



# 50 YEARS

1967-2017

# eadb

**EAST AFRICAN DEVELOPMENT BANK**  
BANKING • INVESTMENTS • SOCIAL RESPONSIBILITY

LA005	TLA008	TLAX	SA5009710	SA5009730	SA5009750	NATU	ECK	CAVA	IGTECH	S10UHO	S10UHO	S10UHO	S10UH0A	S10UH0A
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Amount	Cancelled	Status
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ANNUAL REPORT

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**2017**

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# EAST AFRICAN DEVELOPMENT BANK

## VISION

To be the partner of choice in promoting sustainable socio-economic development.

## MISSION

To promote sustainable socio-economic development in East Africa by providing development finance, support and advisory services.

EADB was established in

# 1967



**Headquarters in Kampala, Uganda**

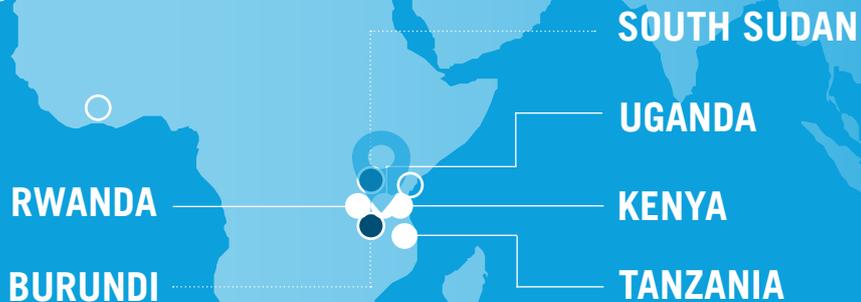


**Class A Shareholders**



**Class B Shareholders**

African Development Bank (AfDB), the Netherlands Development Finance Company (FMO), German Investment and Development Company (DEG), SBIC-Africa Holdings, Commercial Bank of Africa, Nairobi, Nordea Bank of Sweden, Standard Chartered Bank, London, Barclays Bank Plc., London and Consortium of former Yugoslav Institutions.



## CORE VALUES



**Service**



**Integrity**



**Leadership**



**Innovation**



**Team Work**

## SERVICES

# LOANS

## LINES OF CREDIT

# ASSET FINANCE

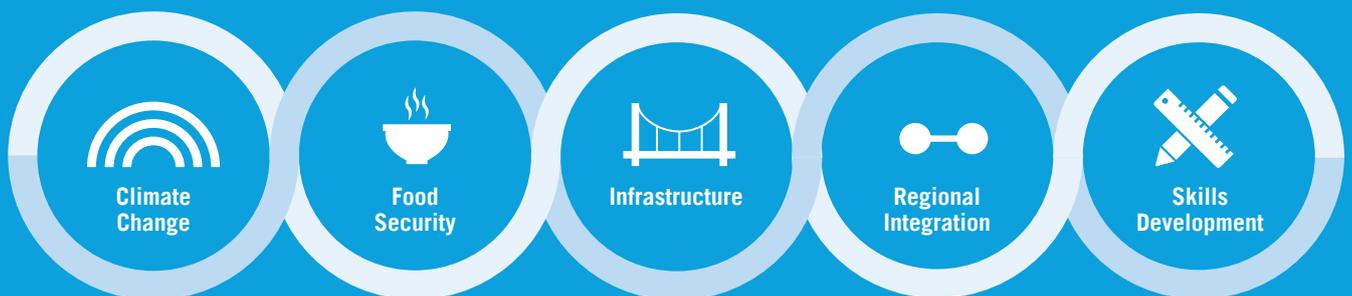
# LOAN GUARANTEES

## ADVISORY SERVICES

 CAPITAL  
MARKETS  
 DEVELOPMENT

## TRADE FINANCE

## FOCUS AREAS



## SECTORS

 Agriculture and fisheries	 Construction	 Water
 Forestry	 Tourism and Entertainment	 Trading
 Mining	 Transport	 Telecommunication and IT
 Industrial Manufacturing	 Financial Institutions	 Community Services
 Food Processing	 Energy	 Real Estate

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# OUR JOURNEY

# 1960s - 1970s



1967



EADB is founded by the governments of Kenya, Tanzania and Uganda



EADB's first board meeting



1968



Director General Mr. Iddi Simba assumes office and EADB commences operations



1969



EADB issues its first loans to Agricultural Enterprises Ltd and the Industrial and Commercial Development Corporation

1970



The African Development Bank (AfDB), Commercial Bank of Africa (CBA), Barclays Bank and a consortium of Yugoslav institutions become Class B Shareholders

National & Grindlays Bank (later Standard Chartered Bank) becomes EADB's first Class B Shareholder

1972



EADB headquarters officially opened by H.E Idi Amin, President of Uganda



1971



EADB establishes country offices in Kenya and Tanzania

1974



Nordea Bank of Sweden becomes a Class B Shareholder

1977

The EAC (whose treaty founded EADB) collapses

1979

Mr. David Mulira assumes the position as Director General

1978

Mr. Henry Kajura assumes the position as Director General

1975

UGX 8 MILLION  
MWANZA TANNERY LTD.

For construction of a new tannery. The project brings in foreign exchange and creates 256 new jobs



1976

UGX 8 MILLION  
KIBO PAPER INDUSTRIES

To build a 10 ton-per-day paper mill using local waste paper as raw materials. The project creates 113 new jobs and is estimated to save over UGX 1 million per annum in foreign exchange.

1976

UGX 2 MILLION  
UGANDA CLAYS

To automate the production line. The project increases the annual production capacity from 1.2 million to 4.2 million tiles, raises the productivity of labour force and saves UGX 13.4 million per annum in foreign exchange.

# 1980s



**1980**

EADB helps finance the construction of Hima Cement Factory Ltd, Uganda



 EADB signs a third loan agreement with SIDA of SEK 10 million

**1981**  
**UGX 60 MILLION**  
**THE MASAKA DISTRICT GROWERS CO-OPERATIVE UNION**

To build a pineapple processing plant. The co-operative is the first co-operative to receive a loan from EADB, and the loan is among EADB's first agricultural loans.



**1981**



Mr. Lars Ekengren assumes position as Director General

**1984**



Mr. Per Asmundrud assumes position as Director General

**1987**



Mr. George Mbowe assumes position as Director General

**1988**



The German Investment and Development Corporation (DEG) and the Netherlands Development Finance Company (FMO) become Class B shareholders

**1986**  
**SDR 590,000**

To rehabilitate two ferries to operate between Uganda and Tanzania on Lake Victoria.



**1983**

The presidents of Kenya, Daniel Arap Moi, Tanzania, Julius Nyerere, and Uganda, Milton Obote sign the Arusha Accord, which divides the assets of the former EAC and agreed that EADB should operate as a joint East African Institution



**1983**  
**KES 4 MILLION**  
**LAKELAND HOTEL**

To contract a 33 bedroom hotel in Kisumu, which creates jobs and earns foreign exchange.



The IMF prescribes EADB as a holder of Special Drawing Rights (SDRs)

**1985**

In Uganda, armed conflict paralyses the economy. The suspension of many business transactions and the severe depreciation under the conflict causes businesses to suffer. To try and support businesses through the conflict, EADB offers working capital to many companies.

**1986**



EADB doubles its shareholder capital



**1985**  
**SDR 590,000**  
**TANZANIA RAILWAYS CORPORATION**

To procure 50 wagons to transport phosphate (used to make fertiliser) between Kenya and Tanzania. The cross-border infrastructure investment promotes regional integration, agriculture and food security.

# 1990s

**1992**  
SDR 133,000 - SDR 63,000 IN EQUITY  
**NILE ROSES LTD**

The project supports job creation and promotes export by yielding on average 4.5 million stems of roses per yield for export to Europe.



EADB conducted many seminars and workshops to build capacity in the region.



**1996**



The presidents of Kenya, Daniel Arap Moi, Tanzania, Benjamin Mkapa, and Uganda, Yoweri Museveni officially launch the East African Cooperation in Arusha



EADB launches the first corporate bond in East Africa on the Kenyan stock exchange worth KES 802 million

**1999**



The presidents of Kenya, Daniel Arap Moi, Tanzania, Benjamin Mkapa, and Uganda, Yoweri Museveni sign the East African Community Treaty in Arusha.



**1992**



Mr. Fabian Tibeita assumes position as Director General



**1992**

EADB partners with the United Nations Institute for Training and Research (UNITAR) to organise three seminars on debt management in Dar es Salaam, Kampala and Nairobi.

**1997**

EADB celebrates its **30<sup>th</sup>** anniversary



EADB launches its second corporate bond worth UGX 10 billion in Uganda



EADB launches a corporate bond worth KES 1.2 billion in Kenya



EADB launches its first bond on the Tanzanian capital market worth TZS 10 billion



**1997**  
SDR 173,860  
**PEMBA RESOURCES LTD**

To construct and operate an eco-tourism resort and training centre in Kiweni Island (Indian Ocean, Tanzania).

**1999**  
SDR 175,800  
**POSTAL CORPORATION OF KENYA**  
SDR 644,000  
**TANZANIA POSTS CORPORATION**  
SDR 776,000  
**UGANDA POST LTD**

To support implementation of the East African postal automation programme.

# 2000s



2001



The East African Community is formally launched in Arusha

EADB launches a corporate bond worth KES 2 billion in Kenya

Numerous in-house training and external courses are held to promote staff development



2002

## TOURISM SECTOR

EADB continues to support development of the tourism sector, including Mweya Safari Lodge, Queen Elizabeth National Park, Uganda and Precision Air Services, Arusha, Tanzania.



2003

## MEDICINE AND FOOD FARAJA HOMEBASED CARE

Under its Corporate Social Responsibility, EADB donates food and medicine to support people living with HIV/Aids.

2000

The new Treaty of EAC is effected

2000

SDR 5,496,000

## KENYA POWER AND LIGHTING COMPANY LIMITED (KPLC)

To construct new power transmission lines and upgrade existing substations to facilitate efficiency gains in power transmission and distribution, promoting domestic industrial competitiveness through reducing infrastructure costs.



2002

EADB launches a corporate bond worth TZS 20 billion in Tanzania

2003

Mr. Godfrey Tumusiime assumed the position as Director General

2004



EADB increases its shareholder capital from USD 270 million to USD 1.08 billion

EADB launches a corporate bond worth KES 800 million in Kenya

2005

EADB launches two corporates bond worth UGX 20 billion in Uganda and TZS 15 billion in Tanzania

2006



Increased focus on staff development, performance management and recruitment

2009

Ms. Vivienne Yeda assumes the position as Director General



2008

Rwanda is admitted as the fourth Member State and becomes a Class A Shareholder

## RWANDA'S

country office opens and operations begin



# 2010s

**2013**

Moody's presents EADB a first time Ba1 rating

**BURUNDI**

applies to join EADB



EADB is ranked as Best Performing DFI in Africa by the Association of African Development Finance Institutions

**2015**

Moody's upgrades EADB to Baa3

**2016**

**SOUTH SUDAN**

joins the East African Community

**2017**

EADB celebrates its

**50<sup>th</sup>**

anniversary

**2011**



EADB wins court case against BlueLine



**2014**

**USD 5 MILLION TO THE LAKE TURKANA WIND POWER PROJECT (LTWP)**

To provide 310 MW of affordable renewable wind power to Kenya's national grid. This should encourage industrial activity and poverty reduction through increased access to electricity. The investment is the largest private investment in Kenya to date.

**2014**

The East African Community celebrates its

**15<sup>th</sup>**

anniversary



The Centre for Economic and Leadership Development named Ms. Vivienne Yeda, the EADB Director General, the winner of its 2014 Africa Female Economic Champion Award – Banking



**2016**

**MEDICAL TRAINING AND FELLOWSHIP PROGRAMME EADB AND THE BRITISH COUNCIL, IN PARTNERSHIP WITH THE ROYAL COLLEGE OF PHYSICIANS (LONDON)**

To train **600** cancer specialists over the next four years.



**2016 STEM SCHOLARSHIP EADB AND THE AFRICA-AMERICA INSTITUTE IN PARTNERSHIP WITH RUDGERS UNIVERSITY**

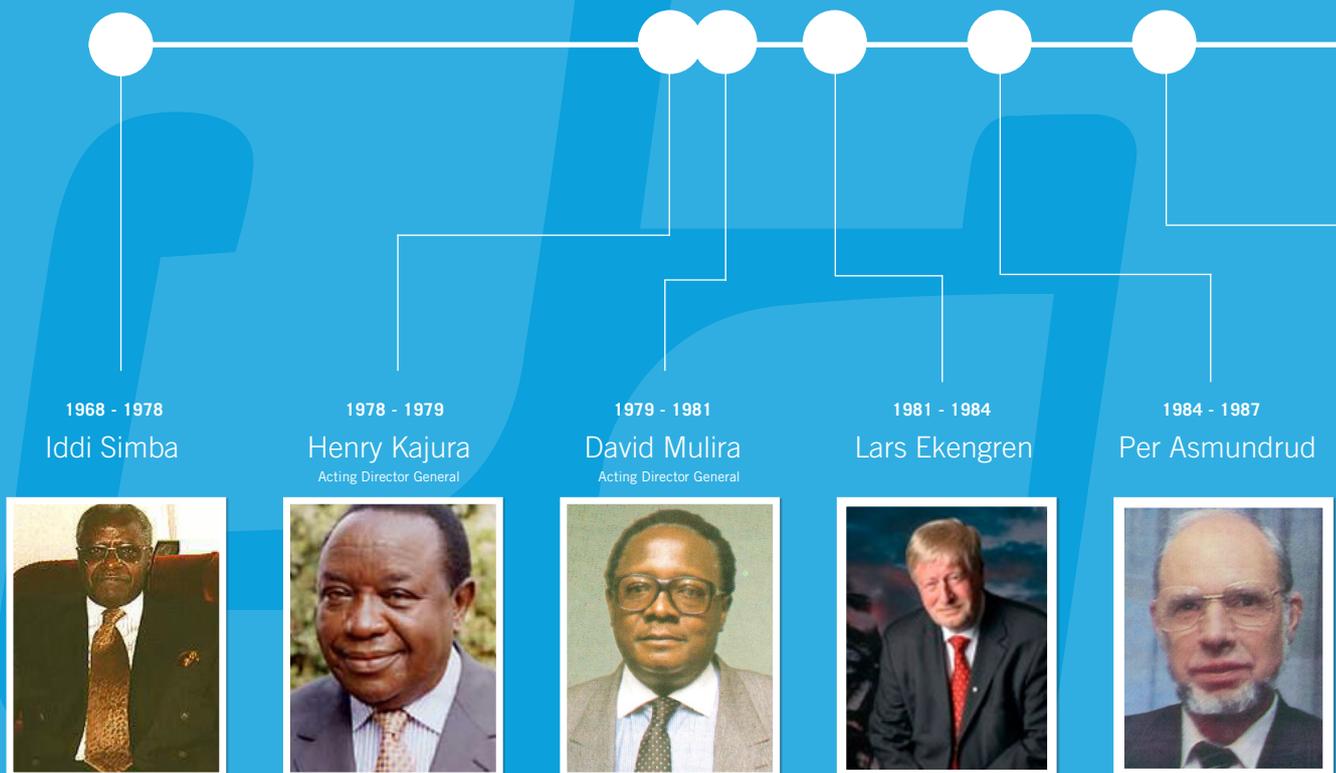
Three teachers are awarded a scholarship to pursue a Master's Degree in Education and Mathematics (EDM) at Rutgers University.



...  
**AND THE JOURNEY GOES ON**  
...

# EADB DIRECTOR GENERALS

1968



2017

1987 - 1992  
George Mbowe



1992 - 2003  
Fabian Tibeita



2003 - 2008  
Godfrey Tumusiime



2009 -  
Vivienne Yeda



## IDDI MUHAMED SIMBA DIRECTOR GENERAL 1968-1979

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**My story about the East African Development Bank (EADB) starts with my representative duties on the Board of the World Bank at the end of 1966. At the age of 31, the Government of Tanzania sent me to Washington to represent a group of 16 African countries including Kenya, Uganda and Tanzania as well as Trinidad and Tobago.**

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That was the time the three East African countries were negotiating the Treaty for East African Cooperation which was later signed in June 1967. The Charter of the Bank was Annex 6 to that Treaty.

One day the late Honourable Amir Jamal, who was then the Tanzania Minister for Finance, came to see me in my office at the World Bank in Washington. He had a lot to tell me about the Community and finally he told me that the Government of Tanzania had decided to ask me to take up the post of Director General and Chairman of the Board of EADB to be headquartered in Kampala, Uganda.

Without hesitation, I moved to Uganda and the then Secretary General of the Community, Mr. Dunstan Omari, came to Kampala to handover to me all the relevant papers and my appointment letter. I was given an office in the Bank of Uganda and the Secretary of the Board, Mr. Henry Kajura, gave me all the logistical support which enabled me within a short period to find an appropriate office and to establish the requisite infrastructure for starting the Bank.



**In this way, the EADB was simply the papers which had been handed over to me and Two Million Dollars (US\$ 2,000,000) which was the capital contribution of three East African Governments.**

It should be noted that, globally, development banking was a new industry and in East Africa we had absolutely no development bank anywhere. Needless to say, there was no expertise in the region that could guide and advise on how to start and run a development bank.

The three Governments had respectively appointed Charles Rubia, the Ex-Mayor of Nairobi to represent Kenya, Sam Mukasa, the Administrative Manager of Shell Company

in Uganda and Clement Tibazarwa from the Treasury in Tanzania. Those three constituted the first Board of the Bank. I appointed Henry Kajura to the position of secretary of the Board. With respect to management staff, I asked John Scott, an expatriate economist working in the Tanzania Ministry of Finance, to do a survey of young professionals from all the three countries in the areas of economics, finance, accountancy and engineering. We selected the best and appointed them into management positions of the Bank.

