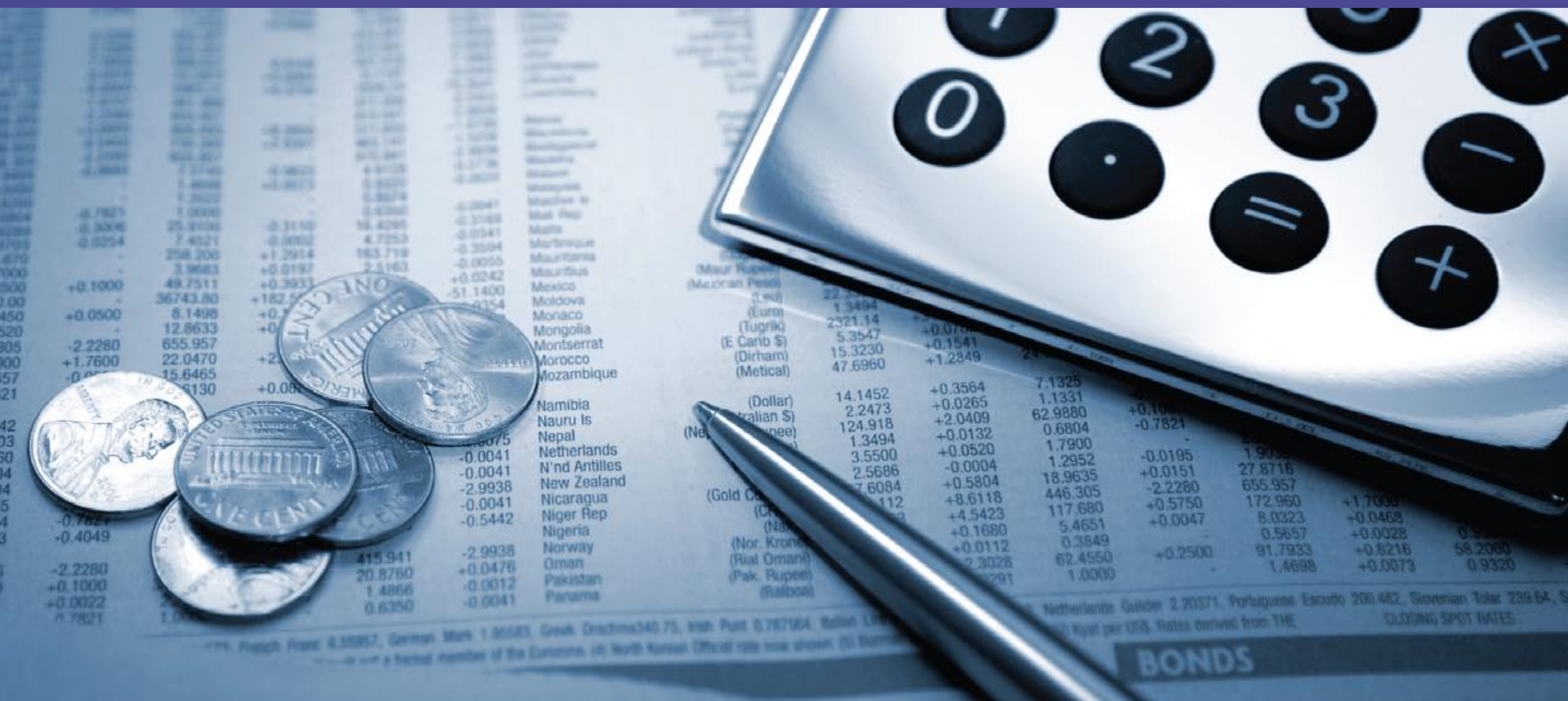
ICF

The Investment Climate Facility for Africa

2007 Annual Report

Making Africa an even better place to do business

Covering 15 months ending 31 December 2007



Contents

Foreword from the Co-Chairs

The Investment Climate Facility aims to remove the real and perceived barriers to doing business in Africa. An improved investment climate is fundamental for wider economic growth, job creation and improved prosperity across Africa.

The ICF has a seven year lifespan. For any intervention to be successful it needs to be fast and self-sustaining. The ICF must be a catalyst for change. A strong starter portfolio of projects has been established in Rwanda, Liberia, Lesotho, Senegal and Tanzania, as well as two regional projects in East and West Africa.

Africa is a continent with significant investment potential, despite the all too frequent focus on disaster, conflict and poverty. Too often 'Africa' is shorthand for 54 countries, with difficulties in one country assumed to apply across the continent. The reality is that each country in Africa has different investment opportunities, infrastructure, resources and levels of political and economic stability. The continent has exciting investment opportunities, a billion consumers, large reserves of natural resources, accelerating economic growth and widespread entrepreneurial talent. There are real challenges to doing business in Africa. However, it is improving and there are attractive opportunities and rewards available for those willing to invest.

The ICF is especially committed to enabling small and medium enterprises (SMEs) to flourish across the continent. The majority of new jobs and income will come from SMEs who are central to economic growth – not least through diversifying the economy and boosting trade and exports. SMEs are also key to the long-term sustainability of the private sector. Barriers to investment will affect SMEs more than large companies. Improvement in the business environment will make it easier for SMEs to expand and grow.

The challenges to doing business in Africa are clear; the solutions will depend on partnership between business, government, development agencies and local citizens. We are mindful that improving Africa's investment climate is a significant challenge, but as we help to make Africa an even better place to do business, the benefits for Africa and its citizens will be substantial and sustained.

Niall FitzGerald and Benjamin Mkapa
Co-chairs of ICF Board

Foreword from the Chief Executive Officer

The Investment Climate Facility for Africa (ICF) was formally launched in 2006 and is the only pan-African body, based in Africa, explicitly and exclusively focused on improving the continent's investment climate.

We represent a unique and unprecedented partnership between private companies, development partners and governments, who are working together to systematically remove constraints to investment in order to make the continent an even better place to do business.

Despite increasing awareness of Africa's investment potential, much cynicism remains as to whether things will ever really change on the continent. Indeed, our first year of operational activity has brought home to us the very real challenges that we as an organisation, and Africa itself, faces in terms of delivering tangible, meaningful improvement. That said, our progress in our first fifteen months of activity speaks for itself and indicates our optimism is justified. We remain confident that Africa can become an even more attractive investment destination, for domestic and foreign investors alike.

We are grateful for the widespread support received from a range of corporate investors and development partners, as well as African governments and institutions – all united in their belief that an improved investment climate not only benefits all parties but, more crucially, is a prerequisite for wider economic and social progress. As a result of this support, we are delighted to report that we already have a high quality and robust project portfolio that covers a broad range of sectors and geographies and is testimony to the commitment received from African governments keen to improve the investment climates in their respective countries.

We recognise that improving the continent's investment climate is a huge undertaking, hence our focused approach, but we remain certain that we can deliver sustainable change – and within the seven year lifespan we have set for the ICF. By working with receptive governments and partners on a pilot basis to tackle key issues and challenges, we hope to stimulate wider progress and improvement across the rest of the continent. In such a way, we hope the ICF will play a key role in delivering positive change for Africa and its people.

Omari Issa
Chief Executive Officer

ICF Overview

The ICF has been established to remove the real and perceived barriers to doing business in Africa.

Our Objectives

We have three primary objectives, namely to:

1. **Build the environment for investment climate reform** by encouraging, developing and working with coalitions to drive through reform, and by supporting dialogue between businesses and governments
2. **Get the investment climate right** by working in partnership with governments to create a legal, regulatory and administrative environment that enables businesses of all sizes and at all levels to grow, invest and create jobs
3. **Encourage business to respond by improving Africa's image as an investment destination** by publicising improvements in the investment climate

The ICF is committed to delivering tangible and sustainable change over a seven year time frame and will measure progress solely on our contribution to economic activity.

Our Supporters

The ICF has secured widespread support from a range of corporate investors and development partners, as well as African governments, who have all proved receptive to the ICF's mission of achieving an improved investment climate for Africa within seven years.

