



THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE

Securing Africa's future through capacity development

2017 Annual Report



Re-engineering capacity development in Africa



Pillar 1

Enabling effective delivery of continental development priorities.



Pillar 2

Supporting countries to achieve tangible development results.



Pillar 3

Enhancing private sector and civil society capacity to contribute to sustainable development.



Pillar 4

Leveraging knowledge and learning to increase development effectiveness.

LETTER OF TRANSMITTAL TO THE BOARD OF GOVERNORS

RE: Annual Report 2017

June 2018

Dear Chair,

I have the honor of presenting to the ACBF Board of Governors the Annual Report of the Foundation for the period 1 January 2017 to 31 December 2017.

Please accept, Mr. Chair, the assurances of my highest consideration.



Erastus J. O. Mwencha
Chair, ACBF Executive Board

MESSAGE FROM THE CHAIR OF THE BOARD OF GOVERNORS



*Hon. Goodall Gondwe, Chair, ACBF Board of Governors,
Minister of Finance of Malawi*

The African Capacity Building Foundation (ACBF) continues to contribute substantially to the continent's economic transformation, despite the unpredictable funding environment and pressure on development resources due to competing priorities. In recognition of this, at the 28th Session of the Assembly of the African Union, ACBF was designated a specialized agency for capacity development. This new role implies greater responsibility on the part of ACBF to lead and coordinate stakeholder efforts in a manner that deepens and consolidates initiatives to achieve results and recognizes the substantive contribution that ACBF has made to date.

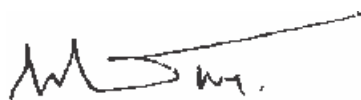
■ All African countries should commit to providing the financial resources needed to sustain ACBF activities. In-order to successfully implement continental strategies for capacity development, there is need for effective interventions that address both the hard and soft capacities needed to unlock the potential of many African countries.

In June 2016, as ACBF shareholders, we expressed overwhelming support for ACBF's Strategy for 2017–2021 by pledging the financial resources needed to implement it. I challenge African member countries to reaffirm that commitment by directing the flow of investment toward operationalizing the new strategy. ACBF is our legacy—and one that will remain relevant to the

continent's development for the foreseeable future.

To our development partners, you have been instrumental in supporting ACBF's efforts over the past three decades. Your contribution has yielded phenomenal tangible results, making a difference in the development trajectory of many countries. I am encouraged by your commitment so far but urge you to do more. Capacity development requires patient capital. I enjoin you to support African countries as we seek to take ownership of our destiny and avoid unwinding of the results achieved by ACBF and AU member countries.

I also welcome Comoros as the newest ACBF member, and I look forward to its contribution to ACBF's growth. To our partners both home, on the African continent, and abroad, thank you for your unwavering support and commitment. We look forward to a future that witnesses Africa capable of achieving its development objectives.



*Hon. Goodall Gondwe
Chair, ACBF Board of Governors
Minister of Finance, Economic Planning
and Development of Malawi*



FOREWORD FROM THE CHAIR OF THE EXECUTIVE BOARD



*Erastus J.O. Mwencha
Chair, ACBF Executive Board*

In 2017 the African Capacity Building Foundation (ACBF) worked conscientiously to successfully close its Strategic Medium-Term Plan III (2011—2016). We are indebted to the World Bank for its support since the plan's inception and look forward to continuing the partnership. As we closed this project, we had the opportunity to reflect and learn from our three decades of interventions in Africa. It has become apparent that capacity remains a significant challenge in many African countries—and the premise for establishing coordinated mechanisms for effective capacity development interventions remains valid, especially with the implementation of Agenda 2063 and SDG 2030 now underway.

■ Our programmatic work has been characterized by collaboration and shared ownership in addressing the most critical challenges that constrain development on the continent. The capacity needs assessments that we have conducted have identified where interventions are most needed and how to align proposed interventions to national and regional development plans.

The 2017 *Africa Capacity Report* provided a framework for developing and elevating understanding of the capacity imperatives that need to be addressed to accelerate Africa's transformation. Recommendations from the report included closing the investment gap in science, technology, and innovation through sustainable financing mechanisms; increasing coordination among government, the

private sector, and academia for building science, technology, and innovation skills; and creating an enabling national environment for science, technology, and innovation through an effective science–policy–society interface.

The High-Level Forum at the 2017 Annual Board of Governors meeting brought together key stakeholders and recommended that capacity to mobilize resources be enhanced by increasing domestic tax revenues and curbing illicit financial flows. Equally important are addressing capacity for project implementation and absorbing resources earmarked for capacity development.

Our governance framework has remained robust and consistent with internationally accepted best practices. The Executive Board has been strengthened by the appointment of four new members: Professor Louka Katseli, Mr. Jonas Aklesso Daou, Mr. Graham Stegmann and Dr. Jessie Rose Mabutias. These appointees bring a

wealth of organizational and management expertise as well as strong leadership and understanding of corporate governance and oversight. The financial statements for fiscal year 2017 have been given an unqualified audit opinion by the External Auditors, Deloitte. We are proud of ACBF's culture of strong financial management and internal control systems. We have also been given assurances by our Internal Audit Department, of the adequacy of the Foundation's governance, internal controls, and risk management practices. These assurances indicate that resources are used for their intended purposes and with due consideration for efficiency and effectiveness.

I look forward to working closely with the Executive Board to capitalize on the opportunities that lie ahead.



Erastus J.O. Mwencha
Chair, ACBF Executive Board

INTRODUCTORY REMARKS FROM THE EXECUTIVE SECRETARY



*Prof Emmanuel Nnadozie,
Executive Secretary, ACBF*

2017 was a special year for the African Capacity Building Foundation (ACBF) because it marked the launch of the ACBF Strategy for 2017–2021, challenging us to implement our new fit-for-purpose business model, with adaptive services beyond finance and grants. Key to this process has been our transformation into a more agile, flexible, and innovative organization that can quickly adjust to its changing environment in a sustainable manner, ensuring that it is properly funded and continues to deliver on its mandate.

■ Key programmatic outcomes for 2017 were premised on supporting countries, and the continent at large, in achieving tangible development results, while leveraging knowledge and learning to increase development effectiveness. In this respect, ACBF's capacity needs assessments for several countries were instrumental in providing intelligence to governments on their capacity gaps and on

indicative priority areas for development planning.

