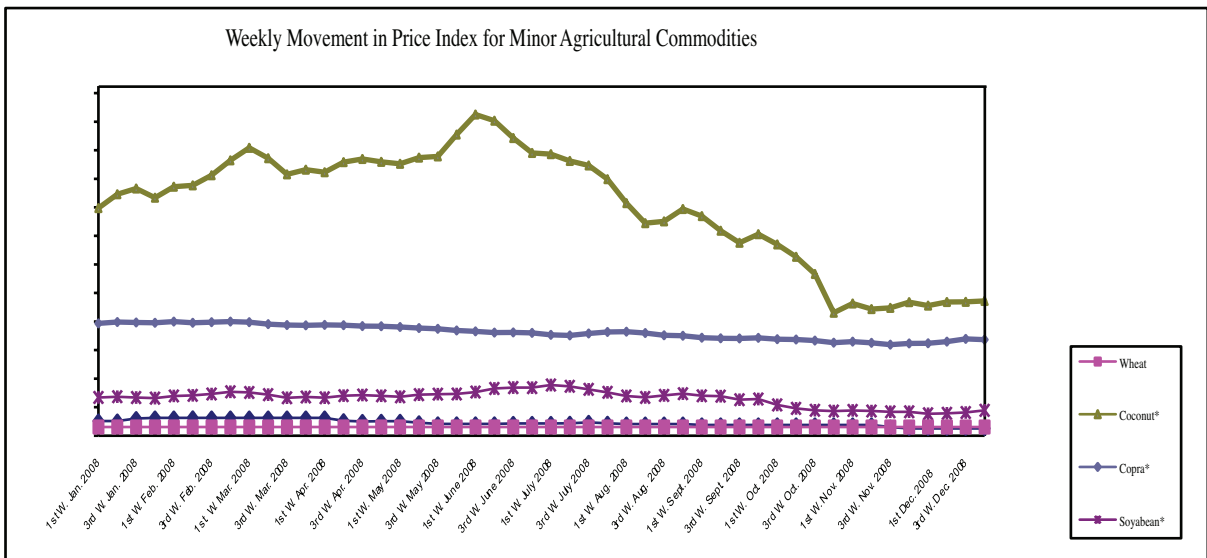
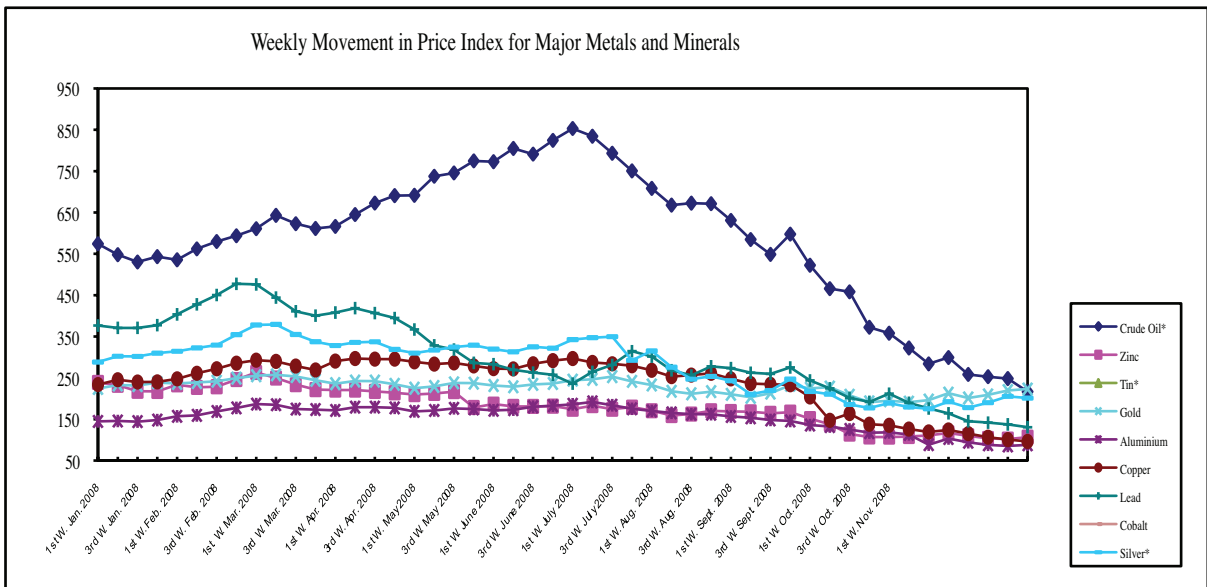
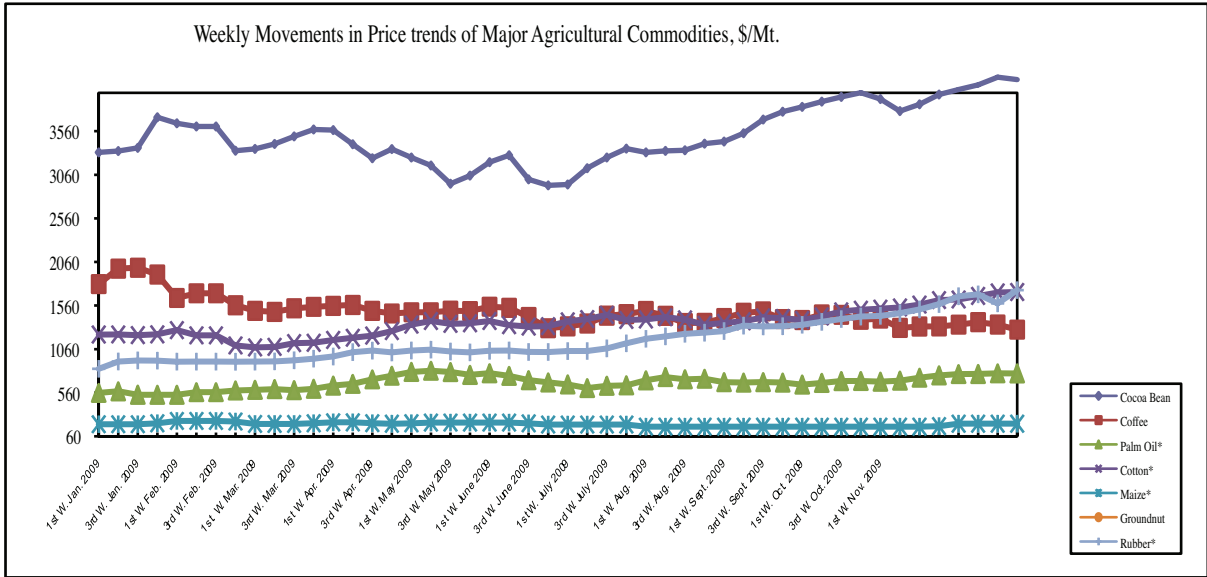
There are no material events after the reporting period that would require disclosure or adjustment to these financial statements.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 March, 2010.