We have received financial commitment from a number of development partners and corporate investors, which is being used to develop targeted practical interventions and projects across the continent. We continue to seek additional funds to enable us to increase the scope and impact of our activity.

African Governments – African governments are the key stakeholder and main beneficiary of the ICF. We work in partnership with receptive African governments to identify priorities for intervention and develop appropriate practical responses.

So far the ICF has received strong support from a number of governments across the continent and is working on various projects in tandem with them. We invite applications from other governments and policy makers similarly committed to delivering an improved investment climate for Africa.

Development Partners – The ICF's development partners include:

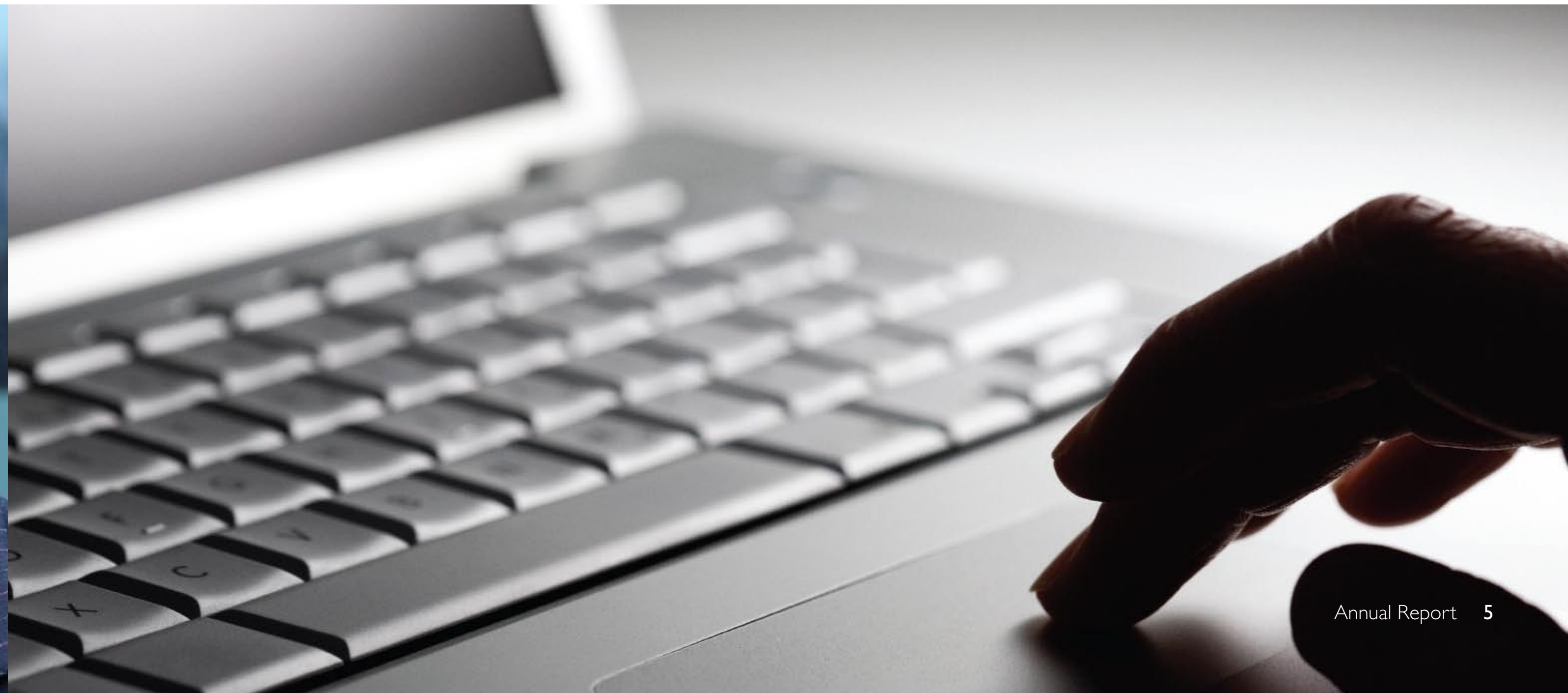
- African Development Bank
- Germany
- International Finance Corporation
- Ireland
- Netherlands
- Norway
- South Africa
- United Kingdom

Corporate Partners – The ICF is backed by a number of corporate partners. In addition to financial support, the ICF's corporate investors also provide their skills and expertise – for example, through the secondment of managers and specialists, or through the deployment of tested techniques and processes.

The ICF's corporate partners include:

- Anglo American
- Celtel
- Coca-Cola
- Microsoft
- Royal Dutch Shell/Shell Foundation
- SABMiller
- Sasol
- Standard Bank
- Unilever

The ICF will continue to work closely with other initiatives and development partners to avoid any duplication of activity. We do not seek to compete with other organisations but instead strive to complement existing initiatives and fill any 'gaps' that may exist.



Activity Overview

The ICF's strategy for achieving its vision of an improved investment climate for Africa includes tackling a particular issue or problem on a pilot basis in a country where the conditions for successful reform are optimal.

Once success has been achieved in that country, the ICF will then work with other countries to introduce the proven process of reform and share key learnings. In such a way, the ICF hopes to deliver tangible and long-lasting reform on a step-by-step basis. Governments and policy makers are encouraged to engage with the ICF to identify priorities for intervention and propose specific projects for ICF funding.

Current Project Activity

As at May 2008

Senegal
Improvement of customs systems*

The ICF is working with the Government of Senegal to streamline and refine its existing system of paperless electronic customs administration.

Liberia – 2 projects
Business registration and computerisation of customs*

The ICF is working in partnership with the Liberian Government to reduce the time, expense and complexity associated with registering a business. We are also working with Liberia's Ministry of Finance to modernise and computerise the archaic manual paperwork systems in the Customs House and Port of Monrovia.

Lesotho
Reform of VAT administration

The ICF is working to simplify and rationalise assessment, administration and collection of VAT in Lesotho.

Rwanda
Modernisation of commercial justice system, business registration and land registration

The ICF is working on a three-year project to modernise Rwanda's commercial justice system and processes for business and land registration. The ICF is working in partnership with Rwanda's Ministry of Commerce on the project.

Tanzania – 2 projects
Modernisation of Judiciary* and study into possible structure for new Land Bank

The ICF is working with the Tanzanian Government, exploring ways in which to establish a Land Bank, which would buy and prepare parcels of suitable land with the requisite water, road and power services to attract investors. The ICF is also working to strengthen and modernise the judiciary in Tanzania by providing the judiciary with improved technology and training to ensure it can deliver justice promptly, efficiently and transparently.

Pan-African Projects

Power Sector Task Force
To improve sector management and services provided by the power sector in Africa. Pilot projects due to be launched in 2–3 countries

East Africa Community
The ICF has launched a major project to establish a robust and coherent policy on anti-counterfeiting and piracy and to recommend appropriate legislation to the EAC partner states.

OHADA
The ICF is working with OHADA to harmonise business laws across the region.

East Africa Customs Project
The ICF funded a project to identify bottlenecks and potential solutions in customs procedures in three East African countries.

* Initiated after 31 December 07
All other projects initiated before 31 December 2007

Board of Trustees

The ICF is governed by an independent board which is accountable to the ICF's investors. The Board of Trustees is made up of African business and political leaders, as well as individuals strongly committed to Africa:

Niall FitzGerald, KBE, ICF Co-Chair and Chair of the Board, is Deputy Chairman of Thomson Reuters. He worked in South Africa for several years as a Director of Unilever. He chairs the Nelson Mandela Legacy Trust (UK), and serves on President Thabo Mbeki's International Investment Advisory Council.

Benjamin Mkapa, ICF Co-Chair and Chair of International Relations, was President of Tanzania from 1995 to 2005. Prior to that, he was Minister for Science, Technology and Higher Education, and Minister for Foreign Affairs, and previously chaired Chama Cha Mapinduzi, Tanzania's ruling party.

Henri Bonpun joined Unilever in 1960, and held senior positions in the company in Nigeria, Côte d'Ivoire, and South Africa. He retired as Africa Business Group President in 1998. Henri was also a member of the ICC Africa Partnership initiative.