ACBF also produced strategic studies, policy briefs, and research papers and convened continental dialogues on topics relevant to Africa's capacity development landscape, in a bid to ensure that the continent remains well informed and has the relevant knowledge to drive transformation.

Africa Capacity Report 2017: Building Capacity in Science, Technology and Innovation for Africa's Transformation was the most prominent ACBF knowledge product. It provided a wakeup call to African countries on the need to seriously invest in science, technology, and innovation as the avenues for making Africa's industrialization strategy and economic development a reality.

The year also saw ACBF conclude its major program with the World Bank, funded under the Regional International Development Association instrument, that it had been implementing since 2011. The major milestone was the record absorption rate of 99.9 percent of the grant, demonstrating ACBF's experience, expertise, and capability in unlocking implementation bottlenecks. More important are the achievements: the growth of think tanks on the continent; the emergence of policy professionals, including women; and the enhanced performance of the regional economic communities in support of regional integration.

African Member States continued to demonstrate their commitment to and their ownership of ACBF, contributing US\$3.38 million to the new strategy at the close of 2017. Although their contribution was 34 percent short of

the target of US\$5.1 million, the Secretariat remains confident that countries will catch up in 2018. The unwavering support of our Member States has also been instrumental to ACBF's designation as a specialized agency for capacity development by the African Union. This is proof of how the African Union appreciates ACBF's unparalleled position as the “go-to place” for capacity development in Africa.

Looking to the future, ACBF's responsibilities remain huge. There is clear evidence of an enduring challenge for capacity development in Africa. As the chief coordinator of capacity development on the continent, ACBF will strive to ensure that resources are applied in ways that generate durable improvements in individual, organizational, and institutional capacities for effective governments and engaged societies.

As I conclude, let me take this opportunity to express my gratitude to the ACBF Board of Governors, Executive Board, and Secretariat for a job well done in raising the ACBF flag high in 2017.



*Professor Emmanuel Nnadozie
Executive Secretary, ACBF*



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ABBREVIATIONS

ACBF	African Capacity Building Foundation
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AU	African Union
COMESA	Common Market for Eastern and Southern Africa
IPAR	Institute of Policy Analysis and Research–Rwanda
MEFMI	Macro-Economic and Financial Management
UNECA	United Nations Economic Commission for Africa

EXECUTIVE BOARD



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Mrs. Charlotte Osei
(nee Kesson-Smith) Vice Chair



Prof. John Anyanwu



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Dr. Lamin Momodou
Manneh



Prof. Emmanuel Nnadozie



Dr. Mor Seck



Mr. Godfrey Simbeye



Mr. Graham Stegmann

Independent Member of the Audit and Risk Committee



Mr. Niranjan Pant

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Togo	Hon. Kossi Assimaidou
Uganda	Hon. Matia Kasaja
UNDP	Mr. Abdoulaye Mar Dieye
World Bank	Mr. Makhtar Diop
Zambia	Hon. Felix Mutati
Zimbabwe	Hon. Patrick Anthony Chinamasa



PART I: **ACBF AT A GLANCE**

Since 1991 the African Capacity Building Foundation (ACBF) has spearheaded and coordinated capacity development programs worth over US\$700 million across 45 countries and eight regional economic communities in Africa. It has garnered a reputation as the go-to institution for expert knowledge and investment in capacity development in support of continental, regional, state and non-state actors.

ACBF has helped develop human and institutional capacity in Africa for economic development and good governance and supported capacity development through resource mobilization, investments, program management, advisory services, technical support, knowledge services, and promotion of innovation.

Vision

Africa capable of achieving its own development.

Mission

To build strategic partnerships, offer technical support, institutionalize knowledge and provide access to knowledge related to capacity building in Africa.

PARTNERS

ACBF's cutting-edge work in developing human and institutional capacity for Africa's transformation has received praise, especially from member countries, bilateral partners, and international organizations.

African countries (as at 31 December 2017)

Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Namibia, Niger, Nigeria, Republic of Congo, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

Multilateral partners (as at 31 December 2017)



Bilateral partners

The following countries have extended support to ACBF in the past:

Australia, Austria, Canada, Denmark, Finland, France, Greece, India, Ireland the Netherlands, Norway, Sweden, the United Kingdom, and the United States of America.

Managed and Invested

\$750 million

to build capacity
across Africa

*Support us to
do more today*



PART II: YEAR IN RETROSPECT —2017 HIGHLIGHTS

The African Union designated ACBF a specialized agency for capacity development



One of the biggest highlights of fiscal year 2017 was when the African Heads of State of the African Union (AU) designated the African Capacity Building Foundation (ACBF) a specialized agency for capacity development at the 28th Ordinary Session of the Assembly in January 2017. The designation reflects the appreciation of AU Member States for ACBF's unparalleled 26 years of contributions to development in Africa, which include coordinating continental capacity development programs, investing over US\$700 million across 45 countries, and helping establish more than 40 reliable policy think tanks that advise African governments on policies to drive development.

■ The designation allows ACBF to deepen working relations with all AU Member States and the relevant structures of the AU Commission while maintaining its independence. It properly anchors ACBF in Africa's development architecture.

The designation also provides a legal framework for ACBF's capacity development support for the optimal implementation of the AU Agenda 2063 and the United Nations

ACBF achieves high visibility online and in the media

In fiscal year 2017 ACBF became increasingly visible through its website (www.acbf-pact.org), with close to 12 million hits. ACBF achievements presented online as success stories contributed to the high visibility.

The number of people following ACBF on Twitter increased by 83 percent, from 1,200 to 2,200. ACBF also received media coverage of high-level events that it organized directly or that the Executive Secretary attended, with numerous ACBF-related stories and interviews in newspapers across Africa and on BBC, TV5 Monde, CNBC Africa, Channels TV Nigeria, and CGTN.

Sustainable Development Goals in 2030. This made ACBF's cooperation with the AU more strategic in fiscal year 2017.

ACBF capitalized on the designation to better respond to the urgent capacity needs of African countries and regional economic communities. ACBF and UNECA continued the partnership that began in 2016. Progress was reviewed during a UNECA mission to ACBF on 15–17 May 2017. In collaboration with UNECA, the AU Commission, and other partners, ACBF helped finalize the project document entitled Curbing Illicit Financial Flows (IFFs).

ACBF deepened its strategic partnership with the African Development Bank (AfDB) and revitalized its relationship with the New Partnership for Africa's Development Planning and Coordinating Agency through a partnership agreement signed in December 2017.