ANNEXES

ANNEX 1



ANNEX 2

SOME MAJOR SYNDICATED TRANSACTIONS/CLUB DEALS ARRANGED
OR OPERATING IN AFRICA 2008-9

No.	Borrower	Arranger	Main Participants	Country	Financing Arrangement	Gross Amount (\$ m)	Afrexim Share (\$ m)
2008							
1	Zesco/Syndicated/Amend	SCB, London	Afreximbank and pool of banks	Zambia	Syndicated	120	60
2	MBG	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	100	45
3	PlatinumHabib	SCB, London	Afreximbank and pool of banks	Nigeria	Syndicated	100	45
4	Caspian Limited	SCB, London	Afreximbank and pool of banks	Tanzania	Syndicated	35	17.5
5	E& P/Amend	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	60	20
6	MBG/Syndicated/Updated	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	100	45
7	Diamond Bank	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	50
8	Afribank Plc/Petroleum	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	50	35
9	Afribank Plc/Trade + Services	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	50	35
10	Cottco/Syndicated/Ren	Afreximbank	Afreximbank and pool of banks	Zimbabwe	Syndicated	50	25
11	Intercontinental Bank Plc	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	50
12	FCMB/Syndicated	SCB, London and Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	55	25
13	SEPCOL/Syndicated	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	25
14	Banyan Tree Resort	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	11	8
15	Access Bank Plc/Syndicated	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	35
16	RBZ/Gold/pre-export/Synd	Afreximbank	Afreximbank and pool of banks	Zimbabwe	Syndicated	50	25
17	UBN/Syndicated	SCB, London	Afreximbank and pool of banks	Nigeria	Syndicated	100	30
18	Ghanian Mining Service Co	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	100	30
19	Zimbabean Banks/Revolving	Afreximbank	Afreximbank and pool of banks	Zimbabwe	Syndicated	100	25
20	Gold & Platinum Producers	Afreximbank	Afreximbank and pool of banks	Zimbabwe	Syndicated	150	37.5
21	EFZ/Syndicated/Amend	SCB, London	Afreximbank and pool of banks	Zambia	Syndicated	50	20
22	Zambia Mining Services/Amen	SCB, London	Afreximbank and pool of banks	Zambia	Syndicated	80	50
23	Union Bank of Nigeria /Arik	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	109	54.5
	Total for 2008					1870	792.5
2009							
1	Zain	SCB, London	Afreximbank and pool of banks	Ghana	Syndicated	90	30
2	Oando Plc	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	25
3	FCMB	SCB, London	Afreximbank and pool of banks	Nigeria	Syndicated	50	25
4	Cottco/Ren	Afreximbank	Afreximbank and pool of banks	Zimbabwe	Syndicated	50	25
5	Caspain	Afreximbank	Afreximbank and pool of banks	Tanzania	Syndicated	15.5	7.75
6	Intels	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	75	30
7	Banyan Tree	Afreximbank	Afreximbank and pool of banks	Seychelles	Syndicated	11	8
8	Diamond Bank/Amen	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	100	50
9	SIR/Prepayment/Extension	Afreximbank	Afreximbank and pool of banks	Cote d'Ivoire	Syndicated	50	10
10	Energie Electricite Ivoirienne	Afreximbank	Afreximbank and pool of banks	Cote d'Ivoire	Syndicated	38	25
11	SIR/Trade /Ren	SCB, London and BNPPARIBAS	Afreximbank and pool of banks	Cote d'Ivoire	Syndicated	200	25
12	Econet Wireless Global	Afreximbank	Afreximbank and pool of banks	Mauritius	Syndicated	130	50
13	Kasapa	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	50	25
14	NNPC/New	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	45	25
15	Jubilee Ghana MV21 BV	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	595	50
16	Celcome Inc	Afreximbank	Afreximbank and pool of banks	Liberia	Syndicated	20	10
17	Zoommobile	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	50	25
18	WNSCO	Afreximbank	Afreximbank and pool of banks	Sudan	Syndicated	150	15
19	Arik Air Limited/Bridge	Afreximbank	Afreximbank and pool of banks	Nigeria	Syndicated	76.5	55
20	Golden Star	Afreximbank	Afreximbank and pool of banks	Ghana	Syndicated	50	15
21	Petroci	Afreximbank and BNI	Afreximbank and pool of banks	Cote d'Ivoire	Syndicated	100	80
	Total for 2009					2046	610.75

