

The Tony Blair Governance Initiative

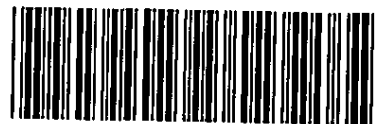
Annual Report and Financial Statements

31 December 2011

Company Limited by Guarantee
Registration Number
6779669 (England and Wales)

Charity Registration Number
1132422

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Reference and administrative details of the charity, its Trustees and advisers

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Charity registration number	1132422
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Trustees' Report: Year to 31 December 2011

The Trustees present their report together with the financial statements of The Tony Blair Governance Initiative (which is known as the Africa Governance Initiative, or "AGI") for the year ended 31 December 2011

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and is also a directors' report for the purposes of company legislation

The financial statements have been prepared in accordance with the accounting policies set out therein and comply with the charitable company's memorandum and articles of association, applicable laws, UK accounting standards and the requirements of the Statement of Recommended Practice on 'Accounting and Reporting by Charities' (SORP 2005)

Trustees' Report: Year to 31 December 2011

1. INTRODUCTION

AGI's mission is to support African leaders who are striving to make their countries more peaceful, stable and prosperous. AGI does this by focusing on building the capacity of governments to implement their vision for their country.

2011 was a significant year for AGI. In many ways, the first three years since AGI was founded in 2008 have focused on developing, assessing and improving our unique model of development assistance, and the impact it could have on the lives of citizens in some of the poorest countries in the world. In 2011 we took the decision to share some of our learning and results more publicly, and to respond to demand from African leaders to expand our operations on the continent, to work with them to improve the lives of millions of the poorest people in Africa. We anticipate that 2012 will see the organisation grow in both reach and impact as a result.

AGI's work is situated within a broader story about the rapid change across Africa over the past decade. Whilst growth has stagnated in much of the West, eight economies in Sub-Saharan Africa doubled in size, including Rwanda and Sierra Leone. Foreign direct investment into Africa increased fivefold, and will outstrip aid in the next decade. Remarkable developmental progress is being made in many countries: 46.5 million children started going to school in Africa between 1999 and 2008. Measles deaths in Africa fell by 89% between 2000 and 2007. And where in the 1980s there were just three truly free elections in Sub-Saharan Africa, in the last decade there were 25. It is the scale of progress, but also the

deep governance challenges which remain which drive AGI's purpose.

1.1 WHY EFFECTIVE GOVERNANCE MATTERS

Effective governance, by which we mean the ability of governments to implement policies and programmes that improve the lives of their citizens, is central to the development of countries in Africa and beyond. It matters for three main reasons.

First, because of the direct impact these government policies and programmes can have when successfully implemented. This can be seen in the huge reduction in poverty in Rwanda from 57% of the population to 45% in just five years. Or the introduction of free health care in Sierra Leone – meaning 2 million more children attending clinics to receive vital treatment for lethal diseases like malaria.

Second, beyond these immediate impacts, effective governance increases the resilience of the state itself – increasing the chances of countries avoiding conflict and maintaining democracy. There is strong evidence that those countries which are able to deliver improvements in living standards, for example reducing maternal mortality rates, or lifting families out of poverty, are much less likely to fail. And this effect is particularly strong for the kind of post-conflict countries and new democracies in which AGI works.

"New democracies are, in effect, in a catch-22 situation: lacking legitimacy they cannot become effective; lacking effectiveness they cannot develop legitimacy"

Samuel P Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, 1991

The third rationale for developing effective governance is that it allows countries to take ownership of their own development, reducing their dependence on outside aid and assistance. Country ownership has been recognised as a pre-requisite for effective development and, as importantly, is what leaders across Africa want to take the destiny of their countries into their own hands.

"There you stand, trying to rebuild a nation in an environment of raised expectations and short patience, because everyone wants to see change take place right away. After all, they voted for you because they had confidence in your ability to deliver – immediately. Only you cannot. Not because of the lack of financial resources, but simply because the capacity to implement whatever change you have in mind does not exist."

H.E. President Ellen Johnson Sirleaf, *This Child Will Be Great*

1.2 OUR APPROACH

There is no single "right way" to organise governance. Every country has to develop its political and governmental institutions in response to its own history, challenges and goals. So AGI's approach to strengthening governance can never be one-size-fits-all. Our role is to work with our partner governments to develop solutions that work for their specific circumstances and requirements. We support the wider trend in development to move away from "best practice", a standard approach from outside, towards "best fit", a tailored approach developed in partnership.

"The right approach to governance for development is 'best fit', not 'best practice'."

**Africa Power and Politics Programme,
Overseas Development Institute, 2011**

Whilst each of AGI's programmes is unique and reflects the circumstances and requests of our partner government, AGI's approach to supporting effective governance focuses on building three core government functions

- Prioritisation,
- Planning, and
- Performance management

Although these elements may appear basic, AGI has found that these are the functions that need to be working well for implementation of policies and programmes to be effective – in the countries we partner with in Africa, but also around the world. And they are also the areas which require institutional capacity to make them work.

AGI supports governments to build their capacity to carry out these functions by embedding teams of skilled staff within AGI's partner governments. AGI's staff work shoulder-to-shoulder with local public servants to develop the capacity of the key institutions in the centre of government. This work is complemented by the support of AGI's Patron, the Rt Hon Tony Blair, who works with the government's political leadership to advise on the challenges of leading reform, visiting each country and meeting with the leaders frequently on AGI's behalf.

As an organisation, AGI is committed to engaging with a broad community of practitioners, academics, and civil society to

test and challenge our thinking, and to share the lessons from our work. Through this our objective is to have an impact on the broader development debate, over and above our impact on government effectiveness in the countries we partner.

1.3 WHERE WE WORK

The countries in which the Africa Governance Initiative operates were selected according to criteria agreed by the Trustees. First, the charity works only in the poorest countries in the world, or in countries where there are deep pockets of absolute poverty – as scholars have noted, most of the world's poor now live in middle income countries. In many of these places, poverty results from years of conflict. Effective governance – providing public goods to a broad spectrum of citizens, particularly in the early, most fragile years – is key to ensuring that countries escape from the conflict trap. Second, the charity works with governments committed to reducing poverty through reform, and where there is strong demand for AGI's support. Third, the charity will only seek to undertake projects where an intervention by AGI complements existing development assistance and can be carried out in a politically neutral manner: we work with government, not the government of the day.

In 2011, AGI was asked to expand its activities into a number of new African countries. The Trustees welcomed this opportunity to explore whether AGI's unique approach to capacity development could be instrumental in building government effectiveness and improving people's lives in new, more complex, more populous and in some cases more fragile environments. Recognising this demand, in 2011 we refined our approach to scoping new AGI programmes, both to ensure that the organisation's selection criteria were robust,

but also to explore different modalities of support to African partners

AGI recognises the great strides that have been taken by partner governments in leading Rwanda, Sierra Leone, Guinea and Liberia out of decades of conflict and misrule. But these governments would be the first to admit that progress, however great, is fragile and that in each country there still remain great challenges to be surmounted before their vision can be achieved, both in terms of political and economic development. Working in these environments is complex, and involves managing significant risk and uncertainty. This challenge will only grow as AGI begins working in new environments. The Trustees review progress in each project, and attendant risks, regularly.

1.4 HOW WE EVALUATE AGI'S IMPACT

The Trustees are committed to robust monitoring and external evaluation of the charity's work in the knowledge that demonstrating our efficacy on the ground is critical for our own work, for our partner institutions, for funders who rightly want to see demonstrable results for the investment they make, and for the benefit of the public in the countries AGI operates in. Comprehensive monitoring and evaluation frameworks are in place for each project in Africa, and each project was independently evaluated in 2011. We are enhancing and refining these frameworks, working with international evaluation experts, as AGI continues to learn more about what works, and we expect to launch further independent evaluations of our work in 2012 and beyond.