ACBF strengthened the capacity of AU Commission staff in results-based management and resource mobilization and supported AU's institutional reform. Specifically, ACBF helped the Bureau of the Chairperson of the AU Commission produce two key reports on 1. Policy Coherence between African Union Commission and AU Organs: Issues and Options; 2. Baseline

Consultations with Africa's Regional Economic Communities (RECs). The reports recommended increasing coordination of the thematic implementation of the regional integration agenda and improving policy and program coherence between the commission and AU organs.

ACBF also helped build capacity in the Pan-African Parliament, strengthening strategic planning processes and results-based management culture.



ACBF introduced a new five-year strategy (2017-2021)

In January 2017 ACBF began implementing its Strategy for 2017–2021. The five-year strategy is premised on African leadership of capacity development financing. It addresses capacity development at the continent, region, and country levels to ensure tangible results in support of African development. ABCF is implementing the strategy using a

renewed business model built around five service lines: resource mobilization, advisory, investment, innovation, and knowledge.

Partnerships with African institutions are key to implementing the strategy. So ACBF continues to engage a wide range of current and potential partners, including the AfDB, the New Partnership for Africa's Development Planning and Coordinating Agency, regional economic communities, and individual African countries.

Over the course of 2017 ACBF developed tools to closely monitor the implementation of the new business plan through a corporate dashboard. All core indicators were systematically tracked every quarter to measure progress against targets. Progress reports provided a clear picture of the performance of the business plan, and corrective measures were taken in a timely manner to address critical or emerging issues.

The 2017 Africa Capacity Report championed science, technology, and innovation

ACBF released the 2017 *Africa Capacity Report*, its flagship publication, on building capacity in science, technology, and innovation at the joint Annual Ministerial Conference of the AU Commission and UNECA in Dakar, Senegal, in March 2017. The report was subsequently launched

during the year in Abuja, Nigeria; Accra, Ghana; Addis Ababa, Ethiopia; Dar es Salaam, Tanzania; Geneva, Switzerland; Harare, Zimbabwe; Kigali, Rwanda; Lomé, Togo; Rabat, Morocco; Stockholm, Sweden; and Yaoundé, Cameroon.

The report's main message is that Africa risks being left behind in the race toward inclusive globalization unless countries build their science, technology, and innovation capacities. African countries must thus honor the pledges they made in 1980 and 2005 to invest 1 percent of GDP in research and development—and preferably exceed that by investing 3 percent of GDP.



Overcoming capacity deficits in science, technology, and innovation and research and development

The 2017 *Africa Capacity Report* included three main recommendations for overcoming capacity deficits in science, technology, and innovation and research and development:

- African countries must establish sustainable financing systems for science, technology, and innovation that focus not only on research and development but also on technologies and innovations designed and owned by emerging African firms and start-ups.
- Because the government rather than the private sector accounts for most of the domestic contribution to research and development, African countries should adopt policy incentives such as tax relief and public–private partnerships that encourage private investment.
- In crafting national science, technology, and innovation policies, African countries should conduct comprehensive assessments of the needs of public and private sectors, including those of higher educational institutions, to identify gaps in the capacity of these bodies to meet job market demands.

Africa accounts for about 5 percent of global GDP but only 1.3 percent of global spending on research and development. According to the 2017 *Africa Capacity Report*, many African countries have had a short-term approach to human development, with continued reliance on external financial support that targets short-term goals. Low investment in capacity development for science, technology, and innovation leaves Africa at a disadvantage. To become competitive globally and close the development gap with the rest of the world, African countries must considerably increase investment in science, technology, and innovation.

The report also revealed that African higher education institutions do not produce enough skilled human

resources to meet market demand in science and engineering. Poor investment in higher education over the past four decades has devastated Africa's capacity to supply the productive sector with the requisite skills, especially in science, technology, engineering, and mathematics. This has led to serious gaps in critical technical skills to implement the AU's Science, Technology, and Innovation Strategy for Africa 2024.

The 2017 *Africa Capacity Report* includes the Africa Capacity Index, which empirically assesses capacity against the development agenda in African countries. The index highlights key determinants and components of the capacity development landscape, with the goal of sharpening the focus on capacity deficits as a major

development policy issue. Results for the four sub-indices showed improvement in 2016 over 2015, but most African countries continue to struggle, with low capacity development outcomes across the 44 countries surveyed. The four sub-indices or “clusters” are the policy environment cluster that considers the conditions that must be in place to make transformational change and development possible; the processes for implementation cluster that assesses the extent to which countries are prepared to deliver results and outcomes; the development results at country level cluster that refers to tangible outputs that encourage development; and the capacity development outcomes cluster that measures change in the human conditions.

Board of Governors calls for more financial and political support for ACBF

One of the most significant events in fiscal year 2017 was the 26th meeting of the ACBF Board of Governors, held in Accra, Ghana, on 4–5 September 2017. The dominant theme was the intensification of political and financial support for ACBF, with all the main speakers touching on the issue—an indication of how critical the matter has become and how lack of such support limits Africa's determination to resolve the capacity deficits that hamper development.

There was broad agreement that Africa's ability to mobilize, use, and absorb resources in the right way, in the right areas, and in the right time is contingent on political support for ACBF and other continental institutions whose work greatly impacts the implementation of Agenda 2063 and the Sustainable Development Goals.

Although much has been done over the past two decades to strengthen institutions and build the requisite skills for development, the Board of Governors acknowledged that serious capacity gaps remain in Africa. Limited absorptive capacity is still a major impediment to the implementation and effectiveness of various development projects and programs. As such, the board recommended that Africa urgently addresses the resource access challenge and finds solutions to the use and absorption of resources.

The Board of Governors affirmed that ACBF would need US\$250 million in the next five years to overcome these challenges and conduct work as official development assistance to Africa declines. Political and financial support of African governments and cooperating partners are thus critical for ACBF to deliver on its mandate. The meeting also saw broad agreement that Africa needs ACBF more now than when ACBF was created in 1991. As



“ACBF has been granted the status of a specialized agency because of its potential to transform Africa through capacity development”

H.E. Thomas Kwesi Quartey,
*Deputy Chairperson, AU
Commission*

official development assistance diminishes, Africa must look beyond traditional development partners to the private sector and civil society for contributions that help ACBF support inclusive economic development while leveraging knowledge and learning to increase development effectiveness.

