

ACBF



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

Securing Africa's future through capacity development

2018 Annual Report



Letter of transmittal to the Board of Governors

RE: Annual Report 2018
March 2019

Dear Chair,

I have the honor of presenting to the Board of Governors of ACBF the Annual Report of the Foundation for the period 1 January 2018 to 31 December 2018.

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



Erastus J. O. Mwencha
Chair, Executive Board
African Capacity Building Foundation

Message from the Chair of the Board of Governors

The Foundation has had another successful year, achieving its development objectives, with tangible results being registered at the continental and country levels, as well as in its support to non-state actors in promoting sustainable development in Africa.

At continental level, the Foundation demonstrated its relevance to the African Union Commission by providing technical and knowledge support required for implementation of ongoing institutional reforms at the Commission. More specifically, ACBF continued to provide critical thought-leadership on capacity development in Africa through a number of initiatives such as publication of the flagship Africa Capacity Report, production of a series of “Lesson Notes on Capacity

Development” and co-authoring of the second edition of the AUC’s Annual Economic Flagship Report, titled “Public Policies for Productive Transformation.

I am pleased to report that as African Union’s Specialized Agency for Capacity Development, the Foundation is now properly anchored within the continental development landscape and is responding to the needs of member states and their organizations, including in supporting the implementation of the Agenda 2063 and the Sustainable Development Goals. To this end, in 2018 the Foundation produced the report on the Capacity Imperatives for the SDGs in line with the African Union’s Agenda 2063, which identified the capacity needed for countries to meet the goals and ways of developing this capacity. Also, ACBF undertook initiatives to support member states think through some important issues such as how Africa can benefit from the Belt and Road Initiative (BRI) and identifying priorities for Africa.

These initiatives were intended to ensure that partners are in a better position to support the development priorities of the continent. In 2019 ACBF will also engage the various US Agencies to promote the benefits of the new \$60 billion Build Act to our member countries.

At the country level, the Foundation is responding more effectively to the capacity development needs of member states and is supporting National Development Plans and Strategies, conducting Capacity Needs Assessments and developing and implementing capacity development strategies. So far, the Foundation has supported the following countries: Rwanda, Malawi, Liberia, Mali, Chad, Cameroon, Central African Republic and Congo. The Foundation has also provided technical support in macroeconomic policy formulation and implementation to conflict- and crisis-affected countries. Notably, working with various partners, the Foundation has played a central role in supporting the AU's implementation of the African Continental Free Trade Agreement [AfCFTA]. This has seen ACBF carry out regional and country readiness assessments to develop contextualized capacity development plans for operationalization of the AfCFTA.

None of these notable achievements would be possible without the support of ACBF's key partners, including the African Development Bank, the AFREXIM Bank, the Arab Bank for Economic Development in Africa, the Bill and Melinda Gates Foundation, the United Nations Development Program and the World Bank. I am particularly delighted that African member states have also stepped up their support to the Foundation. Notwithstanding these commendable efforts, the available resource envelope does not match the

significant increase in the demands for capacity development support by member states. For the Foundation to continue its invaluable support in dealing with such critical issues as youth unemployment, climate change, migration and strengthening state capacity to deliver tangible development results, there must be even greater support from all the existing partners and new partners.

This year marks the first time in the history of the Bretton Woods institutions that two Africans, the Governor of the Federal Reserve of South Africa, Mr Lesetja Kganyago and the Minister for Finance from Ghana, Mr. Ken Ofori-Atta, will chair the IMF Committee and the World Bank Development Committee respectively! It is a divine opportunity to make JOBS the overarching strategy for both institutions and the most heightened global imperative in the coming decade. It is my determination that the two of us will use these positions of influence to work closely with ACBF to provide the necessary research and support to make this a reality.

I look forward to an exciting and productive year for ACBF! A year of the Lord's favor to consolidate our finances with our old and new partners so that our work and Partnerships will indeed impact our People and the Planet to create the needed Peace and Prosperity for Africa!

Dominus Regit Me!

Hon. Ken Ofori-Atta
Chair, ACBF Board of Governors
Finance Minister of Ghana

Foreword from the Chair of the Executive Board

The 2018 Annual Report provides key highlights of the Foundation's contribution to advancing development priorities at continental and national levels as well as its capacity support to non-state actors.

These include support to 21 member states to enhance knowledge and skills in financial sector management, including public finance and debt management. In the area of regional integration, the Foundation facilitated capacity building for improved cross-border payment systems in the East African Community [EAC] and Southern African Development Community [SADC] regions and

development of guidelines for policymakers and stakeholders to facilitate cross-border payments in other regions.

We stayed steadfast to our commitment to coordinating continental capacity development efforts to support the implementation of Agenda 2063 and the Sustainable Development Goals with full recognition that good public financial governance is a pre-requisite for fighting poverty, creating jobs and promoting sustainable economic development. ACBF co-produced the first edition of the African Financial Governance Outlook [AFGO] with the African Development Bank to increase understanding of the state of public financial governance reforms and importance of capacity building for improved accountability mechanisms for all actors within the public financial management ecosystem.



The Foundation provided learning platforms at the 27th Annual Board of Governors Meeting in Yaoundé, Cameroon and the Think Tank Summit that reflected on the critical skills required to advance youth employment on the continent. The reflections supported that skills training for young people should consider the requirements of the emerging labour markets with a focus on technical and vocational education as well as training in entrepreneurship, and leadership.

The Executive Board remained committed to its oversight role of the Foundation through constant engagement with the Secretariat and providing guidance and support on key programmatic and corporate activities. At the corporate level, close monitoring of financial management and internal controls remained a priority in a bid to keep the Foundation in line with international standards. I am pleased to report that our Internal Audit Department underwent a quality assurance review. The review reported a well-structured and managed environment in conformity with Standards and Code of Ethics. A write off policy for doubtful accounts and irrecoverable items was approved by the Executive Board to align with International Financial Reporting Standards (IFRS) on debt management.

The Executive Board remains at full complement and new vacancies were filled with due regard to gender parity, equitable demographic representation and appropriate skills mix for effectiveness. The Executive Board welcomed two new members namely: Ms. Pauline Paledi-Mokou who has extensive and in-depth experience in

corporate governance and human resource management and Mr. Constant Koko Mudekereza who brings with him over ten years' experience in capacity development.

ACBF remains at the forefront of proffering innovative ways of unlocking the implementation gaps that confront many of our countries. In this regard, the Foundation has provided support in the areas of public accounting, policy formulation and implementation as well as in capacity building for sustainable resource mobilization; through the provision of advisory services and technical support.

While the achievements of the Foundation are apparent and encouraging, capacity constraints continue to pose a major challenge to economic growth and development in African. The Foundation's work is, today more than ever, relevant and important and needs to be intensified. This requires strong efforts by all the Foundation's key stakeholders in the mobilization of sustainable resources which will enable it to address the most critical and most pressing needs identified by member states.

My colleagues and I look forward to steering the Foundation forward and making impactful and long-lasting contributions, together with the support of the Board of Governors and the many partners who are part of the capacity development architecture of the continent.

