

International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: ICAI's review of support for the African Development Bank, HC 1055

Monday 14 December 2020

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Members present: Theo Clarke (Chair); Mr Richard Bacon; Sarah Champion; Kate Osamor; Mr Virendra Sharma.

Questions 1 - 37

Witnesses

I: James Duddridge MP, Minister for Africa, Foreign, Commonwealth & Development Office; Debbie Palmer, Africa Director, Foreign, Commonwealth & Development Office; Phil Stevens, Deputy Director, International Financial Institutions Department, Foreign, Commonwealth & Development Office.

II: Dr Tamsyn Barton, Chief Commissioner, Independent Commission for Aid Impact; Marc Stephens, Team Leader, Independent Commission for Aid Impact.

III: Colin Buckley, General Counsel and Head of External Affairs, CDC Group; Professor Stephany Griffith-Jones, Initiative for Policy Dialogue, Columbia University; Simon Mizrahi, Director, African Development Bank.

Examination of witnesses

Witnesses: James Duddridge, Debbie Palmer and Phil Stevens.

Q1 **Chair:** Welcome to our first panel of witnesses for this Sub-Committee evidence session on the work of ICAI's review of the UK's support for the African Development Bank. For our first panel, I am pleased to welcome the Minister, James Duddridge. Minister, are the UK's aid priorities in Africa going to be reviewed in light of the DFID-FCO merger?

James Duddridge: The priorities of the FCDO were being reviewed through the integrated review before and clearly there are spending review implications. That is all very much ongoing and in the public domain.

Could I take the opportunity to introduce the two witnesses I have alongside me? Debbie Palmer is the director at the FCDO for west and southern Africa; she also does prosperity. Phil Stevens does the international financial intermediary work. Both are very involved with the African Development Bank.

Q2 **Chair:** How are you going to ensure that the objectives of the African Development Bank continue to be well aligned with the UK's priorities going forward?

James Duddridge: Engagement is critical and keeping them updated as priorities change. Some things come along, such as Covid, that were not in the Africa strategy of a number of years ago, clearly. There is ongoing dialogue. Debbie has been speaking every three or four weeks with the vice-president for operations in relation to Covid. Phil and the director-general Africa, Moazzam Malik, spoke with President Adesina about a week to two weeks ago as part of our regular dialogue in a much more structured meeting.

Of course I take part in the governors' dialogue as the alternate designate governor, the governor being the Foreign Secretary. On 18 November, the Foreign Secretary wrote to President Adesina with our priorities, which were updated with the likes of Covid. I have that letter here in front of me. I am more than happy to submit that to the Committee if it is not already in the public domain. It is keeping up to date not only in those formal meetings but also in informal meetings, so on a bilateral basis, for example, meeting with the Finance Minister of Senegal, Amadou Hott. He has been very helpful in helping me navigate the African Development Bank, although I am a little familiar with it, having worked in Abidjan over 25 years ago now, when it was there.

Q3 **Chair:** Do either of the other two witnesses want to jump in? Phil, would you like to comment on that?

Phil Stevens: I was not going to, but I could add to what the Minister said. In addition to all the regular contact we have, we also have a UK executive director at the board, who represents our point of view on



every project and country strategy that is discussed at the bank. We use particular moments where we have particular leverage over the bank, for example the replenishment of its concessional fund or conversations around additional capital, to try to influence the bank and align it with our objectives as well.

Q4 **Chair:** Debbie, did you want to add anything?

Debbie Palmer: Good afternoon. The African Development Bank's High 5 agenda tallies very closely with the sorts of things we are interested in, particularly in the post-Covid world, or the world as we work through Covid. There is a strong alignment and that dialogue will help us to maintain that as we go forward.

Q5 **Chair:** I will pick up on that point about the Government's priorities in Africa changing, with the context of the big increase in spending on defence and security that we have seen. It also coincides with a fall in development spending. Surely those two new priorities from the Government will impact on African spending going forward.

James Duddridge: The Government have made an announcement in relation to the tough financial position we are in, with the worst recession in 300 years and a setback in GDP of double digits. That is clearly going to have an impact, which is what drives the 0.5%. We are going to have to be a lot more forensic in where we spend money. Traditionally, with a growing economy and a growing percentage GNI cut, we have been in a completely different environment.

We will be having to look carefully not only at the efficacy of new programmes and deciding those that perhaps are poor, but also looking at pulling back on some of those that are good and spending the money on ones that are excellent. That is not peculiar to the ADB or any particular geography. That is what we are doing, quite rightly, across the board. That is what taxpayers would expect us to do.

It is going to be a tough year, but we are keen to work, whether you call it as a force for good or multilaterally, with organisations such as the ADB to leverage our brilliant development experience, but to do that across a wider array of participants, with a wider array of projects and a wider array of money. We will be leveraging in development expertise gained through the years at DFID and now the FCDO, which has been proven over the 2014-to-2019 period that you have looked at.

Q6 **Chair:** ICAI also stated that there has only been limited engagement by Ministers and senior management at DFID with the bank's senior staff in recent years. It thinks that has impeded dialogue at strategic level. You have said that FCDO officials have recently increased senior level engagement with the African Development Bank. It would be helpful to hear from you a couple of examples or metrics to back up that statement.



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James Duddridge: In particular, there is the meeting that Phil Stevens and the DG had. From 2014 to 2016, I was an FCO Africa Minister. From an FCO perspective, we did not really engage massively with the institution or financial intermediaries in the African Development Bank. That is something that happened through our development arm, DFID, further confused by some participants seeing the ADB as a more financial instrument. I mentioned Amadou Hott, Finance Minister. We have been quite unusual in putting forward a development-focused Minister, which is very positive.

When you are looking at the 2014-to-2019 timeframe, I would accept there has not been the integrated engagement. There has been engagement and the engagement would have happened anyway, separate to the specifics of Covid. I know when Anne-Marie Trevelyan was appointed as DFID's Secretary of State, she wanted me to have very active contact with the bank and physically be there for the bank meetings, rather than relying on Chris Chalmers, who has been our representative, alongside a couple of other nations, for the last 18 months. Things have already shifted, but this is an example where a more integrated Department is working better.

Naturally, there are more FCDO equities than straight development equities. In preparing for this meeting, speaking to Debbie, she pointed out that DFID were only represented in some of the 37 offices that the fund can put money into. It is integrating at the UK end but also across the geographic territories.

The other thing the paper brings out is the need to integrate more locally, so getting our country teams speaking with the African Development Bank. I do not want to get too far ahead of myself and do it superficially, but hopefully there will be an opportunity to explore those issues.

Q7 Sarah Champion: Minister, could I follow on from the points you were raising, specifically looking at the shift in focus that seems to be coming out of the integrated review to an Indo-Pacific remit? You have been a champion for a long time of the African states. Do you foresee any changes in direction away from the African nations?

James Duddridge: By 2030, 90% of the world's poor will be in Africa. Africa is growing but growing less fast than Asia, so the bottom billion are becoming more African and will require greater support. There are two things on the Indo-Pacific tilt. First, that is the FCDO priority. It is not necessarily the driver for all development. There are elements within FCDO equities that are non-developmental, for example the trade piece in the British national interest rather than the trade in the global interest.