Johannes-Jürgen Bernsen served the DEG (German Investment and Development Corporation) for more than thirty years in various functions. He spent the last seven years as Managing Director, with responsibility for global portfolio management, risk management and accounting. He has extensive experience of tackling the obstacles which hinder local and foreign investment in many countries, particularly Africa.

Lynda Chalker is a British politician with many years of experience in Africa. She has served as Minister of State for Africa and Minister for Overseas Development. She currently serves on the board of Group 5 in South Africa, and is an independent adviser on Africa and development. She also co-ordinates the Nigerian President's International Investment Council.

Sam Jonah, KBE, served as CEO of Ashanti Goldfields from 1986 to 2004, overseeing its listing as the first African operating company on the New York Stock Exchange. Following the 2004 merger that created AngloGold Ashanti, Sam became CEO of Ashanti Goldfields Company Limited, and President-designate of AngloGold Ashanti. He chairs a West African oil exploration company, and, since early 2006, a R1 billion mining services company listed on the JSE.

William Kalema, former Chairman of the Uganda Investment Authority, Uganda Breweries, and a leading financial institution. He has played a high-profile role in the Ugandan private sector, and also chairs a number of charitable institutions in East Africa. William was a member of the Commission for Africa.

Nkosana Moyo is a Managing Partner, Africa for Actis. Prior to this he worked at the World Bank (IFC) as Associate Director for Africa. Before this, Nkosana was the Zimbabwean Minister of Industry and International Trade. He has also held a number of senior management positions in the private sector, mainly in finance, in various African countries.

Gobind Nankani is the President of the Global Development Network. A Ghanaian national, he was the World Bank's Vice President for the Africa region between 2004 and 2006.

Dipak Patel is a former Minister for Commerce, Trade and Industry in the Zambian government. He has played a prominent role in Zambian politics since the early 1990s. In 2001 he received the Defender of Democracy Award from Parliamentarians for Global Action. He was also Chair-Coordinator of the Least Developed Countries WTO negotiations in 2005.

Lazarus Zim recently resigned as CEO of Anglo American South Africa to become Chairman of Kumba Iron Ore. He serves on the boards of numerous high-profile African companies, and is President of the South African Chamber of Mines. Before joining Anglo American, Lazarus was Managing Director of MTN International, responsible for all MTN operations outside South Africa.

Board of Trustees L to R: *Sam Jonah, William Kalema, Gobind Nankani, Henri Bonpun, Lynda Chalker, Niall FitzGerald, Dipak Patel, Benjamin Mkapa, Nkosana Moyo, Johannes-Jürgen Bernsen. (Lazarus Zim, not pictured).*

The Investment Climate Facility CLG Report of the Directors

For the 15 months ended 31 December 2007

The Directors present their report, along with the financial statements of the company for the 15 months ended 31 December 2007. The Investment Climate Facility Company Limited by Guarantee ("ICF CLG") is a private limited company incorporated in the U.K. under the Companies Act 1985, under registration number 5954425.

Legal and Administrative Information

Directors
Niall William Arthur FitzGerald
Benjamin William Mkapa
Gobind Tirathdas Nankani
Nkosana Donald Moyo
Henri Jean Bonpun
Polelo Lazarus Zim
Lynda, Baroness Chalker of Wallasey
William Samson Kalema
Samson Esson Jonah
Dipak Kumar Atmaram Patel
Johannes-Jürgen Bernsen

Chief Executive Officer
Omari Mbaraka Issa

Registered Office
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London, E14 5JJ

Website
www.icfafrica.org

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Interim Trust Fund Managers
International Finance Corporation,
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Company Secretary
Clifford Chance LLP,
10 Upper Bank Street,
London E14 5JJ

Structure, Governance and Management

The Company is directed and controlled by a Board of Directors appointed under the Company's Articles of Association. The Board decides and reviews the overall strategic direction and policy of ICF and exercises oversight over ICF's overall performance and management. Decisions of the Board are made by majority vote.

Board Composition and Governance Structure
The Board is comprised of three representatives of the donor community, two representatives of the private sector, and three further directors. They are appointed on the basis of the particular attributes they bring to the Board, in terms of overall balance, skills and experience for the effective functioning of the Company.

Directors serve for an initial term of two years. Thereafter, one third of the Directors must retire at each annual general meeting ("AGM"). Retiring Directors who remain qualified may be reappointed. The African Union ("AU") through NEPAD has non-voting, observer status on the Board of Directors. The Directors who held office during the financial year and at the date of this report are listed above.

Board Committees and Roles
Board responsibilities are discharged through Board Committees, mandated with the preliminary review and consideration of Management Proposals and recommending adoption or otherwise as follows:

Board Nominating Committee
The Board Nominating Committee comprises the two Co-Chairs. The Committee is charged with considering and making new appointments to the Board.

The Investment Sub Committee (ISC)
The Investment Sub-Committee ("ISC") membership includes both donor and private sector representatives.

The ISC is authorised to approve projects up to a maximum of US$ 5 million. Projects beyond this limit are referred to the full Board of Directors for approval. Any member of the ISC may refer a project to the full Board if he or she objects to the proposed activity. The Chief Executive Officer ("CEO") has delegated authority between Board meetings to authorize a maximum of two small projects per quarter, or a maximum of eight projects at any one time, each requiring ICF support of up to US$2 million. The CEO regularly updates the ISC about the progress of projects under implementation, and new proposals.

The Audit / Finance Committee (FinCom)
The Audit / Finance Committee ("FinCom") is charged with the responsibility of assisting the Board in fulfilling its oversight and fiduciary responsibilities for:

- The integrity of ICF's financial records and statements, and the implementation of proper accounting policies, reporting and disclosure mechanisms
- Compliance with legal and regulatory requirements
- Compliance with internal ICF rules and procedures, including corporate governance and ethics rules, policies and procedures
- Ensuring that the ICF has a robust internal control framework and a relevant risk management system
- Oversight over the internal audit function and the performance of the external auditors

FinCom meets four times per annum, or more regularly as deemed appropriate by the Board Chairman and Directors.

The Technical Advisory Committee (TAC)
The Technical Advisory Committee ("TAC") plays a key advisory role, drawing on the expertise and diverse experience of the contributors. TAC is actively involved in the generation of thematic task forces that enlist the support of industry / area specialists and local business representatives to bring about reforms.

The Annual General Meeting
All Contributors are entitled to attend the Annual General Meeting, where the Chairperson of the Board and the CEO report on ICF's performance. The Board reports bi-annually on ICF's performance to stakeholders.

Management Structure and Functions
The Board of Directors decides how the ICF CLG is managed, and makes suitable appointments to the management team. The CEO is appointed by the Board, and bears direct responsibility for ICF's performance, with support from the ICF management team. The CEO reports to the Board of Directors.

Affiliated Companies
The ICF CLG works closely with the Investment Climate Facility for Africa Trust ("ICF Trust"), an entity that shares ICF CLG's mission, to ensure a co-ordinated effort in the areas in which it operates. The ICF CLG was incorporated in the UK with the intention of registering it as a charity to assure tax efficiency for its UK based corporate contributors. The ICF Trust was incorporated in Tanzania to address the need for ICF to be an African owned and driven entity that is run and domiciled in Africa. All persons that currently act as Directors of the ICF CLG also serve as Trustees of the ICF Trust.

Risk Management
The Board is accountable to Contributors regarding funds, and establishes and maintains effective procedures and controls for risk management. An initial high-level risk review was undertaken, and potential risk mitigation strategies developed in six key areas: set-up; operations; political risk; risks posed by corruption; civil service capacity problems; and natural disasters. The Directors review these risks on an ongoing basis, and satisfy themselves that adequate systems and procedures are in place to manage the risks identified. The CEO is responsible for undertaking a two-year risk analysis. ICF CLG has secured insurance coverage to mitigate public liability, office property loss or damage, Director's and officer's indemnity, employee fidelity, personal accident and corporate travel risks.