Erastus Mwencha

Chair, Executive Board of ACBF

Introduction by the Executive Secretary

In 2018, ACBF continued working towards the achievement of the “Africa we want” as enshrined in Agenda 2063 and the achievement of the Sustainable Development Goals. The Foundation intensified its support to Africa's development in line with the pillars of the 2017-2021 Strategy. In this regard, it continued to provide enabling conditions for the effective delivery of continental development priorities while supporting countries to achieve tangible development results.

ACBF continued to work with and support the African Union Commission, particularly in the implementation of its institutional reforms which are aimed at transforming the Commission into a more efficient and self-sustaining organization. The Foundation provided technical support in the form of knowledge and advisory services which have guided the Commission in

making better informed decisions on the implementation of the Reforms.

Another main thrust of our operations in 2018 was to unlock implementation bottlenecks in a number of African countries by enhancing capacities to improve public financial management, making sure relevant policies are implemented, and increasing the capacity of states and institutions to more sustainably mobilize resources and effectively utilize them. With various projects scattered around Africa, the Foundation has ably enhanced macroeconomic and financial stability and governance especially in conflict- and crisis-affected countries, through its



advisory services and investments in capacity development.

Likewise, it increased its role in enhancing the contribution of non-state actors to sustainable development, while leveraging knowledge and learning to increase development effectiveness. Major strides have also been made in the area of public health through strengthening the capacity of Tobacco Control organizations to effectively deliver on their mandate and contribute to improving the health of populations in Africa.

The results of these efforts are reflected in the Foundation's satisfactory rating in the World Bank's Implementation, Completion and Results report for the regional capacity building project which ACBF implemented with the Banks support. These results demonstrate the Foundation's high levels of efficiency, effectiveness and its focus on the delivery of tangible results.

Concerted efforts were made in 2018 to mobilize resources in support of capacity development. With the support of the African Union Commission, the Foundation secured commitment from the People's Republic of China to establish the Africa Capacity Development Institute at the headquarters of the ACBF in Harare, Zimbabwe. This Institute will serve as a go-to place for African academia, professionals, policy makers, decision makers and high-level leaders to dialogue on and provide

solutions to priority capacity issues in Africa. It will also be the hub for knowledge sharing, reflections and debate on key issues affecting African countries. These actions demonstrate the confidence that our partners have in ACBF and reflects on the gains of the contributions that the Foundation has made on the continent in the past 27 years.

We also received increased contributions from African member states, whose support remain crucial in ensuring the sustainability of the Foundation and I would like to take this opportunity to express my profound gratitude to ACBF's member states, who, despite the economic challenges facing many of them, still faithfully made their contributions to the Foundation. We still count on member states to contribute more in 2019, in support of the Foundation and the capacity development Agenda.

I would also like to express my profound gratitude to all our partners that continue to support ACBF. Let me also thank the ACBF Executive Board and the Board of Governors, who have steadfastly provided guidance and support to the Foundation. I would also want to extend my appreciation to the Secretariat for its commitment in driving Africa's capacity development Agenda.

Professor Emmanuel Nnadozie
Executive Secretary, ACBF



Contents

| | |
|---|-----------|
| Letter of transmittal to the Board of Governors | 1 |
| Message from the Chair of the Board of Governors | 2 |
| Foreword from the Chair of the Executive Board | 4 |
| Introduction by the Executive Secretary | 6 |
| Abbreviations | 11 |
| Executive Board | 12 |
| Board of Governors | 13 |
| <hr/> | |
| Part I. The African Capacity Building Foundation at a glance | 15 |
| Partners | 17 |
| African partners | 17 |
| Bilateral partners | 17 |
| Multilateral partners | 17 |
| <hr/> | |
| Part II. Year in retrospect—2018 highlights | 19 |
| <hr/> | |
| Part III. Implementation of the ACBF Strategy for 2017–2021 | 27 |
| Pillar 1: Enabling effective delivery of continental development priorities | 28 |
| Supporting AUC's reform agenda | 28 |
| Enhancing financial governance | 29 |
| Regional integration through innovation | 30 |
| Building the capacity needed for Agenda 2063 | 30 |
| Pillar 2: Supporting countries to achieve tangible development results | 31 |
| Assessing the capacity needs in The Gambia and Central African Republic | 31 |
| Providing support to conflict- and crisis-affected countries | 31 |
| Pillar 3: Enhancing the capacity of non-state actors, the private sector, and civil society to contribute to sustainable development | 32 |
| Cultivating skills for women farmers and entrepreneurs | 32 |
| Delivering the tobacco control program to improve public health | 33 |
| Enhancing the capacity of African institutions | 34 |

| | |
|---|-----------|
| Pillar 4: Leveraging knowledge and learning to increase development effectiveness | 34 |
| Providing thought leadership for enhanced economic development in Africa | 34 |
| Raising the level of dialogue for economic development through the Africa Development Dynamics report | 35 |
| Raising the standards of public finance management for accountability and inclusive growth | 35 |
| Improving the reliability of statistics by enhancing collection and harmonization of data | 36 |
| Harnessing the youth dividend and boosting women’s entrepreneurship | 37 |
| <hr/> | |
| Part IV. Enhancing organizational and operational efficiency | 39 |
| Quality over quantity: Sharpening focus on capacity-building interventions | 40 |
| Mobilizing resources for organizational and operational efficiency | 40 |
| Enhancing resource management to increase project impact | 41 |
| More effectively monitoring and evaluating the impact of projects | 41 |
| Upgrading business processes | 41 |
| Enhancing risk management and transforming internal systems | 41 |
| Strengthening the Foundation’s governance and oversight | 42 |
| Audit and Risk Committee issues a satisfactory rating | 42 |
| The way forward: FY2019 | 43 |
| <hr/> | |
| Part V. Financial Statements for the year ended 31 December 2018 | 45 |
| <hr/> | |

Abbreviations

| | |
|-------|--|
| ACBF | African Capacity Building Foundation |
| AfCTA | African Continental Free Trade Agreement |
| AfDB | African Development Bank |
| AU | African Union |
| AUC | African Union Commission |
| PPP | Public-private partnership |



H.E Moussa Faki Mahamat, Chairperson of the African Union Commission - visit to the ACBF Secretariat in Harare, Zimbabwe