The other point to make is that we will continue to focus on the world's poor in Africa. As we look very carefully at the programme, organisations like ADB allow us to get across the continent, rather than just specific areas. The same would be true in relation to countries where we have relied on EU offices in the past. There is not the bounty of redistributing



the EDTF that we thought there might be because of the Covid situation and the move to 0.5%. Longer term, there will be that shift. While the Indo-Pacific tilt is important, it is a balancing item.

The other point I wanted to make was around climate. Clearly, wherever the climate is damaged, that impacts the whole globe, so it is right that we look across the globe on climate issues. Some of the communities that are going to be most affected by the pollution and rise in temperature are on the African continent and are already suffering. It is a driver for conflict. Money spent on climate outside the continent has a direct impact on conflict and poverty reduction.

There is this balance, in that we must shift away from simply seeing our development as aid, an Elastoplast. Although it is important to silence the guns and feed the children, if we are already in a position of trying to feed a starving child or silence the gun that is firing, we are already in a state of failure. We must move towards much more development focus. I find it strange that the Labour Party, having gripped this in the naming of the Department for International Development, over 10 years on was still talking about aid as if that is the primary solution. It is just the short-term fix. The ADB, focused on the longer term and infrastructure, is a good way forward, partnering with Governments and private sector and having a differential offering between the fund offering concessional loans to 37 countries and the flexibility of the bank offering non-concessional loans at both a sovereign level and a private sector level.

Q8 Sarah Champion: That is very reassuring and I will not take the bait on the politics. This Committee has a holistic and preventative focus. One of the things that concerned us after the spending review was the comment about a need to change legislation away from the 0.7%. The 2015 Act already has the temporary step away embedded in. We were told at the time that new legislation would be brought forward early in the new year to, one assumes, make a permanent step away from 0.7%. Is that still the case?

James Duddridge: We are not making a permanent step away from 0.7%. That is our aspiration. We want to get back to that. There has clearly been a lot of debate about how you manage the transition internally. The reason why we settled on not going through the detail is because let us look at how quickly we recover from Covid and what the global implications for that are on the African continent. It has been a lot less impacted, perhaps with the exception of South Africa, than any of us thought. I have resumed travelling across the continent and in many ways I am less likely to catch Covid on the continent than I am in the UK. However, I am much more likely to die if I do catch it on the continent because of the lack of medical provision.

I was not trying to bait you around the aid and development. I was in South Sudan a few weeks ago with Nick Dyer, looking at what is an impending famine, which will be the third in 10 years, if it is announced. We were feeding people through the UN roughly in the same way since



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1963, so every year funding not literally the same person but the same type of people. We need to break out of that and form proper functioning economic societies and democracies, where the raising money and spending money is connected in the way that you and I are connected, in a democratic sense.

Debbie Palmer: To augment a little bit, as the Minister said, in some ways Africa has not been struck down so heavily with some of the health impacts of Covid, but we know the economic consequences have been really significant. We had a deficit of 10 million jobs in Africa in 2019. The latest data suggests that could have quadrupled in 2020. We know that the number of poor people in Africa is going to more than double by 2050. We know we have a 26% increase in humanitarian need across the world, as the Minister has just alluded to.

I would like to flag that of course that makes a very strong case for us investing in an institution like the African Development Bank. It is a multilateral organisation. We can leverage other funds through our support there. We can reach places that we otherwise may not be able to reach with our bilateral funds. We can support regional investments in the large, cross-country infrastructure projects that Africa desperately needs and that the African Development Bank is investing in. It all stacks up. As the Minister says, in a world where we are moving towards 0.5%, every penny must count. The more we can leverage others and work multilaterally, the better.

As we go forward, although the Minister talked about the Asia-Pacific tilt, we can see that the multilateral institutions stay very focused on Africa, because that is an area where there will be a great deal of poverty and fragility going forward. Our multilateral contributions will remain quite focused there as we go forward.

Q9 **Sarah Champion:** You have beautifully brought me back on to the questions I am meant to be asking. ICAI urges the Government to build on the bank's capacity to manage trust funds, including technical assistance to strengthen fiduciary and results management. The Government said in September that the Africa bank is under consideration as a possible delivery partner for a number of programmes that are in the pipeline. I wonder if any decisions have been made on this and if you could give us some more information.

James Duddridge: I will introduce and maybe hand over to Phil. The methodology of using a trust fund, i.e. effectively getting the bank to lead programmes, is a strong one. It is slightly limited by the bank's desire to maintain its multilateral status. Each nation state is only supposed to have one programme that only they are using the bank as a delivery channel for, so it is much more effective to have trust funds that multiple donors put into but the banks manage. New ones of those are happening all the time. I heard of one we are doing with the Swiss, which is paying disaster risk insurance premiums for the agricultural sector, providing countries with mitigation against the risks of problems with crops.



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It is something that is actively being pursued. It also links to the Committee's view that we need to be very careful about cost-income ratios and not being too rigorous around those when real expertise needs to be brought in. We appreciate there needs to be more flexibility, particularly on these specialist funds. That needs to happen with our development team here, which is why, from a domestic viewpoint, we have abandoned the total operating costs of 3%. That means we can do things in-house more often. There are parallels between the bank, the fund and trust funds that I suspect we will use more of, but with partners and in consortium, rather than pushing unilateral ideas.

Before I hand over to Phil, particularly with feeling the pinch in terms of the budget, we have massive development expertise in UK plc across all the Departments, not just the DFID-FCO arena. We are the largest provider financially to the African Development Bank fund. We carry great influence and weight and should leverage that. Paradoxically, some programmes that are quite big programmes in a DFID world—I use that term because we are looking at the historic piece—are absolutely fantastic. To scale them, the most effective thing is to pass the baton to an IFI that can leverage via monies coming back, borrowing and, most crucially, involving as many other participants as possible. That is the key to the fund: involving as many other participants as possible and leveraging up.

Despite still being a big financial contributor, our real experience is in understanding and expertise, which is preeminent, if not absolutely the best. Phil, do you want to add some meat to my very skeletal bones of an argument?

Phil Stevens: Yes, I am very happy to. In addition to the trust fund that the Minister mentioned, the Chancellor announced in October some additional support for something called the African Legal Support Facility, which is going to help build the capacity of African countries to engage with private creditors around debt restructuring over the coming months, which, as we all know, is a very important issue for African countries at the moment. That facility is housed within the African Development Bank.

There are a number of other partnerships that we have been exploring with the bank as well. For example, at the UK-Africa Investment Summit earlier this year, we announced that we are exploring a new infrastructure partnership with the bank. That could potentially lead to a trust fund. We also have an energy sector partnership, which, again, we have been looking at options to scale up. All these examples are all subject to the process the Minister has already mentioned around looking at the implications of the spending review outcome and prioritising against other things. In terms of the pipeline you mentioned, those are things we have been taking forward.

In terms of the capacity the Minister mentioned as well, we have supported secondments to the bank, in the areas of both gender and



infrastructure, to try to build the bank's capacity in those specific areas and strengthen those areas we felt needed to be strengthened.

- Q10 **Sarah Champion:** That leads on to my next question around human resources. ICAI urges the Government to address the key areas of understanding in the bank, such as fragile and conflict-affected states and safeguarding. The FCDO's response, though, focuses on the budgetary issues. Can you give us some more assurance that those human resources issues are something the Government are focusing on and will be trying to make changes in, please?