2. ACTIVITIES, SPECIFIC OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

In accordance with our charitable objects, AGI's principal objective in 2011 was to establish and run programmes to improve the effectiveness of public administration in partner countries in Africa, so that governments are better able to deliver policies that lift their people out of poverty.

Alongside this, in 2011 AGI had a second objective of codifying the central elements of our model, and finding ways to share our learning with a broad community of practitioners and development thinkers. We do this to ensure that we continually challenge and refine our own thinking, as well as to fulfil our commitment to make our work as freely available as possible, in order to advance public knowledge about good governance and sustainable development.

Underpinning these activities was a continued focus on building AGI's own organisational capability, gearing the organisation up to grow in 2012 and beyond.

During 2011, the charity's activities thus fell into the following three major areas:

- **Establishing, carrying out and evaluating capacity development programmes in Africa** (Rwanda, Sierra Leone, Liberia, Guinea),
- **Learning and sharing the lessons** of AGI's work, and engaging in public debate regarding the importance of effective governance to development,
- **Developing AGI as an organisation**, in order to deepen its impact in the areas

specified above, and to prepare to expand our work in 2012

Specific activities and progress against each of these objectives are outlined below

2.1 OUR PROGRAMMES: DEVELOPING CAPACITY IN AFRICA

In 2011 AGI retained its focus on capacity development with governments in fragile, post-conflict and transition countries in Africa. We undertook new phases of our projects in Rwanda and Sierra Leone, wrapped up the first phase of our work in Liberia ahead of the 2011 Presidential elections, and established a new programme in Guinea.

A painful lesson from history is that state capacity can be destroyed much more quickly than it can be developed. Building a capable, accountable and responsive state is a long-term endeavour that requires dedication and leadership over years or even decades. AGI's partner countries are at different but equally critical points on this journey, and we are proud to be supporting them on it.

An annual report can inevitably capture only a snapshot of this progress. Nevertheless, we believe, and independent evaluations have confirmed, that during the reporting period these programmes have had a significant impact on the effectiveness of public administration in these countries and on the ability of our partner governments to deliver for their citizens.

AGI's charitable objects:

1. To promote and advance the efficient public administration of government and public services for the public benefit with a view to relieving poverty by improving the skills and capacities of individuals within government and public services, and the systems and processes of government and public services.
2. To promote sustainable development with a view to relieving poverty, by the improvement of conditions of life in communities facing poverty and social disadvantage, and the creation of sustainable means of achieving economic growth and regeneration.
3. To advance the education of the public about good governance and sustainable development.

2.1.1 Rwanda

Country context

Results from Rwanda's most recent Household Survey showed that between 2005-6 and 2010-11 the poverty rate fell from 56.7% to 44.9%. In total, 200,000 households have been lifted out of poverty in the last 5 years.

In 2011, President Paul Kagame used the second year of his second and final term to focus on sustaining this social and economic development, and to continue Rwanda's drive towards middle-income status and ending its dependence on foreign aid.

Real economic growth for 2011 reached 8.7%. Having dipped in 2010, private sector investment commitments also rebounded to around \$500m in 2011, up from \$386m in 2010. There was a focus on prioritisation across the Government of Rwanda (GoR), which we see as one of the long-term successes of AGI's partnership with Rwanda. The Government's 2011 National Leadership Retreat settled on six priorities for the year: electrification, crop intensification, the quality of education, information and communication technology, promoting investment and SMEs, and finally confidence in the governance system, since how the country develops the last is crucial to securing long-term broad-based economic development of Rwanda.

The Trustees are aware that some commentators have raised questions about the governance system in Rwanda. This is something the Trustees continued to monitor closely during 2011.

During 2011, the GoR also took an important role internationally as a leader in aid effectiveness, with President Kagame making a speech at the opening session of the Busan High Level Forum on Aid Effectiveness in November. He provided a clear message about the need to end tied aid and called on donors to put into practice the principle of greater country ownership, citing AGI as a model for others to follow.

Our programme background and achievements in 2011

2011 was a year of transition for our Rwanda project. AGI has been working in Rwanda since 2008, focusing on building institutions to support the country's economic development. Since then, our primary focus has been on the centre of government, particularly the President's office, the Prime Minister's office

and the Public Sector Capacity Building Secretariat (PSCBS), Rwanda's central agency for co-ordinating capacity building. Responding to the GoR's aspiration for private sector-led economic growth, we have also been supporting the Rwanda Development Board to develop its capacity to attract and facilitate sustainable private investment.

As our first project, AGI's engagement in Rwanda has fundamentally shaped our approach. We are indebted to our colleagues in the Government of Rwanda for their help in this regard. We were therefore delighted that in 2011 this model in turn became the inspiration for a new approach to capacity development across the Government of Rwanda. The centrepiece of this was the launch of the Strategic Capacity Building Initiative (SCBI).

Rwanda prides itself on being ahead of the curve, and setting the terms for the way in which donors engage with its development. Now, through the SCBI, a four-year, \$46m programme funded by the World Bank, the African Development Bank and the United Nations Development Programme, the Government of Rwanda is leading a new approach to capacity development (see Case Study) in four of the sectors most critical to the country's development: electricity, mining, investment and agriculture.

AGI played an important strategic role in the creation of the SCBI, supporting everything from the development of the initial concept, to the completion of the capacity needs assessments and the design of the package of support each sector required.

As a pilot of the strategic role AGI envisage playing in all four sectors, we began work in the Ministry of Agriculture in August 2011, helping strengthen the project management of

its crops and mechanisation programme for small farmers. This is vital in a country where two-thirds of households earn their living from farming.

Outside of the SCBI, we also began a new workstream in the Ministry of Finance, helping to set up a strategy unit in the Minister's office and supporting the unit in its handling of critical dossiers like access to finance and the roll-out of credit card Point of Sale and ATM machines across Rwanda.

As well as new beginnings, 2011 saw us wrap up some existing areas of work. Our work enabling systems and processes around executive support and communications in the Office of the President was largely completed, allowing us to draw back our support altogether. In a number of other workstreams where there is on-going demand for us to retain a presence, we took the opportunity to conclude our initial engagement and agree with our counterparts where we go next. A GoR civil servant interviewed as part of the independent evaluation of our work in Rwanda in 2010-2011 said *"The system whereby AGI enables the counterpart to take initiative, but guides the person with experience, is a very good system. It empowers the person. The person builds their capacity."*

CASE STUDY: the Strategic Capacity Building Initiative

To maintain the developmental progress it has made and take it to the next level, Rwanda needs to confront the institutional weaknesses that stand in the way of delivering results in the priority areas it has identified.

By identifying critical capacity gaps and bottlenecks in these areas, and targeting recruitment, reform and international technical assistance at addressing these issues, the Government hopes to grow the agriculture sector, improve access to electricity, increase mineral exports and increase investment.

Announcing the launch of the four-year SCBI programme, Rwandan President Kagame explained what makes the SCBI different:

"The Strategic Capacity Building Initiative is demand driven, as we hope to secure targeted support to meet our needs, rather than merely accepting whatever is offered."

"It is focused on Rwanda's delivery priorities, namely specific outcomes such as increasing agricultural productivity, access to electricity, investment in technology and private sector growth, rather than broad sector reform. In four years' time, when the first phase is complete, I not only expect these priorities to be delivered, but for them to have had a multiplier effect on Rwanda – achieving the MDGs and our broader development vision."

It's more than just acquiring formal qualification or technical skills, but the capacity to drive change on the ground in a way that transforms how we do things for the advancement of our development goals and the needs of our citizens."