The Board of Governors agreed that Africa needs ACBF to continue its role of coordinating capacity building to effectively address development bottlenecks and the mismatch of training across Africa, where countries emphasize the arts and humanities rather than the technical skills needed for private sector led growth and to enhance employment opportunities.

ACBF should thus continue to help Africa direct education to suit development, so that vocational and technical education becomes essential. Participants concurred that Africa has made major strides in recent decades but capacity still remains important for the continent's future and that ACBF's critical role in capacity building led to the designation of ACBF as specialized agency for capacity development by the AU.



H.E. Thomas Kwesi Quartey,
*Deputy Chairperson, AU
Commission*

H.E. Thomas Kwesi Quartey, deputy chairperson of the AU Commission and one of the main speakers from the ACBF Board of Governors meeting, spoke for most people when he said, “ACBF has been granted the status of specialized agency not just because we

like ACBF nor that we simply needed to add to the list of specialized agencies to expand the AU Empire. Rather, it is solely in recognition of the criticality of capacity development on the continent and the uncontested role and vast experience of ACBF in this area. Here is my plea to you all present: ACBF needs your commitment and political as well as financial support today more than ever. I am urging all African countries, development partners, and non-African members and friends to support ACBF and channel all capacity development–related support through our Specialized Technical Agency for better coordination, efficiency, impact, and tangible results. ACBF knows what, where, when, and how to do it when it comes to capacity issues. The African Union and its organs are still committed and will continue to provide the required support for ACBF to better serve our continent.”

It was a clarion call that the partners of ACBF who were present responded to positively. The World Bank, the AfDB, the United Nations Development Programme, the African Export-Import Bank, and others expressed satisfaction with ACBF's performance over the past 26 years and pledged to continue their support for the implementation of the Strategy for 2017–2021.

Increased financial pledges for 2017

African countries pledged an additional US\$5.05 million to ACBF, taking their total pledge to US\$25.05 million, for the Strategy 2017-2021. The approval and disbursement of the second tranche of the US\$20 million pledge will start in fiscal year 2018.

ACBF continues to engage the World Bank ahead of discussions on new cooperation modalities, while the United Nations Development Programme has confirmed its commitment to support ACBF's Strategy for 2017–2021. The Arab Bank for Economic Development in Africa has responded favorably and approved support for a program for female entrepreneurs and the empowerment of women in agriculture. ACBF has also consolidated its partnership with the Bill & Melinda Gates Foundation to expand existing initiatives and explore opportunities for diversifying cooperation. ACBF continues to identify other foundations whose interests are aligned to its strategy.





PART III:

IMPLEMENTATION OF ACBF'S STRATEGY FOR 2017—2021

The four Pillars of ACBF's Strategy for 2017—2021

- Pillar 1: Enabling effective delivery of continental development priorities.
- Pillar 2: Supporting countries to achieve tangible development results.
- Pillar 3: Enhancing private sector and civil society capacity to contribute to sustainable development.
- Pillar 4: Leveraging knowledge and learning to increase development effectiveness.

Fiscal year 2017 was the first year of implementation of the African Capacity Building Foundation's (ACBF) Strategy for 2017—2021. The following sections highlight activities aligned to each of the strategy's four pillars that were implemented during the year.

Pillar 1: Enabling effective delivery of continental development priorities

Enhancing trade policy analysis, trade negotiations, and regional integration

ACBF completed a regional program that strengthened the capacity of member states and the secretariat of the Common Market for Eastern and Southern Africa (COMESA) to respond to and analyze economic and trade issues, including trade negotiations. This led member states to introduce various products into the market, which increased intra-COMESA trade. The project also played a critical role

in analyzing various trade aspects to support the Tripartite Free Trade Area negotiations and the operations of the COMESA Customs Union.

As a result of the program, COMESA organized its third research forum, bringing together stakeholders from government, academia, think tanks, and the private sector to review research papers, share knowledge, and deliberate on issues affecting trade and regional integration. The project also led to the establishment of the long-proposed COMESA Virtual University, which aims to build capacity in regional integration.



ACBF also developed and implemented numerous initiatives to promote continental and regional integration, including a module on trade finance in collaboration with COMESA and the African Export-Import Bank and regional projects with the Mano River Union and the Economic Community of Central Africa States, in partnership with the African Development Bank (AfDB).

Enhancing policy formulation and financial management in the Horn of Africa

ACBF supported the Horn Economic and Social Policy Institute in organizing training sessions in public financial management for policymakers in Somalia and South Sudan. The institute aims to enhance policy formulation and sustainable development in the Intergovernmental Authority on Development regional economic community. ACBF's financial support helped improve fiscal transparency and sound budget management in participating countries. ACBF also supported the institute's feasibility study of a development bank for the Intergovernmental Authority on Development.

Promoting climate-smart agricultural development policy

Through ACBF support the Pretoria-based Food and Natural Resources Policy Analysis Network, a multinational policy network that supports the development and

implementation of better food, agriculture, and natural resource policies in Africa, produced its flagship report. Entitled *Policies and Practices for Climate Smart Agriculture in Sub-Saharan Africa*, the report highlighted areas for action in policy and practice and identified key barriers to the integration of climate-smart practices at the regional and national levels. The report's recommendations offer a useful starting point for decisionmakers and practitioners.

Strengthening macroeconomic and financial management

ACBF partnered with the Harare-based Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) to strengthen member countries' competencies in debt sustainability analysis. MEFMI conducted in-country debt sustainability analysis training for 29 participants, who gained knowledge and practical skills for conducting debt sustainability analysis using the International Monetary Fund/World Bank Debt Sustainability Framework for low-income countries. Participants prepared a draft debt sustainability analysis document with recommendations for member countries to use in decision making.

With ACBF support, MEFMI also trained officials in gender policy analysis and implementation to support governments in formulating and implementing economic policies and poverty reduction strategies that

deliver results equitably to both women and men. ACBF's support enabled MEFMI to conduct a regional training program in gender-responsive economic policy management, which for the first time in MEFMI history, had more female participants (75 percent) than male participants (25 percent). The trained officials now serve as gender focal persons in their respective countries, where they are implementing gender-sensitive activities.

ACBF supported regional institutions in West Africa, such as the Abuja-based African University of Science and Technology, to provide world-class science, technology, and innovation training for students from across West Africa and beyond.

And ACBF supported the West African Institute for Financial and Economic Management in strengthening the capacity of West African policymakers in financial issues on regional integration and macro prudential and debt sustainability analysis.