James Duddridge: Yes, I can give you that reassurance. We will support the African Development Bank to spend more on its people in proportionate terms, but particularly around fragile and conflict states. Because it is so tricky, no one in absolute terms has done a fabulous job. That means we must all do more. The budget is yet to be finally decided for the ADB, but we will certainly be arguing for more money to be spent on staff than has historically been the case, and particularly around fragile and conflict states and some of the safeguarding issues that the Committee took evidence on, in terms of sexual exploitation.

Debbie Palmer: Implicit in your question is the bank having presence on the ground and having the right experts in the right places. It is positive to note that the bank has opened its representation to three new fragile states across Africa: Niger, Benin and I think the third one might have been Guinea. We know it is focused very much on trying to bring in special expertise, particularly on sexual exploitation and abuse and some of the safeguarding issues, and making sure that is deployed around the continent. The sorts of conversations I am having with the African Development Bank on a monthly basis are about whether, country by country, we have the right people in the right places and whether we are joined up on the particular programmes. It is very much a work in progress, but it is something we are very focused on.

- Q11 **Mr Bacon:** Minister, you mentioned the bottom billion earlier, which of course is the title of a famous book by Paul Collier. My copy of his follow-up book, *The Plundered Planet*, a second-hand book in very good condition that I have just acquired, arrived in the post this morning. You are probably familiar with it. On the blurb it says, "Proper stewardship of natural assets and liabilities is a matter of planetary urgency: natural resources have the potential either to transform the poorest countries or to tear them apart, while the carbon emissions and agricultural follies of the rich world could further impoverish them". Plainly, Africa needs infrastructure very badly and the African Development Bank has a key role to play in making that happen. How are you going to make sure that, while that takes place, environmental and indeed social concerns do not take a distant second place?

James Duddridge: We need to make progress on both things at the same time. If we develop Africa as Europe developed, or indeed as China or America developed, that will be catastrophic for the globe, and those



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that are growing their way out of poverty even more so. We draw upon the experts. Paul Collier is wonderful and is quite often in and out of the Department. Equally, Stefan Dercon from Oxford has been appointed by the Foreign Secretary to have oversight on these issues.

In relation to climate, we are in the fortunate position of being in the driving seat for COP 26. We are encouraging African countries not only to look at what they are committing in their nationally determined contributions, but also to explain to the wider world the impacts. COP 27 will be African-led, so there is a real opportunity to get it right for the developing world, making sure we get that GDP growth per capita growing faster than the global average.

By almost statement of fact, there is always going to be a bottom billion. The challenge is to bring them up, in an inexorable way, as close to the top billion as is possible. There is no point in doing that at the expense of the climate for everyone. It is not so much climate is a brake on development; it just has to be done very differently. As we historically have dug coal and pumped oil out of the African continent for our own use, the irony is that the sun and offshore wind is much more suitable on that continent than on our own. There are opportunities for the infrastructure to develop in a different way.

When I was out in DRC a few weeks ago with Debbie, we got to do the fun bit of handing over the end of a programme looking at where the African Development Bank was going to spend money. It was on three solar microgrids. We were there with a number of environmental companies that were providing power but were doing so in a sustainable way, in many ways leapfrogging what we could do here. We were seeing people who, for about \$15 a month, could have electricity in their house—I think it was maybe even less than that—and the infrastructure be paid off within three years. They then had free electricity to power their fridge, mobile phone and a bit of lighting so the kids could do homework. It is truly transformational, but taking a step well beyond the presumption of your question of how we mitigate against them doing things in a similar way.

Debbie, do you want to say more, particularly on the DRC and some of the other examples where we might be operating in the energy sector through the ADB to be a bit more climate-friendly?

Debbie Palmer: I was just going to augment a little bit what you said at the beginning. The African Development Bank has a pretty good story to tell on climate change. It is quite a leader among its peers of the multilateral development banks. It is in the process of developing a new strategy that will focus really hard on the climate impact and the climate change issues around its lending. We worked with it to secure a commitment to a 40% climate finance target for 2025 of \$25 billion. We know that it already has a really significant renewable energy portfolio.



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From, I think, 2016 to 2018, for every dollar it spent on fossil fuels, it spent seven times that much on renewables.

It is already very much a part of what it does. We know President Adesina spoke in front of the UN in 2019 and made his commitment to stop all coal, and it has not made any of those investments since 2015. It is very much a work in progress. We need more. We all need to do more, including on NDCs. It is COP year and we are going to need to keep focusing on this. The bank is moving in very much the right direction and putting in place the right benchmarks to be able to move forward on this. As the Minister says, the challenge will be that only 50% of Africans have access to electricity. There is a massive infrastructure deficit and all of that is needed for the sort of prosperity that will enable Africans to thrive. It is about how we can put in place the conditions and the market forces to enable them to do that in as green a way as possible. The African Development Bank is playing its part to ensure that it is shaping the market in that way.

Q12 Mr Bacon: Minister, could I return to your earlier point? You mentioned China in your previous answer. It relates to what was being said earlier about the tilt to the Asia-Pacific. At the same time, China has been tilting towards Africa. Some years ago, I did a lot of governance work in Africa, mostly on behalf of the Commonwealth Parliamentary Association but also others. Everywhere I went, from Sierra Leone to Tanzania, Kenya and Rwanda, I found people saying, "That road is being built by the Chinese". They seem to be everywhere. China has been exporting capital and people for a long time. I was told that Sudan has more than 1 million Chinese people there. It is probably higher than that now. It is of course a governor of the African Development Bank, with others.

Can you speak to that relationship? Sometimes the Chinese are signing very favourable deals on things like mineral rights in return for infrastructure investment, where the Chinese say they will take all the pain and the countries concerned are signing over things that perhaps, if they felt more free to act, they might not sign over for quite so long. Can you speak to how the relationship is working through the African Development Bank with the Chinese as a big player in Africa?

James Duddridge: China and Africa is a massive subject. Certainly, the UK's position is not quite as blunt as the current American position under Donald Trump, where there is unmitigated risk in Africa with the Chinese relationship. Equally, we are not starry-eyed. You cannot go to an African country without finding a football stadium or parliamentary offices built by the Chinese. Although superficially there is something quite endearing about asking a country's politicians what they want and giving it to them, in less developed countries there is not a correlation between what the politicians want and what the public need. While we are not unique in wanting to assist the world's poor and nor are we against doing business in the British national interest, we are a million miles away from the very close win-win scenario, as the Chinese describe it, whereby they give something the country wants, whether it is in their best interests or not,



e.g. a football stadium versus long-term development, and they get something back. They operate in ways that would not be legal in the UK system.

However, they bring significant amounts of money to the table, some of which is positive in terms of development. Working with them as partners in some forum, whether that is the African Development Bank, on the fund or as aid providers, is absolutely essential. I will maintain a more nuanced role with the Chinese, whether it is in the African Development Bank or slightly more widely. That is the responsible thing to do. That is one thing the merged Department forces you to do. One cannot be purist about these things. One has to take a step back and look at the overall position across a number of equities. That is the right thing to do going forwards.