With intent to immediately start operations, on advice, I travelled to Scandinavian countries to recruit expatriate experts who came to Kampala to join the Bank, constituting a team that took charge of management with a mandate not only to start the operations but also to carry out an internal training programme for our young professionals. Included in this team of expatriates, we also recruited a prominent Canadian economist and a Nigerian chartered accountant who respectively became Head of Economic and Research Department and Chief Accountant and Director of Finance.



**That enabled us to start operations in the first year of our existence and to make the first loan in Uganda during the first year of our operations. It should be noted that according to the Charter, we had to be guided by the differential investment formula whereby 22.5% of our loans had to be made in Kenya, and 38.75% each to be invested in Tanzania and Uganda.**

While this was going on, we also started to mobilize resources for the development of plots that had been offered to us by the Ugandan Government. We began with the Head Office building on the plot overlooking the Uganda High Court. We were also offered a plot on the Summit view in Kololo to build the official residence of the Director General. At the same time, we mobilized credit facilities to develop a large plot of staff houses. Our operations required external loan facilities which we borrowed from the World Bank, the African Development Bank and lines of credit from the local banks.

While we were only accountable to the Authority and not to any Community councils of Ministers, we thought it wise with a reasonable sense of humility to establish cordial relations with Ministers in all the three Governments. I therefore made a point of attending most meetings especially of Finance and Common Market Councils to whom I offered regular information on the progress of the Bank.

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In this process, the then Uganda Minister of Finance, Honourable Kalule Ssettala, the Minister of Foreign Affairs, Honourable Sam Odaka, among a few others who became my acquaintances and who made it easier for me to get closer to the President of Uganda, Dr. Milton Obote. In Kenya, starting with Charles Rubia, I became closer to Honourable James Gichuru, the then Minister of Finance, Honourable Mwai Kibaki, the then Minister of Planning, among many others in the Kenyan Government. It was Charles Rubia who accompanied me to see His Excellency Mzee Jomo Kenyatta, the President of Kenya. My position in Tanzania in this regard need no mention. The net result of all this was the establishment of goodwill and harmonious relationship between the Bank and the three Governments.

Two years later, our local management staff were ready to take over full management of the Bank. The mission of the expatriate staff had been fulfilled except later we recruited Dr. Mehmet Oksal from Turkey as Director of Strategic Research and Global Affairs. We established Regional Offices in Dar es Salaam and Nairobi for purposes of project identification, preparation and preliminary appraisal. All went well until General Idi Amin overthrew Dr. Milton Obote, the President of Uganda, who went into exile in Dar es Salaam.

This disturbed the peace and tranquility in the Region especially between Uganda and Tanzania. Following the turmoil in Uganda as a result of the coup d'état, many disturbing events ensued which shook the foundation of East African cooperation and soon thereafter we felt the beginning of the break of the Community.



**Fortunately for us in the Bank, youth and a sharp sense of professionalism enabled us to remain focused in our resolve to maintain the strength of the Bank and its uniqueness in the family of the Community institutions. We withstood the shortages of consumables in Uganda by paying the salaries of our staff wherever they wanted to be paid and this enabled them to bring into Uganda the goods they needed for their consumption. We maintained the tempo of our operations through our activities in our Regional Offices and at the Head Office. Our strength was based on the absolute harmony within our staff and the Board.**

Eventually the Community collapsed in 1977 with all its institutions leaving EADB as the only institution of the Community that survived the shocks of that collapse. My

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readers may wish to realize that Mzee Kenyatta seemingly did not know that the Community had in fact dramatically collapsed. For some time in the last months, I was only communicating with President Nyerere as the sole functioning member of the East African Authority. A dramatic incident is worth mentioning when I went to see the President. Arnold Kilewo who was the Chairman of East African Airways had been detained at the airport in Nairobi and stopped from flying back to Dar es Salaam for not paying rent for the house he occupied as Chairman of East African Airways. President Nyerere telephoned Mzee Kenyatta asking him to intervene and let Kilewo return home. Mzee Kenyatta angrily asked “*Why is Kilewo returning home? Julius! Call all Ministers! Don't allow the Community to collapse and report back to me.*”

With a sad sense of frustration, this is what President Nyerere told me about the end of the East African Community in 1977.

**Iddi Mohamed Simba**  
**Director General**  
1968-1979

# LARS EKENGREN

## DIRECTOR GENERAL 1981-1984

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**The East African Community had collapsed in 1977. Soon thereafter the three East African governments assisted by the World Bank appointed a Swiss diplomat, Dr. Victor Umbricht, as a mediator to draw up plans for the distribution of the assets and liabilities of the Community and its various organisations (EA Airways, EA Railways Corporation, EA Post and Telecommunications etc). Wisely enough Dr. Umbricht advised the governments already at the outset not to split up EADB. As he argued there were no physical assets to distribute, only a bank building in Kampala, which after all was not movable. And in addition the Bank had a large number of delinquent loans to clients which had also borrowed from the three national development banks.**

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So in 1980 the three Presidents agreed to have a new Treaty and Charter enacted for EADB. The main differences from the previous charter from 1967 were that there was no prescribed distribution formula of loans among the member states and that the Bank could now finance projects in agriculture, infrastructure, tourism etc, while it had before been restricted to industry.

The political situation was tense at the time and the Presidents could not agree on the nationality of the new Director General, nor the person in the region who should be offered that position. To overcome the impasse, the then Acting DG, David Mulira asked the Swedish aid organisation SIDA to assist in identifying a suitable DG. SIDA was well known as it had already provided two concessionary loans to EADB. SIDA in turn approached the Nordic Investment Bank (NIB), where I then worked as Senior Adviser, Co-financing.

There were as I have understood several reasons why SIDA, NIB and EADB identified me as the candidate for the prestigious position. My CV included having been the first Chief Accountant of Bank of Tanzania. In addition I had on behalf of SIDA appraised EADB in response to the Bank's loan requests as well as carried out similar exercises regarding a number of development projects in Kenya and Uganda. I was therefore familiar to and reasonably well known in the region. The East African authorities obviously accepted these arguments and so did the World Bank with which I signed the employment contract.

Joining EADB in early 1981 I soon found that the Bank was in a deep crisis. It had hardly any resources in foreign exchange and it was practically in default with the World Bank in regard to interest and installments on two loans, the first due on 15 March, the second on 15 May. The World Bank had already started sending threatening letters saying if the

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loans were not repaid immediately they would exercise the right to seek repayment from the guarantors, the three East African governments. Since the governments were neither willing nor able to honour the loans, taking into account their other obligations to the World Bank relating to the defunct EA corporations, EADB had to wind up.

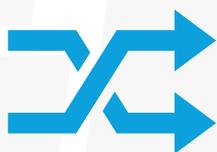
EADB had some shilling resources as a number of clients had paid the Bank according to their loan agreements but to convert those shillings into dollars was a completely different ball game. Tanzania, which had earlier nationalised the “commanding heights of the economy” in line with the philosophy of the Arusha declaration and run an economic regime based on self reliance and socialism and further been hit hard by the World Bank’s policy of structural adjustment, had literally no foreign exchange to honour its commitments except for the most urgent ones. But companies in Uganda had also had difficulties under the Amin years and the time thereafter. Kenya was definitely better off at the time.

Mr Cleopa Msuya, first Principal Secretary later the Minister of Finance, Tanzania, not only understood the plight of EADB and its political ramifications but decided to do something about it. So he and the Bank of Tanzania Governor, Charles Nyirabu, de facto gave EADB preference in their foreign exchange payments, under the proviso that similar concessions could be achieved from Uganda. President Milton Obote was at the time also Minister of Finance so I called upon him. He directed me to meet with Ephraim Kamuntu who acted in his stead under the unusual title of Ambassador Extraordinary and Plenipotentiary, Ministry of Finance. President Obote and the Ugandan central bank governor made a satisfactory arrangement where shillings were converted into dollars which were then commingled with other dollar funds and transferred to the World Bank. The African Development Bank was also a lender but did not take the same tough approach vis-a-vis EADB and its guarantors and accepted delayed transfers without creating a default situation.

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**Well the immediate crisis was thus over but dark clouds were still hanging over the Bank as scarcity of foreign exchange prevailed in the member states and hardly any loanable resources were available to EADB. I therefore adopted a two-pronged strategy with dedicated support by the Bank’s board of directors. First to establish EADB as a truly international, reputable institution by adding advisors in banking and finance who were well known all over the world. The second approach was to establish contacts with a number of possible providers of foreign exchange denominated concessionary and commercial loans.**

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Bert Lindström, my former boss at NIB, the development bank for the Nordic region, acted very much as my mentor at the time. He took upon himself to approach former friends and colleagues to ask them whether they would be willing to join the proposed international advisory panel. The success was immediate. Rudolph Peterson, former Chairman of Bank of America, agreed to participate as well as Michael von Clemm, Chairman of the world's largest investment bank, Credit Suisse First Boston. Furthermore the panel was joined by Lars Kalderén who had been anointed the title "Borrower of the year" by the prestigious magazine Euromoney and also by Mahesh Kotecha, then Vice President of Standard and Poor's with a pre-Amin background from Kakira, Uganda. And last but not least Bob McNamara, former President of the World Bank accepted an invitation to join made by his former colleague Mr Peterson.

This high-level Panel met with EADB's Governing Council, consisting of Ministers responsible for East African affairs (Hon. Jamal, Tanzania, Hon. Dr. Onyonka, Kenya and Hon. Tewungwa, Uganda), and with the Board of Directors chaired by Fred Ondieki, Kenya, for the first time in Washington in September, 1981. There, and in subsequent meetings in the region and in connection with the World Bank's annual meetings, a commitment was being made to give EADB maximum support. This sense of togetherness had an impact on EADB's standing and reputation for a long term thereafter. And incidentally enabled the Bank to meet its upcoming obligations towards the World Bank and AfDB from 1982 onwards.



**The second important strategy element was raising finance for EADB and East African economic development. Credits and grants were received from ADB, the government of Sweden through SIDA, the Government of Norway through Norway, EU through the European Investment Bank, NIB and UNDP as well as relatively small loans from commercial lenders, notably SIFIDA (Switzerland), Ostgotabanken (Sweden), Morgan Grenfell (London), Société Générale (Belgium), FMO (the Netherlands) and Equator Bank (London). Only the ADB loan was guaranteed by the member states, the others were based on EADB's own increasing creditworthiness. ADB, FMO and DEG (Germany) also joined EADB as shareholders.**

These lines of credit created a basis for increased lending during my period as DG and for subsequent periods. In that I was assisted by a well trained staff, particularly by Mishek Ngatunga (later with International Finance Corporation, Washington, and Chairman, NMB Bank, Tanzania) and Fabian Tibeita, who a few years later became the DG of EADB, as well as by David Mulira, Acting DG then Secretary of EADB.

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The achievements were made despite the continuous difficult political environment in East Africa. The border between Kenya and Tanzania was closed for all trade and travels. Uganda was still struggling with the aftermath of Amin. Looting persisted in Kampala to the effect that an unofficial after-dark curfew prevailed.

I had my family in Nairobi and worked from time to time from the Bank's office in Nairobi, where the possibilities of frequent contacts by phone, telex and travels were facilitated. My travels from Nairobi to Kampala had for security reasons to be made to Kisumu by air, where a bank car picked me up to go to Kampala. As there were no direct flights between Nairobi and Dar es Salaam I did go from Nairobi, crossing the border at Namanga, to Kilimanjaro airport by car and then flew to Dar. While there was a direct air link between Entebbe and Dar I avoided it because there was a road block protected by rude soldiers close to the Entebbe State house. So Nairobi became my hub also for these travels both by default and design.

I never lived in the official residence of the DG but while in Kampala I stayed in a small third floor bank staff flat where water had to be hoisted by jelly-can, again out of security concerns. So my time in Kampala was all work, work, work. And an occasional Nile lager at Kisementi, where Ugandan army officers provided some image of security.




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**In his farewell speech on my termination of service the 24 April 1984, Hon. Prof. Saitoti, Minister of Finance and Planning, Kenya noted that EADB has been relaunched and that “while in 1979 the total lending commitment of the Bank was a miserable 5 million shillings, in 1983 alone it was 202 million shillings”. He welcomed my successor Per Aasmundrud and also emphasised that “with the Arusha Accord of November 1983 (on the distribution of assets and liabilities of the defunct East African Community) the member states were experiencing a new spirit of co-operation” and that EADB had a main role to play to entertain that spirit.**

**Lars Ekengren**  
**Director General**  
 1981-1984

## PER AASMUNDRUD DIRECTOR GENERAL 1984-1987

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**First of all: If any of my old colleagues and friends at EADB happen to read this: Greetings and very best wishes to you all! In 1987, when I left, the Bank was 20 and I was 61. We are now 50 and 91, respectfully (so we have both matured!), but I keep my time with you in dear memory.**

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My tenure included the arrival of the new regime in Uganda. On my first visit to Kampala to meet the Bank, I had to climb 25 floors to see the then minister. No water, no power. Later, he had to vacate his office - and also the Bank's fine house at Kololo Hill. When we moved in there, we felt quite safe, since some very young but also very disciplined soldiers watched over us from their camp just above the house.

The movement of my office from Nairobi to Kampala felt, I believe, quite invigorating for the staff - back to normal. I received a warm welcome. As I met with each member of the staff, I discovered their skills, loyalty and enthusiasm.

The period had been difficult, not only in Uganda but for the whole region and for many of our borrowers individually. Unfortunately, the problems were not over. Fifty per cent of the accounts were in arrears and there was an additional problem with convertibility. Payments made in the local currencies could often not be transferred to us in convertible currencies, so the Bank's liquidity was strained. Members of management and staff made very good jobs in their various capacities, but I would like to mention Mrs. Mukasa, our director of finance, who made an excellent job in finding a solution in difficult situations. (She in turn, was grateful to some Norwegian funds which were entirely untied.) The Bank never defaulted on any obligations.



**Assistance to problem projects can be a crucial activity in development banks. We took action to strengthen our capacity in this regard, and at least we stopped the deterioration, but the business climate remained difficult.**

This does of course also explain in part why our pipeline of projects was not like we would have wanted, and implementation was slow. For me, the Bank's regional character was essential. But regional projects of reasonable magnitude were few and far between, sometimes not even very popular. (We conducted a study on how to create daily return air connections between the three capitals, but not everybody was enthusiastic.)



To meet its regional obligation, I felt that the Bank should regularly collect economic and industrial information from the member states in order to identify regional opportunities. In this way the Bank could serve its purpose by initiating projects of potential interest to larger investors, private or public. We did a start, but such activity would of course need time to become fruitful.

**Since then investments in Africa have accelerated and prospects are good. I trust that the continent will retain control and that developments will include the really poor. It is great if the Bank can participate in this regard.**

I can add an anecdote typical for the Bank's situation during my tenure. Once our officials met with the Advisory Panel, including the famous Mr. McNamara, the retired World Bank chief. We had just got an offer for a loan from a London commercial bank. One of the officials asked him if it was wise for the Bank to accept this offer. McNamara replied *"Grab it - and run!"* - Maybe young bankers should include hundred meter hurdle in their training programmes!

**Per Aasmundrud**  
**Director General**  
1983-1987

## ABBREVIATIONS AND ACRONYMS

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<b>ADF</b>	African Development Fund		
<b>AFDB</b>	African Development Bank	<b>IFRS</b>	International Financial Reporting System
<b>ALCO</b>	Assets and Liabilities Committee	<b>IRENA</b>	International Renewable Energy Agency
<b>BADEA</b>	Arab Bank for Economic Development in Africa	<b>IUCEA</b>	Inter-University Council for East Africa
<b>BIF</b>	Burundian Franc	<b>KES</b>	Kenyan Shilling
<b>CDM</b>	Clean Development Mechanism	<b>KFW</b>	Kreditanstalt für Wiederaufbau
<b>DEG</b>	German Investment and Development Company	<b>ODA</b>	Overseas Development Assistance
<b>EA</b>	East Africa	<b>OPEC</b>	Organization of the Petroleum Exporting Countries
<b>EAC</b>	East African Community	<b>PWC</b>	PricewaterhouseCoopers
<b>EACDF</b>	East African Community Development Fund	<b>RCC</b>	Regional Collaboration Centre (UNFCCC)
<b>EU</b>	European Union	<b>RWF</b>	Rwandan Franc
<b>EUR</b>	Euro	<b>SBIC-AFRICA</b>	Standard Bank Investment Corporation -Africa
<b>FDI</b>	Foreign Direct Investment	<b>SIDA</b>	Swedish International Development Cooperation
<b>FMO</b>	The Netherlands Development Finance Company	<b>TZS</b>	Tanzanian Shilling
<b>GDP</b>	Gross Domestic Product	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>IAS</b>	International Accounting Standards	<b>UGX</b>	Ugandan Shilling
<b>IASB</b>	International Accounting Standards Board	<b>USA</b>	United States of America
<b>IFC</b>	International Finance Corporation	<b>USD</b>	United States Dollar
<b>IFRIC</b>	International Financial Reporting	<b>VAT</b>	Value Added Tax
		<b>WEO</b>	World Economic Outlook

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# LETTER OF TRANSMITTAL

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**The Cabinet Secretary, the National Treasury**

The Republic of Kenya

**The Honourable Minister for Finance and Economic Planning**

The Republic of Rwanda

**The Honourable Minister for Finance**

The United Republic of Tanzania

**The Honourable Minister for Finance, Planning and Economic Development**

The Republic of Uganda

In accordance with Articles 26 and 35 of the Charter for the East African Development Bank (the “Bank”), the Board of Directors herewith submits to the Honourable Members of the Governing Council and to the Members of the Bank, the Annual Report of the Bank for the period from 1 January to 31 December, 2017.