Executive Board



Erastus J.O. Mwencha
Chair



Charlotte Osei
Vice Chair



Jonas Aklesso Daou



Aminata Sidibe Diarra



Louka T. Katseli



Jessie Rose D. Mabutias



Lamin Momodou
Manneh



Mor Seck



Godfrey Simbeye



Graham Stegmann



Kevin Urama



Emmanuel Nnadozie

Independent Members of the Audit and Risk Committee



Babajide Adebisi



Thomas Asare



Niranjan Pant

Board of Governors

| Country/institution | Governor | Country/institution | Governor |
|--------------------------------|--|---------------------|--|
| Ghana | Hon. Ken Ofori-Atta [Chair] | The Gambia | Hon. Mambury Njie |
| Cameroon | Hon. Alamine Ousmane Mey [Vice-Chair] | Guinea Bissau | Hon. João Alage Mamadu Fadia |
| Kenya | Hon. Henry Rotich [Vice-Chair] | Guinea | Hon. Mamadi Camara |
| African Development Bank Group | Mr. Celestin Monga | Liberia | Hon. Samuel D. Tweah |
| Benin | Hon. Abdoulaye Bio Tchané | Madagascar | Hon. François Maurice Gervais Rakotoarimanana |
| Botswana | Hon. Ontefetse Kenneth Matambo | Mauritius | Hon. Pravind Jugnauth |
| Burkina Faso | Hon. Rosine Coulibaly / Sori | Malawi | Hon. Goodall Gondwe |
| Burundi | Hon. Domitien Ndiokubwayo | Mali | Hon. Boubou Cisse |
| Cabo Verde | Hon. Olavo Avelino Garcia Correia | Mauritania | Hon. Moctar Djay |
| Central African Republic | Hon. Félix Moloua | Namibia | Hon. Obeth M. Kandjose |
| Chad | Hon. Issa Doubragne | Niger | Hon. Aichatou Kane Boulama |
| Comoros | Hon. Fouady Goulame | Nigeria | Hon. Zainab Shamsuna Ahmed |
| Congo Democratic Republic | Hon. Bahati Lukwebo | Rwanda | Hon. Uzziel Ndagijimana |
| Congo Republic | Hon. Ebouka-Babackas Ingrid Olga Ghislaine | Sao Tome & Principe | Hon. Hélio Silva Vaz de Almeida |
| Cote D'Ivoire | Hon. Adama Kone | Senegal | Hon. Amadou Ba |
| Djibouti | Hon. Ilyas Dawaleh | Sudan | Hon. Mohamed Osman Elrkabii |
| Eswatini, Kingdom of | Hon. Martin G. Dlamini | Sierra Leone | Hon. Nabeela F Tunis |
| Ethiopia | Hon. Ahmed Shide | Tanzania | Hon. Philip Mpango |
| Gabon | Hon. Jean-Fidèle Otandault | Togo | Hon. Kossi Assimaidou |
| | | Uganda | Hon. Matia Kasaija |
| | | UNDP | Ms. Ahunna Eziakonwa |
| | | World Bank | Mr. Hafez Ghanem |
| | | Zambia | Hon. Margaret Mwanakatwe |
| | | Zimbabwe | Hon. Mthuli Ncube |



Hon. Ken Ofori-Atta, Finance Minister of Ghana and Chair of the Board of Governors of ACBF with Prof. Emmanuel Nnadozie, Executive Secretary of ACBF at the inauguration of the West and Central Africa Regional Office [WCARO]





1

PART 1:

The African Capacity Building Foundation at a glance

The African Capacity Building Foundation at a glance

The African Capacity Building Foundation is a pan-African organization established in 1991 by African countries with the support of their bilateral and multilateral partners to build human and institutional capacity for Africa's sustainable development.

The vision of the Foundation is:

An Africa capable of achieving its own development

Its mission is:

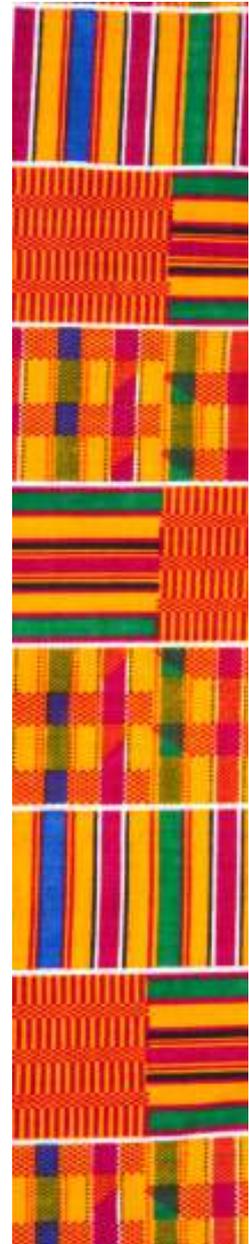
To build strategic partnerships, offer technical support and investments, and provide access to relevant knowledge related to capacity building in Africa.

The Foundation supports capacity development in most African countries, the African Union Commission, and Africa's regional economic communities through financial investment, and technical support for home-grown initiatives and the extension of knowledge in priority areas identified by African countries.

In January 2017, the Assembly of the African Union Heads of State and

Government designated the Foundation as the African Union's specialized agency for capacity development, giving it the mandate to spearhead and coordinate capacity development interventions in support of Agendas 2030 and 2063.

The Foundation is administered by an Executive Secretary under the authority of a Board of Governors—composed mainly of African ministers of finance or economic planning and directors-general, vice presidents, or other high-level representatives of international development cooperation agencies—and an Executive Board. The Foundation has its headquarters in Harare, Zimbabwe; offices in Accra, Ghana, and Nairobi, Kenya; and a representation at the African Union Commission.



Partners

The Foundation's cutting-edge work in developing human and institutional capacity for Africa's transformation has received praiseworthy support from its partner countries, bilateral partners, and multilateral partners since its founding in 1991.

African partners

Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Eswatini, 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, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

Bilateral partners

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

Multilateral partners







2

PART II:

Year in retrospect —2018 highlights

Year in retrospect—2018 highlights

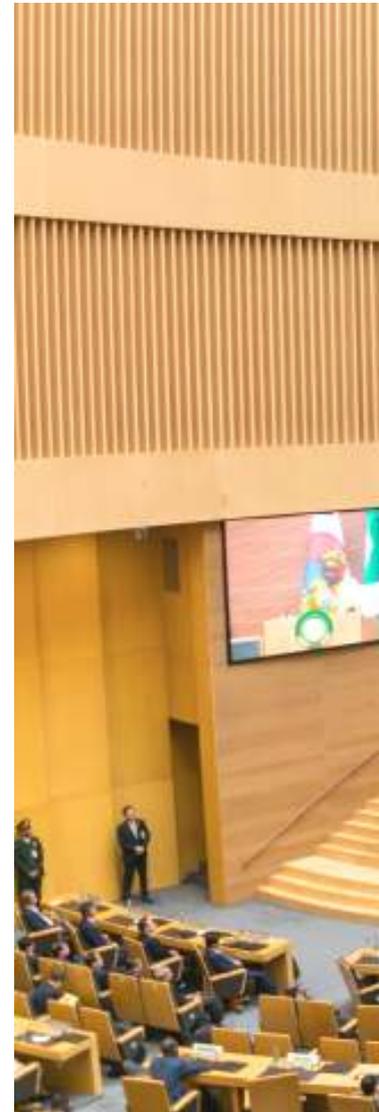
Institutional reform was the major focus at the 11th African Union (AU) Extraordinary Summit held in November 2018 in Addis Ababa. The objective was rationalizing the working methods of AU organs and accelerating the march towards financial autonomy. To make this possible, Africa must make smarter investments in its organizations to develop the human, material, and financial means to meet the expectations of its states and peoples.

The AU's Agenda 2063 was the compass directing the African Capacity Building Foundation's contributions to those goals. During 2018, the Foundation's projects were therefore focused primarily on improving public accounting, making policy formulation more relevant, and increasing state and institutional capacity to more sustainably mobilize resources.

To maintain measurable targets and focus on results, the Foundation's work relied on deliberately selected key performance areas, all of them, guided by each of the four Strategic Pillars and five Service Lines.