It would be perfectly reasonable for me, as Minister for Africa, to deal with the Chinese at the ADB, but equally to have a trip to Beijing purely focused on Africa. That would be a sensible way forward, but Africa is much more of a nuanced space in relation to all the external partners. Obviously, the partners on the bank are predominantly African-owned. Phil, correct me if I am wrong. On the fund side, what type of percentage are we looking at in terms of external partners and internal partners, so countries like Nigeria that contribute significantly to the fund? Am I right in saying that the majority of capital in the fund is external to the continent?

Phil Stevens: Yes, for the fund it mostly comes from outside of the continent whereas for the bank 60% of the shareholding is from the continent, so 60% of the capital comes from the continent itself.

More broadly, on China and the bank, it is a shareholder. It is a fairly small shareholder. It is a contributor to the fund, so it is active in that space. China and the bank established a partnership called the Africa Growing Together Fund, with a \$2 billion lending envelope over 10 years, back in 2014. That has allowed China to work together with the bank on specific infrastructure projects. That means bringing their standards up to those environmental and social standards of the bank. That has been a great way for the bank to ensure that Chinese projects meet those standards.

Generally, as a contributor to the fund, it is a great example of how multilateral organisations bring together a number of partners around commonly agreed plans for countries and pull that funding together in a way that makes it streamlined for countries to access as well.

Q13 Mr Bacon: Can I ask one very quick further question? I do not mind who answers this. I should know the answer to this, but is it still the case that Africa is a net exporter of capital?

James Duddridge: I do not know the answer to that question. We can come back to you.



Mr Bacon: If you could send the Committee a note, I would be very grateful.

James Duddridge: I am more than happy to do that. It is quite a controversial subject, when you look at the types, the flows and where the money is going.

Mr Bacon: You might think that. I could not possibly comment.

James Duddridge: There is also the issue of offshoring. Certainly over history, there has been a significant net outflow, where we see ourselves putting money in, whether it is through FDI or aid. The other thing that confuses the picture are remittance flows as well, in terms of capital and entities that are external to Africa but through which the money flows.

The better answer was that I do not know the detail. It is a good question. Let us get it down with all the complexity that one page allows and we can go at a more nuanced level. I suspect that I am going to be back before this Sub-Committee or the International Development Committee over the coming four years. I nod my hat to the Chair of the broader Committee as well as of the Sub-Committee for their lobbying.

Q14 **Mr Bacon:** If I could ask for a page 2, could it be on Africa-to-Africa transfers? I had a meeting in the Commons some years ago with an Ethiopian investment institution that was raising quite big sums; \$500 million was mentioned in one particular fund, which was raised entirely within Africa for investment in Africa. It was made very clear that that has been a growing phenomenon for some years. I would like to know a little bit more about that, where you see that going and what the recent trends have been. If you could spare a page 2 as well please, could you do it on that?

James Duddridge: Yes, certainly. Not so much on the capital flows, but the trade flows have been paltry. That is partly why we are helping the African Continental Free Trade Area. There are lots of barriers to capital flows. It is easier to get goods and capital off the continent and back on to the continent rather than across the border through the neighbour. The African Union are working on some of that, but more on the trade side. We are happy to review the capital side as well, which forms the bedrock of long-term investment, whether that is local currency or not. One has to appreciate the number of currencies as well, which is problematic if you look at the levels of interest charged and levels of inflation. Moving capital around itself is quite difficult. I am more than happy to probe that a little more and send that through the Chairs. With your permission, I will send it to both Chairs as a stimulus for broader discussion.

Q15 **Mr Sharma:** ICAI called for UK Government country teams to do more "to identify synergies with bank investments, thus encouraging closer working, better information flows and better-informed oversight". How are you addressing this issue?



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James Duddridge: We have covered off some of the issues earlier in terms of corporately, from Whitehall's perspective. We did not really cover joining things up much more locally. We are already, through ambassadors and high commissioners, pulling together the whole weight of HMG. However, perhaps we are not using posts as well as we could to project out and grip some of the multilateral spend and hold that to account, grip the alignments and feed that back up through the chain.

Last week, I spent some time in Kenya with the team there. Our bilateral programme is only a very small part of the overall ODA spend, so spend that is directed from out of the country, through the African Development Bank, another multilateral or indeed one of our regional programmes that has less ownership locally, so we can improve things there. That is not only within the overall strategy, which we talked of earlier, but also the local direction of travel.

Despite having spent five years on your Committee, a couple of years at FCO and a few other roles where we have crossed over, I was aware of bilaterals and multilaterals but less aware of multibuy. That is where, in-country, they use some of their budget to buy in to multilateral programmes. Intuitively, that strikes me as a good idea. The closer you get to the coalface, the more likely you are to understand what is needed, particularly if it is at the periphery—the additionality, as it were, rather than the core budget.

Debbie Palmer: To add a couple of extra bits and pieces, our country teams already have the chance to review all the strategies and project proposals ahead of them going to the African Development Bank board. We have our executive director and all that is fed up to form the positions that we take at the board, together with our counterpart nations.

Also, we have done quite a lot of work to encourage teams at country level from the African Development Bank to share their investment plans earlier with our staff at post. In each country, there ought to be, and there usually is, a donor co-ordination mechanism where we will sit with our partners; it is chaired by different groups in different countries. Covid actually has brought the international community together a great deal, partly because we are all doing this, sitting on Teams and on Zoom, and are able to have meetings even when we are not meeting physically. There has been quite a good news story this year on all of this.

As we mentioned earlier, I have been convening every three or four weeks with the vice-president for operations from the African Development Bank, so that we can take stock, country by country, of the investment plans and look at whether we are sufficiently joined up. There are lots of examples across the network. Our Sahel team has recently identified opportunities to work on infrastructure and energy with the African Development Bank and so are exploring a new partnership in that area.



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In Malawi, there is a lot of work going in in terms of trade facilitation, working with the African Development Bank on the Nacala corridor, which is very complementary to some of the work we have been doing through our TradeMark East Africa project. In Nigeria, there is a lot of work going on in terms of co-ordinating the international response to Covid. The African Development Bank has been very closely aligned with us on that. There are a series of other examples like the ones the Minister has shared from DRC and Ethiopia.

There is quite a lot going on country by country. It is something that we are seeking to lean in on. 2020 has seen a real positive shift in this direction, which we absolutely aim to continue. Now that we are not DFID but the FCDO, we have coverage in so many more countries. DFID was focused in about 20. We now have sovereign posts in 33 different nations and other non-sovereign posts. The opportunities are increasing.

Q16 Sarah Champion: We are expecting the FCDO's review into ICAI to be published imminently. In its terms of reference it says that ICAI's recommendation should be more timely and more action-orientated. Can I ask a cheeky question? What is your assessment of ICAI's report into the Africa bank? Do you believe its recommendations are both timely and action-orientated?

James Duddridge: I can only speak to this one, as Minister, and Ghana. Ghana was exceptional because it looked at a 10-year timeframe. I do not think I should be too critical. It was purposely looking quite a long way back. This again goes back to 2014. Understanding a bit more and critiquing a bit more what has happened recently might be more helpful, and both reports having clearer, divided up, discrete actions. Traffic lights in my mind, certainly in Southend, are one of three different colours. We should get off the fence and call things out. I am sure my successors will not thank me for this, but, if something is bad, call it red. If something is good, call it green. We should have more action orientation, as you might get with an Ofsted report. It is not an exact line. Those are just some personal observations.