This Report describes the activities of the Bank during the year and shows the Bank’s financial position as at 31 December 2017. The Report also presents a review of the economic performance of the member states of the EADB. Honourable Members of the Governing Council, please accept the assurances of my highest consideration and esteem.

**Dr. Kamau Thugge**

**Chairperson**  
Board of Directors

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## GOVERNING COUNCIL

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**Hon. Dr. Philip Mpango**  
Minister for Finance, United Republic of Tanzania

**Chairman**



**Amb. Claver Gatete**  
Minister for Finance and Economic Planning, Republic of Rwanda



**Henry K. Rotich**  
Cabinet Secretary, National Treasury, Republic of Kenya



**Hon. Matia Kasaija**  
Minister for Finance, Planning and Economic Development, Republic of Uganda

## ADVISORY BOARD

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**Mahesh K. Kotecha**  
Former Managing Director, Capital Markets Assurance Corporation, New York and Capital Markets Assurance Corporation, Asia and former Managing Director of Mbia Insurance Corporation



**Mr. Toyoo Gyohten**  
President, Institute for International Monetary Affairs, Japan and Senior Adviser, Bank of Tokyo, Mitsubishi Limited



**Lars Ekengren**  
Former Deputy Director General, SIDA



**Jannik Lindbaek**  
Former Executive Vice President and CEO of the International Finance Corporation (IFC)

# BOARD OF DIRECTORS AND DIRECTOR GENERAL



**Dr. Kamau Thugge**  
Principal Secretary, the National  
Treasury, Republic of Kenya

**Chairperson**



**Khadija I. Simba**  
Private sector representative, United  
Republic of Tanzania

**Member**



**Caleb Rwamuganza**  
Permanent Secretary, Secretary to  
the Treasury, Ministry of Finance and  
Economic Planning, Republic of Rwanda

**Member**



**Trevor de Kock**  
African Development Bank  
Representative

**Member**



**Keith Muhakanizi**  
Permanent Secretary, Secretary to the  
Treasury, Ministry of Finance, Planning  
and Economic Development, Republic  
of Uganda

**Member**



**Mbundu Faustin**  
Private sector representative, Republic  
of Rwanda

**Member**



**Doto James**  
Permanent Secretary, Pay Master  
General, Ministry of Finance, United  
Republic of Tanzania

**Member**



**James Tumusiime**  
Private sector representative, Republic  
of Uganda

**Member**



**Francis N. Karuiru**  
Private sector representative, Republic  
of Kenya

**Member**



**Vivienne Yeda**  
East African Development Bank

**Director General**

# DIRECTOR GENERAL'S STATEMENT

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**Established in 1967, the East African Development Bank is celebrating its fiftieth anniversary this year. The 50-year anniversary is a great achievement; most EAC institutions that were founded at the time did not see their tenth anniversary, as the parent organisation, the East Africa Community, collapsed in 1977. The Bank weathered the collapse of the EAC and was reinvented under its own charter in 1980.**

**The golden jubilee is a time for retrospection and prospection; a reflection of what we did well, where we could do better and what we should aim to achieve in the coming 50 years in the context of the fast changing financial landscape and globalisation.**

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The Bank celebrates its 50-year journey as it continues to play a catalytic role in resource mobilization to support industrialization in line with its charter and mandate. The support the Bank rendered to start-ups and Small and Medium Enterprises (SMEs) for the past 50 years contributed significantly to their growth. Many of the SMEs supported matured into large companies or even major conglomerates, thereby contributing significantly to income generation, export growth, manufacturing value addition and employment generation.

A number of projects can be cited for demonstrative purposes: in the 1970s the Madhvani Group of companies, through its subsidiary Steel Corporation of East Africa, received a capital injection from EADB worth 20% of its capital base. The Group is now one of the largest conglomerates in East Africa, accounting for more than 10% of Uganda's GDP. Around the same time, EADB provided a loan of UGX 8 million to Aluminium Africa, Tanzania, to increase the capacity of rolling facilities. The company is now Tanzania's leading steel roofing manufacturer. Also in the 1970s in Tanzania, the Bank provided a loan of UGX 10 million to Mtibwa Sugar Estates Limited. The loan helped to increase sugar output by more than 500 per cent to 45,000 tons and the company now commands a market share of 9 per cent of the Tanzanian sugar market. The list of businesses whose fortunes were transformed by EADB is indeed a long one.



**The Bank's intervention over the years has demonstrated additionality and great development outcomes (ADOA). EADB has been the partner of choice for private sector projects, particularly in difficult times.**

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Most projects that were funded by EADB became even more bankable and were taken over by commercial banks in their subsequent facilities. EADB broke frontiers into sectors previously not ventured by commercial banks as they were considered too risky and required long term funding. EADB pioneered long term funding in agriculture, the social sector and infrastructure. The Bank's first lending to the agro-processing sub-sector, for example, was issued to Masaka District Growers Cooperative Union to build a pineapple processing plant. The loan valued at UGX 60 million made it possible for the Union to add value to its final products while supporting job creation. Whilst in 1986, EADB approved a loan of SDR 0.59 million to rehabilitate two ferries to operate between Uganda and Tanzania on Lake Victoria. This has significantly improved the movement of people and goods in the region and thus supported trade.



**There is every reason to celebrate our 50 years of existence, because there is no doubt that EADB has made a significant impact on growth and that economies have been transformed; more jobs have been created; production value chains improved – all leading to income generation.**

**Vivienne Yeda**  
**Director General**  
East African Development Bank

## CHAIRMAN'S STATEMENT

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In 2008, the global economy was in the midst of a financial crisis, now deemed by many economists as the most severe since the Great Depression of the 1930s. Amongst our member states, economic activity in Rwanda, Tanzania and Uganda largely remained unaffected by the financial crisis and associated crash in global growth (Rwanda and Uganda actually grew more in 2008 than in 2007), whilst growth in Kenya was affected by post-election violence. The East African economies were, however, more concerned by rises in inflation (which reached above 15% in Kenya, Rwanda and Tanzania), depreciating exchange rates and unstable interest rate regimes that determined how the global financial crises may affect external financial flows to the region. Since 2008, East African economies have recovered remarkably well: GDP growth has averaged over 5% in all EADB member states since 2010, and more recently inflation has been contained by prudent monetary policies.

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I am delighted to note that the East African Development Bank has also performed well despite a challenging operating environment. By the end of 2017, our profit had increased to US\$10.2 million. As in 2008, we remain dedicated to supporting the socio-economic development of our member states and to filling market gaps. Consequently the largest sectors that we have financed are development finance institutions (22%), which have better capacity to serve the often overlooked SME market that accounts for the majority of employment throughout East Africa, and electricity (13%), which supports government objectives of infrastructure investment and private sector development. Furthermore, the proportion of our portfolio disbursed as long-term loans has also increased to 93%, which we believe is extremely important and fills a substantial gap for long term financing in the East African market.

Looking forward, we remain guided by our mission to promote sustainable socio-economic development in East Africa by providing development finance, support and advisory services. We already have projects in the pipeline that we hope will make an enormous difference in filling some of the region's needs, including SME development, agricultural value chain addition, food security, biodiversity preservation and the human capital development of our growing labour force.

**Dr. Kamau Thugge**  
**Principal Secretary to the Treasury**  
Chairman of the Board of Directors

# CHAIRMAN OF THE GOVERNING COUNCIL'S STATEMENT

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**For over 50 years the Bank has mobilised resources, expanded opportunities and positively contributed to the growth of the EADB member states. Looking retrospectively at what the Bank has done and the challenges that lie ahead, it is clear that EADB's work is far from done. There will be no lack of ambition on the part of the Bank and its shareholders when it comes to crafting a forward looking agenda. While acknowledging that the Bank has been playing a catalytic and transformative role in East Africa in support of socio-economic transformation; the region is still faced with surmountable challenges including widespread poverty, urbanization, climate change, weak infrastructure and high levels of unemployment.**

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These challenges inform the strategic focus of the Bank. Going forward the Bank is increasingly focusing on key strategic areas including: support to SMEs for private sector-led growth, climate change and environmental sustainability, food security, infrastructure development, regional integration and skills development.

## **SMES CRITICAL BACKBONE OF THE ECONOMY**

Small and Medium Enterprises (SMEs) are spread across all sectors; mainly in services, commerce and trade and manufacturing. In some economies in East Africa, employment by SMEs accounts for up to 90 per cent of entire private sector employment, generate over 80 per cent of manufacturing and contribute close to 20 per cent of GDP. While the sector is so important for economic development, access to finance holds back high potential enterprises. About 80 per cent of SMEs are financed through internal funds, as commercial banks shy away due to perceived risk and lack of collateral, as well as appropriate lending instruments. In recognition of the importance of SMEs to income and job creation, the Bank has responded by increasing its financing to such enterprises. To date, SMEs account for more than 56 per cent of the Bank's portfolio. Nevertheless, this amount is still too small when compared to the prevailing needs. The Bank plans to expand its resource mobilization activities to meet the ever-growing financing needs to support SMEs. In so doing the Bank will continue to work with national commercial banks as conduits to channel funding to SMEs.



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### **FEEDING OUR PEOPLE SHOULD BE TOP PRIORITY**

**Agriculture is the mainstay of the economies in East Africa and the biggest asset, yet it remains largely untapped. The size of the food and agro products market will expand significantly with population growth. It is estimated that this market in Africa will increase from the current USD 330 billion to more than one trillion dollars by 2030 (AfDB). The Bank will, as such, enhance its investment in agriculture by supporting agriculture value chains and focusing on value addition for the export market to meet the growing demand for food in the region and globally.**

### **WE MUST DO MORE TO SUPPORT ECONOMIC INTEGRATION**

The EAC is the top performing regional economic community in Africa with regard to trade and free movement of people (Africa Regional Integration Report 2016). Regional infrastructure, however, remains a major structural bottleneck to private sector-led growth. Transport infrastructure remains generally dilapidated across most of East Africa, although there are efforts to improve it. Similarly, energy infrastructure and access to electricity also remains low across East Africa. The Bank has, however, stepped up its support to improve access to electricity across the region. Electricity is the second largest sector in the Bank's portfolio accounting for 13 per cent of the total portfolio. Some of the Bank's beneficiaries in this regard include public power utilities such as TANESCO and KPLC, as well as private initiatives geared towards generating clean energy, such as Lake Turkana Wind Power project. While there has been some improvement in increasing access to electricity, more needs to be done to ensure the majority of the region's population has access to this utility. To achieve this and related goals, the Bank will support the EAC Investment Strategy for Priority Infrastructure Projects.

### **CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION SHOULD BE MITIGATED FOR SUSTAINABLE GROWTH**

In addressing the above challenges the Bank has to deal with the issue of climate change and threats to environmental sustainability. The fast degrading environment presents a major threat to the global economy. Human economic activities in general may have considerable negative impacts on the environment such as depletion of resources, destruction of natural resources, environmental pollution and relocation of human beings.

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The ultimate effect is the decline in food supply, shortage of water and emission of greenhouse gases, with resultant effects on climate change. Borne of the recognition that environmental degradation and climate change pose a threat to the human race and the sustainability of economies, the Bank has put in place a sustainability policy and environment and social management systems to ensure projects supported by the EADB comply with international best practices on environmental management.

**Hon. Dr. Philip Mpango**

**Minister For Finance**

Chairman of the Governing Council

# AUDITORS

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## **PricewaterhouseCoopers**

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10<sup>th</sup> Floor, Communications House,  
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P.O. Box 882, Kampala, Uganda

# LAWYERS

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## **KENYA**

### **Kaplan and Stratton Advocates**

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## **TANZANIA**

### **Adept Chambers**

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Dar es Salaam, Tanzania

# REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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## **UGANDA**

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## **KENYA**

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Westland  
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## **TANZANIA**

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Tanzania

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Kigali, Rwanda

**SECTION 1**

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# **ECONOMIC REVIEW**

## SECTION 1.1

# RECENT PERFORMANCE

## 1.1.1 ECONOMIC GROWTH

### GLOBAL MACROECONOMIC AND FINANCIAL ENVIRONMENT

Global growth was expected to strengthen to 3.8 per cent in 2017, as compared to 3.2 per cent in 2016. The gradual recovery was mainly because of an improvement in global industrial activity and a pickup in global trade, all of which were supported by benign international financial conditions. Growth was broad-based with surprise upsidings in Europe and Asia. The commodity price index registered an upswing in 2017, which helped many economies' current account balances that had previously suffered under low commodity prices. The energy index increased by 24 per cent in 2017 as compared to 2016 while the non-energy index increased by 6 per cent.

Global growth is expected to average 3.9 per cent in 2018-2020. Structural headwinds remain a key risk to growth, as does falling trade and low value chain integration under growing nationalist and protectionist tendencies, and elevated policy uncertainty.

### ECONOMIC GROWTH IN ADVANCED ECONOMIES

In major advanced economies, economic growth gained momentum supported by strengthening domestic demand, improved exports, increased investments and moderate private consumption. Growth in advanced economies increased by 2.3 per cent in 2017. The upturn is particularly noticeable in the United States (with growth increasing by 2.3 per cent in 2017), the Euro area (2.4 per cent) and Japan (1.8 per cent). The United States showed a pickup in private investment and improved labour conditions. Economic slack remains, as reflected in underemployment and unused capacity in manufacturing. Yet monetary policy is expected to tighten, albeit at a gradual pace, which reflects legacies from the financial crisis and lower equilibrium interest rates. The tax policy changes in the US are expected to stimulate activities resulting in improved investments leading to positive growth through to 2020.

**2.3%**

Economic growth in  
advanced economies  
in 2017

The Euro area maintained a robust growth of 2.4 per cent in 2017 following improvements in manufacturing activity and goods exports, driven by stronger investment flows. Unemployment is falling, although jobless rates remain persistently high.

Growth in Japan has been supported by a recovery in external demand, particularly for the export of information technology-related products and capital goods. Inflation expectations remain low, partially driven by continued quantitative easing measures.

Growth in the United Kingdom slowed down in 2017 to the rate of 1.7 per cent as compared to 1.9 per cent in 2016, in the aftermath of the Brexit. Negotiations around the exit of the United Kingdom from the European Union carry some risks and if the uncertainty persists, it could weigh on investor confidence and derail the ongoing recovery since the financial crisis.

**Table 1 • Real Economic Activity**

								Projections		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>World Output</b>	4.3	3.5	3.5	3.6	3.4	3.2	3.8	3.9	3.9	3.8
<b>Advanced Economies</b>	1.7	1.2	1.3	2.1	2.2	1.7	2.3	2.5	2.2	1.7
<b>Emerging Markets &amp; Developing Economies</b>	6.4	5.4	5.1	4.7	4.3	4.4	4.8	4.9	5.1	5.1
<b>Middle East, North Africa, Afghanistan and Pakistan</b>	4.5	5.2	2.7	2.8	2.7	4.9	2.6	3.4	3.7	3.6
<b>Sub-Saharan Africa (excl. South Africa and Nigeria)</b>	5.1	4.4	5.3	5.1	3.4	1.4	2.8	3.4	3.7	3.8
<b>EAC Partner States (excl Burundi &amp; South Sudan)</b>	7.2	5.2	5.6	6.1	6.8	5.3	5.3	6.1	6.5	6.8
<b>Burundi</b>	4.0	4.4	4.6	4.7	-3.9	-1.0	0.0	0.1	0.4	0.5
<b>Kenya</b>	6.1	4.6	5.9	5.4	5.7	5.8	4.8	5.5	6.0	6.2
<b>Rwanda</b>	7.8	8.8	4.7	7.6	8.9	6.0	6.1	7.2	7.8	8.0
<b>South Sudan</b>	n/a	-52.4	29.3	2.9	-0.2	-13.8	-11.1	-3.8	-2.6	-2.5
<b>Tanzania</b>	7.9	5.1	7.3	7.0	7.0	7.0	6.0	6.4	6.6	6.8
<b>Uganda</b>	6.8	2.2	4.7	4.6	5.6	2.3	4.5	5.2	5.8	6.2
<b>Memorandum Items</b>										
<b>Commodity Price Index<sup>1</sup></b>	192	186	183	172	111	100	116	129	125	121
<b>Change in Commodity Index</b>	26	-3	-2	-6	-35	-10	15	12	-4	-3
<b>Crude Oil<sup>2</sup></b>	104	105	104	96	51	43	53	63	59	59
<b>Change in Price of oil</b>	31.6	1.0	-0.9	-7.5	-47.2	-15.7	23.3	18	-6.5	-0.4
<b>Consumer prices</b>										
<b>Change in World Average consumer prices</b>	5.0	4.1	3.7	3.2	2.8	2.8	3.0	3.5	3.4	3.3
<b>Advanced Economies</b>	2.7	2.0	1.4	1.4	0.3	0.8	1.7	2.0	1.9	2.0
<b>Emerging Markets and Developing Economies</b>	7.1	5.8	5.5	4.7	4.7	4.3	4.0	4.6	4.3	4.2

	2011	2012	2013	2014	2015	2016	2017	Projections		
								2018	2019	2020
<b>London Interbank Offered Rate (%)</b>										
<b>On USD deposits (6 months)</b>	0.5	0.7	0.4	0.3	0.5	1.1	1.5	2.4	3.4	
<b>Average Real Six-Month LIBOR3</b>				-1.5	-0.6	-0.4	-0.8	0.8	0.8	0.8
<b>On Euro deposits (3 months)</b>	1.4	0.6	0.2	0.2	0.0	-0.3	-0.3	-0.3	0	n/a
<b>On Japanese Yen Deposits (6 months)</b>	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.1	

Source: IMF, WEO Update, April 2018; ministries of Finance for EADB member states; EADB

### ECONOMIC GROWTH IN DEVELOPING ECONOMIES

Emerging markets and developing economies (EMDE) were recovering from low growth in 2016. Growth was forecast to accelerate to 4.8 per cent in 2017, particularly strengthening in commodity exports which have better growth prospects. Commodity exporters have gained from slightly stronger commodity prices, a general recovery in industrial activity, improved investor confidence and consequently an increase in investment. Renewed risk appetite has particularly supported EMDE’s financial markets. Longer term growth prospects are likely to be weighed down by structural challenges in global trade, worsening demographics, slowing productivity growth, and governance and institutional challenges.