This innovative approach has attracted widespread support from the international community. It is an important step forward for true country ownership which sees African governments take charge of their own development.

The future

2012 will see AGI maintain our focus on Rwanda's economic development, supporting the implementation of the SCBI. This has three key elements

- Expanding our work to encompass all four of the priority Ministries, with AGI playing the role of strategic advisor to address critical capacity gaps and drive the implementation of the rest of the SCBI programme for each sector (such as the recruitment of the international technical experts and the Rwandan counterparts they will help to train up)
- Strengthening leadership and project management in the PSCBS so that it can rise to the challenge of overseeing the SCBI as a whole
- Continuing to strengthen the Presidency, Prime Minister's Office and Ministry of Finance as critical centre of government functions for the delivery of the Government's priorities

What our counterparts say about us:

"While donors may not be entirely to blame for bypassing [government] systems where they are weak, or non-functional, why not use aid to build up and strengthen such critical systems? A case in point is the partnership between Rwanda's government and Tony Blair's Africa Governance Initiative, which uses embedded support to balance fast implementation of development programs and transfer of skills."

H.E. President Paul Kagame, speaking at the 4th High Level Conference for Aid Effectiveness in Busan, November 2011

2.1.2 Sierra Leone

Country context

In April 2011, Sierra Leone celebrated the fiftieth anniversary of its independence. It was a bittersweet moment for a country in which the promise of independence too often went unfulfilled, especially in the ten years of its brutal civil war. Today, the country is determined to draw a line under the past and unite the nation. In his Independence Day speech in 2011, President Ernest Bai Koroma spoke for all Sierra Leoneans when he said

"Let us remember we are sons and daughters of Mama Salone, destined by our creator to share the same country, the same roads, the same schools, the same hospitals and the same neighborhoods."

With the current poverty reduction strategy—the *Agenda for Change* – drawing to a close in 2012, the Government continued its push on the current priorities of energy, roads, health, agriculture and private sector development. In 2011, Sierra Leone was cited as the fastest improver across Africa by the annual Mo Ibrahim Governance Index.

Sierra Leone's economy grew by 6 % in 2011, the tenth straight year of positive growth. Sierra Leone continued to attract new investors into the country, including a rising interest in the potential for off-shore oil. In the short-term, the mining sector remains a major driver of Sierra Leone's economic prospects and in late 2011 the country restarted iron ore exports for the first time in 30 years.

Our programme background and achievements in 2011

AGI's project began in late 2008, a year after President Koroma came to power in free and fair elections, the country's second since the end of the war. Since then, we have focused on strengthening the Government's capacity to implement its poverty reduction agenda in three priority areas: health, agriculture and private sector development, while helping to reform the Office of the President so it is better able to set the policy agenda and oversee its implementation effectively.

We retained this focus in 2011, supporting the Government as it sought to rise to the challenge set down by President Koroma in his speech at the State Opening of Parliament at the end of 2010: *"This is not the time for projects on office shelves. Let these projects become deeds on the ground. [T]he ordinary man and woman must reap the dividend of our democracy."*

In health, the Free Healthcare Initiative for mothers, pregnant women and young children,

the implementation of which has been a major focus of our support, continued to pay dividends. The 12 months following the launch of Free Healthcare in mid-2010 saw a 250% increase in the number of under-5 consultations and a drastic reduction in child case mortality from diarrhoea, acute respiratory infection and malaria. Sustaining this impact is dependent on the Ministry's ability to maintain delivery over time: this was the goal of our work in 2011, which focused on strengthening internal management systems, developing the capacity to track and troubleshoot delivery, and crucially supporting the production of a three-year plan for the health sector agreed between the Government of Sierra Leone and its partners. Before, spending on healthcare varied wildly across the country in some areas (particularly where there was a significant presence of international charities) it might be quite high while others would be very low. With a consolidated plan, these variations in coverage are more visible and can be addressed. Before, programmes proposed at the national level (such as for improvements in hospital infrastructure) might not be budgeted for at the local level. With a longer time horizon they now can be. In short, strengthening these internal systems is crucial to securing Free Healthcare's legacy.

In 2011, AGI was delighted to agree a new partnership with the United States Agency for International Development (USAID) to support inclusive economic development through agriculture. Agriculture accounts for two-thirds of employment and just under half of national income in Sierra Leone and so improving agricultural productivity is vital to employment, growth, and prosperity. The centrepiece of this work is supporting the Government's Smallholder Commercialization Programme, a five year, \$400m initiative which aims to

increase food security and lift 80,000 farmers and their families out of poverty. The Programme has led to the construction of over 190 Agricultural Business Centres (ABCs) that are intended to provide farming inputs and processing facilities and associated farmer-based organisations running these centres. It has also enabled the construction of over 500km of feeder roads to improve access to markets across the country (see Case Study). AGI supported each of the six teams responsible for different aspects of this programme in their planning and problem solving over the year. In the second half of the year, AGI conducted a capacity assessment of all district agricultural teams. This report, and associated recommendations, is now serving as basis of a donor funded district capacity building programme for 2012 and beyond. AGI also helped with the setting up of a performance appraisal process for senior staff, based on 'performance contracts' cascaded from the performance contract between the President and Minister.

Alongside our work in sectors, 2011 also saw us help strengthen the centre of government in its work setting and overseeing the delivery agenda. In particular, this meant helping the President's Chief of Staff to establish his office and revamp the Strategy and Policy Unit charged with advising on and monitoring the President's priorities.

An independent evaluation of our work in Sierra Leone in 2011 concluded that *"AGI has had a positive impact. In itself, AGI cannot transform the effectiveness of government. But where the conditions are right, by improving the performance of the very centre of Government, it has potential for very high returns for a relatively small financial outlay."*

The future

Sierra Leone will go to the polls in November 2012. The elections, the third since the end of the civil war, are a crucial test of the country's nascent democratic process.

As an independent charity with an unequivocal commitment to political neutrality, AGI will draw down its team ahead of the campaign period.

Before then, we will focus on driving delivery in our existing areas of agriculture, health and private sector development while sustainably transferring skills in the window of opportunity for change that remains. We will also support the development of Sierra Leone's next five year poverty reduction strategy.

What our counterparts say about us:

"I would like to thank AGI for all your hard work. Health ministries are notoriously complex and therefore difficult to manage; AGI has helped by giving me the breathing space to push through change and undertake key reforms."

Haja Zainab Hawa Bangura, Minister of Health and Sanitation, Sierra Leone

CASE STUDY: Rehabilitating rural roads

79% of the rural population of Sierra Leone live below the poverty line; the vast majority rely on subsistence farming to survive.

Restoring the rural road network is essential to enabling the rural poor – the majority of Sierra Leoneans – to move into commercial activities and significantly increase their income.

However, physical infrastructure suffered severely during Sierra Leone's decade-long civil war, especially in rural areas, and very little was done to improve the rural road network in the 10 years that followed. Where rural roads exist, many are not suitable for four-wheeled vehicles, and some are impassable for several months during the rainy season. This leads to high transport costs, leaving many farmers with limited access to markets to sell their produce, which contributes to 40% of Sierra Leone's harvested produce going to waste.

The Government of Sierra Leone has set out to tackle this issue through its Smallholder Commercialisation Programme, which incorporates the ambitious goal of rehabilitating around half of Sierra Leone's rural road network between 2010 and 2014. The implementation of this programme was no easy task. Many delivery challenges arose along the way such as the limited construction window offered by Sierra Leone's dry season, the need for effective cross-government coordination between Ministries and Agencies and releasing donor funds.