I think the ICAI terms of reference are due back by the end of the year, which is almost upon us, is it not? I do not think the business of the House has been decided. It should be very imminent. Normal channels have agreed to the broader Committee going forward and we are all in agreement to having a strengthened ICAI. I think initially the Government would have got more praise if they said, "Yes, ICAI is carrying on as it is". We were rather surprised when we kept getting asked questions about, "What do you mean? What is this report?" We are saying, "We want it to do everything it is doing. How can we improve it further?" I do not think anyone really believed that is what was going on. It is and I am sure that is what the report will show. It will be a more powerful tool for you to hold us to account, which is a bit of a pain in the short term for Ministers, but in the long term it is the right thing.

Mr Bacon: Minister, can I just say how incredibly heartening I found



that? I spend 16 years looking at red/amber/green ratings on the Public Accounts Committee. There is no doubt whatsoever that greater exposure and more sunlight is the best disinfectant. You will get the action, focus, drive and changes that are required if the problems that need addressing are exposed to the light of the day far more often than the reverse. There are nuances in that, but openness is by far the best policy.

Chair: Can I thank the Minister for joining the Committee today? I am now going to draw a close to the first panel.

Examination of witnesses

Witnesses: Dr Tamsyn Barton and Marc Stephens.

Q17 **Chair:** I will now move on to our second set of witnesses. My first question for the next panel is to Tamsyn Barton. You were generally quite positive about the UK's support to the African Development Bank. What are the main strengths of the bank itself? Do you think that UK support acts effectively to amplify these?

Dr Tamsyn Barton: We were indeed quite positive. In fact, I think we were a little surprised at how impressive we found the bank, the more we looked into it. The African Development Bank is often in the shadow of the larger multilateral institutions. We were particularly struck that it is African-owned, which is a distinctive feature that allows it to work in a much more effective way in some cases, with African Governments, in particular, as its shareholders. The biggest success area is in relation to regional infrastructure. It is very political working across country borders and makes an enormous difference to the economic development of Africa.

The other area I would draw attention to is its decentralised nature. That is something the UK has encouraged and there has been good progress on that. Also, of late, its policy capacity has significantly improved. We heard a lot of very positive comment from academics and others, and you will doubtless hear later in the third panel about this. It is perhaps not yet brought to the wider audience that it could be, so its strengths are not always sung.

As a last postscript, since it was brought up in the questions just now, it is also worth mentioning the small point that we noted in our review, that there is this partnership with China. That is a good example of effective multilateral working. It means that the UK can be part of a multilateral effort that overcomes some of the sensitivities but has the result of helping raise standards. In general, we are very positive about the bank's strengths.

We are mostly positive about the UK's support to those strengths. We note the obviously very substantial financial support, being the top donor to the fund, which is the most focused on the poorer countries. The UK



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has made very well recognised technical contributions, which have been very consistent over many years.

The only broad area where we drew attention to where things had not worked so well was that there had been this recent period, at the time when we looked at our evidence; you have to remember this is a year ago now. There had been a lot of unhappiness about the performance improvement plan, a unilateral UK initiative. I am very happy to say that was something the Government were already starting to change at that time. There had been a bit of a fall-off in senior engagement. Some of that was perhaps to do with a succession of events and a lot going on in the UK. That was not so well received by the bank.

- Q18 **Chair:** You talked there about some of the positives, but I wanted to ask the counterquestion. Where would you say that the bank conceded it was weakest? Do you think that UK ODA support is being targeted there to help deal with those weaknesses?

Dr Tamsyn Barton: On the weaknesses side, one of the reasons we laid emphasis on the value-for-money question is because the African Development Bank is very lean in staff terms. We were hearing a bit about this in the earlier panel. In the UK's performance improvement plan, one of the key indicators was the cost-income ratio. As you see, the official response to our recommendation was that they felt the need to lay out again the importance of keeping the bank under pressure. The trouble is that is very difficult to do at the same time as saying, "We need more people in fragile states. We need more people for environmental and social safeguards". We were suggesting that the UK itself, by its focus, could do more to recognise the need for that flexibility in those areas and bear down less hard on the overall cost-income ratio.

From what we heard from the Minister just now, it seems to me that they have very much taken up our views on that. Overall, I am very struck by how fully the Government appear to be implementing our recommendations.

- Q19 **Chair:** Would Marc like to add anything to those two questions?

Marc Stephens: I would underline the African leadership and governance of the bank as being a really important feature. We heard time and again how the bank is seen as a partner by Governments when compared with other organisations. That was absolutely key for generating trust. The bank is one of Africa's most important institutions. Helping it succeed is a long-term investment.

- Q20 **Chair:** Back to Tamsyn, are you confident that the merged Department will be able to continue to ensure the objectives of the African Development Bank are well aligned with the UK's policy priorities for Africa?

Dr Tamsyn Barton: As I mentioned, our evidence for the report is not so recent. Even at the time when we were gathering evidence, you saw a



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ramping up of resources beyond the then DFID, so in the old FCO and the Department for International Trade, as a result of implementation of the Africa strategy that the Minister referred to. Those processes take a while, but those people are now in post. The merger offers the opportunity to ensure that there are more human resources. You have heard that there is more interest at country level. From the heads of mission we met, there clearly was interest in doing more. In Abidjan itself, they were recruiting a counsellor to help the ambassador there. The opportunities are clearly there.

In terms of some of the areas where we saw weaknesses, for example the Sahel, at the time we were getting evidence we were hearing, "It is only really the French that put the emphasis on the Sahel". What you have just heard from the witnesses in the previous session aligns with what I would expect with the merged Department. There was already a joint team, but that is clearly feeding through into how the UK works with the bank. You have countries that are very important from a humanitarian, security and development point of view.

Q21 Sarah Champion: My first question follows on from what the Minister was saying about the FCDO review into ICAI. He confirmed that we are expecting it before the end of the year, which, unless the parliamentary business changes, is this week. I wonder if I could ask Tamsyn Barton if you have any more information on that.

Dr Tamsyn Barton: We believe that the review will be published very soon. It has been done in a lot of haste without a great deal of chance to talk to us, but at the end of last week we got a quick sense of what is in there. At the moment, we have some concerns about what we have seen. What is most important to us is that ICAI continues to do the job that only an independent commission can do and fulfils the original vision that there was when Andrew Mitchell set it up. We just heard from Mr Bacon about the importance of sunlight, scrutiny and so on. We are concerned about any changes that might in some way compromise our ability to choose our topics, methods and how we communicate about our reports and, in every important respect, to retain independence. If it turns out to go along the lines of compromising independence, we would speak out about that.

Q22 Sarah Champion: I will just put on record that I really hope the Government bring it out while Parliament is still sitting. There is cross-party support for the work that ICAI does and it would be extremely unfortunate if we were not allowed to comment on the results of that review. Cross-party, we have all been very clear about the need for independence, lack of ministerial interference and that you are properly resourced.

I am not sure if you were not able to hear the responses that the Minister gave in the earlier panel, but he spoke to us about the new post-pandemic approach to the UK aid, focusing only on countries where the UK development, security and economic interests align. He gave the



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example of sub-Saharan Africa and referred to a core investment in multilateral development banks based on a new strategic objective. How do you think this new approach will fit into and impact on the bank's future activities?