Emerging and Developing Asia grew at around 6.4 per cent in 2017 and was forecast to grow at around 6.5 per cent in 2017. The region continues to account for over half of world growth. China continues to rebalance growth from state-owned infrastructure investments towards consumption and more sustainable growth. GDP expanded by 6.8 per cent in 2017 and is expected to continue to grow broadly at the same rate for 2018 to 2019.

**6.4%**

Economic growth in Emerging and Developing Asia in 2017

**2.8%**

Economic growth in Sub-Saharan Africa in 2017

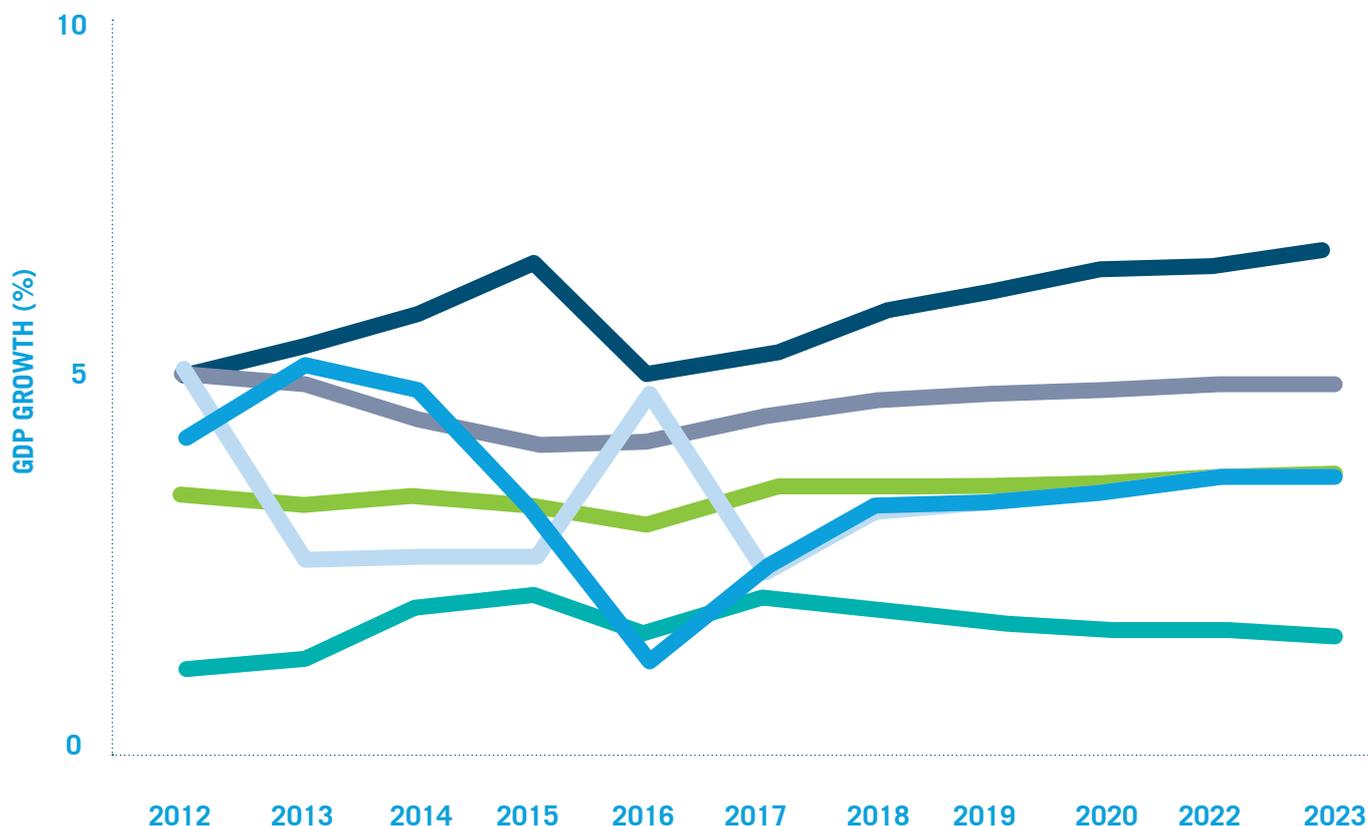
Growth in Sub-Saharan Africa recovered to 2.8 per cent in 2017, from just 1.3 per cent in 2016. The upturn reflects a modest recovery in global commodity prices, improvements in domestic conditions, stronger external demand and the end of drought in several countries. Most of the growth rebound is from oil and mineral exporters, including Angola, Nigeria and South Africa. Oil prices are on average 10 per cent higher in 2017 over 2016. Above average rainfall also boosted agricultural production and electricity generation. Growth in non-resource intensive countries remains solid. However, downside risks to growth include the tightening of global financial conditions, a slow recovery in commodity prices and the threat of protectionism.

### ECONOMIC GROWTH IN EAST AFRICA

Growth in East Africa (excluding South Sudan and Burundi) improved marginally in 2017 to average 5.4 per cent, compared to an average of 5.3 per cent in 2016. Whilst East African growth remains above both the Sub-Saharan and emerging and developing markets averages, it remains relatively subdued compared to the region’s long-term trend.

Overall the region has recovered from the drought experienced in 2016, slightly improved financial conditions under expansionary monetary policies and stable exchange rates and sizeable public infrastructure investments (Table 1). Growth in the region was supported by substantial investments in infrastructure. Both Kenya and Rwanda had low first quarter growth because of prolonged drought which affected the agriculture sector.

**Figure 1 • Economic Growth Comparison by Regions**



<b>EAST AFRICA</b>	<b>EMERGING MARKETS &amp; DEVELOPING ECONOMIES</b>	<b>WORLD OUTPUT</b>
<b>ADVANCED ECONOMIES</b>	<b>MIDDLE EAST, NORTH AFRICA, AFGHANISTAN AND PAKISTAN</b>	<b>SUB-SAHARAN AFRICA EXCL SOUTH AFRICA AND NIGERIA</b>

Source: IMF WEO data January 2018 and EADB

**BURUNDI**

Burundi continued on a path of recession for three consecutive years leading to 2017. Burundi’s economic growth was stagnant in 2017, having contracted by 0.6 per cent in 2016. Scarcity of hard currency and supply-side constraints of essential goods, such as fuel, remain a chronic drag to economic performance. Government drives to mobilise revenue and control financial transactions, particularly those involving foreign exchange, are affecting businesses. There is some hope that increased mining revenue may support growth.

 **KENYA**

The economy continued to perform relatively well, albeit below trend, with GDP growth at 4.8 per cent in 2017 and projected to grow by 5.5 per cent in 2018. Key drivers for growth include: a vibrant services sector, public infrastructure investment, rebound in tourism and strong consumer demand for goods and services. The loose fiscal policy and stable monetary policy ensured currency stability and low inflation. Private sector growth was affected by low access to finance. Lending to private companies in Kenya declined from an annual growth rate of 25 per cent in mid-2014 to 2 per cent at the end of 2017 as several banks tightened lending conditions in response to a cap on interest.

 **RWANDA**

The Rwandan economy performed the best amongst the East African economies in 2017, growing by 6.1%, compared to 6.0% in 2016. The strong economic growth was however driven by unexpected economic growth of 10.5% in the last quarter of the year, which was reflected across all sectors. However, the strong end of year performance has increased future expectations for GDP growth in Rwanda. Consequently, economic growth is expected to grow by 7.2% in 2018 and 7.8% in 2019, supported by public investments in energy and infrastructure.

 **SOUTH SUDAN**

The economy remains in recession in 2017 with GDP expected to decline by 6.3 per cent having contracted by 13.8 per cent the previous year. Productive capacity has been affected by conflict and natural factors such as drought.

 **TANZANIA**

Economic growth averaged 7.0 per cent over the previous five years up to 2016. Recent performance however has been mixed and the outlook is subject to emerging risks. Growth has declined slightly to 6.0 per cent in 2017. Although GDP data points to continued strong growth, other frequency data suggests weakening economic activity. Tax collections are lower than expected while credit growth has stagnated reflecting in part rising non-performing loans and a slowdown in economic activities.

 **UGANDA**

Growth has slowed in recent years; in 2016 GDP increased by just 2.3 per cent and only grew by 4.6 per cent in 2017 as private consumption was hit by lower income in the crucial agriculture sector following drought in 2016 and 2017. Investment levels were slowed down by significant borrowing constraints.

**“GROWTH IN THE REGION WAS SUPPORTED BY SUBSTANTIAL INVESTMENTS IN INFRASTRUCTURE.”**

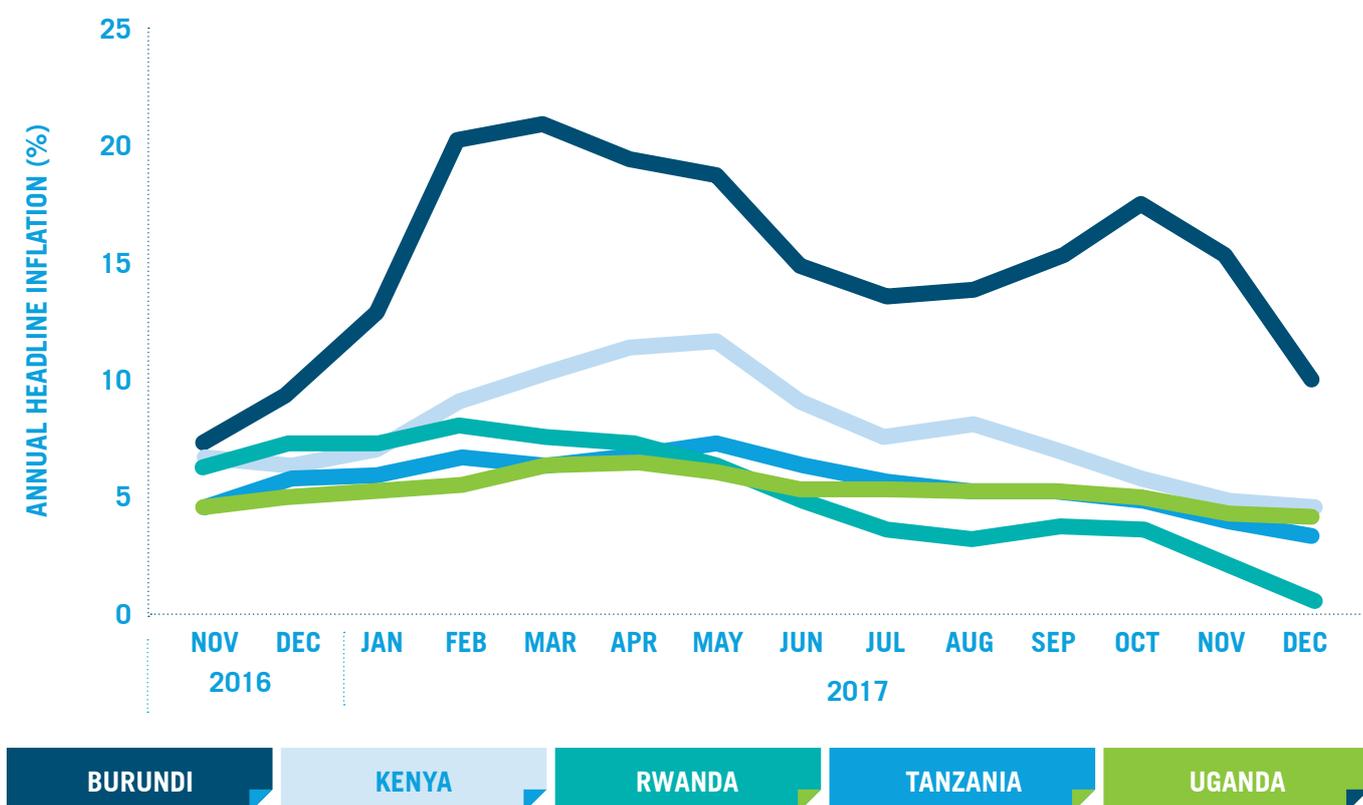
## 1.1.2 PRICES AND MONETARY POLICY

### INFLATION

The global average inflation rate was expected to increase to 2.0 per cent in 2017, compared to 0.8 per cent in 2016, reflecting the recovery in commodity prices. In many economies, inflation expectations remain well below central bank targets.

Overall inflation for EAC Partner States surged to an average of 8 per cent in 2017 as compared to 5.7 per cent in 2016. Challenging weather conditions had negative effects on agricultural output leading to inflationary pressures, particularly during the first half of 2017. Improving weather conditions supported recovery of agriculture during the second half of 2017 thus easing inflationary pressure.

Figure 2 • Annual Headline Inflation



Source: National Bureaus of Statistics and National Central Banks



#### BURUNDI

Inflation continues to rise due to a goods shortage that has been driven by a decline in manufacturing and a lack of foreign exchange to import goods, in particular fuel. The average annual inflation rate in 2017 was 16.1 per cent as compared to 5.6 per cent in 2016. Inflationary pressure is expected to remain high in the medium term due to higher electricity tariffs and currency devaluation.

 **KENYA**

Inflation surged to its highest point, of 11.7 per cent, in five years in May 2017 as food prices peaked following the failure of short rains in early 2016 and a late start to the main wet season in March-May 2017. Annual inflation for 2017 averaged 8 per cent. Inflation will ease to 5.5 per cent in 2018. The main inflation risk is new drought and costlier energy.

 **RWANDA**

Average inflation reached 4.9 per cent in 2017, down from 5.7 per cent in 2016, mainly influenced by the ease in food prices following normalisation of weather conditions and decline in transport costs as well as slow currency depreciation and weaker domestic demand.

 **SOUTH SUDAN**

Although there is no Central Bank data for South Sudan, the IMF estimate that inflation reached 188 per cent in 2017, down from 380 per cent in 2016, yet nonetheless crippling high. The slowdown in inflation is down to the Bank of South Sudan (Central Bank) creating money at a slower rate, yet the amount of money being printed remains responsible for the high level of inflation. A further slowdown in money creation is expected to bring inflation down to 104% in 2018.

 **TANZANIA**

Slightly higher international oil prices and drought related food shortages fuelled inflationary pressures during the first half of 2017, leading to an average inflation rate of 5.8 per cent between January and June 2017. Inflationary pressure abated in the second half of 2017 as oil prices stabilised and climatic conditions improved. Annual average inflation was recorded at 5.8 per cent.

 **UGANDA**

The annual rate of inflation was 5.6 per cent in 2017, up from 5.5 per cent in 2016. The rise in inflation was particularly observed in the first half of 2017 largely caused by the increase in food prices due to prolonged drought from mid-2016 to the first quarter of 2017. Inflation reached its peak in May 2017 and tapered from the second half of 2017 dropping to its lowest of the year at 3.3 per cent by the end of the year. The deceleration was mainly driven by improved weather conditions and relatively stable exchange rate.

The Bank of Uganda forecast the inflation to stabilise around 5 per cent in 2018. The upside risks are well balanced. The possibility of higher food prices due to poor harvest in some parts are moderated by low oil prices and exchange rate appreciation.

### EXCHANGE RATES

Currencies in East Africa have demonstrated relatively modest depreciations in 2017, especially when compared to 2016 (Figure 3 and 4), given effective monetary policy reactions to the currency threats.