The progress made by the Foundation in these focus areas is reflected in the highlights of our 2018 activities:

- **Promoting organizational integration and policy coherence.** The Foundation provided the AU Commission's (AUC) leaders with practical solutions on meeting its goals for organizational integration and policy coherence. This advisory service was a component of studies conducted with Foundation support in these areas: policy coherence between AUC and AU organs, the convergence and coherence of regional economic community flagship projects with Agenda 2063, and the evaluation of AUC specialized agencies.
- **Building capacity in trade finance and regional integration and trade policy.** The benefits of the Foundation's thrust toward developing partnerships were evident in the 2018 fiscal year. It partnered with the African Export–Import Bank to provide technical assistance to the Trade Policy Training Center in Africa in developing a training program on trade finance. The Foundation worked with the Ghana Institute of Management and Public Administration on a training program on regional integration; with the Common Market for Eastern and Southern Africa on a capacity development project in trade policy analysis and research; and





Year in retrospect—2018 highlights

with the Food, Agriculture, and Natural Resources Policy Analysis Network on promoting the participation and influence of women farmers in policy processes.

- **Bridging the implementation gap.** In pursuit of Africa's push towards financial autonomy and strengthening state capacity, the Foundation conducted capacity needs assessments in Cameroon and Central African Republic during 2018. The results ensure that any intervention by the Foundation is specially designed for the identified capacity gaps and varying demands of each country.
- **Rebuilding state capacity to improve public service delivery.** In the drive toward strengthening the public

sector and improving public service delivery, the Foundation completed a feasibility study for establishing a school of public administration in Comoros to address acute capacity challenges in that country. The establishment of the school is expected to address the training gaps in the public service, whilst building the critical skills needed for better public service delivery.

- **Enhancing organizational performance for better results.** The Foundation began several projects aimed at enhancing organizational effectiveness. The organizations that benefited from such support included the Public Service Institute of Nigeria and the Ministry of Livestock and Fisheries in Ethiopia.

Supporting policy formulation

The Foundation took concrete steps toward strengthening economic policy formulation and implementation in 10 countries: Chad, Central African Republic, Comoros, Côte d'Ivoire, The Gambia, Guinea, Liberia, Sierra Leone, Togo, and Zimbabwe. In Zimbabwe, the Foundation's fund management and grant-making services allowed for more efficient implementation of African Development Bank-supported projects.

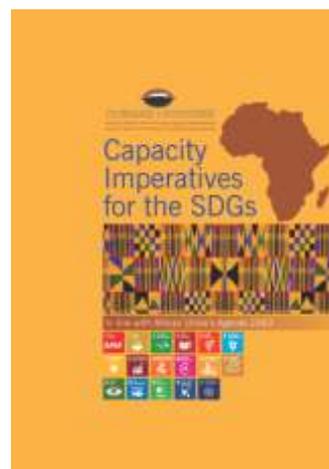
- **Promoting Public health.** The Foundation worked to increase the capacity of non-state actors to contribute more to sustainable development. Achievements included completing the first phase of the tobacco control program and approval of a new grant by the Bill & Melinda Gates Foundation on mainstreaming tobacco control into government structures, enhancing capacity for evidence-based tobacco control policies, improving implementation capacity, and countering industry interference. The adoption of the Tobacco Control law in Mauritania and the awards for best practice in the use of pictorial graphic warnings won by the government of Senegal

at the 2018 World Conference of Health and Tobacco Control are a direct result of Foundation support. Furthermore, the Foundation, in recognition of its contribution to advancing tobacco control on the continent, was granted observer status at the 2018 Conference of Parties of the World Health Organization Framework Convention on Tobacco Control.

- **Women empowerment and inclusive economic participation.** Through a partnership with the Arab Bank for Economic Development in Africa, the Foundation expanded leadership and entrepreneurship development programs for women

in agriculture [farmers and cooperatives] in Liberia, Malawi, and Rwanda. This initiative equipped women with skills to advocate for better policies to increase women's economic participation. Furthermore, the Foundation conducted six needs assessment studies on women entrepreneurship in Chad, Congo, Malawi, Mali, Liberia and Rwanda.

- **Fostering efficient public financial management.** During the 2018 fiscal year, the Foundation, in partnership with the African Development Bank, published the first African Financial Governance Outlook on effective public financial management for sustainable development. The report contributed immensely to research into how African countries can more effectively and efficiently manage their public financial resources to meet their long-term goals of sustainable economic growth and poverty reduction.
- **The Foundation also conducted several strategic studies to support Africa's socioeconomic transformation.** Key among these studies were:
 - o *Brain Drain in Africa: The Case of Tackling Capacity Issues in Malawi's Medical Migration and Tackling Africa's Youth Unemployment Challenge: Innovative Solutions from Think Tanks.* These two reports revealed the extent of skills gaps and how to bridge them.
 - o *Capacity Imperatives for the SDGs in Line with the African Union's Agenda 2063,* which provided countries with a comprehensive set of capacity development priorities for meeting the continental development goals in a way that benefits all Africans.
 - o Three advisory projects: Sustainability of the African Economic Platform: Opportunities and Options [A platform for dialogue among Heads of State, business leaders, academia, and youth]; How Africa Can Benefit from the China Belt and Road Initiative [BRI]; and World Bank Priorities in Africa: How to Better Support the Development



Year in retrospect—2018 highlights

Priorities of the Continent. The Foundation undertook these for governments and multilateral institutions in its role as the AU's specialized agency for capacity development.



5th Africa Think Tank Summit

- The Foundation provided platforms to develop solutions on how Africa can invest in its young people to build capacity for sustainable growth. These included the following:
 - o A high-level event, Youth Employment in Africa: A Focus on Developing the Critical Skills, ran alongside the Foundation's 27th annual Board of Governors Meeting in Yaoundé, Cameroon. Ministers of finance and heads of private sector organizations committed to supporting programs to develop and retain critical skills on the continent.
 - o An Africa think tank summit was held on Tackling

Africa's Youth Unemployment Challenge: Innovative Solutions from Think Tanks. This summit recommended an Africa-wide study on successful empowerment programs in key sectors such as agriculture and mining and replicating such models across the continent to build capacity.

- o The ACBF Virtual Library extended the dissemination of the Foundation's knowledge products, with content reaching 129 countries. Africa represented 74 percent of traffic to the library, Europe 13 percent, the Americas 7 percent, Asia 6 percent, and Oceania less than 1 percent.
- Supporting regional integration and building partnerships, the Foundation contributed to the action plans of the Economic Community of Central African States and the Arab Maghreb Union.
- An agreement with the AUC defined the operational modalities of the Foundation's specialized agency status. The agreement clarifies the Foundation's roles of coordinating and implementing capacity development programs in support of Agenda 2063 and the United Nations Sustainable Development Goals.
- The World Bank prepared the Implementation Completion and Results Report for the Regional Capacity Building Project funded by the World bank and the Multi-Donor Trust Fund during the period 2011 to 2017. The amount invested by ACBF was USD119 million. The report rigorously assessed the achievement of project objectives and derived the lessons of the intervention. The results of the review are indicated in the table overleaf:

| | | | | | |
|-----------|-------------|-------------|-----------------|-------------------------|-------------|
| Relevance | Efficacy | Efficiency | Overall Outcome | Bank Performance | M&E Quality |
| High | Substantial | Substantial | Satisfactory | Moderately Satisfactory | Substantial |



Participants of the World Bank Implementation Completion and Results Report Validation Workshop

- To improve efficiency, the Foundation moved closer to paperless planning with a new information management system that automated operational planning and reporting. The new system was deployed across the Foundation's operations and to its grantees.