Dr Tamsyn Barton: To a degree, you would need to understand that I am going to have to speculate a bit on that. It cannot be based on any thorough review of the evidence. From what I could hear in the previous session, it was clear that the spending review process is still underway and lots of decisions are still to be made. I recall that there was a pronouncement already made about the UK remaining the top donor to the World Bank's IDA, which is the facility equivalent to the African Development Bank's African Development Fund. I am not aware that they have made any commitments along those lines, but it is the top donor at the moment. It would certainly be unfortunate if there were very asymmetric decisions between multilaterals, based on certainly what we have seen in our review of the African Development Bank and the opportunities offered.

From what I heard from the Minister, it seemed as though they see more opportunities of working with the bank. They were talking about trust funds. They mentioned a couple where they have put in additional resources. The resources are not huge, by comparison with IDA. In the last replenishment, it was £620 million, as compared with \$3.9 billion. I would imagine that, when the cuts happen, it is easier to make more material cuts in a larger amount. It did not seem to me as if he was indicating clearly that there would be a strong cut, but that is a risk if they are cutting multilateral compared to bilateral. That is speculation from my side, I hasten to reiterate.

Q23 **Mr Sharma:** The question is to both of you. The Government gave a brief response to your reviews and recommendations on building the bank's capacity to manage trust funds, including technical assistance to strengthen fiduciary and results management. Is there anything else you feel the Government should add?

Dr Tamsyn Barton: The Government response to this recommendation was an interesting example of a phenomenon that we sometimes see with ICAI reports and responses from the Government, which is that the Government provide a rather brief and apparently not very adequate response, but then we find that, in practice, they are following through our recommendation almost by stealth. I am hoping that is the case, because it did not look as if they had understood our point here. One thing you could see as a weakness of the bank at the moment is its lack of resources. I have mentioned the lack of resources for staff and so on. Most multilateral development banks will get additional resources as a result of trust fund arrangements. That is one of the ways they can increase their resources for priorities. It has been a problem for the bank that, unlike the World Bank, it has very few trust funds.



The UK can do one thing by giving money for a priority, as we have just heard about, like agricultural weather risk insurance. It can do much more to help the bank attract funds from a wider range of donors and shareholders if those donors would feel secure that the fiduciary safeguards are the highest and that the result management systems are there so they can get the reassurance about those specific monies. That was the point we were making. The response we got sounded like, "We are just doing the due diligence and you can rely on that", but I get the impression that they are intending to take a more systematic approach. I do not know whether you want to add anything, Marc.

Marc Stephens: No, you said it well, Tamsyn. Trust funds are a useful way of directing resources to respond to needs on a fairly timely basis. They are a flexible instrument. The bank's management of funds provided by third parties through trust funds is a fraction of what, for example, the World Bank manages. To increase that, it is going to have to strengthen the fiduciary processes it has assigned to trust funds and their results management. That is why third-party donors are not putting more resources into trust funds. That is going to take a concerted effort. It is a real opportunity and the UK could probably go beyond what it said in its response.

Q24 **Mr Sharma:** The Government gave a short response on building capacity in respect of aid to fragile states and in support of safeguarding. Given the importance of both these issues, what do you feel the Government should be doing to act on this recommendation?

Dr Tamsyn Barton: In relation to this one, we definitely heard clear indications from the Minister that this is really a high priority. He mentioned his own references to safeguards in August and more recently in the letters they had written. I personally found that quite reassuring, although obviously we have not been able to do the thorough evidence-gathering. I am sure we could hear more from the African Development Bank itself on the extent to which the UK has been pursuing those issues. We have to recognise that that means, as the Minister said, they have to take this broader view and not focus too narrowly on cost-income ratios and so on. I was reassured that the UK will do more.

It will obviously take time to see whether the bank fulfils its ambitions and ensures it has the staff to do these jobs. In the past, the UK's performance improvement plans and metrics have had a lot to do with staffing, but so far they seem to have led more to reduction of funds arriving in the bank, which does not help staff it more quickly. Broadly, I was encouraged in relation to that one, although the bank has some way to go, because this is an area of weakness as things stand because of lack of staff capacity.

Q25 **Mr Sharma:** How might the Government use their support to help the bank improve in both these areas?



Dr Tamsyn Barton: I do not think I have much more to add, other than, ultimately, it is about resources. That is all to do with the UK working with other shareholders on the back of the work done by the bank's own evaluation and HR departments on how they can do more. It is just building on the directions we have discussed.

Chair: Those were all the questions that we had for that panel. Can I thank the witnesses?

Examination of witnesses

Witnesses: Colin Buckley, Professor Griffith-Jones and Simon Mizrahi.

Q26 **Chair:** We are going to turn now to the third panel. My first question is to Ms Griffith-Jones and Mr Buckley. What is your view of the achievements and key areas for improvement of the African Development Bank?

Colin Buckley: It is a pleasure to be here giving evidence. The CDC views the African Development Bank as a critical partner in delivering economic development for Africa, consistent with the UK priorities. The way we work with the African Development Bank is both in terms of investing and in terms of leveraging our respective strengths in areas outside of investing. It is important to start with investing. At the moment, CDC has co-invested about \$1 billion in 30 investments alongside the African Development Bank. Some examples of those investments would be the Africa Renewable Energy Fund, which is looking at projects in Ethiopia around geothermal and biomass, and solar in Uganda. There is the TIDE Africa Fund, which is looking to fund high-growth young African businesses across the continent. There is the Ruzizi hydropower plant, which is bringing energy to about 30 million people, some 70% of them under the poverty line, in Burundi, Rwanda and DRC.

The relative merits of our institutions are beyond investing. We have co-ordinated in setting standards and harmonising indicators. We are the founding members of the joint impact model, which is estimating indirect impacts of development. We are both members of the steering group for the harmonised indicators for private sector operations. We also lead on a number of issues that I know are UK priorities. Together with the IFC, we lead the annual forum at Oxford on fragile states. That has led to increased efforts to expand investment in those countries. Together with the London Stock Exchange, we sponsor the *Companies to Inspire Africa* report, which champions over 360 exciting new African businesses, promoting them to investors. We support the Africa Investment Forum, which is an annual gathering that builds on the strength of the more extraordinary events, like the UK-Africa Investment Summit.

In conclusion, CDC and the African Development Bank have a relationship of synergy. CDC, for example, has a singular strength in equity, especially equity in infrastructure and power. As has already been alluded



to in testimony, the African Development Bank has particular strengths in relationships with Governments, which are very important to us, and it has a wonderful network of local country offices that have much more presence than us and the FCDO together have. In sectors like infrastructure, the sum of our relative strengths is greater than their constituent parts.

Professor Griffith-Jones: I am very delighted and honoured to be here. I would like to put in a slightly broader framework. We have just had a major development bank summit. That was attended by President Macron, the UN SG, the head of the IMF and others, including Mr Sharma from the British Government. Before that, we had a research conference where I co-directed the research. One of the important conclusions of this meeting was that development banks, and particularly multilateral regional development banks, are particularly valuable because they can, for example, leverage funds at a significant level. As has just been said, they can convene different actors to work together.