Objectives and Activities
ICF CLG's mission is to make Africa an even better place to do business, by removing real and perceived obstacles to domestic and foreign investment, and by promoting the continent as an attractive investment destination.

ICF's objective is to improve the business climate across the African continent by actively supporting a comprehensive suite of investment climate reforms.

ICF has established eight broad priority areas of reform, which will determine the interventions and activities it will support. These are: property rights; business registration and red tape; taxation and customs; financial markets; infrastructure facilitation; labour markets; competition; and corruption and crime.

ICF's initial focus is on countries that have acceded to NEPAD's African Peer Review Mechanism process ("APRM"). The leaders of the APRM countries have demonstrated their commitment to transparent, reforming government and business-led growth. ICF does not however preclude itself in advance from working in non-APRM countries where appropriate, nor from supporting regional and sub-regional initiatives that include both APRM and non-APRM countries.

The company delivers its investment climate reform objectives in two ways:

– Through proactive programmes, ICF acts as a catalyst for change by using thematic Task Forces to identify key challenges, and generate solutions in partnership with stakeholders that give rise to various projects.
– Through grant-funded projects that are externally generated and implemented by third parties.

Whichever method of delivery is used, the project selection, funding, monitoring and evaluation process has been standardised to meet robust corporate governance requirements.

Activities, Achievements and Performance
The 15-month period to December 2007 marked the start-up and early stages of development of ICF's project portfolio. After completion of strategic and operational planning, relocation of the office from South Africa to Tanzania, and recruitment of the CEO, management and staff, a number of leads and project applications were developed.

These were screened for their suitability to take forward into viable projects, with selected proposals presented to the ISC and / or Board of Directors for approval.

By the end of the period, eight projects totalling $15m of ICF investment had received funding approval, either for first phase project preparation, or for implementation. Although all these projects were still in early stages by December 2007, they form the foundation of a high-quality and diverse grant portfolio. **ICF is now engaged geographically in Rwanda, Liberia, Lesotho, and Tanzania, as well as in two regional projects in East and West Africa (with another planned in Southern Africa).**

In sectoral terms, ICF is working on investment climate reform in the fields of: property and intellectual property rights; speeding up delivery of commercial justice; improving business registration and reducing red tape; simplifying taxation and customs administration; and catalysing investment in infrastructure and energy. In the process, ICF has built institutional partnerships with governments, business, other support agencies, and donors - on which further expansion depends.

The eight projects already under way are summarised below.

a) Rwanda Investment Climate Project
The first major project to be developed and funded was the Rwanda Investment Climate Project ("RICP"). RICP is a 3-year initiative to improve Rwanda's investment climate. ICF support amounts to $9m. The project comprises three, inter-related components: to modernise commercial justice systems by introducing new commercial courts; to create a modern business registry, accessing key information about and services to enterprise; and to provide an effective means of registering land for investors in Kigali.

b) Tanzania: Creation of a Land Bank
The Ministry of Lands, Housing and Human Settlements Development and ICF commissioned a two-phase study to determine stakeholder demand, and a possible structure, for a new Land Bank. There is widespread agreement on the need for such an institution, to buy and prepare parcels of suitable land with the requisite water, road and power services to attract investors.

Following analysis of recent investors' requests, and consultations with stakeholders, the Ministry discussed with ICF a suitable model for the Land Bank to be established. A pilot phase is proposed that will acquire plots of land in Dar es Salaam, and farms in rural Tanzania. The Ministry is now considering how the government can access finance for (a) compensation payments to occupants of the selected land, and (b) the provision of infrastructure services to the land. ICF support to the end of December 2007 amounts to $22,000.

c) East Africa Community: Intellectual Property Rights
The East Africa Community seeks to combat the widespread and commercially highly damaging counterfeiting and piracy of products in the sub-region. A Memorandum of Understanding was signed between EAC and ICF in November 2007, to consult amongst the five member states and draw up an anti-counterfeit policy, to be enacted into an EAC-wide law to counteract the problem.

d) Liberia: Commercial Registry
Archaic business registration procedures in Liberia are holding back the formation and expansion of business, and economic growth. A Memorandum of Understanding for $2.5m of ICF support was signed in December 2007 to create a modern business registry. This will rationalize and speed up the arduous process for business people in registering a business, which at present takes months to complete. The registry will provide comprehensive public information about businesses, and will be linked to further initiatives to access bank lending for expansion.

e) OHADA – Harmonised Business Law in Francophone Africa
OHADA is a regional grouping of 16 mainly Francophone West African countries seeking to harmonise business laws across the region. ICF is committed to supporting OHADA's request in November 2007 to create country-based capacity amongst its member states to achieve this objective.

f) Lesotho: VAT reform
This pilot project seeks to simplify and rationalize the administration of VAT in Lesotho. A Memorandum of Understanding was signed in December 2007, and a preliminary diagnostic report was commissioned, and delivered to the Lesotho Revenue Authority. The report recommends actions to simplify VAT assessment and collection, for the benefit of government and the private sector. There is potential for replicating this work in other countries.

g) Power Sector Task Force
ICF's Power Sector Task Force (PSTF) responds to the growing deficit in power generating capacity in many African countries by tackling obstacles to accelerated investment in power generation capacity in Africa. A number of activities in the work plan for the planning phase have been completed. They include (a) a review of experience to date with the identification, selection, negotiation and performance of the 40 private Independent Power Producers in place in Africa; and (b) two consultative meetings with leading experts and private sector investors in the power sector to get first-hand feedback on the main obstacles to investment, key problem areas to focus on, and potential pilot countries. Work has begun on the next planned set of activities, including visits to potential pilot countries.

h) BAFICAA
ICF funded the first phase which identified bottlenecks and potential solutions in customs procedures in three East African countries. The implementation phase is likely to be funded by other donors.

External Factors Affecting Achievement
There is strong and growing demand throughout Africa for ICF's services. Almost all governments in the region have embarked on reforms over the last few years that actively promote higher levels of investment, to deliver sustained economic growth, new jobs, and reductions in poverty. Some countries are doing so with considerable success, others with less.

Efforts are restricted by limited institutional and human resource capacity to deliver the systemic changes essential for real progress. African governments and business alike, especially in countries emerging from conflict, draw from only a thin rank of competent institutions, and well-educated people. Some examples are the judiciary, customs and tax administrations, regulatory bodies, Ministries such as Finance, Commerce, Infrastructure and Energy, and business organisations.

In response, ICF faces a universal need to help build new human and institutional capacity, through technical and financial assistance. There is pressure to provide hands-on technical support to develop and deliver projects, which must be balanced against ICF's resources, and its need to develop a full and diversified project portfolio.

Related challenges exist in the quality of governance, and the fight against corruption. A combination of inadequate leadership, high levels of corruption and simmering social or ethnic tensions have led to political crises in several countries. These troubles deter investors, not only in the particular countries concerned, but in the wider region, given the economic and trading interdependence of many countries, and Africa's increasingly globalised markets.

The above conditions make it important for ICF to support countries with strong political leadership from Heads of State, Ministers and senior officials.

ICF has capitalised on many opportunities to play a valuable, catalytic role in investment climate reform. Its prompt and flexible response to project opportunities has attracted strong demand, and generated in the early stages of its portfolio development projects that build momentum for longer-term reforms.

Financial Review

During the period, ICF CLG raised US$ 65.7 million in contributions from both corporate contributors and donor agencies. US$46.8 million of this revenue was assigned to the ICF Trust, an ICF Affiliate that is also engaged in the initiation and promotion of ICF investment climate reform projects.

In addition, the US$16.6 million Funds in Trust were assigned to ICF Trust at 31 December 2007. This left US$ 553,700 to be carried forward in reserves as unrestricted general funds after meeting fundraising, project and governance costs. In addition, ICF CLG received US$257,000 in donated contributions comprising project initiation and promotion expenses that were directly paid for by the International Finance Corporation ("IFC") The balance of ICF CLG's incoming resources is investment income earned on the Funds in Trust administered by the IFC. The agreed administration fees US$591,000 on the contributed funds received into the Funds in Trust were generously waived by the IFC.