AGI supported the Government in addressing these challenges through a system of Presidential stocktakes. The monthly meetings with the President instilled a delivery mentality among the programme partners. AGI worked with government counterparts to devise a framework of monthly targets to meet the Smallholder Commercialisation Programme goals and to translate these into simple workplans referred to by the delivery team on a weekly basis. Regularly, the President brought his authority to bear in stocktake meetings, holding individuals accountable for progress and intervening to unlock issues of inter-departmental coordination.

2.1.3 Liberia

Country context

On 11 October 2011 Liberians went to the polls for the second time since the end of a devastating civil war that left 250,000 dead, thousands more displaced and the economy in ruins. In her first term, President Ellen Johnson Sirleaf had promised to "lift Liberia" with a programme focused on building stable foundations for peace and prosperity. Signature achievements included the cancellation of \$4.9bn in debt through the Highly Indebted Poor Countries initiative, attracting \$16bn in foreign direct investment, re-establishing direct flights to the United States and beginning to overhaul the country's crumbling electricity and road infrastructure. Exports of iron ore also restarted in 2011 for the first time since the war – an important

milestone The economy grew by around 7% a year from 2006-2011, and the government budget – with revenues buoyed by stable commodity prices, improved tax collection and increased development assistance – grew sixfold from \$80m in 2006 to more than \$500m in 2011

The elections were a crossroads for Liberia, testing the resilience of its democratic institutions and security situation With a UN Mission of around 10,000 peacekeepers still in place, the risk of serious insecurity was limited Nevertheless, as the first opportunity for Liberians to give their verdict on the initial 'peace dividend', they were an important test As President Ellen Johnson Sirleaf put it in her Second Inaugural Address

The second election in any emerging democracy is the most important The first takes place on the world stage, in the spotlight, with great fanfare But the second election is the true test of the will of the people and the institutions they have created If the second election works, it establishes a pattern, a tradition, a routine of democracy that subsequent elections can follow

Overall, it was a test that Liberia passed, but not without incident Well-organised and declared by all international observers to be free and fair, the elections themselves showed how far the country has come in six years However, the contest was marred by violent clashes between opposition partisans and the police Tensions again overflowed in two days of rioting during the Christmas period over the government's failure to pay young people for their work as part of a jobs scheme

A consensus has developed that this unrest reflects the simmering frustrations of Liberia's youth Liberia has one of the world's youngest populations – at least 60% of its people are

under 35 Many in this age group missed out on their education because of the war, and so find themselves trapped in poverty-stricken and jobless slums in the capital city Monrovia without skills, a job or much hope for the future President Johnson Sirleaf spoke directly to this group in her Second Inaugural Address

"To all who have yet to feel the hand of progress touch your life, your time has come We have laid the foundations for peace and prosperity, and we must now hasten our true mission putting people, especially young people, first and lifting the lives of all Liberians"

Our project background and achievements in 2011

AGI began its work in Liberia in early 2010, with a team of four based in the Ministry of State (as the Office of the President is known) The project's initial focus was on improving the overall performance of the Ministry in supporting the President, responding to her priorities and communicating with the Liberian public

We retained this focus in 2011 With the electoral calendar imposing a clear end-point for this phase of work – we were clear from the start of the project that in the interests of remaining strictly impartial we would need to wrap up our initial areas of work well ahead of the elections, irrespective of whether we subsequently returned to Liberia afterwards – the first half of the year was dedicated to completing and consolidating the improvements to the functioning of the Ministry of State that began in 2010 Some of the particular highlights of our work included

- Strengthening the Cabinet Secretariat in order to improve the quality and

efficiency of Cabinet decision-making (see Case Study)

- Improving the quality of the executive support function around the President, in particular through more strategic management of her schedule so that more of her time was spent on priority areas like energy and infrastructure, meetings were better staffed and decisions and actions could be more systematically tracked and followed-up
- Building the capacity of the government's communications function and strengthening co-ordination between the Public Affairs Department in the Presidency and the Ministry of Information in order to enable clearer and more consistent communication with the Liberian public

An independent evaluation in late 2011 concluded *"The evidence assembled and examined presents a generally very favourable picture of the first phase of AGI's engagement in Liberia"*

Having wrapped up this phase of work in the first half of 2011 and stepped back from day-to-day work in the Ministry of State, we undertook two further pieces of work outside the Presidency. First, we provided support to the Liberia Reconstruction and Development Committee on the drafting of the *Agenda for Transformation through Action*, Liberia's next five-year poverty reduction strategy and a key statement of its development goals. Second, we conducted a number of scoping exercises to identify potential capacity needs in other parts of government that could be addressed in a second phase of the project, were it to be requested, after the elections. This involved

preliminary diagnostic work in the Ministries of Finance, Agriculture and Public Works, as well as advising the National Investment Commission on its transformation from a private sector regulator to a fully-fledged investment promotion agency

AGI took a number of steps to maintain its political neutrality during the election period. In particular, we issued guidance to the team on appropriate conduct and risks to be aware of in the heightened political atmosphere of a campaigning period, drew down the team leaving only one team member in country over the elections, and wrote to the main opposition candidates explaining our role and reaffirming our willingness to explore a partnership with any credible, legitimate incoming government.

Having drawn down during the election period, a small team returned afterwards at the invitation of the newly re-elected President to help the new government define its second term priorities and to explore what a second phase of AGI's work might look like. We were encouraged to see that many of the changes we had introduced in the first phase of work had been sustained in our absence.

The future

Liberia is at a moment of transition as the civil war recedes, the focus of the country is shifting from reconstruction to growth, and from demobilisation to genuine reconciliation. The next few years will not just determine the fate of the Government's second term, but shape the country's prospects for a generation if infrastructure can be built, jobs created, a strong framework for managing resources put in place and, crucially, government strengthened sufficiently to continue to drive all this, then the peace dividend will be secured.

and Liberia can go into the next election in 2017 confident that the days when the bullet ruled over the ballot are well and truly behind it

To support Liberia in capitalising on this critical window of opportunity, AGI has agreed with the Government that in 2012 we will develop a second phase of support. This is likely to focus in three main areas: strengthening the centre of government (including the Presidency and Ministry of Finance) and way it co-ordinates with line ministries, building implementation capacity in the sector priority areas of roads and jobs, and strengthening resource governance, especially in the oil sector.

What our counterparts say about us:

"They have been a tremendous help to the presidency by contributing to our effectiveness in responding to the needs of the Liberian people."

H.E. President Ellen Johnson Sirleaf

CASE STUDY: Strengthening Cabinet decision-making

The overall vision for the Cabinet Secretariat was to create a body "that is focused on helping to deliver the President's policy priorities", rather than playing a purely administrative function. In order to make Cabinet meetings more focused, effective and efficient, AGI proposed that the Cabinet Secretariat should proactively manage and develop Cabinet agendas, suggest issues for discussion, and triage proposed additions from the rest of government.

Working closely with the Director General of the Cabinet, AGI built the capability and confidence of the Cabinet Secretariat to play this more assertive role. This involved revising and updating the Cabinet Manual, including a new checklist against which suggested agenda items will be triaged, as well as the development of a quarterly forward plan of pending Cabinet agenda items for approval.

The impact of the change in approach to managing and setting Cabinet agendas has resulted in meetings that are better, shorter and more focused. This ensures that Cabinet discussions on issues of critical national importance are better prepared for and receive the time and attention they deserve, improving the quality of decision-making and freeing up time for the President and her Ministers to focus on delivery.

2.1.4 Guinea

Country context

2011 was a pivotal year for Guinea. The country's first free and fair elections saw Alpha Condé elected President in a closely fought contest. Condé, a democratic activist and long-time opposition leader, was sworn in on 21 December 2010.