Enhancing the capacity of regional economic communities

ACBF and the International Institute for Democracy and Electoral Assistance Africa and West Asia Program organized the first strategic planning and capacity development retreat for Africa's regional economic communities on their role in implementing the First Ten-Year

Implementation Plan of the African Union's (AU) Agenda 2063. The retreat took place at the Economic Community of West African States Secretariat in Abuja, Nigeria, on 8–9 June 2017.

Using the findings and recommendations of ACBF's 2016 *Survey of the Capacity Needs of Africa's Regional Economic Communities and Strategies for Addressing Them*, the retreat identified several priority areas and achieved two primary outcomes:

- The Abuja RECs Retreat Declaration on Capacity Development for Continental Integration, a draft road map/action framework on capacity building, was developed, and a capacity development program will be developed for joint resource mobilization and implementation.
- Representatives of regional economic communities and their partners committed to work together to implement Agenda 2063. As the first event of its kind to bring regional economic communities together to discuss regional and continental priorities, the retreat paved the way for regular interaction and stronger collaboration and exchange of strategic plans and reports among regional economic communities.

“We are what we are today because of ACBF's support. The capacity that we built, that ACBF enabled us to build, had a huge impact. We became an institution fully set with competent people and our own offices. We were able to engage very effectively in different ways that helped us influence quite a number of policies in Ghana and this was significant”

Dr Emmanuel Akweteey
- Executive Director,
Institute for Democratic
Governance (IDEG)

Pillar 2: Supporting countries to achieve tangible development results

Supporting countries in understanding and addressing their capacity needs

The first step in supporting countries in achieving tangible development results is to assess their capacity needs and identify their capacity development priorities. In fiscal year 2017 ACBF supported a capacity needs assessment for agribusiness in Kenya, focusing on the tea subsector, through support to the Kenya Institute for Public Policy Research and Analysis. The report, launched on 28 June in the presence of high-level government officials, private sector umbrella organizations, and ACBF representatives, identified deficits in human and institutional capacities for the government to address and issued recommendations to ensure that the tea industry is sustainable and competitive.

ACBF also completed a capacity needs assessment and capacity development strategy for The Gambia to reset the country's development agenda following the entry of President Adama Barrow's new government. Similar capacity needs assessments were conducted for Chad, the Republic of Congo, and Guinea.



Building skills in conflict-affected countries

To address low representation of conflict- and crisis-affected countries in long-term training programs, ACBF supported the African Economic Research Consortium's innovative bridging program for underrepresented countries and groups, which benefitted 20 master's degree students and 20 doctoral students from those countries. Thanks to ACBF's support, students from the Democratic Republic of Congo, Guinea, Madagascar, Mali, Somalia, and Togo participated in the consortium's training activities for the first time.

Promoting policy uptake and evidence-based policymaking and development strategies

ACBF has continued its support for African think tanks, with key beneficiaries in Cameroon, Comoros, and Liberia.

In Cameroon ACBF funded a program with the Cameroon Policy Analysis and Research Center that produced high-quality research papers and contributed to policy debates and evidence-based policymaking in the country.

The Comorian government requested ACBF support for evidence-based policy formulation and skills-building to accelerate implementation of the country's medium-term development strategy. So ACBF launched two important initiatives in Comoros: the first helped the government create a think tank, and the second funded the creation of a school of public administration to improve civil service productivity.

In Liberia ACBF supported the country's Macroeconomic Capacity Building Project in establishing a state-of-the-art research laboratory to train technical staff on macroeconomic

analysis and modelling. ACBF funding enabled the project to conduct research on topical issues to inform policy formulation.

Building parliamentarians' capacity to develop new approaches to natural resource governance

In fiscal year 2017 ACBF—in partnership with the International Institute for Democracy and Electoral Assistance Africa and West Asia Program, the International Organization of Francophonie, and the African Peer Review Mechanism—hosted two high-level forums on building capacity for the New Developmental Approach to Natural Resource Governance. The goal was to create a platform for collective reflection and consensus building among high-level representatives on parliamentarians' role in advancing a developmental approach for the governance of Africa's natural resources.

Building procurement capacity

During fiscal year 2017 ACBF provided training on procurement to its grantees, including continuous technical support such as supervision missions, electronic platforms to better manage contracts, a procurement dashboard, and a procurement digest to inform senior management on procurement plan implementation and to raise a red flag where necessary.

The forums brought together a diverse group of African parliamentarians, policymakers from key African multilateral institutions, academics, and civil society leaders who have critical voices in shaping scholarship and influencing thinking on Africa's development trajectory.

The HLF was an opportunity for participants from the Pan-African Parliament to be informed about the New Developmental Approach to Natural Resources Governance and its link with the AU's African Mining Vision (AMV). This laid the foundation for enhanced role of the Parliamentarians in its implementation. Indeed, some the parliamentarians confessed that this is

the first time they are hearing about the AMV.

The forums also provided the parliamentarians with a better understanding of their role in domesticating the Africa Mining Vision and the New Developmental Approach to Natural Resource Governance. The parliamentarians requested more training and capacity building in budgetary processes and the Africa Mining Vision. Consequently, ACBF and the International Institute for Democracy and Electoral Assistance are developing curriculum and course materials targeted at key stakeholders such as members of parliament, their technical committees, and journalists.



Improving public service delivery and performance evaluation in Rwanda

The Institute of Policy Analysis and Research–Rwanda (IPAR), an autonomous policy institute established in 2008, is one of the lead policy institutes in Africa supported by the ACBF. IPAR has emerged as the lead think tank in Rwanda and has supported and influenced numerous national policies and programs. IPAR has also attained very high legitimacy and visibility among state and nonstate actors in Rwanda, which has increased demand for its research products and services. In addition to the Rwandan government, IPAR's main client, the institute provides services to and collaborates with the World Bank, the AfDB, the United Nations Development Programme, and other international development organisations.

In 2013 the Rwandan government contracted IPAR to evaluate the Imihigo, the annual performance agreement among the country's president, ministers, and mayors, by conducting an independent and objective assessment and recommending ways to improve service delivery and planning, including performance targets for the

coming year. Unlike failed performance management systems for civil services in other countries, the Imihigo has been fully accepted and owned by Rwandan leaders. The findings and recommendations from IPAR's assessment were used to inform both political and program-oriented decision making.