One of our recent conclusions there and in other fora has been that the scale of these banks should be increased. There is a recent paper, which I am happy to share, by Humphrey and Prizzon from ODI. That argues that, in the case of the African Development Bank, the capital has increased quite a bit, but the paid-in capital, which is a relatively low share of total capital—no more than 6%—is going to be disbursed in 10 tranches over 10 years. This might have been fine in normal times, but in Covid times the needs in Africa are so high and have increased so much that perhaps a good thing would be to accelerate, particularly in the next year or two, the disbursement of this paid-in capital, to give them financial capacity to do more. This would not be very expensive.

The great advantage, as I mentioned, is the leverage, because they can co-finance with the private sector, with climate funds, with CDC, as we just heard, so the total impact would be significantly enhanced. I would urge you, if you can, to consider this. I know it is a difficult one in tight times, but, because of the multiplier effect and the high quality of the institution that the ICAI report clarified, it would be a really good way of spending public money.

Q27 **Chair:** I wanted to push on that and ask you if you agree with ICAI's generally quite positive scoring of the UK's support for the bank.

Professor Griffith-Jones: Yes, I agree with that. The UK has supported the bank very well. It is very important that they support, in such a high proportion also, the African Development Fund, which is also going to be scarce of resources, even though the increase of the fund's resources was more generous than previous ones. The problem is that the needs at this moment are so large.

I am a development economist. It is so important that you do not interrupt long-term development because of a crisis, because the costs in the future are so high. These countries do not have the fiscal space. At



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the moment, they do not have the ability to raise private money on the international capital markets. They are practically all closed. One country has issued bonds since Covid started; they were all issuing lots before. They have very few options. These multilateral and regional development banks can fill the gap a bit.

Q28 Sarah Champion: Could I direct this to Professor Griffiths-Jones and Mr Buckley? Do you agree with ICAI that project preparation and performance on implementation still lag behind at the bank?

Professor Griffith-Jones: That is a really good question. I was involved in evaluating an evaluation that the bank itself did on the financial sector, so I was involved in the discussions and reading all the papers. This is a point that came up a lot: that there were not enough resources, particularly human resources, on implementation. Project preparation in the African Development Bank and in general in development banks, even national ones, is a big gap that needs to be filled much more. It is a question of resources. There is a vision that also came out of our research that maybe development banks cannot just be what somebody called project takers but also project makers, in the sense of defining priorities, defining specific projects within those priorities and then offering them to the private sector. That is really important. I agree with you and the ICAI report that resources spent there are very well spent.

Colin Buckley: It is a commonplace observation that the problem with infrastructure in Africa is not the availability of capital but the availability of projects to invest it in. The African Development Bank has played a key role in trying to develop projects. Because we ourselves now are trying to develop projects through our platform Globeleq, which we founded about five years ago, we have become increasingly aware of the challenges that presents to creating a new infrastructure project. It is not entirely within either our or the African Development Bank's gift. A lot of this is highly political. I am not so sure I could comment on whether it could do more, but I would recognise that what it does already is critical to creating an infrastructure market in Africa.

Q29 Sarah Champion: That is very reassuring. Mr Mizrahi, what can the FCDO do to support and encourage the bank to improve on this situation?

Simon Mizrahi: When you say "this situation", which situation are we talking about—the strengthening project preparation facilities?

Sarah Champion: That is correct.

Simon Mizrahi: One of the interesting developments in recent years is that donors last year gathered together and agreed to a historic \$115 billion general capital increase of the African Development Bank. That is the largest capital increase the African Development Bank has ever received. In a sense, it is a very strong vote of support from all our donors, the African donors, shareholders, and the non-African shareholders.



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As part of that general capital increase, we also agreed on a very wholesale set of ambitious reforms to improve the bank. Many of the reforms that we are talking about have been flagged in the ICAI report, for example around the need to strengthen environmental and social safeguards, and issues that have to do with the level of staffing and improving strategic staffing. One particular area that was identified as part of the areas that required reform was indeed in terms of the need for strengthening the project preparation facility, which Colin and Stephany just talked about. This is an important area that is receiving quite a bit of attention from the African Development Bank.

One thing the ICAI report has been very useful in doing—we found the report generally very good indeed in terms of helping us reflect on some of the challenges that require our attention—is that it forced us to think about some of these areas and address them. When it comes to environmental and social safeguards, which is one of areas that were identified, or trust funds, which were discussed earlier on in the conversation, we have been establishing, for example, an action plan to strengthen environmental and social safeguards. Within that action plan there is a special part that is dedicated to improving the way we address SIA. Generally speaking, we are very happy with the report. It helped us address some of the outstanding challenges, including through project preparation facility.

Q30 Sarah Champion: That is good to hear. This question is to Mr Buckley and Ms Griffith-Jones. ICAI says that while “the bank has increased its engagement with the private sector ... additionality is not always clear and it has a poor track record, like peers, in leveraging private finance into development”. Would you agree with this assessment? If so, what could be done to improve matters?

Professor Griffith-Jones: That is a very important point. As the report itself points out, it is very difficult, particularly in the poorer countries of Africa, to attract private sector flows and therefore to achieve the leverage you can in Asian, Latin American or certainly European countries. It is a very difficult task. The report also points out that the African Development Bank is actually better at leveraging money from the private sector than some donors, including the UK, if I remember correctly. It is not doing an ideal job.

There is a lot you can do. One of my favourite ones is developing domestic capital markets so that you can leverage with your domestic investors. This is often forgotten in international discussions. It has a number of advantages: to encourage domestic savings but also to avoid currency mismatches, which have historically been so damaging. If you have a currency or whatever crisis, the Covid crisis, and your exchange rate falls, it becomes very expensive to service debts to foreigners issued in foreign currency. Ideally, you can convince foreign investors to come in in your local currency. That is your best outcome.



Perhaps the African Development Bank could do more in deepening domestic capital markets in general, both the stock market and the bond market, but in particular deepening the local currency market. For example, it can borrow in the local currency market and then lend in the local currency. It has done that in several countries in Africa, but it could do it much more widely.

There is also a number of instruments that are being used and developed in the richer countries by institutions like KfW, Bpifrance and the European Investment Bank. They obviously have to be adapted, because their needs are different. I have been in discussions about these instruments. I have written papers, which I would be happy to make available, about how you can adapt these instruments to the needs of low or middle-income countries. You can do quite a lot in that, but it will take time.

We cannot be too starry-eyed, particularly at this moment. Unfortunately, these flows are very procyclical. The cycle was particularly short for Africa. There was a lot of enthusiasm for frontier markets five years ago. There was a lot of money pouring into Africa, but sadly it finished in two or three years. You want long-term stable flows. That will take more and more effort.

Colin Buckley: We have to recognise that there is a fundamental tension between additionality and mobilisation. If you do an investment that is clearly additional—that is no investor would ever look at it—you are not going to be able to mobilise anyone into it. You have to sidle up to a deal that is essentially bankable in order to get interest in investors to follow your lead. I would also agree with Stephany that the strongest drivers of mobilisation or getting DFI into new markets probably lie in areas such as business climate reform, capital markets support and upstream project design. Unfortunately, those do not count towards the mobilisation metrics, which are a little bit more investment-focused.