Governance costs are understated by the exclusion of the remuneration cost of ICF Trust staff that work for ICF CLG and other administration costs of supporting ICF CLG that are borne by ICF Trust. Nonetheless, governance costs exceeded project costs because ICF CLG's project portfolio was still in the early stages of development and the largest project under implementation is running behind schedule.

Investment Policy

The Directors are empowered to deposit or invest funds in any manner, but to invest only after obtaining advice from a financial expert or to delegate the management of investments to a financial expert.

The company needs to ensure that fund inflows match outflows at all times during the individual project disbursement cycle, and has a policy of ensuring that surplus funds are readily accessible. Accordingly, the interim Trust Funds are maintained in short term instruments. The interim Trust Fund Administrator has managed to obtain a return of 4.2% in interest on the funds in trust after waiving the 3.5% administration fee.

Reserves Policy

ICF CLG has unrestricted general reserves of around US$18.6 million. This exceeds the US$9 million projected unrestricted fund expenditure over the remaining 3 years duration of the sole grant-funded project under implementation. ICF CLG has no need to hold reserves, since the available funds in trust are far in excess of its project funding commitments.

Grant-Making Policy

The ICF Board, drawing on the experience of the corporate contributors, will determine the grant-funded projects to be supported by ICF under the eight priority areas of reform. The initial phase of ICF's operations will also however be driven by three wider strategic themes:

– Intra-African trade – improving Africa's import and export environment by improving and simplifying administration to facilitate cross-border trade.
– Facilitation of business development and expansion – focusing on energy, ICT and infrastructure development, business registration, licensing and property rights.
– Facilitation of financial and investment environment – developing capital markets, increasing access to finance for enterprises, improving the regulatory environment for second and third tier institutions, and facilitating improved digital infrastructure.

ICF's grant-making policy is reviewed each year to align grants to ICF's strategic annual plans, which prioritise ICF's programmes within the strategic framework. Applications for grants are not solicited. All proposals are processed in a standardised and transparent selection procedure. The project management team responsible for the feasibility study, assess whether the project proposals include plans that ensure the necessary capacity to carry out reforms.

Plans for the Future

The last year was dominated by the need to set up the organisation and recruit a management team. The emphasis in future is on portfolio development. The pipeline of potential new projects will be steadily expanded, in order to increase ICF investments from the present $15 million to about $60 million by the end of 2009.

The management team will put added emphasis on portfolio development in ICF priority sectors that are not yet represented in its emerging portfolio, e.g. financial markets and development of competition policy. It is also planned to develop an Infrastructure Sector Task Force. This body will research and develop specific projects and capacity-building activities in public-private partnerships to build roads, ports, and water supply systems, complementing ICF's work in the energy sector.

As the project portfolio grows, there will be a coordinated effort to improve investment climates in different countries, and assimilate and disseminate the learning of ICF and other agencies in investment climate reforms to different countries in specific thematic areas – such as customs, VAT and business registry reform. This process will amplify the value of ICF's project work for a wider group of stakeholders across Africa. It will promote Africa as an investment destination and also provide opportunities for the African Diaspora to invest. ICF will also strive to strengthen its strategic partnerships with knowledge-based institutions and sources of technical expertise.

Directors' Responsibilities in relation to the Financial Statements

Company law requires the Directors to prepare financial statements that give a true and fair view of the state of affairs of the company at the end of the financial year and of its surplus or deficit for the financial year. In doing so the Directors are required to:

– Select suitable accounting policies and then apply them consistently.
– Make sound judgments and estimates that are reasonable and prudent.
– Prepare the financial statements on an ongoing concern basis unless it is inappropriate to presume that the company will not continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enables them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's Directors, we certify that:

– So far as we are aware, there is no relevant audit information of which the company's auditors are unaware.
– We have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ICF CLG is not yet registered as a charity with the Charities Commission. The Directors believe that the Charities Statement of Recommended Practice 2005 ("SORP") is the most appropriate voluntary best practice recommendation to guide the company in its financial reporting and the information accompanying the financial statements set out in this Directors' Report.

Approved by the Directors
and signed on their behalf by:

Niall FitzGerald
Chairman
Date: 18 March 2008

Report of the Independent Auditors To the Directors of the Investment Climate Facility

We have audited the financial statements for the Investment Climate Facility for the period ended 31 December 2007 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

– the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the period then ended;
– the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Reading

Date: 18 March 2008

The Investment Climate Facility CLG
Statement of Financial Activities
for the period from 3 October 2006 (date of incorporation) to 31 December 2007

		Notes	*3 October 2006 through 31 December 2007* US$
Incoming resources			
Incoming resources from generated funds:			
Voluntary income:			
Contribution revenue		3	65,505,734
Donated contributions			257,167
Activities for generating funds:			
Investment income		4	710,833
	Total incoming resources		**66,473,734**
Resources expended			
Cost of generating funds		5	24,547
Project activities		5	543,000
Governance costs		5	1,107,887
			1,675,434
Contributions assigned to ICF Trust		3	46,843,920
Funds in Trust assigned to ICF Trust		4	16,644,219
	Total resources expended		**65,163,573**
Net incoming resources before other recognised gains (losses) and taxation (Net Income for the period)			**1,310,161**
Other recognised losses		6	543,178
Corporation tax on investment income		8	213,250
	Net movement in funds		**553,733**
Reconciliation of funds			
Total funds brought forward			-
	Total funds carried forward		**553,733**

The accompanying notes are an integral part of these financial statements.

The Investment Climate Facility CLG
Balance sheet as at 31 December 2007

	Notes	2007 US$
Tangible Fixed Asset		2,752
		2,752
Current Assets		
Contributions receivable	3	-
Prepaid project expenditure		500,531
Amount due from ICF Trust	7	643,025
Funds in Trust	4	16,644,219
		17,787,775
Liabilities		
Creditors falling due within one year	8	592,575
Funds held in trust for ICF Trust		16,644,219
		17,236,794
Net Current Assets		550,981
Net Assets		553,733
Unrestricted funds		
General funds	9	553,733
Total funds		553,733

The accompanying notes are an integral part of these financial statements.

Approved by the Trustees and signed on their behalf by:

Niall FitzGerald KBE
Co-Chair Investment Climate Facility
18th March 2008

The Investment Climate Facility CLG
Statement of Cash Flows
for the period from 3 October 2006 (date of incorporation) to 31 December 2007

In U.S dollars	Note	*3 October 2006 through 31 December 2007* U.S$
Net Cash Inflow from Operating Activities	10	2,752
Cash flows from investing activities		
Fixed assets acquired		(2,752)
Net cash outflow		(2,752)
Net change in cash		-
Cash at Bank at the beginning of the period		-
Cash at Bank at the end of the period		-

The accompanying notes are an integral part of these financial statements.

Note 1 – Nature of operations and Affiliations

The Investment Climate Facility Company Limited by Guarantee ("ICF-CLG") was incorporated in the United Kingdom in October 2006 as a company limited by guarantee to reduce barriers to investment in Africa. The ICF CLG operates in close cooperation with The Registered Trustees of the Investment Climate Facility for Africa Trust ("ICF Trust") an entity that shares ICF CLG's mission and is legally incorporated in Tanzania. The initial phase of ICF CLG's operations will be driven by three strategic themes:

– Intra-African trade – improving Africa's import and export environment by improving and simplifying administration in order to facilitate cross-border trade.
– Facilitation of business development and expansion – focusing on ICT and infrastructure development, business registration, licensing and property rights.
– Facilitation of financial and investment environment – developing capital markets, increasing access to finance for enterprises, improving the regulatory environment for second and third tier institutions and facilitating improved digital infrastructure.

Note 2 – Significant Accounting Policies

Basis of Accounting: The financial statements are prepared on the accruals basis of accounting, under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standard and the Companies Act 1985.

Funds Structure: Funds, revenues, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, Funds and any changes therein that are not subject to donor-imposed restrictions and are available for the Directors to apply to the general purposes of the company, are classified as unrestricted income funds.