Rwanda has made remarkable progress toward becoming a middle-income country, as reflected by its Vision 2020. Most of the substantial socioeconomic transformation over the last decade is due to the Imihigo, which has served as a planning and monitoring tool for Economic Development and Poverty Reduction Strategy programs and sustained the momentum toward achieving the Sustainable Development Goals.

Imihigo is a successful case of traditional indigenous knowledge being harnessed to drive development and service delivery in Africa. A home-grown initiative that has changed the face of Rwanda, it is an invaluable tool for planning, monitoring, and evaluating the impact of development policies. Since first being contracted by the prime minister's office in 2013, IPAR has been at the forefront of two evaluations, the results of which the president, ministers, and district mayors have used for accountability and as a basis for annual planning and investment.

Pillar 3: Enhancing private sector and civil society capacity to contribute to sustainable development

Building organizational capacity

In fiscal year 2017 ACBF, in partnership with the Bill & Melinda Gates Foundation, continued to implement capacity-building projects supporting organizational improvements that increase the effectiveness and efficiency of high-potential African organizations. ACBF invested in four organizations: the Public Service Institute of Nigeria, the Aurum Institute, Policy Research for Development, and the Treatment Action Campaign.

The initiative is on track to meet its objectives, which include expanding the Public Service Institute of Nigeria's computer-based training center to accommodate 170 users (who can conduct computer-based examinations critical to income generation and sustainability) and training more than 385 Treatment Action Campaign staff and community members in HIV and tuberculosis advocacy.

Promoting tobacco control

ACBF continued its tobacco control program with a grant from the Bill & Melinda Gates Foundation. The program strengthened civil society organizations' capacity in financial management, accountability,

development of strategies, programs, coordination, and governance.

The ACBF support enabled civil society organizations and governments to build a strong coalition to support tobacco control. ACBF funding helped promote the implementation of tobacco control policies in Senegal and led to the passage of a strong tobacco law in Benin.

ACBF also supported evidence-based research on tobacco taxation and illicit trade in tobacco products by enhancing the University of Cape Town's institutional and human capacity to study tobacco control economics. The university produced 15 Africa-focused tobacco control research papers and provided technical assistance to other tobacco control actors in Africa.



The nuts and bolts of strengthening partnership and coordination for effective tobacco control interventions in Africa

Ongoing tobacco control initiatives in Africa involve actors across sectors, with poor communication and transparency that have resulted in duplicated and overlapping tobacco control activities—until recently.

To advance evidence-based tobacco control policy and respond to the challenges facing tobacco control actors in Africa, ACBF—with the support of the Bill & Melinda Gates Foundation—provides support through strategic grants and capacity building. Since 2014 ACBF has gone through a learning cycle to be an established and credible partner for tobacco control issues and to mentor organizations in order to improve tobacco control in a coordinated and sustainable manner. ACBF manages different types of partners, such as government, academia, and civil society organizations, which provide some key lessons:

- Partnership and coordination among tobacco control actors create synergies that make possible a result greater than the sum of individual partner achievements.
- Through the annual coordination meeting, ACBF has established links among tobacco control partners, making experience sharing and collaboration more effective for tobacco control initiatives in Africa.
- Project implementation by the national tobacco control program of Senegal's Ministry of Health shows that successful tobacco control at the country level requires a full-fledged program integrating stakeholders from different sectors and demands close coordination. This initial understanding by ACBF was reflected in the design of the project.

ACBF also launched an initiative for tobacco control in Africa that built the capacity of think tanks and raised the awareness of researchers on the economics of tobacco control. As a result, seven studies on various aspects

of tobacco control policies were concluded during fiscal year 2017. The think tank initiative continues to generate the required evidence on tobacco control for policymaking in many African countries.

Pillar 4: Leveraging knowledge and learning to increase development effectiveness

Completing the African Community of Practice project on managing for development results

In fiscal year 2017 ACBF completed the knowledge-sharing component of the African Community of Practice on Managing for Development project, which it had been managing since 2012 after signing a protocol of agreement with the AfDB.

The knowledge-sharing-component promotes exchange of experiences and sharing of good practices on managing for development through online discussions; development and dissemination of briefs, case studies, and guidelines; analytical work; and an annual forum. The case studies and guidelines provide development practitioners with the “what” and “how” to achieve results.

The African Community of Practice was launched in February 2007 at the Third International Roundtable on Managing for Development Results in

Hanoi, Vietnam. Its membership has grown from 30 to more than 5,000. Through its five pillars—leadership, planning, budgeting, monitoring and evaluation, statistics, and accountability—it intervenes at all steps of the development process to ensure that countries deliver results through their national strategies. ACBF has stepped up efforts to improve the African Community of Practice from an informal community to a fully-fledged formalized institution that promotes managing for development results in Africa. ABCF successfully managed the knowledge component of the AfCOP Project that was being implemented with financial support from the African Development Bank (AfDB). While supporting the development of Phase 2 of the AfCOP project, the Foundation is currently managing the community's secretariat during the transition period towards Phase 2.

From 2012 to 2017 ACBF's support to the African Community of Practice enabled knowledge sharing on regional integration, natural resource management, food security, domestic



resource mobilization, and mainstreaming of results-based management in Africa's development as well as an exchange on the challenges, opportunities, and lessons from implementing and domesticating regional policies and strategies.

Some 88 percent of African Community of Practice members who were surveyed on the impact of the project said they had been motivated to change their practices and working methods by the exchanges on the community's website and the managing for development knowledge products. As a result, managing for development tools have been in great demand, requested by universities to serve as course materials and by government ministries and departments to use in planning and evaluating development programs.

Both the project completion report and the external assessment report concluded that ACBF had satisfactorily managed the knowledge-sharing component and was instrumental in achieving the project results.

Identifying innovative financing for regional infrastructure

In 2017 ACBF commissioned policy-research studies to document practices in and lessons from financing regional infrastructure in Africa. The studies focused on four topics: transport infrastructure, energy infrastructure, public-private partnership, and lessons from other developing regions. The goal was to identify and propose innovative methods to bridge the financing gap.

ACBF hopes that the studies will provide new insights and improve the body of knowledge on financing regional infrastructure in Africa and allow decision makers and practitioners to adapt or replicate the methods in their own contexts. The research will be published in the second half of 2018.

Supporting industrialization through think tanks

The 2017 ACBF Africa Think Tanks Summit was held in Abidjan, Côte d'Ivoire, under the theme African think tanks and industrialization in Africa.