Figure 3 • Annual Currency Depreciation

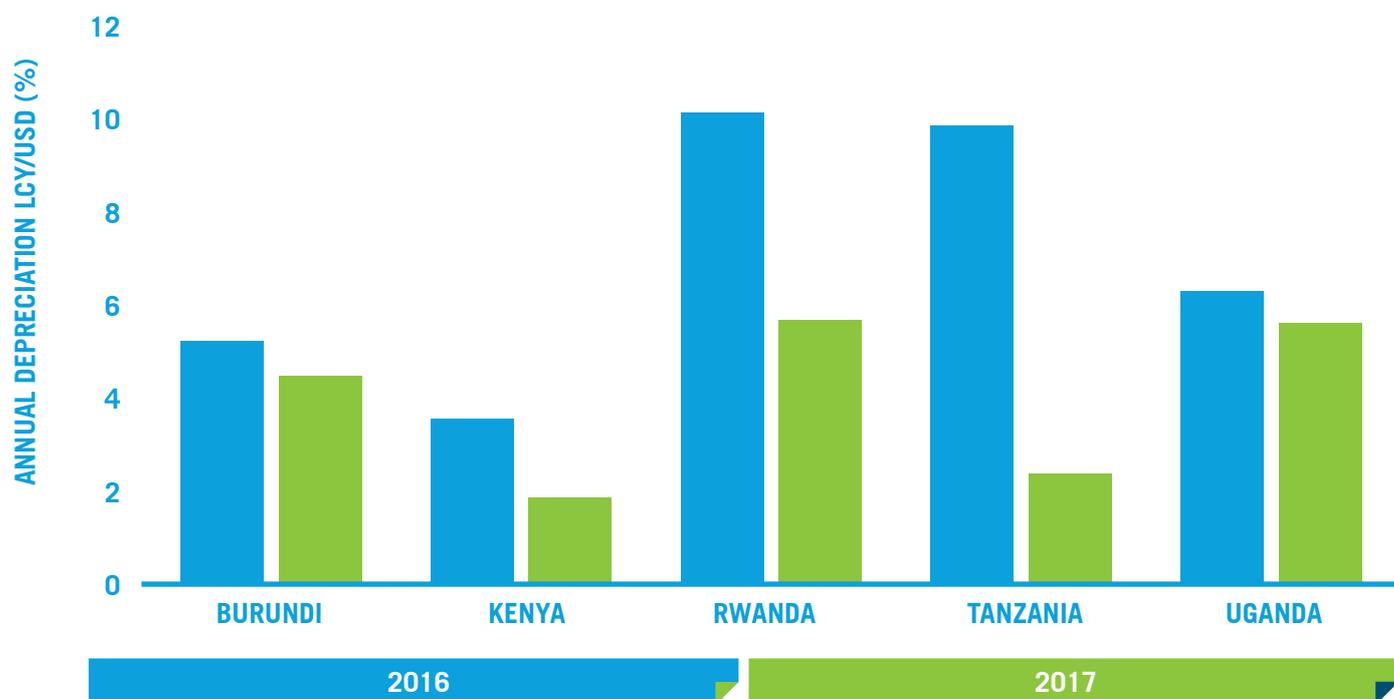
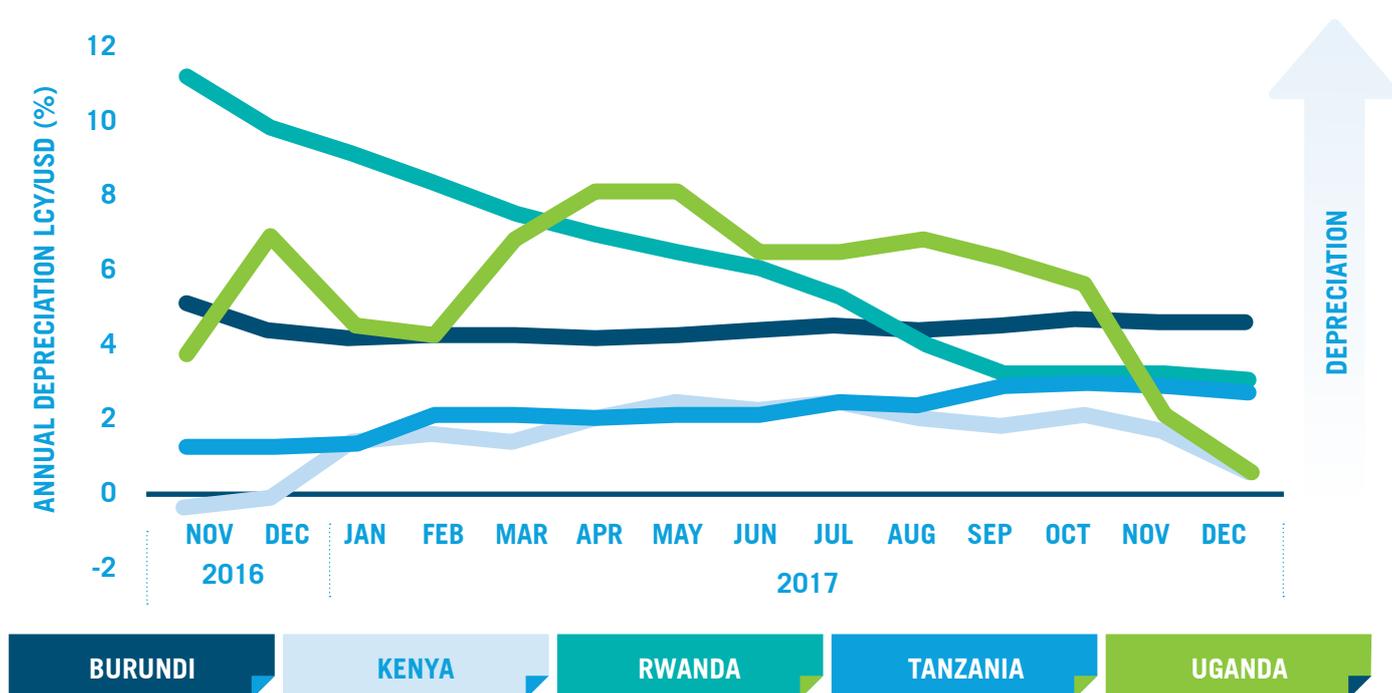


Figure 4 • Monthly Currency Depreciation



Source: National Central Banks

#### **BURUNDIAN FRANC • BIF**

The BIF officially depreciated against the USD by an average of 4.5 per cent during 2017, reaching an average BIF/USD 1,765.12 over the year. Foreign exchange rate control makes the depreciation of the currency to appear as though it is smoother than other currencies in the region. In reality the currency is overvalued making exports uncompetitive with severe shortages of the foreign currency. In 2018, the currency is expected to depreciate by 26.8 per cent, to average BIF/USD 2,195.

#### **KENYAN SHILLING • KES**

The annual average rate of depreciation of the shilling remains modest at 1.9 per cent in 2017, as compared to 3.6 per cent in 2016. Given the healthy level of foreign exchange reserves (exceeding five months of import cover), the Kenyan shilling is expected to remain stable throughout the year, with a trend towards slow depreciation. The Kenyan shilling averaged KES/USD 103.4 in 2017, falling marginally to KES/USD 107.5 in 2018 under rising US interest rates and a persistent current account deficit.

#### **RWANDAN FRANC • RWF**

Decisive government policies to address the balance of payments deficit and falling foreign exchange reserves allowed the exchange rate to recalibrate by more than 10 per cent in 2016. External imbalances maintained the current account deficit in 2017, leading to a further depreciation of the Rwandan Franc. Nonetheless, it is estimated that the Rwandan Franc is slowly moving towards its equilibrium level after a period of being overvalued, which should render the Rwandan economy more competitive. The Rwandan Franc depreciated by 5.7 in 2017 and reached an average RWF/USD 831.5 in 2017, compared to RWF/USD 787 in 2016.

#### **SOUTH SUDANESE POUND • SSP**

By the close of 2017, the official exchange rate was estimated at SSP/USD 127. However, the parallel exchange rate was estimated to be considerably less at SSP/USD 190, and further is estimated to have depreciated by 110 per cent over 2017.

#### **TANZANIA • TZS**

After a sharp depreciation in 2016 owing to significant external imbalances, the Tanzanian shilling depreciated gently in 2017. In 2017 the Tanzanian shilling depreciated partly due to the stabilisation of the dollar. On average, the Tanzanian shilling traded at TZS/USD 2,252 in 2017 and is expected to depreciate marginally to TZS/USD 2,404 in 2018.

#### **UGANDA SHILLING • UGX**

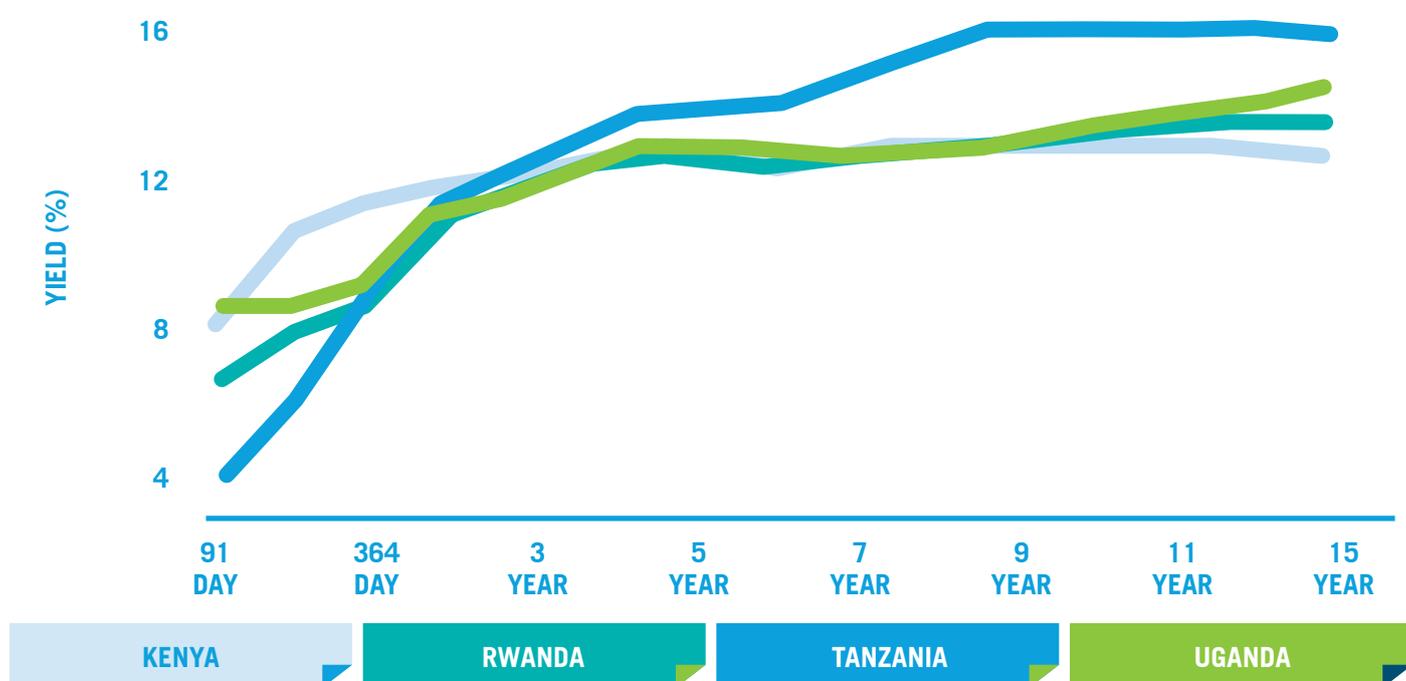
The Bank of Uganda's interventions in the domestic money market successfully limited the volatility of the shilling throughout 2016 and 2017. Over that two-year period, the Shilling depreciated by an average of 6.4 per cent per annum, compared to 2015 when the shilling depreciated by more than 20 per cent. However, the decline in foreign exchange reserves and rising import demand following an increase in public sector infrastructure investments may exert pressure on the exchange rate looking forward.

## INTEREST RATES

Across East Africa, the cost of financing steadily fell throughout the year thanks to greater macroeconomic stability, investor sentiment and political stability.

Depressed interest rates among the advanced countries have revived the quest for a yield in financial markets and thus relieved some of the pressure on treasury yields in East Africa, where government securities have become more attractive to investors. Similarly, a more stable exchange rate has also increased the future value of many government securities. The average yield for government instruments declined significantly in 2017 when compared to 2016.

Figure 5 • Yield Curves



Source: National Central Banks

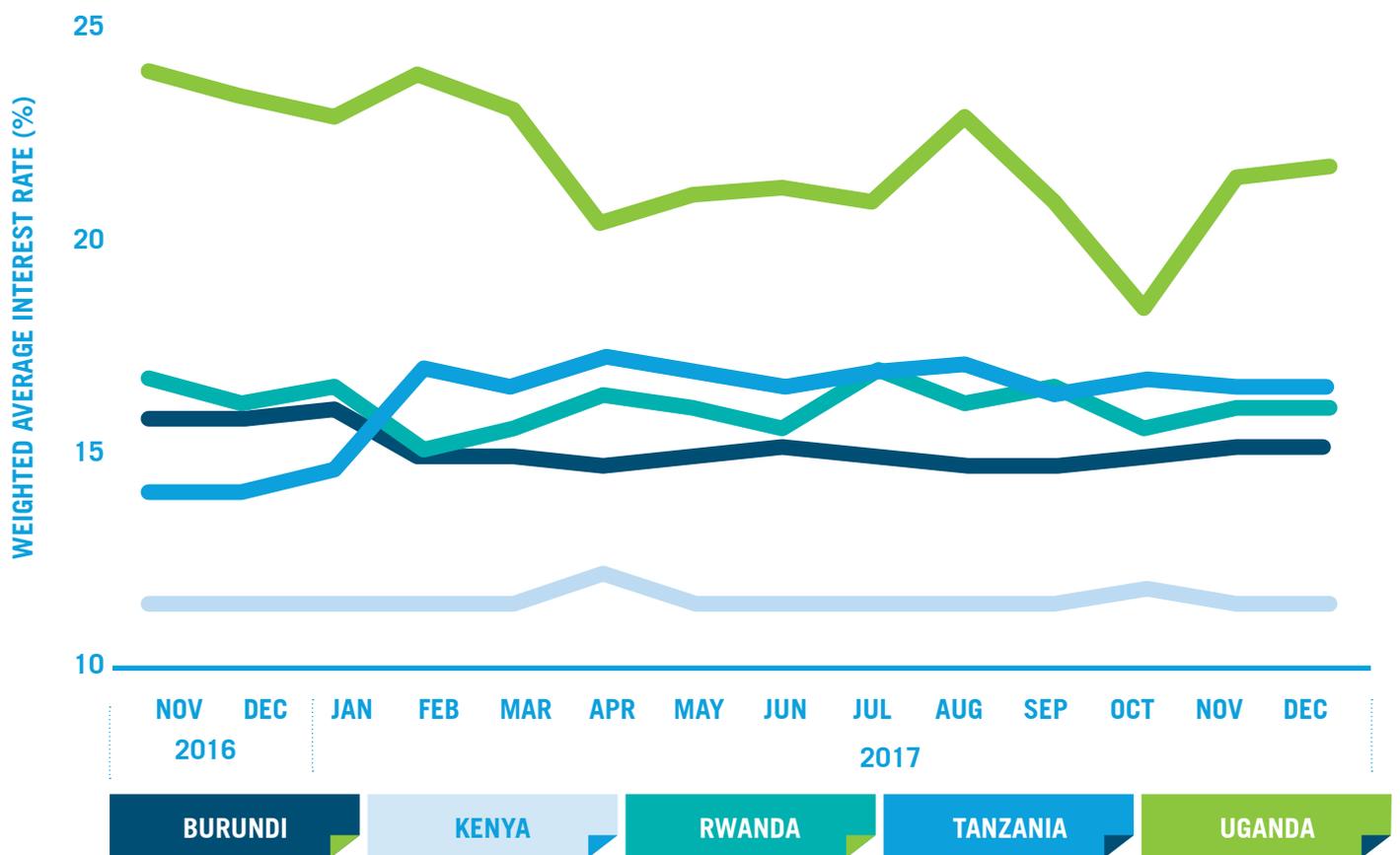
Figure 5 shows the yield curves for government securities in East Africa. Kenya boasts the lowest treasury yields, and thus debt cost, most likely because of their controlled interest rates. Kenya introduced a cap on commercial lending rates in September 2016, which has also reduced yields on government securities. Rwanda has similarly low government security yields, yet this is more as a result of its relatively shallow financial market, which grants the authorities greater discretion to determine yields. Nonetheless, high levels of investor confidence in the Rwandan economy and polity will also maintain low yields.

Meanwhile, the cost of debt in Tanzania and Uganda remains above the EAC average. Tanzania's yield curve is unusually steep at the short end, driven by a disparity of 5 percentage points between the 1 year Treasury bill and 2 year Treasury bond. Further,

government securities in Tanzania tend to be vastly undersubscribed, which is likely to maintain most yields at comparatively high levels.

Uganda also suffers a high debt cost under elevated treasury yields, although they have fallen considerably since last year. Nonetheless, the debt cost in Uganda is significant, partly driven by high levels of government investment in high-cost infrastructure projects and growing investor concern over the sustainability of Uganda’s debt. High government security yields, which present the risk-free lending interest rate, have maintained high private sector lending interest rates (Figure 6) and have consequently largely crowded out the private sector, whose credit growth has fallen to just 4 per cent (its lowest ever recorded) in 2016/17.

**Figure 6 • Commercial Bank Lending Interest Rates**



Source: National Central Banks

The effect of high government security yields is most obvious in Uganda, where interest rates were considerably higher than the rest of the region and averaged 20.4 per cent in 2017 (Figure 6). Tanzania also displays relatively high interest rates at an average of 17.1 per cent. Meanwhile, Kenya presents the lowest interest rates at 14.2 per cent, although this is artificially driven by the interest rate cap, which limits lending interest rates to 400 basis points above the Central Bank Rate and deposit interest rates to 300 basis points below the Central Bank Rate.



# FOOD SECURITY



The population of East Africa is  
**140 MILLION**

Annual growth rate:  
**2.5%**



The high growth rate coupled with increasing urbanisation is straining the available resources for productive agriculture and, in particular, resources to meet the aggregate food requirements at the household level. Households need to be enabled to acquire enough food either through production,

exchange or transfer in order to meet the nutritional needs on a consistent basis. Addressing issues of crop failure, seasonality of production and nutritional insufficiency is therefore as important as value addition to agricultural output in view of diminishing fertility of soils.

The relationship between agricultural productivity, hunger, poverty and sustainable development has long been established. The majority of the people in East Africa are still largely dependent on rain fed agriculture and subsistence farming.

EADB contributes to East Africa's quest for food security by supporting programmes and practices that enhance agricultural productivity, conserve soil fertility, reduce post-harvest losses, improve nutritional values and ensure market access for both primary and secondary agricultural products. EADB's Agri-Finance Enhancement Programme offers lines of credit to commercial banks to on-lend at favourable conditions to SMEs operating throughout the agricultural value chain.