Restricted funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

Foreign Currency Re-measurement: The financial statements are presented in U.S. dollars, which is ICF CLG's functional and reporting currency. Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur.

Exchange gains and losses arising on settled transactions are included in other incoming funds in the statement of financial activities. Unrealized gains or losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are presented separately in other recognized gains/(losses) in the statement of financial activities.

Tangible Fixed Assets: Direct expenditure on the acquisition, creation or enhancement of fixed assets will be capitalized on an accruals basis.

Expenditure on a tangible asset in excess of $100 will be capitalized provided that it yields benefits to the organization over a period exceeding one year. Tangible assets acquired for less than $100 are expensed.

Depreciation is provided to write off the cost or the valuation of the fixed assets on a straight-line basis over the expected useful lives of the assets.

Incoming Resources
Revenue Recognition: Voluntary income received by way of contributions and grants that are without any donor imposed purpose or use restrictions is recognized on an accruals basis as revenues in the unrestricted net asset class where there is entitlement, certainty of receipt and when it can be reliably measured.

Donated contributions are included at the value to ICF CLG of the service provided. Investment income is recognized on an accruals basis.

Resources Expended
Expenditure is recognized on an accruals basis as a liability is incurred.

Costs of Generating Funds: Fund raising costs of securing the contributions have been recognised as governance costs to date. Consequently, costs of generating funds comprise solely of the Trust Fund administrator's fees for managing ICF CLG's liquid funds that generate its investment income.

Project Activities: Project expenditure comprises the direct costs incurred by the task forces and allowable project costs incurred on an accruals basis.

Advances to projects are recognised as prepaid project expenditure and are amortised to project expenditure in the statement of financial activities as and when allowable project costs are reported by the grantees.

Governance Costs: Governance costs include the expenditure associated with meeting the constitutional and statutory requirements of the company and include audit fees, legal fees as well as the costs of providing strategic direction to the company.

Note 3 – Contribution Revenue and Contributions Receivable

Contribution Revenue for the period from 3 October 2006 through 31 December 2007 comprised the following:

	Contribution Revenue during the 15 Months ended 31 December 2007			Received	Contributions assigned to ICF Trust	Contribution Receivable 31 December 2007
	Original Currency		US$	US$	US$	US$
DFID	GBP	17,000,000	32,888,200	(9,501,102)	(23,387,098)	-
Irish Aid	EUR	1,000,000	1,374,700	(1,374,700)	-	-
Anglo American	US$	1,000,000	1,000,000	(1,000,000)	-	-
Coca Cola	US$	500,000	500,000	(500,000)	-	-
IFC	US$	30,000,000	29,742,834	(5,742,834)	(24,000,000)	-
			65,505,734	(18,118,636)	(47,387,098)	-
Realized Currency Gain/Loss				498,898	498,898	-
Currency Translation Gain/Loss				44,280	44,280	-
				(17,575,458)	**(46,843,920)**	-

Note 4 – Funds in Trust and Investment Income

Contributed funds received on behalf of ICF Trust are managed by the International Finance Corporation ("IFC"), a member of the World Bank Group, acting as interim fiscal agent to the ICF CLG. IFC has the right to commingle the ICF CLG Trust Fund with other trust fund assets maintained by the World Bank Group but maintains the trust funds apart from the funds of the World Bank Group itself. The Funds in Trust balance of $16,644,219 that included the income from the funds re-invested for the period ended 31 December 2007 amounting to $710,833 were assigned to ICF Trust at 31 December 2007.

Note 5 – Resource Expended

	Cost of generating funds	Projects	Governance	3 October 2006 through 31 December
	US$	US$	US$	US$
Trust Fund Managers Administration fee	-	-	-	-
Project Initiation and Promotion:				
Rwanda Investment Climate Reform	-	126,866	-	126,866
Africa Law Institute	-	88,980	-	88,980
Kenya Customs Reform	-	87,871	-	87,871
Lesotho – VAT Reform	-	24,760	-	24,760
Power Task Force	-	498	-	498
Ghana & Senegal Commercial Justice/Business registration	-	27,907	-	27,907
Liberia – Business Registration	--	270	-	270
BAFICAA Customs Project	-	308	-	308
EAC Anti Counterfeiting & Piracy project	-	820	-	820
Project Implementation:				
Rwanda Investment Climate Reform	-	184,720	-	184,720
Contributors due diligence	10,580	-	-	10,580
Consultancy fees	4,200	-	47,475	51,675
Legal fees	-	-	4,438	4,438
Accounting fees	-	-	39,960	39,960
Audit fees	-	-	41,600	41,600
Directors fees	-	-	560,000	560,000
Directors meeting and travel expenses	-	-	105,537	105,537
Management meetings expenses	-	-	18,287	18,287
TAC meeting expenses	-	-	2,448	2,448
Travel and representation	9,767	-	50,577	60,344
Staff remuneration	-	-	-	-
Recruitment costs	-	-	80,312	80,312
Communications	-	-	6,462	6,462
Public relations	-	-	68,861	68,861
Office supplies	-	-	3,768	3,768
Transitional expenses	-	-	77,086	77,086
Miscellaneous	-	-	1,076	1,076
Total Resources Expended	**24,547**	**543,000**	**1,107,887**	**1,675,434**

Note 5 – Resources Expended - continued

Included in resources expended on p19 are travel, hotel and subsistence expenses amounting to US$105,537 incurred by seven of the eleven Directors in attending ICF meetings; and professional indemnity insurance premiums paid in respect of all Directors.

Excluded from the resources expended on p19 are the staff remuneration costs of the ICF Trust management team and other staff that work for the ICF CLG but have contracts with and are paid by ICF Trust.

Directors' remuneration was paid to each director in accordance with the ICF Governance Charter as follows:

Directors remuneration and Fees	2006 Honorarium	2006 Attendance Fees	2007 Honorarium	2007 Attendance Fees	Total period ended 31st December 2007
	US$	US$	US$	US$	US$
Niall FitzGerald	50,000	15,000	50,000	15,000	130,000
Benjamin Mkapa	50,000	15,000	50,000	15,000	130,000
Sam Jonah	5,000	15,000	5,000	15,000	40,000
William Kalema	5,000	15,000	5,000	15,000	40,000
Henri Bonpun	5,000	15,000	5,000	15,000	40,000
Lazarus Zim	5,000	15,000	5,000	15,000	40,000
Nkosana Moyo	5,000	15,000	5,000	15,000	40,000
Lynda Chalker	5,000	15,000	5,000	15,000	40,000
Dipak Patel	5,000	5,000	5,000	15,000	30,000
Gobind Nankani	5,000	-	5,000	15,000	25,000
Johannes-Jurgen Bernsen	-	-	-	5,000	5,000
Total Payment	**140,000**	**125,000**	**140,000**	**155,000**	**560,000**

Note 6 – Other Recognised losses

Other recognised losses comprise:

	2007
	US$
Foreign currency translation adjustment on contribution	44,280
Net realized losses on foreign currency denominated balances that were settled	498,898
Other recognised losses	**543,178**

Note 7 – Amount receivable from ICF Trust

	2007
	US$
Funds deposited with ICF Trust by ICF CLG	1,500,000
ICF CLG expenses paid from Funds deposited with ICF Trust	856,975
Amount due from ICF Trust	**643,025**

The ICF Trust is incorporated in Tanzania and works closely with the ICF CLG in operations that are aimed to fulfil their shared mission to improve the investment climate in Africa. All the persons that currently act as Directors of the ICF CLG also serve as Trustees of the ICF Trust.

Note 8 – Creditors falling due within one year

Creditors falling due within one year as at 31 December 2007 comprised the following:

	2007
	US$
Sundry creditors	24,362
Accrued expenses	354,963
Corporation tax liability	213,250
Total Creditors falling due within one year	**592,575**

Corporation tax liability: The ICF CLG may be subject to UK Corporation taxation on the net amount of its investment income received in the period as it has not completed formalities for its registration with the Charities Commission. The tax liability is calculated on the gross investment income because the administrative charges levied on the remittances into the Funds in Trust have been waived by the IFC, the interim fiscal agent that managed the funds.