3

PART III:

Implementation of
the ACBF Strategy
for 2017–2021

Implementation of the ACBF Strategy for 2017–2021

2018 presented the African Capacity Building Foundation with a new set of challenges and opportunities. As the African Union Commission's (AUC) move toward self-sufficiency gathered pace, the Foundation in turn accelerated reforms across its own operations and reviewed its activities to bring them closer to the aspirations of its ACBF Strategy for 2017–2021.

While many countries continued to make commendable progress toward development, capacity deficits prevented them from responding quickly and effectively enough to the rapid changes around them, disrupting their ability to implement their strategies and achieve much-needed results.

To maintain measurable targets and focus on results, the Foundation's work relied on deliberately selected key performance areas, all of them guided by the four strategic pillars of the ACBF Strategy.

Pillar 1: Enabling effective delivery of continental development priorities

Supporting AUC's reform agenda

In its role as the African Union's (AU) specialized agency for capacity development in Africa, the Foundation actively participated in the AUC's integration agenda by providing working material on policy coordination.



During the year, the Foundation also took part in developing a five-year project on capacity building and social security extension in the informal economy. As a major partner, the Foundation developed a capacity building plan, which was endorsed by the AUC in October 2018.

Fresh knowledge, better collaboration: New studies recommend practical steps toward AU cohesion

During 2018, in advancing African Union reforms, the African Capacity Building Foundation conducted three major studies: [1] one on policy coherence between the African Union Commission and African Union organs, [2] a baseline consultation study with regional economic communities assessing convergence and coherence with flagship projects of Agenda 2063, and [3] an evaluative study of African Union Commission [AUC] specialized agencies.

After extensive evaluation of the state of policy and institutional coherence between the AUC, regional economic communities, and the African Union's specialized agencies, the reports made practical recommendations to the Chairperson of the African Union Commission on enhancing collaboration among the continent's organs and agencies.

Enhancing financial governance

Macroeconomic stability and sound public financial management are prerequisites for sustainable growth. So, during the 2018 fiscal year, the Foundation extended support to 21 member countries [16 from the Eastern and Southern Africa region and 5 from the West Africa region] to enhance knowledge and skills in public debt management, public finance management, and financial sector management.

In partnership with the West African Institute for Financial and Economic Management in Lagos, Nigeria, and the Macroeconomic and Financial Management Institute in Harare, Zimbabwe, the Foundation assisted

governments in building capacity in the critical areas of debt and financial management. These programs equipped officials from these regions with deeper knowledge and more practical skills for debt sustainability analysis, macroeconomic management and modeling, and gender-responsive policy management and budgeting.

Guidelines were developed to introduce innovative methods of financing sub regional infrastructure projects in the Southern and Eastern and West African regions through domestic debt markets, public-private partnerships [PPPs], and international capital markets.

Implementation of the ACBF Strategy for 2017–2021

Program to enhance legislative capacity for better public oversight in West Africa

In fiscal year 2018, with funding from the Foundation, the National Institute for Legislative and Democratic Studies [NILDS] in Abuja, Nigeria, embarked on activities building legislative capacity to strengthen financial oversight, promote economic growth, and ensure security in West Africa. While members of parliament were the primary targets of the NILDS programs, other stakeholders such as ministers of state and heads of agencies also benefited. Among the themes covered were regional security, legislative oversight, agricultural production and the value chain, and the Economic Community of West African States single currency program.

Regional integration through innovation

To promote regional integration, the Foundation continued to promote efforts to improve the efficiency of cross-border payment systems in the East African Community and Southern African Development Community. During 2018, the Foundation facilitated training workshops extensively reviewing existing cross-border payment linkages in the regions to identify and resolve restrictions to developing and connecting payment solutions. The workshops provided platforms for improving and more efficiently integrating payments and market infrastructure. A road map was produced on how policy makers, regulators, and industry players can join forces to boost cross-border payments.

Building the capacity needed for Agenda 2063

During the 2018 fiscal year, the Foundation also supported the AU with critical advisory services on such areas as financing capacity development, aligning World Bank priorities with Africa's under Agenda 2063, fighting illicit financial flows, and the sustainability of the African Economic Platform, the capacity imperatives for implementing the United Nations Sustainable Development Goals in Africa, the relevance and contribution of pan-African and regional institutions, maximizing benefits from China's Belt and Road Initiative.

Equally important, the Foundation collaborated with such partners as the United Nations Economic Commission for Africa, the African Development Bank, and the African Import–Export Bank in supporting the AU in implementing the African Continental Free Trade Agreement [AfCFTA]. Coordinating efforts toward regional and country readiness assessments to develop contextualized capacity development plans for operationalizing the AfCFTA has been key. The Foundation participated in a number of partner meetings and high-level forums in this regard.



Pillar 2: Supporting countries to achieve tangible development results

Assessing the capacity needs in The Gambia and Central African Republic

During the 2018 fiscal year, the Foundation conducted and finalized capacity needs assessments in The Gambia and the Central African Republic.

After engaging top Gambian government officials, including the president, the vice president, and ministers, the Foundation completed a capacity needs assessment and a capacity development strategy. Subsequently, the government committed itself to use the reports as a basis for addressing capacity needs as it implemented its newly designed national development plan.

In the Central African Republic, the Foundation partnered with government in the country's capacity needs assessment exercise, focusing on improving public governance.

Contributing to the implementation of the AU's Agenda 2063, the Foundation began to assess African countries' capacity to implement it within the framework of their own national development strategies. The pilot phase, done in collaboration with the New Partnership for Africa's Development (the African Union development agency), covered 10 countries: Algeria, Cameroon, Comoros, Kenya, Liberia, Malawi, Nigeria, Swaziland, Togo, and Zimbabwe. The studies will form the bedrock for the Foundation's support to these countries in 2019 and beyond.

Providing support to conflict- and crisis-affected countries

The Foundation's desire to act where the capacity needs are greatest led to providing technical and financial support to countries with low capacity and those affected by conflict or crisis. By working closely with governments in those countries, the Foundation helped them accurately determine the extent of their capacity deficits and develop appropriate responses.

New policy models for Central African Republic and Chad

In Central African Republic, the most pressing need was development plans at both central and local government levels. The requisite plans were designed during the 2018 fiscal year, and a capacity needs assessment was completed.

In Chad, where oil revenues make up a large part of export revenues, a Computable General Equilibrium model was developed to simulate the policy impact of external shocks, such as a drop-in world oil price. In addition, a higher education strategy was developed during 2018 to strengthen Chadian government efforts to reform the education sector.

Implementation of the ACBF Strategy for 2017–2021

The government of Guinea benefited from skill-building activities that enabled officials to prepare quality budgets and make informed decisions for smoothly implementing the National Development Plan.

In Côte d'Ivoire, the Foundation-supported think tank Cellule d'Analyse des Politiques Economiques helped the government build skills in strategic planning evaluation methods for programs development. In Togo, the Centre Autonome d'Etudes et de Renforcement des Capacités pour le Développement au Togo delivered a study to guide the government in designing a PPP policy for agriculture. Other interventions included building skills in local governance and community development, and budgeting for public investment programs.