With Guinea emerging from two generations of dictatorial rule and economic stagnation, President Condé's in-tray was daunting. A key issue was gripping the public finances. Government expenditure had doubled in the two years of military rule before the 2010 election, and the budget deficit grew from 1% of GDP a year to 1% of GDP a month. The process of securing debt relief under the Highly Indebted Poor Countries initiative had stalled and needed to be restarted.

Alongside this, security sector reform is a challenge, with a need to professionalise and downsize the army which had ruled the country for years and end the culture of impunity that had led to the 28 September 2009 stadium massacre in which at least 150 peaceful demonstrators were killed.

Guinea is a country of great natural resource wealth, and a key area for the incoming government is reform of the mining sector in order to ensure that Guinea's vast mineral resources – including the world's largest reserves of bauxite and aluminium ore – were harnessed in the long-term interests of the Guinean people.

Finally, the energy sector is central to Guinea's long-term prospects for economic growth and Guineans' quality of life. Installed capacity is well below what is required for long-term economic development, while more than 80% of the population are without electricity and

much of the electricity that is generated is lost in transmission and distribution.

But as President Conde himself put it in the early months of his Presidency, he had '*inherited a country, but not a state*'. Government capability had been steadily eroded, with corruption endemic and no recent experience of service delivery or governing by consent.

Our programme background and achievements in 2011

In the days after President Condé was sworn in, AGI was asked to see if we could support the new administration as it got to grips with this daunting developmental agenda. In the first half of 2011, AGI undertook a series of scoping visits to Guinea where we met government representatives, development partners and other stakeholders. AGI completed an initial diagnostic of capability gaps in the Office of the President and provided advice and recommendations on areas for improvement.

AGI agreed with the Government of Guinea to launch a short, focused 'foundation project', with a small team of four embedded advisors to focus on developing capacity in the Presidency. The Patron also visited Guinea twice in 2011 to meet with the President and his government and advise on strategies for overcoming implementation gaps.

We deployed our AGI Country Head in November 2011, who began implementing some 'quick wins' with the Presidency to improve co-ordination and follow-up, as well as agreeing Terms of Reference for other areas of work ahead of the deployment of the rest of the AGI team in early 2012.

The future

For Guinea, the forthcoming legislative elections, tentatively scheduled to be held in late 2012, mark an important moment in the consolidation of Guinea's democratic transition

AGI also sees the elections as a critical test, including for our future engagement in the country. Over 2012, we therefore envisage an initial phase of work that is tightly focused on improving the functioning of the Presidency. The focus for this initial phase of the project will be in three main areas:

- Building systems, structures and skills within the Presidency to enable it to better support the President and to sharpen the focus on delivery of Presidential development priorities such as food security and mining sector reform
- Strengthening capacity in the *Administration et Contrôle des Grands Projets* – a large agency within the Presidency charged with overseeing the development and delivery of key government projects. A major focus will be the energy sector
- Given that the Government's ability to communicate with its citizens is a key element of embedding democracy in Guinea, improving the government communications infrastructure by helping to set up a Directorate of Communications and Information

Following the legislative elections, the Trustees will consider, in consultation with the Government of Guinea, whether there is scope to design a broader and longer-term engagement that encompasses support to the line ministries or other areas of government, as

we have done successfully in our other projects

What our counterparts say about us:

"AGI helps us see that it's not enough just to define priorities, we need timetables to deliver them."

H.E. President Alpha Condé

2.2 LEARNING AND SHARING THE LESSONS FROM OUR WORK IN AFRICA

AGI is committed to increasing our understanding of what works in building effective governance – both to improve AGI's effectiveness as an organisation, and to share learning with the wider development community. In 2011 AGI made significant progress on both these internal and external aspects of learning.

Internally, AGI's focus was on drawing out the lessons from our experience in our different partner countries. This work of codifying our model led to the development of a set of frameworks describing both where our work should focus, and the principles governing how it should be carried out. These frameworks are available on AGI's website. The implementation of the frameworks is

supported by more detailed tools and templates which have been developed by AGI's staff, and which AGI hopes to make more widely available in 2012

In 2011 AGI also strengthened its approach to evaluating the impact of its programmes, bringing in a respected independent evaluation firm and working with them on a single framework for evaluation across the organisation's different programmes

Finally, AGI continued to innovate, developing new models of support through its in-country programmes. For example, the Strategic Capacity Building Initiative, developed in cooperation with the Government of Rwanda sets out a mould-breaking approach to government-owned capacity building. With the new Blair-Elumelu fellowship scheme, AGI will work with a leading African philanthropic foundation¹ to assist selected African governments with economic transformation. Such new approaches will help AGI further strengthen its approach in future.

AGI's external knowledge-sharing also increased in 2011, with AGI's patron and staff participating in a number of external events to discuss the lessons from AGI's work. AGI jointly hosted a panel with the United States Agency for International Development (USAID) at the 4th High Level Forum on Aid Effectiveness in Busan, Korea. This panel brought together ministers from three African countries with AGI's Patron and Rajiv Shah, the Administrator of USAID, to discuss how to make a reality of government ownership. The event allowed AGI to share lessons from its work to an audience of African governments, development

practitioners, and thought leaders. The reach of the event was increased by allowing video questions to be tabled online, including from leading governance thinkers like John Githongo, and institutions including the London School of Economics and Princeton University.

"The development community has supported elections in Africa, often very successfully. But what happens after an election is even more important than the election itself. If we are honest, this is something that is missing ... What Tony Blair is doing with AGI is just so important – bringing political skills and capacity development to help African governments actually deliver for their people."

Rajiv Shah, USAID Administrator

AGI also hosted a London event on the topic of ending aid dependency with the UK's leading development think-tank the Overseas Development Institute (ODI). AGI staff have participated in a number of other events and conferences, including a joint McKinsey-Blavatnik School of Government event on government innovation.

¹ The Tony Elumelu Foundation
<http://www.tonyelumelufoundation.org/>

2.3 AGI'S ORGANISATIONAL DEVELOPMENT

In the four years since AGI was founded, the organisation has grown from a small 'start up' incubated in the Office of Tony Blair to a fully-fledged, independent charity. During 2011, AGI focused on building an organisation capable of significant impact in our partner countries in Africa, and able to influence the broader development debate. During 2011, a significant element of this was building the capability for the organisation to launch new programmes in 2012 and beyond.

During 2011, AGI's principal objectives in this area were to

- Further develop a cadre of highly skilled staff to undertake our programmes in Africa
- Develop AGI's funding base and fundraising capabilities as a platform for future growth
- Explore future programmes for AGI in Africa

People and recruitment

AGI is proud of its exceptional staff and alumni. It is vital for us to build the strongest possible teams, worthy of the unique trust placed in AGI by our African partners.

Recruitment and development of our staff has been and will remain a key priority for the charity, to attract and develop top quality people from the international public and private sectors.

In 2011, AGI received applications from around a thousand individuals from 40 countries around the world. The charity's current staff have diverse backgrounds including Global Witness, DFID, CHAI, McKinsey, BCG, and the

Australian, Canadian and UK Governments. The majority of our staff have prior experience in the developing world, and all have top flight academic credentials, over half with degrees or post graduate qualifications from the world's top 10 universities.

Organisational capability

AGI's London office is the support hub for our programmes in Africa. In 2011, we built our internal capacity in order to gear the organisation up for growth in 2012. We rolled out a new IT platform designed to be effective in low-bandwidth environments. We recruited AGI's first Head of Finance, and created a new Chief Operating Officer role at the heart of the Senior Management Team to oversee all of AGI's finance, recruitment, and operations.