Note 9 – Movement in Funds

The movement in funds for the period ended 31 December 2007 is summarised as follows:

Unrestricted Funds	Incoming Resources	Outgoing Resources	Transfers	Other Gains and (Losses)	31 December 2007
	US$	US$	US$	US$	US$
General funds:					
Contributions	65,505,734	(1,132,434)	(543,000)	(756,428)	63,073,872
Donated Services	257,167	-	-	-	257,167
Investment Income	710,833	-	-	-	710,833
Contributions assigned to ICF Trust	-	(46,843,920)	-	-	(46,843,920)
Funds in Trust assigned to ICF Trust	-	(16,644,219)	-	-	(16,644,219)
Project Initiation:					
Rwanda Investment Climate Reform	-	(126,866)	126,866	-	-
Africa Law Institute	-	(88,980)	88,980	-	-
East Africa Customs Project	-	(87,871)	87,871	-	-
Lesotho VAT Reform	-	(24,760)	24,760	-	-
Power Task Force	-	(498)	498	-	-
Ghana & Senegal Commercial Justice/Business registration	-	(27,907)	27,907	-	-
Liberia-Business Registration	-	(270)	270	-	-
BAFICAA Customs Project	-	(308)	308	-	-
EAC Anti-counterfeit	-	(820)	820	-	-
Project Implementation:					
RICP Expenses	-	(184,720)	184,720	-	-
Other Gains and Losses	-	-	-	543,178	-
Corporation tax charge	-	-	-	213,250	-
Total Unrestricted Funds	**66,473,734**	**(65,163,573)**	**-**	**-**	**553,733**

Note 10 – Notes to the Statement of Cash Flows

The net movement in funds for the period ended 31 December 2007 is reconciled to net cash inflows from operations as follows:

	3 October 2006 to 31 December 2007
	US$
Cash flows from operating activities	
Change in total funds for the period	553,733
Adjustments to reconcile change in total funds to cash used in operating activities:	
Increase in Prepaid Project Expenses	(500,531)
Increase in Amount receivable from ICF Trust	(643,025)
Increase in Creditors falling due within one year	592,575
Net cash inflow from operating activities	**2,752**

Note 11 – Contingent Commitments

During the period, a US$9 million three year performance related grant that was committed to the Rwanda Investment Climate Project was assigned to the ICF Trust.

Report of the Independent Auditors To the Trustees of the Investment Climate Facility for Africa Trust

We have audited the financial statements of the Investment Climate Facility for Africa Trust which is set out on pages 23 to 30 which comprise the balance sheet at 31 December 2007 and statement of financial activities and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Basis of opinion

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the organisation's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with the sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion, we also evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees as well as the overall adequacy of the presentation of information in the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the organisation at 31 December 2007 and of its statement of financial activities and cash flow for the year then ended and have been prepared with appropriate accounting standards.

DE CHAZAL DU MEE
Certified Public Accountants

Per Abdul Wahed I.A.Abbasakoor
Dar es Salaam
Tanzania
Date: 18 March 2008

Statement of Financial Activities
for the Period from 19 April (date of incorporation) to 31 December 2007

		Notes	19 April 2007 through 31 December 2007 US$
Incoming resources			
Incoming resources from generated funds:			
Voluntary income:			
Contribution revenue		3	29,539,320
Contributions assigned from ICF CLG		3	46,843,920
Funds in Trust assigned from ICF CLG		4	16,644,219
	Total incoming resources		**93,027,459**
Resources expended			
Cost of generating funds		5	5,087
Project activities		5	148,299
Governance costs		5	780,380
	Total resources expended		**933,766**
Net incoming resources before other recognised gains (losses) (Net Income for the period)			**92,093,693**
Other recognised losses		6	138
	Net movement in funds		**92,093,555**
Reconciliation of funds			
Total Funds brought forward			-
	Total funds carried forward		**92,093,555**

The accompanying notes are an integral part of these financial statements.

The Investment Climate Facility for Africa Trust

Balance Sheet as at 31 December 2007

	Notes	2007
		US$
Tangible Fixed Assets	7	60,165
		60,165
Current Assets		
Contributions receivable	3	68,149,455
Accounts receivable - prepayments		43,373
Funds in trust held by ICF CLG	4	16,644,219
Cash at bank and in hand	8	8,076,141
		92,913,188
Liabilities		
Creditors falling due within one year	9	236,773
Amount due to ICF CLG	10	643,025
		879,798
Net Current Assets		**92,033,390**
Net Assets		**92,093,555**
Unrestricted funds		
General funds	11	92,093,555
Total funds		**92,093,555**

The accompanying notes are an integral part of these financial statements.

Approved by the Trustees and signed on their behalf by:

Niall FitzGerald KBE
Co-Chair Investment Climate Facility
18 March 2008

The Investment Climate Facility for Africa Trust

Statement of Cash Flows
for the Period from 19 April (date of incorporation) to 31 December 2007

	Notes	19 April 2007 to 31 December 2007
		US$
Net Cash inflow from Operating Activities	12	**24,805,539**
Management of liquid resources		
Increase in Funds in Trust		(16,644,219)
Net cash inflow		**8,161,320**
Cash flow from investing activity		
Tangible Fixed assets acquired		(85,179)
Net cash outflow		**(85,179)**
Net change in cash		8,076,141
Cash at Bank and In-hand at the beginning of the period		-
Cash at Bank and In-hand at the end of the period	8	**8,076,141**

The accompanying notes are an integral part of these financial statements.

Note 1 – Nature of operations and Affiliations

The Registered Trustees of the Investment Climate Facility for Africa Trust ("ICF Trust") was legally incorporated in Tanzania as a trust under the Trustees Incorporation Ordinance of 1956 on 19 April, 2007. The ICF Trust operates in close cooperation with The Investment Climate Facility Company Limited by Guarantee ("ICF-CLG") a private company incorporated in the United Kingdom that shares ICF Trust's mission. The initial phase of ICF Trust operations will be driven by three strategic themes:

- Intra-African trade – improving Africa's import and export environment by improving and simplifying administration in order to facilitate cross-border trade.
- Facilitation of business development and expansion – focusing on ICT and infrastructure development, business registration, licensing and property rights.
- Facilitation of financial and investment environment – developing capital markets, increasing access to finance for enterprises, improving the regulatory environment for second and third tier institutions and facilitating improved digital infrastructure.

Note 2 – Significant Accounting Policies

Basis of Accounting: The financial statements are prepared on the accruals basis of accounting, under the historical cost convention.

Funds Structure: Funds, revenues, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, Funds and any changes therein that are not subject to donor-imposed restrictions and are available for the Trustees to apply to the general purposes of the Trust, are classified as unrestricted income funds.

Foreign Currency Re-measurement: The financial statements are presented in U.S. dollars, which is ICF Trust's functional and reporting currency. Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur.

Exchange gains and losses arising on settled transactions are included in other incoming funds in the statement of financial activities.

Unrealized gains or losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are presented separately in other recognized gains /(losses) in the statement of financial activities.

Tangible Fixed Assets: Direct expenditure on the acquisition, creation or enhancement of fixed assets will be capitalized on an accruals basis.

Expenditure on a tangible asset in excess of $100 will be capitalized provided that it yields benefits to the organization over a period exceeding one year. Tangible assets acquired for less than $100 are expensed.

Leasehold improvements, fixtures and fittings are depreciated over the life of the lease. Depreciation is provided to write off the cost of the fixed assets on a straight-line basis over the expected useful lives of the assets as follows:

- Computer equipment 33% per annum
- Furniture & Fittings 15% per annum

Cash: Cash consists of cash at depository bank accounts accessible within 24 hours.

Incoming Resources
Revenue Recognition: Voluntary income received by way of contributions and grants that are without any donor imposed purpose or use restrictions is recognized on an accruals basis as revenues in the unrestricted net asset class where there is entitlement, certainty of receipt and when it can be reliably measured.