ACBF organized the summit in collaboration with key continental stakeholders: the government of Côte d'Ivoire, the AU Commission, the AfDB, the African Export-Import Bank, Cellule d'Analyse des Politiques Economiques du CIRES, the United Nations Development Programme, and the United Nations Economic Commission for Africa. The summit was started by ACBF in 2014 as a platform for sharing information, exchanging ideas, and enhancing partnerships among African think tanks (over 40 of which were created and funded by ACBF). The aim is to help think tanks individually and collectively develop informed solutions to the pressing development challenges facing Africa.

Key outcomes of the 2017 summit included reaffirming ACBF's role as a lead institution in supporting think tanks in Africa, adopting a communiqué emphasizing the role of think tanks in Africa's industrialization, and initiating a network to look for possibilities on how ACBF's work and support for think tanks can be enhanced. In addition, ACBF's *Survey of the Capacity Needs of Africa's Regional Economic Communities and Strategies for Addressing them* was launched at the summit.

Some 99 percent of participants rated the summit excellent or good. They were generally “very happy” with the

summit's outcomes and have reported using the knowledge gained for policy review and formulation and further engagement with governments, the media, and the public.

High demand for ACBF knowledge products

Digital marketing, which included a social media campaign that broadcast at least one Twitter and Facebook message every day promoting ACBF knowledge products, increased the number of visits to ACBF's Virtual Library by more than 60 percent over 2016. The 59,144 visits, up from 33,880, resulted in 310,171 product downloads. Visitors hailed from 125 countries, with 69.7 percent from Africa, 12.5 percent from Europe, 8.3 percent from Asia, 8.2 percent from the Americas, and 0.6 percent from Oceania.

The digital marketing brought a high awareness to ACBF knowledge products, which led 54 websites for universities, policy institutes, think tanks, and other relevant organizations to link to the ACBF Virtual Library. More than 7,000 ACBF knowledge products were shared at conferences, seminars, workshops, and events in which ACBF staff and stakeholders participated. In turn, the foundation's mailing list added 1,119 subscribers. *Africa Capacity Report 2017* and Agenda 2063 studies topped the list of ACBF knowledge products that were in high demand.



Strategic studies on key development issues

The ACBF's Strategic Studies Group, a network of global development experts and practitioners, produced four research products in fiscal year 2017. The topics of the research were policy and institutional dimensions of Africa's political economy, capacity building and innovative strategies for youth employment in Africa, drivers of economic growth in Africa, and inequalities and sustained growth and poverty reduction.

The papers are available in the ACBF Virtual Library and Resource Center and have been widely disseminated to universities and during conferences, seminars, and knowledge-sharing events organized by ACBF and its partners. Feedback has been very positive, especially among academics, who have praised the quality that the papers have brought to the development debate.

Learning from implementation of the African Growth and Opportunity Act

In fiscal year 2017, ACBF initiated studies of implementation of the U.S. African Growth and Opportunity Act (AGOA) in 11 countries: Côte d'Ivoire, Ethiopia, Kenya, Lesotho, Liberia, Madagascar, Mauritius, Rwanda, Tanzania, Togo, and Zambia. The studies were motivated by the fact that Africa plays only a marginal role in world trade and that many African countries do not use trade preferences such as AGOA in an optimal way.

The studies provide key insights into AGOA implementation, challenges, outcomes, lessons, and—most importantly—capacity imperatives. The studies should help African countries increase their export earnings by improving trade on the continent and beyond.

PART IV:

ENHANCING ORGANIZATIONAL AND OPERATIONAL EFFICIENCY

Strengthening ACBF's governance and oversight

In fiscal year 2017 ACBF aimed to modernize and strengthen its corporate governance in line with international best practice.

All vacancies on the Executive Board were filled, leading to a full board comprising exceptional and high-caliber individuals committed to ensuring the board's effective and increasing its engagement. ACBF rolled out an electronic portal for the Executive Board in December 2017. The ACBF's Board of Governors and Executive Board convened all statutory meetings as required, and new members attended a retreat with in-depth discussions of key strategic and resource mobilization efforts.

ACBF also commenced an assessment of the adequacy and appropriateness of its constitution in light of the foundation's changing business model. The review is expected to make ABCF more responsive, more engaged, and better equipped to carry out its Strategy for 2017–2021.

Streamlining the ACBF's business processes

Because fiscal year 2017 was the beginning of the ACBF Strategy for 2017–2021, the foundation needed to align its corporate support functions to the new business model to achieve organizational effectiveness and operational efficiency.

Efforts were intensified in cost control, and features for a “greener” ACBF, including energy-saving devices, were installed and became another way of limiting spending. Streamlining also involved digitally archiving records that had reached their retention period. In addition, physical records at headquarters were catalogued and stored in an easy-to-access manner.

Overall, ACBF's disbursement for projects and knowledge products was better in fiscal year 2017 than ever before: 81 percent, compared with a target of 80 percent. Disbursement for World Bank-supported Regional International Development Association projects was completed, resulting in a zero balance on the grant, and the



RIDA/RE-MDTF Project is concluded on a high note

From 2011 to 2017 ACBF implemented a Regional Capacity Building Project with financing from the World Bank under the Regional International Development Association (RIDA) and Multi-Donor Trust Fund (MDTF). The project, with a grant amount of \$119 million was concluded in December 2017, on a high note, recording a zero balance on the grant. The 100% disbursement rate achieved in this project clearly demonstrate ACBF's experience, expertise and capability of unlocking implementation bottlenecks.

At the regional level, ACBF has been successful in improving the coordination and relevance of regional policies and programs, through this financing from the World Bank. The African Union Capacity Building project was particularly instrumental in ensuring that the African Union Commission had the requisite skills and capabilities to effectively deliver on its mandate. Within the same project, ACBF also supported the African Women Development Fund (ADWF), West African Monetary Institute, COMESA, to mention just a few. This support resulted in the enhancement of policy research capabilities of Regional Economic Communities.

At the Country level, the Foundation supported the formulation and implementation of relevant, inclusive and coherent public policies and programs that have contributed to increased growth and sustainable development across the continent. The Foundation built and strengthened public sector institutions and created platforms for inclusive policy engagement as well as empowered senior public-sector officials and managers who are playing a lead role in national and regional development processes. ACBF has also strengthened and equipped a number of higher educational institutions that have trained and deployed a cadre of highly skilled and capable academicians.