In 2017, EADB financially supported Centenary Rural Development Bank with:

**UGX 20 BILLION**

The capital was resdributed as:



**463** loans to agricultural SMEs

The injected capital will benefit over

**3,000 SMEs**

working in the agricultural value chain

Which are expected to create over

**2,800**

permanent and temporary jobs



**920**

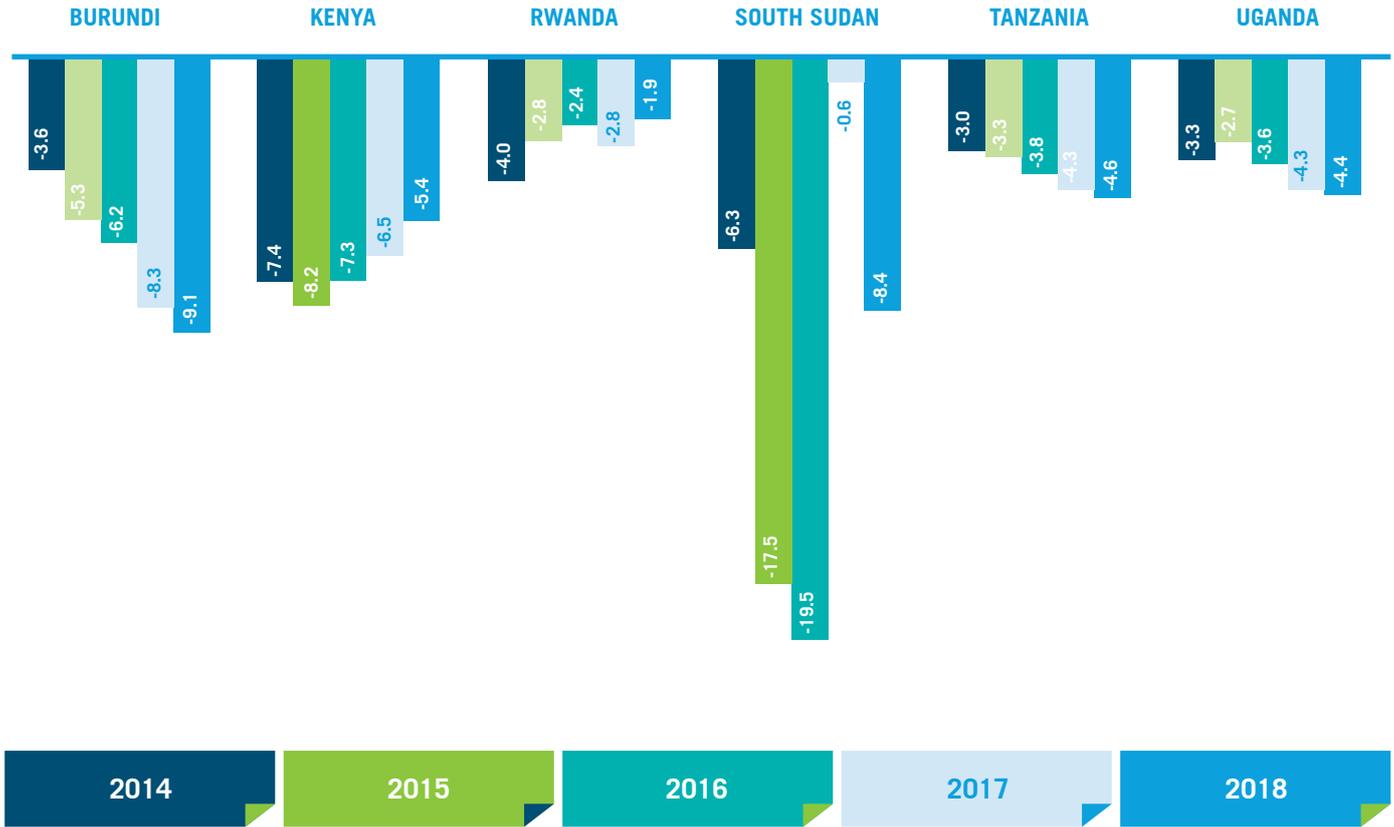
female jobs



### FISCAL SUSTAINABILITY

Throughout East Africa, fiscal budgets remained in deficit in 2017 (Figure 7), and for most economies (apart from Kenya and South Sudan) the deficit was larger in 2017 than in 2016.

Figure 7 • Fiscal Balance



Source: IMF April 2017 World Economic Outlook

Kenya, Rwanda, Tanzania and Uganda have all demonstrated sustainable fiscal positions. The fiscal deficits rose in Rwanda, Tanzania and Uganda in 2017, yet all remained below 5.0 per cent of GDP and are expected to in the medium term. In Kenya, the fiscal deficit decreased in 2017, although it remained elevated at 6.5 per cent of GDP.

Burundi’s fiscal deficit has increased consistently over the years on account of declining government revenues. In 2016 the fiscal deficit as a percentage of GDP was 6.3 per cent and is likely to increase to 8.3 per cent in 2017. While the authorities hoped that revenue prospects would increase in 2017 under a slightly more stable security situation, lack of economic activity meant there wasn’t much increase in revenue inflows. Indeed, any increase remained well below when Burundi was receiving external budgetary aid and rising expenditures continue to outpace any growth in domestic revenue.

In Kenya, the fiscal deficit as a percentage of GDP was expected to decline from 7.3 per cent in 2016 to 6.5 per cent in 2017 helped by improved revenue collections, which were in turn underpinned by robust economic growth and slightly stricter spending controls.

Rwanda's expenditure was expected to increase faster than revenues in 2017 due to election-related spending. Thus, the fiscal deficit was expected to widen to 2.8 per cent of GDP in 2017, compared to 2.4 per cent in 2016.

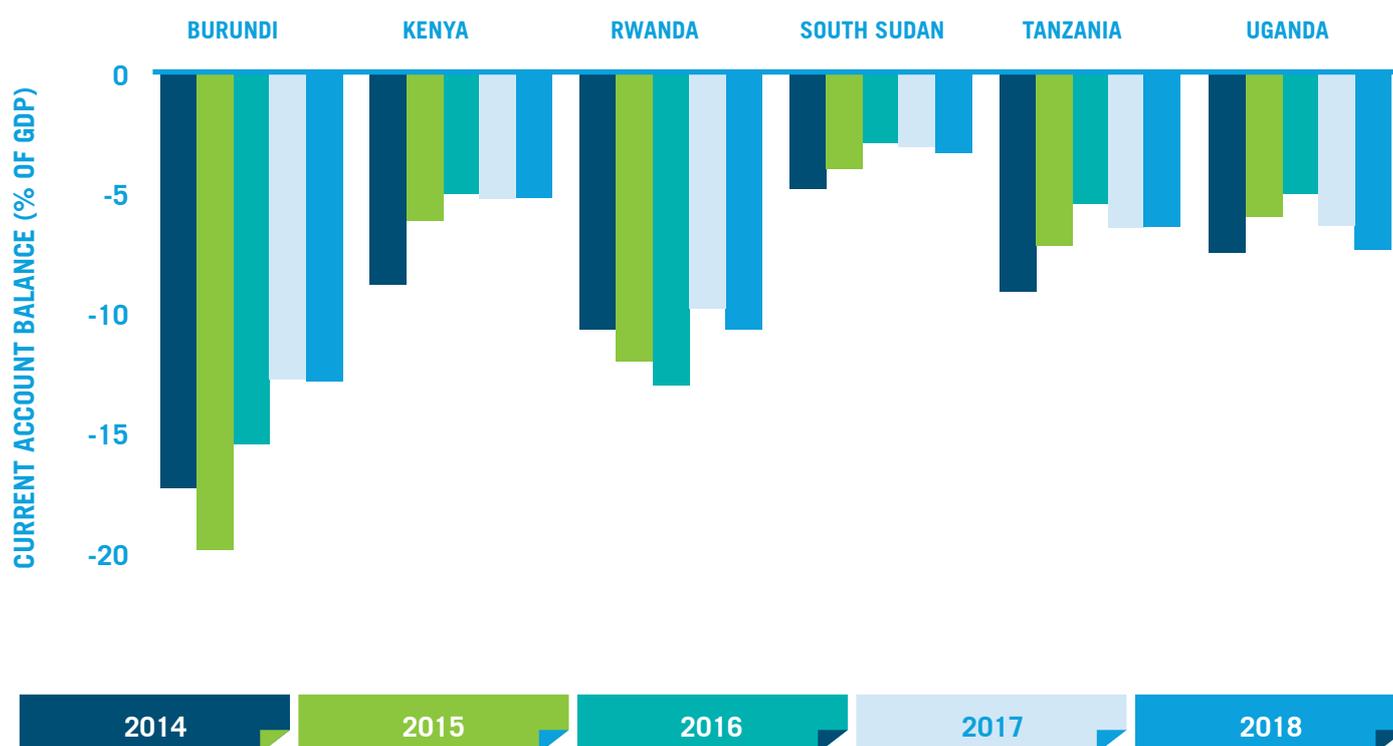
South Sudan's fiscal deficit, as a percentage of GDP, reached 19.5 per cent in 2016 - the highest ever. The deficit was expected to decline in 2017 following improvements in government revenue streams following some recovery in oil prices and improvements in the security situation.

### EXTERNAL SECTOR AND TRADE IN EAST AFRICA

Current account balances remained in deficit throughout East Africa in 2017 (Figure 8), despite integrated policy efforts to boost regional trade.

The extent of the current account deficits, however, remained steady in 2017 compared to 2016. The deficits shrunk notably in Burundi and South Sudan, yet this was mostly due to a lack of foreign exchange to import goods and services.

Figure 8 • Current Account Balances



Source: IMF April 2017 World Economic Outlook and EADB

### BURUNDI

The Burundi trade deficit shrank markedly in the first half of 2016 on the back of a precipitous drop in imports of industrial and capital goods due to hard currency shortages. As a result, the overall current account deficit, as a percentage of GDP, declined to 17 per cent in 2016, from 22 per cent in 2015. A slight rise in exports saw the current account deficit narrow to 14 per cent in 2017. The upward trend in exports will be supported by increased nickel output, higher prices for tea and a rise in processed agricultural goods and cigarettes. Currency controls and the depreciation of the Burundian Franc helped curb imports.

### KENYA

In Kenya, the current account deficit narrowed to 5.5 per cent of GDP in 2016 down from 6.8 per cent in 2015, supported mostly by an increase in exports of manufactured goods and horticulture and a decline in petroleum-related imports, aircrafts and associated equipment, motor vehicles, iron and steel. The current-account deficit/GDP ratio will remain stable at less than 5.8 per cent in the medium term, supported by growth in export earnings, regional trade, tourism and remittances.

### RWANDA

Rwanda had a slightly larger current account deficit in 2016, when compared to 2015; at 14.4 per cent of GDP compared to 13.3 per cent. Improvements in the trade balance were offset by a higher net services deficit due to higher freight and insurance costs and better accounting for travel spending by Rwandans abroad. The overall external balance remains healthy with high levels of FDI and official financing projections. The current account will improve in the medium term as import demand falls and import substitution measures take hold. On the export account, tea and coffee were expected to rebound in 2017.

### TANZANIA

Tanzania's external current account deficit declined in 2016 on account of lower imports of capital goods, oil, food and foodstuffs and an increase in exports of goods and services, particularly tourism, manufactured goods and gold. The current account to GDP ratio stood at 6.3 per cent in 2016, compared to 8 per cent in 2015. The current account deficit is expected to increase gradually in the medium term as imports of capital goods increases.

### UGANDA

Both imports and exports fell in Uganda, yet imports fell by a greater extent to somewhat alleviate the current account deficit. The current account to GDP ratio declined to 5.8 per cent in 2016, down from 6.6 per cent in 2015. Improvements in the current account deficit are mostly due to declining private sector imports, which is largely attributed to low international crude oil prices, a slowdown in economic activity on account of delayed investment and a possible import substitution effect in the private sector. Indeed, private sector imports fell considerably, yet the full impact upon the trade deficit was to some degree offset by rising government imports. Ugandan exports remained subdued under the globally low commodity price environment. The current account deficit is projected to widen again in medium term, reflecting higher investments in infrastructure projects.



# CLIMATE CHANGE

East Africa depends on climate-sensitive economic sectors for output and income generation. The low level of development makes the region less resilient to the negative effects of climate change. Climate change is now recognised as one of the biggest challenges to socio-economic development. The attendant changes in weather patterns and unpredictable floods and droughts pose a challenge to planning for the member states of the Bank.

Therefore, it is important that all development actors within the East African region promote a drive to a low carbon economy or green growth through promotion of actions for adaptation and /or mitigation of climate change. This will require promotion of climate friendly products, markets, technologies, investments, and consumption behaviour.

## EADB finance projects that support climate change adaption and mitigation



Jambo Roses has been a long standing client of EADB and grows roses for export to Holland.

Jambo Roses employs over



**500**  
people of whom  
**70%** are women

The company provides  
**FOREIGN EXCHANGE**  
to the region



Through the support from EADB, Jambo Roses contributes towards new green technological knowledge and practices.



**20%**

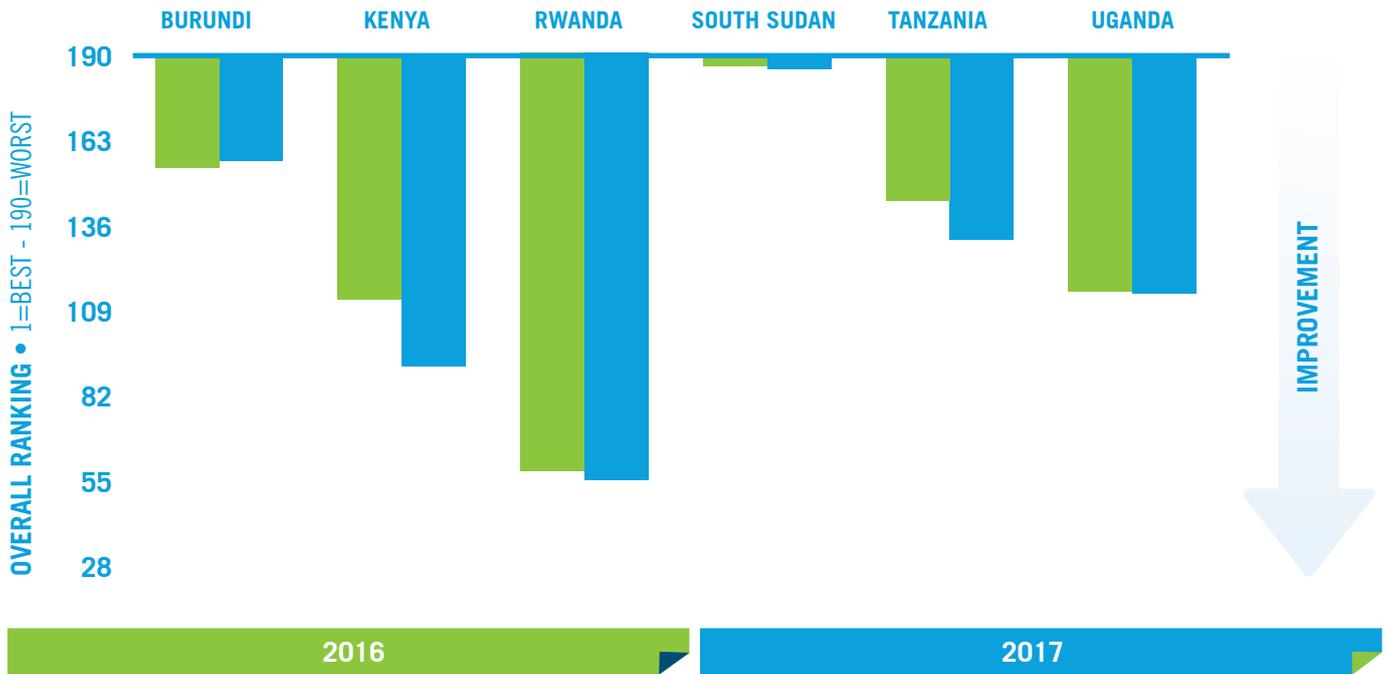
production increase as a result of using a new hydroponic technology that applies a coco peat medium instead of soil



### BUSINESS ENVIRONMENT

Overall the business environment improved across East Africa in 2017, with the exception of Burundi. However, note that whilst the business environment improved elsewhere, there is a wide variety in scores across the region. Figure 9 below presents the World Bank’s 2017 Ease of Doing Business rankings for the East African Community. Note that 2017 results refer to data collected in 2016.

Figure 9 • Overall Ease of Doing Business Rankings



Source: WB Ease of Doing Business 2017 report

The worst performing business environment was South Sudan, whose global ease of doing business ranking picked up by one position, but remained ranked 186 out of 191 countries. Meanwhile, Rwanda continued to be the best performing business environment in the region and increased its global ease of doing business ranking by 3 places to 56 out of 191 countries.