Donated contributions are included at the value to ICF Trust of the service provided.
Investment income is recognized on an accruals basis.

Resources Expended
Expenditure is recognized on an accruals basis as a liability is incurred.

Project Activities: Project expenditure comprises the direct costs incurred by the task forces and allowable project costs incurred on an accruals basis.

Advances to projects are recognised as prepaid project expenditure and are amortised to project expenditure in the statement of financial activities as and when allowable project costs are reported by the grantees.

Governanace Costs: Governance costs include the expenditure associated with meeting the constitutional and statutory requirements of the trust and include audit fees, legal fees as well as the costs of providing strategic direction to the Trust.

Note 3 – Contribution Revenue and Contributions Receivable

Contribution revenue for the period ended 31 December 2007 comprised the following:

	Contribution Revenue during the period 19 April 2007 to 31 December 2007			Funds Received	Contributions assigned from ICF CLG	Contributions Receivable 31 December 2007
	Original Currency		US$	US$	US$	US$
Coca Cola	US$	500,000	500,000	(500,000)	-	-
Sasol	US$	2,500,000	2,500,000	(500,000)	-	2,000,000
Republic of South Africa	US$	3,000,000	3,000,000	(1,000,000)	-	2,000,000
Netherlands	Euro	15,000,000	20,250,000	(5,687.336)	-	14,562,664
Kingdom of Norway	NKr.	18,000,000	3,289,320	(546,449)	-	2,742,871
DFID	GBP	17,000,000			23,387, 098	23,387,098
IFC/ World Bank	US$	30,000,000			24,000,000	24,000,000
Realised Currency Gain/Loss					(498,898)	(498,898)
Currency Translation Gain/Loss					(44,280)	(44,280)
Total Contributions			**29,539,320**	**(8,233,785)**	**46,843,920**	**68,149,455**

Note 4 – Funds in Trust held by ICF CLG

Some contributed funds were received on behalf of ICF Trust and managed by the International Finance Corporation ("IFC"), a member of the World Bank Group, acting as interim fiscal agent to the ICF CLG.

IFC has the right to commingle the Trust Fund with other trust fund assets maintained by the World Bank Group but maintains the trust funds apart from the funds of the World Bank Group itself.

The Funds in Trust balance of $16,644,219 that included the income from the funds re-invested for the period ended 31 December 2007 amounting to $710,833 was assigned to ICF Trust by ICF CLG at 31 December 2007.

Note 5 – Resources Expended

	Cost of Generating Funds	Projects	Governance	19 April to 31 December 2007
	US$	US$	US$	US$
Project Initiation and Promotion:				
Power Task Force	-	107,745	-	107,745
EAC Anti-counterfeit	-	1,765	-	1,765
Ghana & Senegal Commercial Justice/Business Registration	-	16,429	-	16,429
Tanzania Commercial Justice	-	85	-	85
Tanzania Land Bank	-	22,275	-	22,275
Staff costs	-	-	398,974	398,974
Recruitment costs	-	-	119,613	119,613
Facility and office costs	-	-	35,870	35,870
Communications	-	-	9,500	9,500
Public Relations	-	-	38,602	38,602
Travel expenses	5,087	-	4,959	10,046
Office supplies	-	-	28,211	28,211
Legal fees	-	-	8,500	8,500
Accounting fees	-	-	83,987	83,987
Audit fees	-	-	20,350	20,350
Other expenses	-	-	5,892	5,892
Depreciation	-	-	25,014	25,014
Other financial costs	-	-	908	908
Total Resources Expended	**5,087**	**148,299**	**780,380**	**933,766**

The resources expended exclude Trustees' remuneration and the reimbursal travel, hotel and subsistence costs incurred by the Trustees in serving ICF Trust, that are met in full by the ICF CLG. Included in resources expended are professional indemnity insurance premiums paid on behalf of each of the Trustees.

Note 6 – Other Recognised Losses

Other recognised losses for the period ended 31 December 2007 comprised of the net foreign currency translation adjustments on bank balances denominated in Tanzania shillings.

Note 7 – Tangible Fixed Assets

	Computer Equipment	Furniture & Fittings	Leasehold Fixtures & Fittings	2007 Total
	US$	US$	US$	US$
COST				
Additions	28,271	8,687	48,221	85,179
Total at 31 December 2007	28,271	8,687	48,221	85,179
DEPRECIATION				
Charge for the period	3,217	425	21,372	25,014
Total at 31 December 2007	3,217	425	21,372	25,014
NET BOOK VALUE at 31 December 2007	**25,054**	**8,262**	**26,849**	**60,165**

Note 8 – Cash at Bank and In-hand

Cash at Bank and In-hand as at 31 December 2007 comprised the following accounts:

	2007
	US$
US$ Current Account held with CRDB	8,072, 503
TZS Current Account held with CRDB	2,291
Petty Cash	1,347
Total Cash at Bank and In-hand	**8,076,141**

Note 9 – Creditors falling due within one year

Creditors falling due within one year as at 31 December 2007 comprised the following:

	2007
	US$
Sundry creditors	180,890
Accrued expenses	25,883
Salaries payable	30,000
Total Creditors falling due within one year	**236,773**

Note 10 – Amount due to ICF CLG

	2007
	US$
Funds deposited with ICF Trust by ICF CLG	1,500,000
ICF CLG expenses paid therefrom	(856,975)
Amount due to ICF CLG	**643,025**

The ICF CLG is incorporated as a Private Company Limited by Guarantee in the United Kingdom. The ICF CLG cooperates closely with the ICF Trust in operations that are aimed to fulfil their shared mission to improve the investment climate facility in Africa. All persons that currently act as Trustees of the ICF Trust also serve as Directors of the ICF CLG

Note 11 – Movement in Funds

The movement in funds for the period ended 31 December 2007 is summarised as follows:

Unrestricted Funds	Incoming Resources	Outgoing Resources	Transfers	Gains and (Losses)	At 31 December 2007
	US$	US$	US$	US$	US$
General Funds					
Contributions	29,539,320	(785,467)	(148,299)	(138)	28,605,416
Contributions assigned from ICF CLG	46,843,920				46,843,920
Funds in Trust assigned from ICF CLG	16,644,219				16,644,219
Project activities:					
Power Task Force		(107,745)	107,745		
EAC Anti-counterfeit		(1,765)	1,765		
Ghana & Senegal Commercial Justice/ Business Registration		(16,429)	16,429		
Tanzania Commercial Justice		(85)	85		
Tanzania Land Bank		(22,275)	22,275		
Total Unrestricted Funds	**93,027,459**	**(933,766)**	**-**	**(138)**	**92,093,555**

Note 12 – Notes to the Statement of Cash Flows

The net movement in funds for the period ended 31 December 2007 is reconciled to net cash inflows from operations as follows:

	19 April 2007 to December 2007
	US$
Cash flows from operating activities	
Net movement in funds for the period	92,093,555
Adjustments for items that do not involve the movement of funds:	
Depreciation charges	25,014
Adjustments to reconcile change in total funds to cash used in operating activities:	
Increase in Contributions receivable	(68,149,455)
Increase in Accounts Receivable	(43,373)
Increase in Amount due to ICF CLG	643,025
Increase in Creditors falling due within one year	236,773
Net cash inflow from operating activities	**24,805,539**

Note 13 – Taxation

ICF Trust does not pay any income tax as it has been granted full tax neutrality for both income and expenditure by the host government of the United Republic of Tanzania.

Note 14 – Subsequent Events

After balance sheet date, agreements were signed with two corporate contributors that committed to disburse the following contributions in five tranches:

SABMiller	US$ 2.5 million
Celtel	US$ 2.5 million

Note 15 – Contingent Commitments

During the period, performance related grants were committed on the following projects:

Project	Amount (USD)
East African Community – *Anti Counterfeiting & Piracy Policy & Legislation Project*	1,000,000
Lesotho Revenue Authority – *Diagnostic Evaluation and Reform of the VAT Regime in Lesotho*	19,550
Liberia – *Institutional Reform and Development of the Liberia Companies/ Commercial Registry*	2,500,000

Contact

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