In fiscal year 2018, the Foundation helped the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) assess distortions in the financial markets and study arrears clearance, natural resource management, and sustainable debt policy options. The study recommendations informed several government reforms on debt management, industrial policy, and financial markets. ZEPARU also provided technical assistance toward developing macroeconomic models for the government.



Pillar 3: Enhancing the capacity of non-state actors, the private sector, and civil society to contribute to sustainable development

Cultivating skills for women farmers and entrepreneurs

While women represent more than half the agricultural labor force in developing countries, according to the Food and Agriculture Organization, their lack of access to information impedes success in agriculture and business. As a direct response to this capacity gap, the Foundation took concerted action in the 2018 fiscal year to enhance business skills for women in agriculture and entrepreneurship, in partnership with the Arab Bank for Economic Development in Africa.



Assessments in six countries—Chad, Congo, Liberia, Malawi, Mali, and Rwanda—identified areas of need in entrepreneurship training.

In Liberia, Malawi, and Rwanda, to promote women's empowerment, the Foundation conducted policy advocacy forums, held activities to cultivate leadership, and developed policy briefs for policy formulation. The forum activities provided an opportunity for stakeholders, including women farmer representatives, government, the private sector, national and international development partners, and Foundation experts, to discuss the challenges to empowering women in agriculture. The main issues were legacy issues; implementation capacity; access to finance, land, and skills; and a lack of concerted effort by stakeholders. These issues were also key considerations highlighted in the policy briefs. The Foundation conducted trainings

facilitated by its experts for women farmers and their cooperative leaders. The participants gained critical capacity, particularly the basics of marketing, managing inventory, business finance, business plan and proposal development, and leadership skills.

Delivering the tobacco control program to improve public health

The 2018 fiscal year was the last one for implementing the Phase I Tobacco Control (TC) program in partnership with the Bill & Melinda Gates Foundation. The program was successfully delivered, as witnessed by achievements and recognitions registered by various beneficiaries during the year.

Awards and new legislation mark a successful year for the Foundation's tobacco control efforts

A visible outcome of the Foundation's support to civil society organizations and governments was building a strong coalition to support tobacco control activities and policies in beneficiary countries. As a result, the government of Senegal received an award during the 17th World Conference on Tobacco or Health for the remarkable work done on graphic warnings. And Mauritania passed a strong tobacco law during 2018.

In October 2018, the Foundation was granted observer status to the Conference of Parties on Tobacco Control. This cemented the Foundation's standing as a key partner in tobacco control efforts across Africa. Given its unique position, the Foundation has a huge potential going forward to develop and bring sustainability to tobacco control interventions.

Implementation of the ACBF Strategy for 2017–2021

Enhancing the capacity of African institutions

During 2018, the Foundation increased its focus on identifying high-potential African organizations to increase their effectiveness and efficiency in building capacity across the continent. This aligned with the African Union's efforts to move the continent toward more sustainable long-term self-sufficiency. In pursuing this initiative, the Foundation extended grants to carefully selected organizations in order to strengthen their capacity to better serve their economies.

For example, support was extended to Ethiopia's ministry of livestock and fisheries to increase the skills and knowledge of livestock extension workers. And the Foundation support under the initiative went to five organizations in Ethiopia, Nigeria, South Africa, and Tanzania, expanding their capacity to implement progressive policies at higher levels and over a sustained period.

Key achievements under the grant included the development of a four-year strategic plan by the Public Service Institute of Nigeria to better allocate its resources to achieve its long-term objectives. The grant also allowed the Treatment Action Campaign in South Africa to build the skills of a critical mass of community members in various areas.

Pillar 4: Leveraging knowledge and learning to increase development effectiveness

During the Foundation's 2018 fiscal year, Africa looked more and more to itself for sustainable methods to fund its growth programs. So, the search for ways to develop the continent's skills and increase its capacity became even more urgent. Hence, the Foundation's work has never been more important to Africa than it is now. The Foundation took the following steps in 2018 toward regional integration and socioeconomic transformation.

Providing thought leadership for enhanced economic development in Africa

The Foundation, through its flagship publication, the Africa Capacity Report (ACR), continued to inform African countries on capacity gaps and imperatives around their national development strategies. The 2019 ACR, themed "Fostering Transformative Leadership for Africa's Development," highlights leadership as critical to attaining the continent's Agenda 2063—a home-grown strategic framework for socioeconomic transformation—and the internationally agreed Sustainable Development Goals, also known as Agenda 2030.

The Foundation's goals are ambitious, but by mobilizing resources and improving capacity among its staff, it has set in motion strategies to bring these aspirations for transformation to fruition. Another contribution to thought leadership on capacity was *Lessons and Notes on Capacity Development*, a series of policy studies commissioned by the Foundation, in collaboration with the World Bank, documenting the lessons of capacity development interventions. The notes will provide motivation and support for continued learning, innovations, and progress on capacity development across Africa and beyond [by both the Foundation and its partners]. The lessons will inform the Foundation's future capacity development interventions.

Raising the level of dialogue for economic development through the Africa Development Dynamics report

To fast-track the continental integration agenda and the socioeconomic transformation of Africa, the AUC rolled out an annual economic flagship report, '[Africas Development Dynamics](#)' (AfDD). The AUC invited the Foundation to coauthor the second edition (AfDD 2019) in recognition of the Foundation's vast experience and expertise in managing such flagship reports. The AfDD 2019 and subsequent editions will be coproduced by the AUC, the Foundation, and the Organisation for Economic Co-operation and Development's Development Centre.

The AfDD analyzes the dynamics of African economies through a comparative framework to support the implementation of the AU's Agenda 2063. It uses lessons from the five AU-defined African regions [Central, East,

North, Southern, and West] to develop recommendations and share good practices.

The theme of the AfDD 2019 is "Public Policies for Productive Transformation," raising awareness and encouraging policy and social dialogue in Africa to bolster aid in industrialization, trade promotion, and integration.

Raising the standards of public finance management for accountability and inclusive growth

The Foundation realizes that Africa's strides towards self-reliance will require a corresponding improvement in its management of public finances. If the standards of financial governance are enhanced, scarce resources can be allocated more efficiently toward reducing poverty and delivering sustainable and inclusive economic growth. So, the Foundation, leveraging its key partnerships, took deliberate steps to improve public accounting systems.

Jointly with the African Development Bank (AfDB), the Foundation produced a new flagship publication on public financial management, the *African Financial Governance Outlook*, in a pilot phase covering 10 African countries that have participated in the African Peer Review Mechanism: Burkina Faso, Ethiopia, Ghana, Kenya, Mali, Mozambique, Rwanda, Senegal, Tanzania, and Uganda. A key finding of the report was that despite support from bilateral and multilateral organizations, Africa lacks local capacity in public financial management. This finding has provided a platform for the Foundation supporting partner countries in these areas under the ACBF Strategy for 2017–2021. *The African Financial Governance Outlook* is already informing AfDB's programming in public

Implementation of the ACBF Strategy for 2017–2021

finance management. Further, several countries have started using it as a reference document for their public financial governance reforms.

Improving the reliability of statistics by enhancing collection and harmonization of data

To realize the African Union Commission's goals on integration, the Foundation took measures to improve data collection and harmonize statistical systems across the continent during the 2018 fiscal year. Through strategic partnerships with the AUC, the AfDB, and the United Nations Economic Commission for Africa, the Foundation developed the second phase of the Strategy for Harmonization of Statistics in Africa (SHaSA-2). SHaSA-2 enables the African statistical system to generate reliable and harmonized data that Africa's decision makers and institutions can use for planning, forecasting, and programming.