113 → 91

Kenya has improved its ranking from 113 in 2016 to 91 in 2017

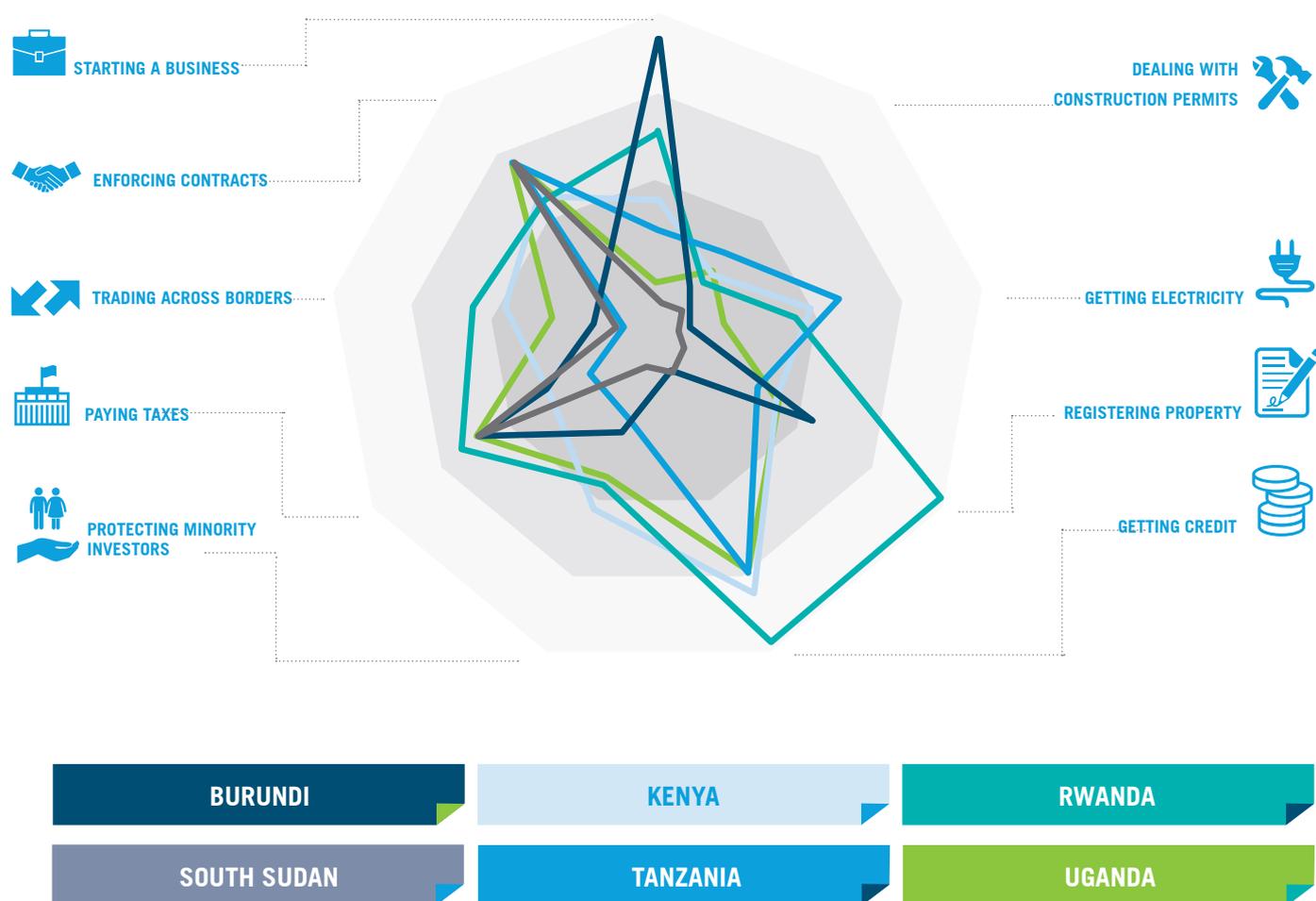
Whilst Kenya and Uganda were ranked similarly in 2016, at positions 113 and 116 respectively; Kenya initiated the most positive reforms to the business environment in 2017 and consequently increased its global ranking to 92 out of 191 countries. Meanwhile, Uganda increased its business environment by only one position to 115 out of 191 countries.

Tanzania also demonstrated a significant improvement in its business environment, despite only one business friendly reform over the year, and increased its global position by 12 places to 132 out of 191 countries, which nonetheless remains below much of the region.

Finally, the business environment deteriorated in Burundi, owing to the worsening political and security situation. One business reform was initiated to ease the process of paying taxes. Burundi is now ranked 157 out of 191 countries in the 2017 Ease of Doing Business report.

Figure 10 demonstrates how friendly the East African business environments are in more detail, while Table 2 details the exact business reforms made in each country over the year.

**Figure 10 • Ease of Doing Business Breakdown**



Source: WB Ease of Doing Business 2017 report

In the chart above, the outer perimeter represents the friendliest business environment for each category and the nucleus the least friendly business environment.

Rwanda is friendlier, particularly with respect to getting credit and registering property, the latter being made simpler under a more transparent land registry system over the year. Reforms also targeted easing the procedures to start a business and enforce contracts, which are areas that Rwanda may improve upon. However, the biggest hindrances to the business environment in Rwanda are dealing with construction

permits, getting electricity and protecting minority investors. Unfortunately, dealing with construction permits became more complicated in Rwanda over the year as permits became more difficult to obtain and quality standards became stricter.

As mentioned earlier, Kenya made the most business friendly reforms in 2016 (in starting a business, getting electricity, registering property, protecting minority investors and resolving insolvency). Reassuringly, many of the reforms are in areas where Kenya scores less highly, indicating that they should produce larger gains to the business environment.

Tanzania initiated a positive reform to the business environment with respect to making credit availability more widespread, however this is an area where Tanzania already scored respectably. Tanzania has the least friendly environment for paying taxes of all the East African Community Member States and the process was made even more costly to employers in 2016.



Uganda could increase its competitiveness significantly by easing access to electricity

Finally, Uganda initiated positive reforms in easing the process to start a new business, eliminating the need for paper tax returns and constructing a one stop border post to ease trade, all of which may promise large efficiency gains given Uganda's current weaknesses in the above business areas. However, Uganda could increase its competitiveness significantly by easing access to electricity, an area in which the business environment scores poorly compared with much of East Africa.

**Table 2 • Business Reforms Undertaken**

Category	Improvement	Reform
<b>BURUNDI</b>		
Paying taxes	✓	Introduced a new tax return and eliminated the personalised VAT declaration form.
<b>KENYA</b>		
Starting a business	✗	Removed stamp duty fee required for nominal capital, memorandum and articles of association. Kenya also eliminated requirements to sign compliance declarations before a commissioner of oaths. However, Kenya also made starting a business more expensive by introducing a flat fee for company incorporation.
Getting electricity	✓	Kenya streamlined the process of obtaining new electricity connection by introducing the use of a Geographic Information System which eliminates the need to conduct a site visit and reduces the time taken to connect to electricity.
Registering property	✓	Increasing the transparency at its land registry and cadastre.
Protecting minority investors	✓	Clarifying ownership and control structures, introducing greater requirements for disclosure of related-party transactions to the board of directors by making it easier to sue directors in cases of prejudicial related-party transactions and allowing the rescission of related-party transactions that are shown to harm the company.

Category	Improvement	Reform
Resolving insolvency		Introducing a reorganisation procedure, facilitating continuation of the debtor's insolvency proceedings and introducing regulations for insolvency practitioners.
<b>RWANDA</b>		
Starting a business		Improving the online registration one-stop shop and streamlining post registration procedures.
Dealing with construction permits		Dealing with construction permits became more cumbersome and expensive under new requirements to obtain a building permit. Rwanda also strengthened the quality control index by implementing the qualifications required for architects and engineers.
Registering property		Introducing effective time limits and increasing the transparency of the land administration system.
Paying taxes		Paying taxes became more complicated under a new requirement that companies file and pay social security contributions monthly instead of quarterly.
Trading across borders		Removing the mandatory pre-shipment inspection for imported products.
Enforcing contracts		Introducing an electronic case management system for judges and lawyers.
<b>SOUTH SUDAN</b>		
		None
<b>TANZANIA</b>		
Getting credit		The credit bureau in Tanzania expanded credit bureau borrower coverage and began to distribute credit data from retailers.
Paying taxes		Increasing the frequency of filing of the skills Development Levy and more costly by introducing a workers' compensation tariff paid by employers.
<b>UGANDA</b>		
Starting a business		Eliminating the requirements that a commissioner of oaths must sign compliance declarations.
Paying taxes		Eliminating a requirement for tax returns to be submitted in paper copy following online submission. at the same time, Uganda increased the stamp duty for insurance contracts.
Trading across borders		Constructing the Malaba One-Stop Border Post, which reduced border compliance time for exports.



# SKILLS DEVELOPMENT

Lack of or inadequate education and training denies people opportunities for self-advancement by limiting their access to gainful employment or keeping them in low-productivity and low paying jobs. Ultimately this excludes such persons from making a meaningful contribution to economic growth. Good quality education and training have thus been recognised as important ways of breaking the “cycle of poverty”.

## EADB supports acquisition of education and skills for increased:



Innovation in the region



Enterprise development



Technological upgrade & transfer



Increased investments and economic diversification



## EADB's Medical Training and Fellowships Programme

Launched in  **2016**

EADB partners with:

The British Council & Royal College of Physicians

**5 YEARS**

Training programme with

**3** years East African medical training and

**2** years intense specialist UK training for high-caliber doctors



The programme complements government policies



raises the quality of medical training 

### PROGRAMME FOCUS



Research



Prevention



Detection



Treatment

**DURATION:**

**5 YEARS**

training of:

 **>> 600** physicians

**ON CANCER AND NEUROLOGICAL DISORDERS**

In **2017**  **151** were trained

Over **2,300** clinical staff are expected to benefit from knowledge transfer  

SINCE 2016, 229 DOCTORS HAVE BEEN TRAINED



## SECTION 1.2

# ECONOMIC PROSPECTS

Economic activity in East Africa is expected to remain resilient to the shocks that affect most of the region and will continue to grow well above the Sub-Saharan average in 2018. Excluding Burundi and South Sudan, East Africa is forecast to grow by an impressive 5.2 per cent in 2018 as compared to Sub-Saharan average of 3.3 per cent.

### BURUNDI

Decisive Burundi is expected to climb out of recession in 2018 with real GDP expected to grow by 1.1 per cent supported by a recovery in agriculture and exports. Agriculture is forecast to grow by 2.6 per cent in 2018-19 supported by a USD 24.9 million grant from International Fund for Agriculture Development. Investment is expected to pick up in 2018, if currency restrictions ease. Further depreciation of the Burundian Franc will enhance the competitiveness of the export sector, which will also be supported by rising coffee prices. Potential weather-related shocks to agriculture are a prominent downside risk to growth. Shortage of essentials such as fuel will remain a drag to the economic performance. Growth in 2018 will be supported by modest improvements in power supply following a new 30 MW thermal power plant which came on stream in mid-2017, as well as mining activities.

### KENYA

In 2018, growth is expected to accelerate to 5.3 per cent following more normal levels of economic activity including a rebound in investment and faster growth in tourism supported by improved consumer demand for goods and services, as well as public investment projects. Growth is expected to remain robust over the medium term (2018-20), averaging 5.5 per cent, and buoyed by increased consumer demand, EAC integration, structural reforms and infrastructure investments, including the extension of a major railway line, the oil pipeline, ports and power generation. Key risks to growth include infrastructure bottlenecks, skills shortages and dependence on rain-fed agriculture. The cap on interest rates may have adverse effects on lending as banks tighten lending conditions.

 **RWANDA**

Economic growth slowed considerably in 2016 and 2017, to its lowest in over 10 years, reflecting a severe drought that impacted the agricultural sector and the impact of low commodity prices that negatively affected the mining sector. GDP growth is expected to improve to 5.5 per cent in 2018 as climatic conditions improve. Agricultural growth will also benefit from higher coffee prices. Elsewhere, energy infrastructure investments, including a peat-to-power plant scheduled to come on stream in 2018, will improve power supply and boost the performance of the mining and manufacturing sectors. Over the period 2018-2020 growth is expected to return to its historical average of 7-7.5 per cent supported by investment in public infrastructure and export diversification. The economy remains vulnerable to external shocks and fiscal risks.

 **UGANDA**

Real GDP growth is forecast to average 4.8 per cent in the medium term (2018-20). Growth will be driven by public investment in infrastructure and private sector investment, most notably in residential developments. The oil industry will be a key driver of medium-term growth; upstream projects are advancing fast, including a heated oil export pipeline via Tanzania, for which construction is expected to commence in 2018 and to be completed by 2020, when the government expects to begin exploiting oil. The services sector will also continue to perform reasonably well over the medium term. Meanwhile, the manufacturing sector will be supported by improvements in power supply and better logistics infrastructure. However, a slowdown in China, the main financier in many construction projects, could impact negatively on many large public infrastructure investments, including the oil refinery.

 **TANZANIA**

The macroeconomic outlook remains favourable, as GDP growth is forecast to average 5.5 per cent over the medium term (2018-20). The government is committed to increasing both public and private sector efficiency, combatting fraud and improving living standards. Investment remains subdued and the mining sector remains weak. Nonetheless, public infrastructure investments, such as the oil pipeline, and a strong services sector, should drive economic growth looking forward.

**5.2%**

Expected growth for East Africa in 2018 - Excluding Burundi and South Sudan

Inflation is also expected to remain stable and largely in line with monetary policy targets across the core East African economies in 2018 as global inflation pressures remain muted. However, as economies grow and as the effects of low oil and food prices fall out of inflation baskets, inflation pressure is likely to build towards the end of 2018.

Exchange rates are also expected to remain stable throughout the region in 2018, depreciating marginally, as is the general trend. A slow normalisation of US monetary policy may weaken regional currencies if it reverses capital inflows, yet East African government security yields are likely to remain relatively attractive to investors in search of a higher return. On average, East African exchange rates are forecast to depreciate by only 5 per cent, which is less than in both 2015 and 2016.

## SECTION 2

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# OVERVIEW OF THE YEAR'S ACTIVITIES

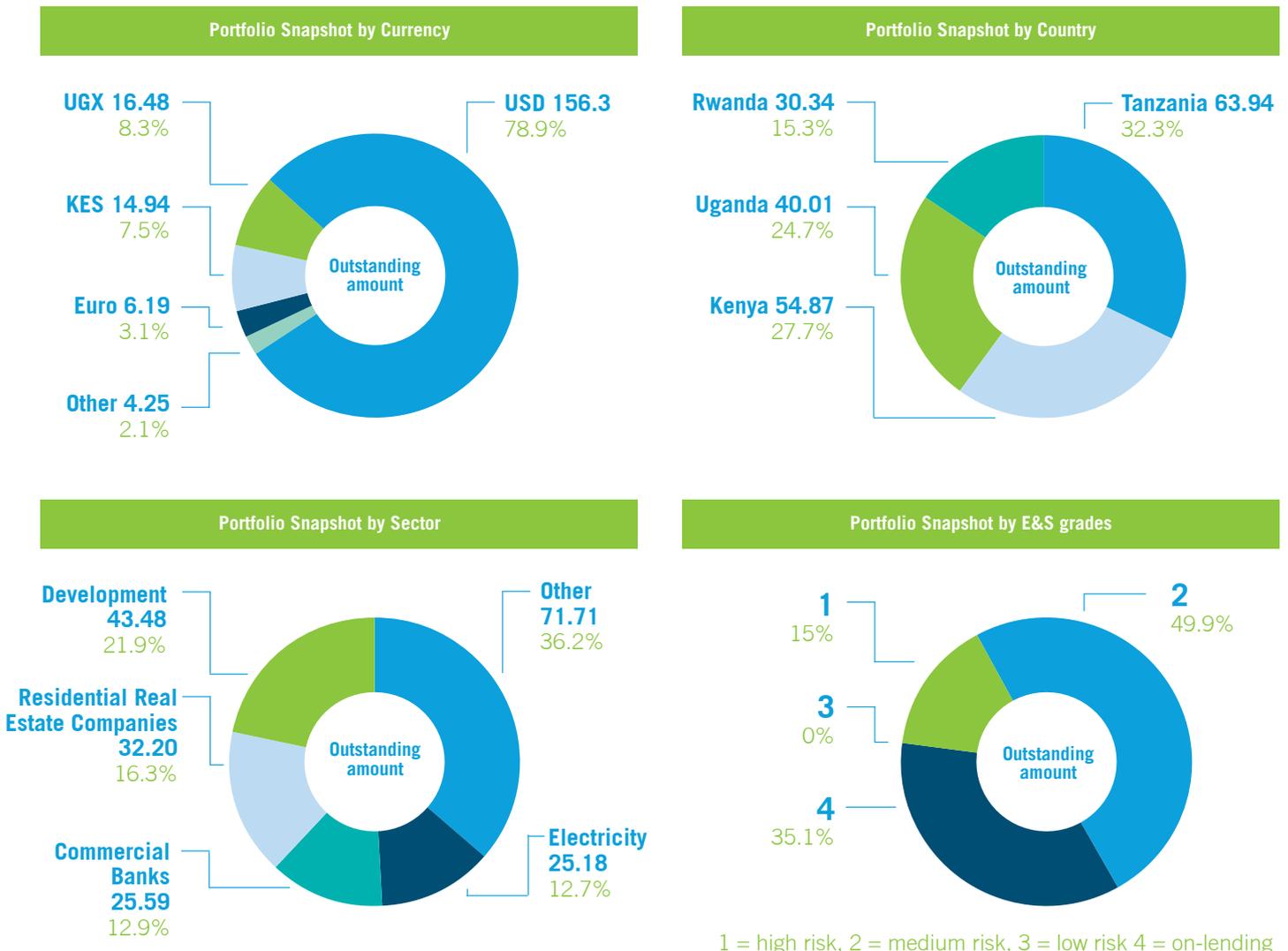
## SECTION 2.1

# LENDING OPERATIONS

### 2.1.1 PORTFOLIO STATUS

The gross portfolio as at 31<sup>st</sup> December 2017 was USD 198.16 million.

Figure 11 • Portfolio by Currency, Country, Sector



1 = high risk, 2 = medium risk, 3 = low risk 4 = on-lending



**Buseruka mini hydro power project in Hoima, Uganda:** Under support from the UNFCCC Regional Collaboration Centre (RCC Kampala), the project successfully underwent a verification and issuance exercise in line with Clean Development Mechanism (CDM) modalities and procedures. RCC carried out an on-site visit and conducted trainings to project staff on data monitoring and data management aspects related to the CDM project activity.



The United States Dollar remained the dominant currency in the Bank’s portfolio, with projects funded in dollars amounting to USD 156.30 million and accounting for 79% of the gross portfolio.

At the end of the 2017 FY, the top three sectors with the highest exposure were Development Finance Institutions, Residential Real Estate Companies and Commercial Banks. These sectors had exposures of USD 43.48 million (21.9%), USD 32.20 million (16.3%) and USD 25.59 million (12.9%) respectively. All of these sectors were within their sector limits of 40%, 20% and 40% respectively.



**Aircraft maintenance hangar** near Entebbe Airport, Uganda funded by the EADB.

The project is critical for improving air transportation and aviation safety in the region.



Long term loans remained the leading product at the Bank, accounting for 93% of the total portfolio with a gross exposure of USD 184.54 million.