Over the course of 2011, AGI sought to expand and deepen our funding base to support the charity's work in Africa. AGI also developed a new "*Rapid Action Fund*" to provide unrestricted funding to retain our flexible and fleet of foot approach, and to allow us to explore programmes in new African countries. Alongside this, a second objective was to develop AGI's internal fundraising capacity, and we recruited the organisation's first fundraising manager.

Exploring new programmes

AGI experienced significant demand from African governments to expand its operations in 2011, and growth – extending the scale and reach of AGI's support – is a key objective for the Trustees. However, the preconditions for the success of AGI's unique approach to capacity building will not be in place in all circumstances, and it is vital to the Trustees that the charity explores the conditions in partner countries with care and sensitivity before making a commitment to programming.

During 2011, we refined our framework for scoping the suitability of project countries and grew our London team so as to more swiftly respond to the demand we were receiving. Alongside launching our programme in Guinea, as reported in section 2.1.4, this work included preliminary discussions with other African governments, including the Government of South Sudan. These exploratory discussions were supported by AGI's new *Rapid Action Fund*.

3. FUTURE PLANS

The Trustees intend to develop the Africa Governance Initiative over the coming year by continuing the charity's work to support the development of effective public administration in Sierra Leone, Rwanda, Guinea and Liberia, as set out above.

Responding to demand, during 2012 AGI will extend its work into new African countries.

Alongside this, AGI will continue to build detailed practical knowledge of what works in developing effective governance in Africa. The charity will use this learning to broaden its impact on both government capability and sustainable development in Africa. We will continue and extend our Lessons Learned Project, continuing efforts to codify and share AGI's knowledge and experience for the broader public benefit and use by practitioners.

The Trustees will continue to build an effective organisation, able to attract and retain exceptional staff, support the delivery of the charity's objectives in Africa, and extend the charity's reach to a broader audience. Particular activities planned for 2012 include a move to new London office space, in order to accommodate growth, recruitment of new staff for the London team, including a

communications manager, AGI's third all-staff training week, leadership development support for the management team, and planned recruitment rounds to draw in new talent to support the organisation's expansion plans.

Finally, the Trustees will continue their efforts to build a sustainable funding base for the charity's activities in Africa. AGI's work cannot be undertaken without the generous support of our funders and partners. AGI has benefited from partnership with a number of generous donors in the past four years and we are profoundly grateful to them for their support, insight and challenge as we have developed our unique approach to capacity building. During 2012, AGI will look to build its unrestricted funds, in particular through the *Rapid Action Fund*, in addition to securing restricted funding, including from institutional donors and foundations.

4. PUBLIC BENEFIT

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's objectives and aims and in planning future activities.

The Trustees consider that The Tony Blair Governance Initiative's aims are demonstrably to the public benefit. The charity's main activities are

- focussed on advancing the quality of public administration to deliver sustainable development and achieve poverty reduction,
- Educational, and

Trustees' Report Year to 31 December 2011

- Available to partner governments in some of the poorest countries in the world, and to the public more broadly through the charity's website

The ultimate beneficiaries of the charity's work are the public in the countries AGI operates – though the Trustees believe there is a benefit to the public in the UK, and internationally, from poverty reduction in Africa and the development of more effective strategies and approaches to capacity development

5. STRUCTURE, GOVERNANCE AND MANAGEMENT

Governance

The Tony Blair Governance Initiative is a company limited by guarantee (Company No 6779669), and operates under the terms of its Memorandum and Articles dated 23 December 2008. It was registered with the Charity Commission (No 1132422) on 3 November 2009. The Trustees have control of the charity and its property and funds.

Trustees are appointed by an Ordinary Resolution or by a simple majority of all the members entitled to attend and vote at any meeting of the members. The following Trustees were in office at 31 December 2011 and served throughout the period:

Patron's role

AGI is grateful for the continued support of its Patron the Rt Hon Tony Blair. The Patron assists, for the benefit of the Africa Governance Initiative, the development and fulfilment of the aims of the charity, in particular through his role mentoring AGI partner governments in Africa. The Patron also generally promotes the charity and its activities, taking a significant role in fundraising for the charity, in addition to being a significant personal donor to AGI.

The Patron does not direct the charity's activities and the Trustees and the Patron have agreed a memorandum to confirm the regulations governing the relationship between AGI and the Patron. The Patron undertakes his role on a pro-bono basis.

<i>Trustee</i>
Elizabeth Ann Lloyd <i>Appointed 20 February 2009</i>
Stephen Richard Lewin <i>Appointed 20 February 2009</i>
Rt Hon Hilary Armstrong <i>Appointed 20 February 2009</i>

Statement of Trustees' responsibilities

The Trustees (who are also directors of The Tony Blair Governance Initiative for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Statement of Recommended Practice "Accounting and Reporting by Charities" (the Charities SORP),
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that

- so far as the Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Trustees are responsible for the maintenance and integrity of financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Structure and management reporting

Meetings of the Board of Trustees are held at least quarterly, informed as necessary by recommendations from the Chief Executive. In 2011 the Trustees met four times, in March, May, July and October.

A Chief Executive is appointed by the Trustees to manage the day-to-day operations of the charity and ensure the overall implementation of the organisational strategy which is agreed by the Trustees.

The Chief Executive heads AGI's Management Team, comprising the Chief Operating Officer, Director of Projects and Performance, Director of Strategy and Fundraising, and Country Heads in Rwanda, Sierra Leone, Guinea and Liberia. The Trustees have agreed appropriate levels of authority and delegation within the Management Team to effectively lead the organisation and the projects in Africa. There is regular communication between the Chief Executive, the Management Team, and the Trustees.

Risk management

The Board of Trustees reviews the charity's risk management strategy at each meeting. The major risks identified by the Trustees are

- **Sustainable delivery** the challenge of building sustainable capacity that will significantly outlast AGI's involvement with our partner governments,
 - **Neutrality** the need for AGI staff and the organisation to retain absolute political neutrality, whilst working in complex political environments, particularly during election periods,
 - **Funding** insufficient resources to be able to implement its charitable activities effectively, particularly as the charity goes through a period of rapid growth,
 - **Reputational** damage arising from the actions of the charity or its employees, or the actions of partner governments, or partner organisations. During 2011, the Trustees held regular discussions about political and economic developments in our partner countries,
 - **Compliance** with charitable objectives, relevant laws and regulations, including avoiding any conflict of interest.
- The Trustees have determined the major risks to which the charity is exposed, the potential impact if an individual risk materialises, and what action is to be taken by whom in order to reduce each risk to a level which the Trustees consider to be acceptable. The Trustees are satisfied that where risks have been identified, the appropriate mitigating actions are in place. The charity is committed to implementing and maintaining best practice with regard to risk management and that the concept and related processes are embedded into routine operations in all the countries the charity operates in.

Investment policy

The charity's investment policy is to hold cash balances in interest bearing accounts with UK and African banks

The investment strategy is set by the Trustees and takes into account income requirements, the investment risk profile and future expenditure commitments. The charity's investment policy is considered by the Trustees at regular intervals

During the period the charity received a small amount of interest. The Trustees are satisfied with this performance and that their investment objectives are being met

Reserves policy

The charity carries out a diverse range of activities which generally comprise long term and externally funded projects in Africa requiring significant ongoing financial commitment and investment. The policy of the charity is to enter into agreements with donors to receive funding to cover the anticipated costs of the project prior to commencing work

In the year and within total unrestricted funds of the charity the Trustees have designated a *Rapid Action Fund* (RAF). Its purpose is to allow AGI to meet demand to explore programmes in new African countries as well as support existing programmes where necessary

The Trustees have examined the requirement for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The Trustees consider that, given the nature of the charity's work during the next financial year, the level of free reserves should be approximately 3 months of core

expenditure to meet future costs of the charity

The Trustees are of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to the timing differences in income flows, adequate working capital to cover core costs, and will allow the charity to cope and respond to unforeseen emergencies whilst specific action plans are implemented. The Trustees will review the reserves policy in 2012 as the organisation grows

Financial review

Results for the period

A summary of the incoming and outgoing resources for the period can be found on Page 31

Overall income for 2011 was £3.16m, in line with 2010 (£3.2m). The majority of AGI's income, £2.02m (64% of total income), is project-specific restricted funding. During 2011, AGI raised unrestricted funds of £1.14m, to cover core costs and to facilitate the creation of the RAF. Total expenditure increased by £365k to £3,059k, of this total, 94.8% of expenditure related to AGI's charitable activities. This includes £213k of expenditure towards new and emerging programmes as a platform for future growth.