In fulfilment of Africa's desire for integration, SHaSA-2 is functionally linked to National Strategies for the Development of Statistics and Regional Strategies for the Development of Statistics, integrating the constraints and priorities of both. With these systems joined, the statistical strategies being implemented on the continent will be more coherent.

So far, 27 AU member states have benefited from the training on SHaSA-2: Angola, Botswana, Burundi, Cameroon, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. In addition, training was also provided to officials from the Common Market for Eastern and Southern Africa, East African Community, Economic Community of West African



States, Intergovernmental Authority on Development, and Southern African Development Community.

Harnessing the youth dividend and boosting women's entrepreneurship

The need to develop more innovative and integrated youth empowerment initiatives for the continent increased during the 2018 fiscal year. In response, the Foundation convened the 2018 Africa Think Tank Summit under the theme “Tackling Africa's Youth Unemployment Challenge: Innovative Solutions from the Think Tanks.” The key outcome of the summit, hosted by the government of Ghana, was a set of actionable

recommendations on job creation, in line with the goals of Agenda 2063 and Agenda 2030.

The continent faces a pressing need to develop policies that target women farmers to increase their incomes. By helping women in marginalized communities boost their income and, hence, depend less on donor aid, Africa can journey toward self-sustenance. To pursue this, the Foundation and the Arab Bank for Economic Development in Africa agreed to collaborate on capacity development activities in selected Sub-Saharan countries within the context of South-South cooperation.



The digital campaigns led to a marked increase of visitors to the ACBF Virtual Library on Capacity Development. A total of 74 percent of visitors [47,999] came from Africa alone, an increase from 70 percent [41,401] in 2017. 8,432 visitors also came from Europe [13 percent], 4,540 visitors from the Americas [7 percent], 3,697 visitors came from Asia [6 percent], and 195 visitors from the Oceania [less than 1 percent]. The mix of visitors was

Rise in demand for the Foundation's knowledge products

Universities and colleges remained a central partner for the Foundation in sustainably building skills and develop capacity for African economies. During 2018, the Foundation intensified efforts to raise awareness of its knowledge products by targeting universities and development institutions and running engaging digital marketing campaigns directed toward students.

broad, coming from 129 countries, including all African countries. The Foundation's knowledge products were made available for wider access and dissemination to more than 55 development institutions and universities in Africa and beyond. They are available on the African Union's Knowledge Base portal Africa Portal, British Institute of Development Studies, and on the sites of 10 universities in Zimbabwe, among other global institutions.



4

PART IV:

Enhancing
organizational
and operational
efficiency

Enhancing organizational and operational efficiency

Quality over quantity: Sharpening focus on capacity-building interventions

The conclusion of the World Bank-supported regional capacity development project at the end of 2017 and the prevailing dynamics in the capacity development landscape inspired the Foundation to rethink its funding model for capacity development interventions. The new approach emphasized the quality and impact of interventions more than their number or size. So, the Foundation increasingly focused in the 2018 fiscal year on how to continuously improve its organizational and operational efficiency to become more sustainable.

The aspirations of Agendas 2063 and 2030 continued to guide the Foundation's refocus on the theme "Building Skilled People and Strong Institutions to Transform Africa," a primary goal of the Strategic Plan for 2017–2021.

Implementing the strategic plan in the face of increasing demand for the Foundation's services was a considerable challenge, yet one the Foundation relished, because it entailed reforms across all operations to focus on high-impact activities. It was about quality, not scale.

Mobilizing resources for organizational and operational efficiency

During FY2018, the Foundation took several steps to scale up its existing partnerships with African member states, African Development Bank, Arab Bank for Economic Development in Africa, the Bill and Melinda Gates Foundation and the African Export Import Bank while exploring new relationships. These steps included

pursuing a funding agreement with the African Union. These efforts were complemented by continued engagement with the World Bank. African member states continued to play their role of sustaining the Foundation's operations by funding the larger part of ACBF's institutional costs. The Foundation also secured a second phase of funding for its Tobacco Control program funded by the Bill and Melinda Gates Foundation.

Despite the ongoing support, strong action is still needed to ensure that the Foundation has enough resources to enable it to respond to ever increasing demands from member states. African countries' cumulated contribution to the new Strategy for its first 2 years (2017 and 2018) was US\$ 6.62 million against a target of US\$10.2 million, a payment rate of 65%. The contributions were made by 16 countries out of 25 which made pledges. A total of 16 member states have made no pledge to the new Strategy yet. The low level of resources available to the Foundation has been a major hindrance to its ability to support member states in their capacity building effort and to the impact that it can make.

A key agreement to shape the Foundation's special role in the African Union Commission

In 2018, the Foundation signed an agreement with the African Union Commission (AUC) to define the activities associated with its status as a specialized agency of the commission. This clarified the Foundation's roles in coordinating and delivering capacity development programs in support of Agenda 2063 and Agenda 2030. In addition, the Foundation got a permanent office at the African Union Commission. The agreement is expected to enhance the relationship and reinforce the Foundation's position in the African Union architecture.

Enhancing resource management to increase project impact

The Foundation took several steps to increase efficiency and increase the impact of its projects. A thorough reexamination of the Foundation's major cost drivers was completed, targeted at improving budgeting and monitoring.

More effectively monitoring and evaluating the impact of projects

Monitoring performance and reporting results remained a key focus in operations management. The Foundation provided monitoring and evaluation support to its partners during the 2018 fiscal year at both corporate and project levels. The support included designing and implementing measurement frameworks for interventions, reviewing partner monitoring and evaluation architecture, developing project-specific monitoring and evaluation tools, and providing tailor-made training.

Within the Foundation, an automated monitoring and evaluation information management system to support timely planning and results reporting, and efficient resource use was fully deployed across the Foundation in 2018. It allows annual work plans and quarterly progress reports of all projects to be prepared and submitted in real time. And it moves the Foundation gradually toward paperless planning and results reporting.

Upgrading business processes

In 2018, the Foundation further streamlined financial management and administrative processes to make



Participants at the 5th Africa Think Tank Summit

them more efficient. This included revising manuals governing administration and procurement. The Foundation further increased the capacity of its information and communications technology systems to accommodate the changing policies and procedures. It embarked on automating procurement and records management. And it undertook programs to build staff skills and capacities for revised policies and procedures and maintain staff effectiveness in implementing the 2017–2021 Strategy.

Enhancing risk management and transforming internal systems

As our models change, so must our attitude to risk. The Foundation reassessed its risk systems to better reflect its new model of targeted interventions. As a result, the quality of risk management was ramped up through the development of a consolidated corporate risk register. The Foundation's risk appetite statement was revised to cover issues arising from the new business model and new staff rules and regulations. The Foundation also enhanced the identification, analysis, and mitigation of risks to make them more robust.

Enhancing organizational and operational efficiency

Strengthening the Foundation's governance and oversight

In 2018, the Foundation more assertively transformed its internal systems to enhance good corporate governance.