**Table 3 • Portfolio by Instrument Type**

General Analysis									
Outstanding Portfolio	Dec 17		Dec 16	Dec 15	Number of clients	Dec 17		Dec 16	Dec 15
		198.16	100%	190.57		165.53		70	100%
Equity	0.44	0.2%	0.49	2.28	Equity	6	8.6%	6	6
Lease	0.45	0.2%	0.88	1.66	Lease	2	2.9%	8	9
Loan	197.30	99.6%	189.14	161.59	Loan	62	88.6%	59	54
Loan ST	9.10	4.5%	5.75	7.91	Loan ST	3	4.3%	3	2
Loan MT	5.28	2.7%	8.99	0.72	Loan MT	8	11.4%	9	3
Loan LT	182.92	92.3%	174.40	152.95	Loan LT	51	72.9%	47	49

**PORTFOLIO QUALITY**

The Bank’s total provisions at the end of the 2017 FY was USD 7.72 million compared to USD 5.01 million at the end of the 2016 FY. Total provisions increased by 52% as a result of additional specific provisions (USD 1.09 million) and additional general provisions (USD 1.54 million). The increase in general provisions corresponds with an increase in the portfolio size.

**Table 4 • Portfolio Quality**

Portfolio Quality Development				Portfolio Quality Development			
	Dec 15	Dec 16	Dec 17	Dec 17			
Gross Portfolio	165.53	190.57	198.16				
Provision (NPI)							
Spec Impairment	0.58	2.41	5.02				
General Impairment	2.42	2.60	2.70				
Total Provision	3.00	5.01	7.72				
Net Portfolio	162.53	185.50	190.44				

Component	Value
Gross Portfolio	198.2
Specific Impairment	5.0
General Impairment	2.7
Net Portfolio	190.4

## SECTION 2.2

# CORPORATE SOCIAL INVESTMENT PROGRAMMES



### **MEDICAL TRAINING AND FELLOWSHIP PROGRAMME (METAF)**

The Medical Training and Fellowship Programme is a four-year project (2017-20) that aims to increase the early detection, research and treatment of cancer and neurological diseases in East Africa, especially in communities and areas where access to qualified professionals remains a challenge. Funded by EADB, the METAF programme is delivered by the British Council in partnership with the Royal Council of Physicians (RCP), which acts as the technical partner.

The programme was developed in response to the growing burden of non-communicable diseases, especially cancer and neurological disorders in EADB member states (Kenya, Rwanda, Tanzania and Uganda). Premised on British Council's expertise in managing training programmes and the RCP's expertise in improving medical care across the globe, the programme is a high impact sustainable training model employing a twin approach of short-term clinical trainings within East Africa and long-term fellowships tenable in the United Kingdom.

The scholarship was officially launched in 2017 and has already benefitted a number of doctors and their communities. The first training took place in Moshi, Tanzania in April 2017 and provided 20 doctors with neurology clinical training.



175

doctors received oncology training in 2017

Further courses focusing on neurology were held in Rwanda in May 2017 training 20 doctors, in Kenya in October 2017 training 20 doctors and in Uganda in October 2017 training 25 doctors. In total, 85 doctors received training throughout 2017.

EADB also hosted eight training sessions in the field of oncology in 2017, throughout all member states, with one session in Kenya, two sessions in Rwanda, three sessions in Tanzania and two sessions in Uganda, in addition to three refresher courses to ensure that the teaching has been effective. In total, 175 doctors received training in the field of oncology throughout 2017.



IN 2017



3

students graduated



5

students enrolled

**SCIENCE, TECHNOLOGY AND ENGINEERING UNIVERSITY SCHOLARSHIP (STEM) SCHOLARSHIP**

The Science, Technology, Engineering and Math’s (STEM) University Scholarship Programme offers multiple fast-track 12-month scholarships to experienced teachers and lecturers who have a Bachelor’s degree in the STEM subjects. Successful scholars are offered the opportunity to pursue a graduate degree in the same fields at Rutgers University, New Jersey, USA.

EADB sponsors the programme and offers: full tuition, room, board and living expenses for the students, plus annual health insurance and a round-trip ticket to the US at the start of their programme and back to their home country in East Africa at the end of the programme. The programme partners with the Africa-America Institute, who in turn implement the programme on behalf of EADB and provide the students with information about internships at American and local companies working in Africa.

In September 2016, EADB and AAI sent three scholars to Rutgers University. These all graduated in August 2017. Mr. Alfred Mutembei Limbere, from Kenya, undertook a Master’s degree in Mathematical Education; Mr. Emmanuel Nsadha, from Uganda, also undertook a Master’s degree in Mathematical Education, while simultaneously creating online courses on how to teach Mathematics to students, which he plans to share with other lecturers in Uganda. Finally, Mr. Theode Niyirinda, from Uganda, undertook a Master’s degree in Educational Statistics and Measurements.

In September 2017, the second cohort of five students was admitted to Rutgers University. Ms. Miriam Kabagorobya, from Uganda, was the first woman to be admitted to Rutgers under the scholarship. She will undertake a Master’s degree in Science Education. Mr. Dennis Akuom, from Kenya, will also undertake a Master’s Degree in Science Education, while Mr. Barnabas Mafula and Mr. Chris Mbae Njagi, both from Kenya, will pursue Master’s degrees in Cell and Developmental Biology. Finally, Mr. Edward Mureka, from Kenya, will undertake a Master’s degree in Material Science and Engineering (MSE).



5

workshops have  
been held since  
2015

### **BUILDING CAPACITY FOR LAWYERS IN EXTRACTIVE INDUSTRY**

EADB continues its partnership with DLA Piper, a global law firm, towards strengthening capacity related to extractive industry contract negotiations in East Africa. This partnership takes the form of co-hosting regional training seminars aptly themed Extractive Industries Training - the product of the partnership between EADB and DLA Piper. These high-level symposiums have been designed to endow and sharpen the skills of the public sector lawyers involved in structuring, negotiating transactions and drafting agreements for and on behalf of governments in extractive sectors and other large scale projects.

Four workshops took place during 2015 in Kigali, Rwanda (March 2015), in Kampala, Uganda (June 2015), Dar es Salaam, Tanzania (September 2015) and Nairobi, Kenya (August 2016).

The most recent Kigali seminar held from 7-11 August 2017 brought together senior public sector lawyers from Tanzania, Rwanda and Uganda. This symposium marked the fifth to be held in the region.

#### **The agreements that were discussed at the seminar include:**

- Exploration Agreements,
- Project Finance Agreements,
- Production License and Production Sharing Agreements,
- Engineering, Procurement and Construction and
- Multi-contracting Agreements.

## SECTION 2.3

# INTERNATIONAL CREDIT RATING

In August 2017, Moody's Investors Service maintained EADB's long-term issuer rating to Baa3 with a stable outlook as in the previous year. The rating is supported by a strong capital and liquidity position. The Bank had an asset coverage ratio of 120 per cent in 2016, and a high liquidity position supported by modest gearing ratio (debt to equity ratio of 49 per cent).

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## SECTION 2.4

# RISK MANAGEMENT

Key risk categories include credit risk, market risk, liquidity risk, operational risk, business risk, and reputational risk. We manage the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes. Our approach to identification and impact assessment aims to ensure that we mitigate the impact of these risks on our financial results, strategic goals and reputation.

Potential corporate wide risks on which we continue to focus include: the potential deterioration of loan portfolio and liquidity shock. These risks have been a consistent focus throughout recent years. The assessment of the potential impacts is made through

stress tests which assess our ability to absorb these risks should they occur. The results of these tests showed that we currently have adequate capital and liquidity reserves to absorb the impact of these risks if they were to materialise.

The overall focus of Risk and Capital Management throughout 2017 was on maintaining our risk profile in line with our risk strategy and supporting our strategic plan with a focus on balance sheet optimisation. We are focused as well on identifying potential political and regulatory changes and assessing the possible impact on our business model and processes.

### **RISK MANAGEMENT FRAMEWORK**

Our business model requires us to identify, measure, aggregate and manage our risks. We operate through departments and business units. Risk and Capital are managed via a framework of principles, organisational structures and measurement and monitoring processes that are closely aligned with the activities of the departments and business units:

**1**

**Core risk management responsibilities are embedded in the Board and delegated to Management and Bank committees responsible for execution and oversight. The Board regularly monitors the risk and capital profile of the Bank. Systems, processes and policies are critical components of EADB risk management capability.**

**2**

**We operate a three-line of defense risk management model whereby front office functions, risk management oversight and audit are played by functions independent of one another.**

**3**

**Systems, processes and policies are critical components of our risk management capability.**

**4**

**Monitoring, stress testing tools are in place for key capital and liquidity thresholds and metrics.**

In 2017, EADB retained a consultant to enhance the Risk Management Framework of the Bank, with emphasis on operational and market risk. In terms of operational risk, the consultant reviewed the Operational Risk Matrix within the Bank and identified, in a Diagnostic and Gap Analysis Report, categories of operational risks, source of risks, contributing factors as well as best approach for their management. For market risk, the consultant evaluated various market risks (interest rate risk, foreign exchange risk, currency mismatch, etc.) and analysed EADB's capacity to manage these risks vis-à-vis international best practices.

Based on the gaps identified, the consultant built upon the existing Risk Management Framework by incorporating operational and market risk components, while ensuring overall alignment and coordination of all organisational risks.

Specifically, in relation to market risk:

- Developed a model (VaR model) for measuring market risk, forecasting potential changes in the economic factors and assessing their impact on the asset value of EADB.
- Proposed appropriate financial instruments (an investment strategy) for EADB to effectively hedge the market risk and updated the ERM, market risk, and treasury policies to reflect this.
- Proposed a policy mix that re-distributes and provides reasonable assurance of the management of concentration risks. In particular, a Board-level Risk Appetite Statement Policy, an ERM policy, a Treasury Policy for Liquidity Risk, and a Market Risk Policy were developed.

In terms of operational risk:

- Developed a Risk and Control Self-Assessment (RCSA) framework for EADB to use as an appropriate reporting system and defined the frequency for which the RCSA should be updated and reported to the Executive and Board.
- Developed an Operational Risk Procedures Manual in line with the Operational Risks. This document is included as an annex to the Operational Risk Manual.
- Proposed a series of Key Risk Indicators (KRI) with relevant thresholds as one of the tools to be used by EADB in measuring its operational risk profile.
- Proposed a Board-level Operational Risk Policy aligned to the Risk Appetite Statement and ERM policy referred to above.

## SECTION 3

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# GOVERNANCE AND CORPORATE AFFAIRS

## SECTION 3.1

# GOVERNING COUNCIL

The Governing Council, comprising of the ministers responsible for Finance from each of the Bank's member states, is the supreme governing authority of the Bank.

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## SECTION 3.2

# ADVISORY PANEL

The Advisory Panel comprises of eminent persons in international finance who provide the Bank with strategic guidance during formal sessions held alongside the meetings of the Governing Council. The current Advisory Panel members are: Mr. Lars Ekengren, Mr. Mahesh K. Kotecha, Mr. Jannik Lindbaek and Mr. Toyoo Gyohten.

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## SECTION 3.3

# BOARD OF DIRECTORS

The Board of Directors is required to meet at least once every quarter to conduct the business of the Bank. Indeed, the Board of Directors held its meetings on 21-22 February 2017 and 19-20 September 2017. The Board Human Resource Committee met on the 2 June and 4 October 2017, while the Audit Committee met on 2 June 2017.

In its meetings the Board tabled recommendations to the Governing Council for approval of the appointment of PricewaterhouseCoopers as the external auditors for 2017; as well as the following policy documents: (a) Public Relations and Communications Policy; (b) Enterprise-Wide Risk Management & Compliance Policy; (c) Disclosure and Access to Information Policy; (d) Health and Safety Policy; (e) Monitoring and Evaluation Policy; (f) Procurement Regulations; and (g) Records Management Policy.

**SECTION 4**

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**DIRECTOR'S  
REPORT AND  
FINANCIAL  
STATEMENTS**

**Table 5 • Statement of comprehensive income**

	2017	2016
	USD'000	USD'000
Interest income	24,831	25,244
Interest expense	(8,555)	(8,699)
<b>Net interest income</b>	<b>16,276</b>	<b>16,545</b>
Fee and commission income - net	267	419
Other operating income	3,884	2,603
Other gains and losses	(12)	(344)
Net fair value gain/ (loss) on investment property	4	(808)
<b>Net operating income</b>	<b>20,419</b>	<b>18,415</b>
Impairment expense of loans and lease receivables	(2,711)	(1,946)
<b>Operating income after impairment charges</b>	<b>17,708</b>	<b>16,469</b>
Employee benefits expense	(3,591)	(4,063)
Depreciation and amortization expense	(770)	(732)
Other operating expenses	(3,134)	(4,094)
<b>Profit before income tax</b>	<b>10,213</b>	<b>7,580</b>
Income tax expense	-	-
<b>Profit for the year</b>	<b>10,213</b>	<b>7,580</b>
<b>Other comprehensive income</b>		
Revaluation surplus on land and buildings	-	-
<b>Total comprehensive income</b>	<b>10,213</b>	<b>7,580</b>
<b>Earnings per share - basic</b>	<b>726</b>	<b>543</b>
<b>Earnings per share- diluted</b>	<b>726</b>	<b>543</b>

Table 6 • Statement of financial position

	2017 USD'000	2016 USD'000
<b>Assets</b>		
Cash at bank	14,006	7,909
Deposits due from commercial banks	151,974	166,755
Investment security held to maturity	70	212
Loans and lease receivables	190,025	184,574
Equity investments at fair value	436	487
Other assets	775	692
Investment property	19,134	19,069
Property, plant and equipment	13,767	14,455
Intangible assets	224	-
<b>Total assets</b>	<b>390,411</b>	<b>394,153</b>
<b>Liabilities</b>		
Other liabilities	5,951	5,353
Borrowings	109,518	123,681
Special funds	3,990	3,990
Grants	2,113	2,483
Capital fund	7,479	7,479
<b>Total liabilities</b>	<b>129,051</b>	<b>142,986</b>
<b>Capital and reserves</b>		
Share capital	189,824	189,824
Share premium	3,874	3,874
Funds awaiting allotment	83	103
Special reserve	12,443	12,358
Fair value reserve	455	505
Revaluation reserves	7,939	7,980
Retained earnings	46,742	36,523
<b>Total shareholders' equity</b>	<b>261,360</b>	<b>251,167</b>
<b>Total shareholders' equity and liabilities</b>	<b>390,411</b>	<b>394,153</b>
Off balance sheet items and contingencies	1,902	30,399

**Table 7 • Statement of Changes in Equity**

Statement of Changes in Equity	Share capital	Share premium	Special reserves	Funds awaiting allotment	Fair value reserve	Retained earnings	Revaluation reserve	Total equity
Year ended 31 December 2016	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At start of year	185,787	3,309	11,783	105	496	29,504	8,002	238,987
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	-	7,580	-	7,580
Total comprehensive income	-	-	-	-	-	7,580	-	7,580
<b>Transactions with owners recorded directly in equity</b>								
Transfer to special reserve	-	-	575	-	-	(575)	-	-
Receipts from shareholders	-	-	-	4,600	-	-	-	4,600
Capitalisation of contributions	4,037	565	-	(4,602)	-	1	-	1
Revaluation reserve	-	-	-	-	-	22	(22)	-
Transfer to fair value reserve	-	-	-	-	9	(9)	-	-
At end of year	189,824	3,874	12,358	103	505	36,523	7,980	251,167
<b>Year ended 31 December 2017</b>								
At start of year	189,824	3,874	12,358	103	505	36,523	7,980	251,167
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	-	10,213	-	10,213

Statement of Changes in Equity	Share capital	Share premium	Special reserves	Funds awaiting allotment	Fair value reserve	Retained earnings	Revaluation reserve	Total equity
Year ended 31 December 2016	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000

Total comprehensive income	-	-	-	-	-	10,213	-	10,213
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#### Transactions with owners recorded directly in equity

Transfer to special reserve	-	-	85	-	-	(85)	-	-
Receipts from shareholders	-	-	-	-	-	-	-	-
Reclassification to special funds/capital and grants	-	-	-	(20)	-	-	-	(20)
Revaluation reserve	-	-	-	-	-	41	(41)	-
Transfer to fair value reserve	-	-	-	-	(50)	50	-	-
<b>At end of year</b>	<b>189,824</b>	<b>3,874</b>	<b>12,443</b>	<b>83</b>	<b>455</b>	<b>46,742</b>	<b>7,939</b>	<b>261,360</b>

**Table 8 • Statement of cash flows**

	2017 USD'000	2016 USD'000
<b>Cash flows from operating activities</b>		
Interest receipts	20,095	21,433
Interest payments	(7,584)	(7,019)
Net fee and commission receipts	256	874
Other income received	632	576
Payments to employees and suppliers	(6,989)	(7,754)
<b>Cash outflows from operating activities</b>	<b>6,410</b>	<b>8,110</b>
Net receipts from loans and advances	(5,848)	(23,758)
Net other receipts from customers	2,456	1,095
Settlement of other liabilities	(951)	(753)
<b>Net cash generated from operating activities</b>	<b>2,067</b>	<b>(15,306)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(90)	(734)
Purchase of computer software	(72)	-
Deposits with banks	3,534	(7,098)
Proceeds from sale of property and equipment	-	-
<b>Net cash used in investing activities</b>	<b>3,372</b>	<b>(6,364)</b>
<b>Financing activities</b>		
Receipts from member states towards share capital	-	4,600
Settlement of medium and long term borrowings	(30,580)	(8,613)
Proceeds from borrowings	15,237	6,685
<b>Net cash generated from financing activities</b>	<b>(15,343)</b>	<b>2,672</b>
<b>Net increase in cash and cash equivalents</b>	<b>(9,904)</b>	<b>(6,270)</b>
Cash and cash equivalent at the start of the year	169,357	176,028
Exchange losses on cash and cash equivalents	(127)	(401)
<b>At end of year</b>	<b>159,326</b>	<b>169,357</b>





**Headquarter**

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