Financial position

The charity's balance sheet shows total funds of £2,126,000 (£2,027,000 – 2010)

These funds include £989,000 (£1,565,000 – 2010) which are restricted. These monies have either been raised for, and their use restricted to, specific purposes, or they comprise donations subject to donor imposed

conditions Full details of these restricted funds can be found in note 12 to the financial statements together with an analysis of movements in the year

The balance sheet shows total unrestricted funds of £1,137,000 (£462,000 – 2010) Of this, £391,000 has been designated as a 'Rapid Action Fund', full details of which can be found in note 13 to the financial statements

General funds of the charity at 31 December 2011 total £746,000, which after deducting £10,000 tied up in fixed assets leaves a balance of free reserves of £736,000

The balance of free reserves is in excess of the reserves policy outlined on page 26 The free reserves in excess of those required to fulfil the reserves policy represents funds raised in advance which will be utilised on the planned activities of the charity during 2012, as outlined in this report

Approved by the Trustees and signed on their behalf by:

Trustee C. A. Lloyd
Liz Lloyd

Approved by the Trustees on 24 Aug 2012

Independent auditor's report to the members of The Tony Blair Governance Initiative

We have audited the financial statements of The Tony Blair Governance Initiative for the year ended 31 December 2011 which comprise the statement of financial activities, the balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

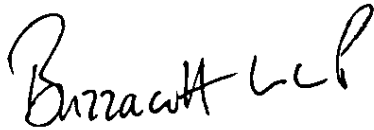
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- ◆ adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- ◆ the financial statements are not in agreement with the accounting records and returns, or
- ◆ certain disclosures of trustees' remuneration specified by law are not made, or
- ◆ we have not received all the information and explanations we require for our audit



Edward Finch, Senior Statutory Auditor

for and on behalf of Buzzacott LLP, Statutory Auditor

130 Wood Street

London

EC2V 6DL

3 September 2012

Statement of Financial Activities - Year to 31 December 2011

		Restricted funds £000	Unrestricted funds £000	2011 Total funds £000	2010 Total funds £000
Notes					
Income and expenditure					
Incoming resources					
Incoming resources from generated funds					
		2,016	1,139	3,155	3,140
		0	0	0	63
		2	0	2	0
1		<u>2,018</u>	<u>1,139</u>	<u>3,157</u>	<u>3,203</u>
		1	0	1	0
		<u>2,019</u>	<u>1,139</u>	<u>3,158</u>	<u>3,203</u>
Resources expended					
Costs of generating funds					
2		77	40	117	70
Charitable activities 3, 4, 7, 8, 13					
		796	111	907	1,029
		1,010	114	1,124	909
		497	50	547	560
		100	10	110	85
		115	98	213	0
		<u>2,518</u>	<u>383</u>	<u>2,901</u>	<u>2,583</u>
5		0	41	41	41
		<u>2,595</u>	<u>464</u>	<u>3,059</u>	<u>2,694</u>
Net movement in funds/ net (expenditure) / income					
6		<u>(576)</u>	<u>675</u>	<u>99</u>	<u>509</u>
Fund Balances brought forward at 1 January 2011					
		1,565	462	2,027	1,518
Fund Balances carried forward at 31 December 2011					
		<u>989</u>	<u>1,137</u>	<u>2,126</u>	<u>2,027</u>

There is no difference between the net movement in funds stated above and the historical cost equivalent

All of the charity's activities derived from continuing operations during the years indicated

Balance Sheet - 31 December 2011

	Notes	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	9		42		34
Current assets					
	10	121		246	
Cash at bank and in hand		<u>2,534</u>		<u>2,156</u>	
		2,655		2,402	
Creditors amounts falling due within one year	11	<u>(571)</u>		<u>(409)</u>	
Net current assets			2,084		1,993
Total net assets			<u>2,126</u>		<u>2,027</u>

Represented by

Funds and reserves

Income funds

- Restricted funds	12	989	1,565
- Unrestricted funds			
- Designated fund (Rapid Action Fund)	13	391	0
- Unrestricted & General funds		<u>746</u>	<u>462</u>
Total net assets	14	<u>2,126</u>	<u>2,027</u>

Company registration number 06779669

Approved by the Trustees and signed on their behalf by

Trustee C. A. Lloyd
Liz Lloyd

Approved on 24 Aug 2012

Principal Accounting Policies – Year to 31 December 2011

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the requirements of the Companies Act 2006 Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in the preparation of these financial statements

Incoming resources

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period

Gifts of goods and services in kind are accounted for where the goods or services would have been acquired by other means if not provided free of charge The amount included in both incoming resources and resources expended in respect of these gifts in kind is an estimate of the amounts which would have been paid by the charity

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes attributable VAT which cannot be recovered

Resources expended comprise the following

- a The costs of generating funds include the salaries, direct costs and overheads associated with generating donated income
- b The costs of charitable activities comprise expenditure on the charity's primary charitable purposes as described in the Trustees' report Such costs include associated salaries, direct costs and overheads
- c Governance costs are the costs associated with the governance arrangements of the charity that relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity Included within this category are costs associated with the strategic as opposed to day to day management of the charity's activities

The majority of costs are directly attributable to specific charitable activities Staff costs are apportioned to the expenditure headings listed above on the basis of time spent Other non-directly attributable costs are allocated on the basis of apportioned staff time

Tangible fixed assets

All tangible fixed assets costing more than £500 are capitalised and depreciated at the following annual rates in order to write them off over their estimated useful lives

Computer & IT Equipment	3 years
Plant & Machinery	5 years
Motor Vehicles	5 years

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions Unrestricted funds are monies raised for general charitable purposes as established by the Trustees which are not subject to donor imposed conditions

Within total unrestricted funds of the charity the Trustees have designated amounts for specific purposes

Cash flow

The financial statements do not include a cash flow statement because the charity, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Cash flow statements"

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the net movement in funds

1 Voluntary Income

	Restricted Funds £'000	Unrestricted Funds £'000	2011 Total Funds £'000	2010 Total Funds £'000
Voluntary income				
Grants	2,016	312	2,328	2,482
Donations	0	827	827	658
Gifts-in-kind	0	0	0	63
Total	2,016	1,139	3,155	3,203

2 Cost of generating funds

	Direct costs £000	Support costs (note 4) £000	2011 Total funds £'000	2010 Total funds £'000
Cost of generating voluntary income				
Staff costs	90	15	105	53
Premises costs	0	2	2	2
Operational costs	0	10	10	15
Total	90	27	117	70