- The Foundation upheld its strong governance framework by taking appropriate steps to fill vacancies in the Executive Board with due consideration for gender parity and equitable geographic representation on the continent.
- During the year, the Foundation adopted an electronic board system that enhanced Executive Board communications and engagement in carrying out oversight. Monthly updates continue to be shared with the Executive Board, keeping it informed of all developments at the Secretariat.

Audit and Risk Committee issues a satisfactory rating

For the financial year 2018, the Audit and Risk

Committee's overall opinion was that the control environment was satisfactory to give reasonable assurance that resources allocated were used for the intended purpose to achieve the objectives of the Foundation.

This attestation is based on the Committee's judgement and on the information at its disposal such as the Internal Audit Department's Annual Activity Report [AAR] FY 2018 and the Annual Statement of Declaration by the Executive Secretary Fy2018.

The Internal Audit Department underwent a quality assurance review. The review reported a well-structured and managed environment in conformity with Standards and Code of Ethics. In addition, the Foundation has proactively implemented the internal and external audit recommendations.



The way forward: FY2019

In 2019, ACBF will seek to consolidate its role as the strategic leader in the capacity development efforts in Africa by increasing access to and use of knowledge for a better articulation of the planning, implementation and monitoring and evaluation of capacity development strategies by ACBF and its clients. The Foundation will also intensify its quest for tangible results through the provision of capacity development services relevant to development priorities at country, regional and continental levels. Finally, the Foundation will continue to build on the achievements of 2018 to enhance organizational efficiency, effectiveness and impact.

5

PART V:

Financial Statements
for the year ended
31 December 2018

**THE AFRICAN CAPACITY BUILDING FOUNDATION
FINANCIAL STATEMENTS
For the year ended 31 December 2018**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

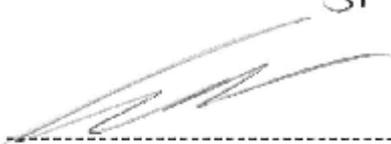
Management of The African Capacity Building Foundation ("the Foundation") is responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Financial Statements and related information. The Foundation's independent auditors, Deloitte & Touche, have audited the Financial Statements and their report appears on pages 4 to 6.

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).

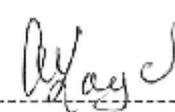
Management is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the Financial Statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement 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 7 to 51 were approved by the Executive Board on the 31 May 2019 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 7 to 26, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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. 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.

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

Responsibilities of management and those charged with governance 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. 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.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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 Mtwazi.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)

Per: Charity Mtwazi

Partner

PAAB Practice Certificate Number 0585

Registered Auditor

Date 07 JUNE 2019

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

| | <u>Notes</u> | <u>2018</u> US\$ | <u>2017</u> US\$ |
|--|--------------|---------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 2 630 131 | 2 513 183 |
| Current assets | | | |
| Inventories | 6 | 67 214 | 64 792 |
| Accounts receivable | 7 | 15 992 | 10 440 |
| Amounts due from staff | 8 | 246 286 | 164 443 |
| Advances to projects | 9 | 469 261 | 2 048 485 |
| Other assets | 10 | 375 252 | 492 385 |
| Bank balances and cash | 11 | 14 776 741 | 16 545 589 |
| Total current assets | | 15 950 746 | 19 326 134 |
| TOTAL ASSETS | | 18 580 877 | 21 839 317 |
| ACCUMULATED FUNDS AND LIABILITIES | | | |
| Accumulated funds | | 16 857 722 | 19 729 009 |
| Current liabilities | | | |
| Accrued expenses | 12.1 | 112 893 | 59 358 |
| Provisions | 12.2 | 753 984 | 1 109 937 |
| Other liabilities | 13 | 856 278 | 941 013 |
| Total current liabilities | | 1 723 155 | 2 110 308 |
| TOTAL ACCUMULATED FUNDS AND LIABILITIES | | 18 580 877 | 21 839 317 |

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

| | <u>Notes</u> | <u>2018</u> US\$ | <u>2017</u> US\$ |
|---|--------------|---------------------|---------------------|
| REVENUE | | | |
| Direct contributions | 14.1 | 4 082 679 | 3 432 685 |
| Special contributions | 14.2 | 12 118 278 | 22 193 255 |
| Other income | 14.3 | 472 422 | 266 734 |
| | | ----- | ----- |
| Total revenue | | 16 673 379 | 25 892 675 |
| | | ----- | ----- |
| EXPENSES | | | |
| Project expenses: | | | |
| Enhance critical capacities to: | | | |
| - Promote political & social stability for transformational changes | | 3 598 888 | 8 885 477 |
| - Engage and regulate the productive sectors | | 146 247 | 2 178 795 |
| - Track policy impact | | 1 031 792 | 6 361 837 |
| - Movement in accrued project expenses | 15.1 | - | (1 381 831) |
| Special projects and partnerships | 15.2 | 6 674 207 | 9 433 917 |
| Project/program development expenses | 16 | 2 375 140 | 3 597 144 |
| Knowledge and learning expenses | | 1 145 001 | 1 723 738 |
| | | ----- | ----- |
| Total expenses on projects and programs | | 14 971 275 | 30 799 077 |
| Administration and board expenses | 17 | 4 573 391 | 4 053 495 |
| | | ----- | ----- |
| Total expenses | | 19 544 666 | 34 852 572 |
| | | ----- | ----- |
| Excess of expenses over revenue | 21 | (2 871 287) | (8 959 897) |
| | | ----- | ----- |

THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

| | <u>2018</u> US\$ | <u>2017</u> US\$ |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Excess of expenses over revenue | (2 871 287) | (8 959 897) |
| Adjustment for: | | |
| Depreciation of property and equipment | 112 555 | 113 010 |
| Interest earned | (17 361) | (18 674) |
| | ----- | ----- |
| Operating cash outflows before working capital changes | (2 776 093) | (8 865 561) |
| Decrease in advances to projects | 1 579 226 | 3 289 243 |
| (Increase)/decrease in accounts receivable | (5 552) | 29 703 |
| (Increase)/ decrease in amounts due from staff | (81 843) | 22 663 |
| Decrease/(increase) in other assets | 117 132 | (320 923) |
| (Increase)/decrease in inventories | (2 422) | 8 155 |
| Decrease in current liabilities | (387 152) | (678 787) |
| | ----- | ----- |
| Cash used in operating activities | (1 556 704) | (6 515 507) |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (229 505) | (31 991) |
| Interest received | 17 361 | 18 674 |
| | ----- | ----- |
| Cash used in investing activities | (212 144) | (13 317) |
| | ----- | ----- |
| Net decrease in bank balances and cash | (1 768 848) | (6 528 824) |
| Bank balances and cash at beginning of year | 16 545 589 | 23 074 413 |
| | ----- | ----- |
| Bank balances and cash at end of year | 14 776 741 | 16 545 589 |
| | ----- | ----- |

**THE AFRICAN CAPACITY BUILDING FOUNDATION
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
For the year ended 31 December 2018**

| | Accumulated Funds US\$ |
|------------------------------------|--------------------------------------|
| Balance at 1 January 2017 | 28 688 906 |
| Excess of expenses over revenue | (8 959 897) |
| Balance at 31 December 2017 | 19 729 009 |
| Excess of expenses over revenue | (2 871 287) |
| Balance at 31 December 2018 | 16 857 722 |