The success and achievements of the RIDA/MDTF project are immense and have laid a strong Foundation for Africa's transformation. What remains is to ensure that these benefits are sustained

staff–cost ratio (14 percent) was better than the target (17 percent). ACBF met all its reporting obligations on time, including concluding the Annual Financial Audit for 2016, and was issued a clean audit for 2016.

Procurement became automated through a new module in the computerized Sunflow system, and a new information security policy was developed to incorporate emerging best practices and address cyber threats and compliance requirements. The corporate security and information communications technology platform were enhanced and optimized.

Audit and Risk Committee issues a satisfactory rating

After considering the Annual Internal Audit Report, the Annual Statement of Declaration by the Executive Secretary, and the Report of the External Auditors for FY2017, together with the Management Letter, the Audit and Risk Committee gave ABCF an overall satisfactory rating for fiscal year 2017. The committee was satisfied that the resources that ABCF allocated were used for the intended purpose to achieve the intended objectives.

PART V: FINANCIAL STATEMENTS

**THE AFRICAN CAPACITY BUILDING FOUNDATION
FINANCIAL STATEMENTS
For the year ended 31 December 2017**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management of The African Capacity Building Foundation ("the Foundation") is responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements and related information. The Foundation's independent auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 3 and 4.

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRSIC).

Management is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of management to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the reporting period under review.

These financial statements have been prepared on a going concern basis. Nothing has come to the attention of Management to indicate that the Foundation will not be a going concern for the foreseeable future.

The financial statements and related annexure set out on pages 5 to 43 were approved by the Executive Board on the _____ and are signed on its behalf by :-



EXECUTIVE SECRETARY



DIRECTOR FINANCE AND ADMINISTRATION

INDEPENDENT AUDITOR'S REPORT TO THE EXECUTIVE BOARD OF THE AFRICAN CAPACITY BUILDING FOUNDATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of African Capacity Building Foundation ("the Foundation") set out on pages 5 to 19, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the statement of management's responsibility and the Report of Project Advances which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, Management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

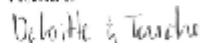
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Charity Mwazi.



Deloitte & Touche

Per: Charity Mwazi

Partner

PAAB Practice Certificate Number 0585

Registered Auditor

Date 22 JUNE 2018

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	<u>Notes</u>	<u>2017</u> US\$	<u>2016</u> US\$
ASSETS			
Non-Current Assets			
Property and equipment	5	2 513 183	2 594 202
Current Assets			
Inventories	6	64 792	72 947
Accounts receivable	7	10 440	40 143
Amounts due from staff	8	164 443	187 106
Advances to projects	9	2 048 485	5 337 728
Other assets	10	492 385	171 462
Bank balances and cash	11	16 545 589	23 074 413
Total Current Assets		19 326 134	28 883 799
TOTAL ASSETS		21 839 317	31 478 001
ACCUMULATED FUNDS AND LIABILITIES			
Accumulated Funds		19 729 009	28 688 906
Current Liabilities			
Accrued expenses	12	59 358	77 596
Provisions	13	1 109 937	1 106 018
Other liabilities	14	941 013	1 605 481
Total Current Liabilities		2 110 308	2 789 095
TOTAL ACCUMULATED FUNDS AND LIABILITIES		21 839 317	31 478 001

EXECUTIVE SECRETARY



DIRECTOR FINANCE AND ADMINISTRATION

Date 22 JUNE 2018

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	<u>Notes</u>	<u>2017</u> US\$	<u>2016</u> US\$
INCOME			
Grant financing		11 245 972	16 638 983
Direct contributions		3 432 685	2 436 854
Restricted income		10 947 284	3 006 146
Other income received	15	266 734	167 968
		-----	-----
Total Income		25 892 675	22 249 951
		-----	-----
EXPENDITURE			
Project expenses:			
Enhance Critical Capacities to:			
- Promote Political & Social Stability for Transformational Changes		8 885 477	6 111 061
- Engage and Regulate the Productive Sectors		2 178 795	5 125 156
- Track Policy Impact		6 361 837	4 754 038
- Movement in Accrued Project Expenditure		(1 381 831)	(2 574 935)
Special Projects and Partnerships	16	9 433 917	8 098 411
Project/Program Development Expenses	17	3 597 144	3 533 859
Knowledge and Learning Expenses		1 723 738	1 658 331
		-----	-----
Total Expenditure on Projects and Programs		30 799 077	26 705 921
Administration and board expenses	18	4 053 495	3 920 433
		-----	-----
Total Expenditure		34 852 572	30 626 354
		-----	-----
Excess of Expenditure Over Income	23	(8 959 897)	(8 376 403)
		-----	-----

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	<u>2017</u> US\$	<u>2016</u> US\$
Cash flows from operating activities		
Excess of expenditure over income	(8 959 897)	(8 376 403)
Adjustment for:		
Loss on disposal of property and equipment	-	202
Depreciation of property and equipment	113 010	193 209
Interest earned	(18 674)	(5 408)
	-----	-----
Operating cash outflows before working capital changes	(8 865 561)	(8 188 400)
Decrease in advances to projects	3 289 243	1 223 351
Decrease/(increase) in accounts receivable	29 703	(11 382)
Decrease in amounts due from staff	22 663	73 998
(Increase)/decrease in other assets	(320 923)	6 526
Decrease in inventories	8 155	16 867
(Decrease)/increase in current liabilities	(678 787)	69 316
	-----	-----
Cash used in operating activities	(6 515 507)	(6 809 724)
	-----	-----
Cash flows from investing activities		
Proceeds on disposal of property and equipment	-	1 225
Purchase of property and equipment	(31 991)	(141 683)
Interest received	18 674	5 408
	-----	-----
Cash used in investing activities	(13 317)	(135 050)
	-----	-----
Net decrease in bank balances and cash	(6 528 824)	(6 944 774)
Bank balances and cash at beginning of year	23 074 413	30 019 187
	-----	-----
Bank balances and cash at end of year	16 545 589	23 074 413
	-----	-----

**THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
For the year ended 31 December 2017**

	Accumulated Funds US\$
Balance at 1 January 2016	37 065 309
Excess of expenditure over income	(8 376 403)
Balance at 31 December 2016	28 688 906
Excess of expenditure over income	(8 959 897)
Balance at 31 December 2017	19 729 009