3 Cost of activities in furtherance of the charity's objects

	Direct costs (note 13) £000	Support costs (note 4) £000	2011 Total funds £'000	2010 Total funds £'000
<i>Rwanda</i>				
Staff costs	497	51	548	629
Premises costs	32	7	39	61
Operational costs	288	32	320	339
	817	90	907	1,029
<i>Sierra Leone</i>				
Staff costs	603	65	668	564
Premises costs	46	9	55	41
Operational costs	361	40	401	304
	1,010	114	1,124	909
<i>Liberia</i>				
Staff costs	293	29	322	313
Premises costs	46	4	50	37
Operational costs	158	17	175	210
	497	50	547	560
<i>Lessons Learnt</i>				
Staff costs	62	6	68	58
Premises costs	5	1	6	9
Operational costs	33	3	36	18
	100	10	110	85
<i>New & emerging projects</i>				
Staff costs	79	2	81	0
Premises costs	4	1	5	0
Operational costs	127	0	127	0
	210	3	213	0
Total	2,634	267	2,901	2,583

4 Support costs

The following costs have been allocated based on staff time attributable to each activity

	2011 £'000	2010 £'000
Staff costs	168	67
Premises costs	24	38
Operational costs	102	67
	<u>294</u>	<u>172</u>

5 Governance costs

	Direct costs £'000	2011 £'000	2010 £'000
Auditor's remuneration	16	16	15
Staff costs	20	20	6
Other governance costs	5	5	20
	<u>41</u>	<u>41</u>	<u>41</u>

6 Net movement in funds / net income

This is stated after charging

	Restricted funds £'000	Unrestricted funds £'000	2011 £'000	2010 £'000
Auditor's remuneration				
Statutory audit services	0	16	16	15
Depreciation	16	4	20	11
	<u>16</u>	<u>20</u>	<u>36</u>	<u>26</u>

7 Employees and staff costs

AGI's staff are its greatest asset and the foundation for fulfilling the charity's objectives in Africa. Staff costs during the year were as follows

	2011 £'000	2010 £'000
Employees		
Wages and salaries	1,223	1,016
Social security costs	136	123
	<u>1,359</u>	<u>1,139</u>
Seconded, Consultants and Sub-contractors	453	484
	<u>1,812</u>	<u>1,623</u>

AGI has benefited substantially from the contribution of staff seconded from other organisations. Such staff form an integral part of the organisation and the project teams in Africa. Seconded, consultants and subcontractor costs of £453,000 (2010: £484,000) incurred during the year by the charity in furtherance of its charitable activities are included in total staff costs.

Wages and salary costs include occasional employee home return flight costs that are a contractual benefit. The cost of such flights include all relevant tax and social security liabilities.

Staff costs analysed by activity were as follows

	2011 £'000	2010 £'000
Costs of generating funds	105	53
Charitable activities		
Rwanda	548	629
Sierra Leone	668	564
Liberia	322	313
Lessons Learnt	68	58
New and emerging projects	81	0
Governance of the charity	20	6
	<u>1,812</u>	<u>1,623</u>

7 Employee and staff costs (Continued)

The average number of staff during the year, calculated on a headcount basis, analysed by function, was as follows

	2011			2010
	Employees	Secondees /	Total	
	Number	Subcontractors	Number	Number
Costs of generating funds	18	04	22	13
Charitable activities				
Rwanda	87	10	97	112
Sierra Leone	91	30	121	96
Liberia	50	08	58	55
Lessons Learnt	11	01	12	10
New and emerging projects	04	08	12	-
Governance of the charity	02	00	02	02
	263	61	324	288
<i>(2010 comparison</i>	<i>215</i>	<i>73</i>	<i>288)</i>	

As of 31 December 2011 AGI had 30 employees (2010 22) and 4 secondees and subcontractors (2010 7)

There were two employees (2010 1) who earned £60,000 - £ 69,999 per annum (including taxable benefits but excluding employer pension contributions)

None of the Trustees received any remuneration in respect of their services during the year. One Trustee was reimbursed £ 1,942 costs for a visit to a programme country in the year (2010 nil)

8 Taxation

The Tony Blair Governance Initiative is a registered charity and therefore is not liable to income tax or corporation tax on any income derived from its charitable activities, as it falls within the various exemptions available to registered charities

The charity is unable to reclaim VAT suffered on expenditure. Irrecoverable VAT suffered during the year amounted to £ 67,000 (2010 £ 87,000, restated)

9 Tangible fixed assets

	Computer Equipment	Plant & Machinery	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2011	39	3	4	46
Additions	28	0	0	28
At 31 December 2011	67	3	4	74
Depreciation				
At 1 January 2011	11	1	0	12
Charge for year	18	1	1	20
At 31 December 2011	29	1	2	32
Net book values				
At 31 December 2011	38	2	3	42
At 31 December 2010	28	2	4	34

10 Debtors

	2011	2010
	£'000	£'000
Due within one year		
Prepayments	106	102
Accrued income	15	144
	121	246

11 Creditors amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	156	164
Accruals and deferred income	415	245
	<u>571</u>	<u>409</u>

12 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of grants received and donations held on trust to be applied for specific purposes

	At 1 January 2011 £'000	Incoming Resources £'000	Resources expended £'000	At 31 December 2011 £'000
Rwanda	546	550	(796)	300
Sierra Leone	689	810	(1,010)	489
Liberia	275	397	(497)	175
Lessons Learnt	13	112	(100)	25
New and Emerging Projects	0	115	(115)	0
Fundraising	42	35	(77)	(0)
	<u>1,565</u>	<u>2,019</u>	<u>(2,595)</u>	<u>989</u>

These funds, raised in advance, will be spent on the planned activities of the charity during 2012, and may only be used for the purposes specified in the relevant grant agreement

13 Designated Fund (Rapid Action Fund)

In 2011 AGI designated a new " Rapid Action Fund " (RAF) to be created from AGI's unrestricted reserves. Its purpose is to allow AGI to meet demand to explore programmes in new African countries, as well as support existing programmes where necessary, whilst mobilising stable long term funding. RAF funded expenditure is included in the SOFA within the individual country heading

	At 1 January 2011 £'000	New designation £'000	Utilised/ released £'000	At 31 December 2011 £'000
Rapid Action Fund	0	507	(116)	391

As reported in the Trustees' Report, through this fund we were able to support the launch of new work in Guinea, to support AGI's work in Rwanda and to hold preliminary discussions with the other African Governments, including the Government of South Sudan

14 Analysis of net assets between funds

	Restricted funds £'000	Designated funds £'000	Unrestricted funds £'000	At 31 December 2011 Total funds £'000	At 31 December 2010 Total funds £'000
Fund balances at 31 December 2011 are represented by					
Tangible fixed assets	32	0	10	42	34
Net current assets	957	391	736	2,084	1,993
Total net assets	<u>989</u>	<u>391</u>	<u>747</u>	<u>2,126</u>	<u>2,027</u>

15 Connected entities

The Tony Blair Governance Initiative – US is an independent charitable entity governed by an independent Board of Trustees. Its mission and objectives are similar to those of the charity.

The charity received a grant of £34,741 (2010 £ 51,000) from the Tony Blair Governance Initiative – US during the year. There were no amounts owed between the entities as at 31 December 2011 (2010 £Nil). The funds are treated as restricted and used to support AGI UK's fundraising activities.

Legal and professional fees amounting to £ 14,022 (2010 £24,000) were charged by Bircham Dyson Bell LLP, of which Stephen Lewin is a partner.

16 AGI Patron

AGI is grateful for the continued support of its Patron the Rt. Hon. Tony Blair. The Patron assists, for the benefit of the Africa Governance Initiative, the development and fulfilment of the aims of the charity, in particular through his role mentoring AGI partner governments in Africa. The Patron also generally promotes the charity and its activities, taking a significant role in fundraising for the charity. The Patron does not direct the charity's activities and the Trustees and the Patron have agreed a memorandum to confirm the regulations governing the relationship between AGI and the Patron. The Patron undertakes his role on a pro-bono basis.

17 Liability of members

The charity is constituted as a company limited by guarantee. In the event of the charity being wound up members are required to contribute an amount not exceeding £1.