I am not so sure that I have answered your question, other than to say that it is a balancing act. We have seen the African Development Bank mobilise investment clearly when it syndicates loans. That is an important part of its business. Equally, it is a big player in some of the most difficult markets, where it is clearly additional. I am not so sure I could give an opinion as to whether it has struck the perfect balance.

Q31 **Kate Osamor:** I want to direct my question to Ms Griffith-Jones and Mr Buckley. How does the bank measure up against its peers? What is its closest comparator?

Professor Griffith-Jones: That is an interesting question. I suppose it is a regional development bank, so you would have to compare it with the Asian one and the Inter-American Development Bank in particular. There are some others, for example in the Middle East. You would need to compare maybe with those. Of course, the countries we are talking about are quite different. Africa has now developed quite a lot, so a lot of



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countries are middle-income, but they were recently low-income, so they have problems in infrastructure and in so many aspects. The challenge that an institution like the African Development Bank faces is so much bigger than in Latin America and particularly in Asia, where things seem to happen a lot on their own.

Perhaps an emphasis one could have is to look a lot not just on financial performance, although that is important, but on whether the institution is maximising sustainable and inclusive development impact. That is also the spirit of this ICAI report. It is easier to say than to do. There is a lot of research going on about how you can develop good matrices to try to do that. The African Development Bank is trying and doing a good job, but it could be improved. For example, it looks at what the impact of financial operations is on financial intermediaries. Could it also go beyond and look at the companies to which these financial intermediaries lend, the companies that got the additional funds? This emphasis on sustainable development impact and poverty reduction is absolutely crucial.

Colin Buckley: I agree with Stephany that its closest examples would be the other regional development banks, perhaps the IFC and so forth. It is very difficult to benchmark development institutions against each other. As I said in my first response, every development institution has its own relative strengths and, frankly, weaknesses. Without question, the African Development Bank has the strongest relationships with African Governments and the strongest network of local representation.

As a co-investor, or simply if we had an issue that we were trying to work through with an African Government in an area especially around infrastructure or power policy, the African Development Bank is clearly the organisation to go to. That is its relative strength. No one else has that. By comparison, there are probably other areas, working with insurance and pension companies, especially those in the west, where the African Development Bank is perhaps relatively weaker. It is difficult to do this league-table comparison. You have to do it on particular issues.

Q32 **Kate Osamor:** Based on those answers, Mr Mizrahi, how would you respond to those comments?

Simon Mizrahi: I agree with what Colin and Stephany just said. One thing I want to point to is there is a benchmarking exercise that is organised by the OECD DAC that is called MOPAN, which basically assesses organisations against their ability to deliver, manage their performance effectively and manage for results. The OECD DAC MOPAN assessment benchmarks different organisations against a range of different dimensions and shows that the African Development Bank scores quite highly, at par with organisations like the World Bank or the Asian Development Bank. Clearly it has some strengths and some weaknesses, like many organisations, but it is working very hard to address them.



Q33 **Mr Sharma:** Mr Mizrahi, what has been your experience of the UK's engagement with the bank?

Simon Mizrahi: That is a very good question. The kind of engagement we have had with the UK has been the kind of engagement we value very much. The UK has been one of our toughest customers, in the sense that it has been extremely demanding, extremely engaged with the activities of the bank, critical when it needed to be critical and supportive when it needed to be supportive. It has helped the African Development Bank address some of its challenges and find appropriate solutions to address them. It is a partner that we very much value and hope to be working with in the future.

Q34 **Mr Sharma:** Have you noticed any change in the nature of UK engagement with you since the FCO and DFID merger was announced and implemented?

Simon Mizrahi: No, not at all. We have noticed there has been a lot of continuity in the level of engagement from the UK. For example, Minister Duddridge was referring to the continuity in terms of the executive director who is part of the executive board of directors. There has been some continuity in terms of focus, interest and support. We have not so far noticed any difference.

Q35 **Kate Osamor:** Mr Mizrahi, the FCDO is conducting a review of ICAI's terms of reference, suggesting that ICAI's recommendations could do more timely and action-orientated work. What is your view of ICAI's recommendations for the UK/African Development Bank relationship?

Simon Mizrahi: I would like to start by saying how much we appreciated the work that has been led by Tamsyn Barton and the ICAI team. It has been really useful in many respects because it has encouraged us to reflect on some of the challenges we face. We take particular pride in the fact that the ICAI reported concluded that the bank provides the UK taxpayer with very good value for money and that the bank's High 5 priorities, which were referred to earlier in the conversation, during the first panel, are aligned with the UK's priorities. It is true that we are targeting some of the countries that have the most pressing development needs. We do so at a relatively low cost compared to our key comparators. Despite this low cost, one thing ICAI acknowledges is that we are as effective as, or in some cases more effective than, many other comparators.

The report also addresses some challenges, as you rightly pointed out. We are very much focused on addressing them. To be quite frank, some of the challenges that we are talking about, for example in environmental and social safeguards and in trust fund management, are related to the fact that we keep our costs down. Perhaps we have been keeping those costs down a little too much. The real conversation that we need to have now is less about doing more with less but more about making the right



strategic and selected investments in key areas where we feel we need to strengthen our capacity and expertise.

One area that is getting a lot of focus and attention right now is in terms of the resources that are available to the bank, and the staffing agenda in particular, to ensure we have the right skills in the right place so that we are fit for purpose. This is a conversation that the UK is very closely engaged in. One of the areas where it is pushing and putting a lot of strong focus is environmental and social safeguards, in particular the work we are doing in terms of addressing the problems and issues related to sexual exploitation, abuse and harassment. We value the report. We value the UK's engagement and look forward to continuing our work with both ICAI and the UK Government.

Q36 Kate Osamor: Thank you for your answer. How is the UK Government's proposed reduction to the aid budget, i.e. not to spend the 0.7% of GNI as ODA, likely to impact the bank and, more importantly, the clear priorities you have just spoken about? Do you think it is going to impact that work?

Simon Mizrahi: Yes, inevitably. To come back to the point Mr Sharma was questioning about, and I think indirectly you are as well, we are obviously not in a position to comment on the creation of the FCDO. In terms of the quality and level of UK engagement via the board of directors, as I said earlier on, the US has retained the same board member, which is very important to us in terms of ensuring continuity of focus and interest. So far, we have not seen any evidence of a shift in terms of the UK's engagement. We see a great deal of consistency so far.

On the specific question you raised about the target, it goes without saying that we fully support the UK's commitment to the 0.7% target. We see this as part of the UK's leadership in the development industry and the development sphere. When it comes to development, Africa is the last development frontier. The citizens of this continent need these additional resources. One thing the IMF has told us, as a result of the Covid crisis, is that Africa will be needing \$1.2 trillion in additional investments over the next three years to address and recover from the epidemic. One of the most pressing development threats the continent is confronted with is that we expect to see an additional 43 million African people who might be pushed into poverty. Coming back to the 0.7%, we do not think now is the right time to be reducing that figure.

Q37 Chair: You mentioned about the Covid-19 pandemic. If nothing else good has happened this year, it has led, in a positive way, to the creation and adaptation of a number of public, philanthropic and private sector collaborations, particularly around R&D for vaccines. I would like to ask if there are any lessons or models in this area for effective leveraging.

Simon Mizrahi: One of the lessons we have learned or witnessed from the Covid pandemic is that it has really upended the world economic order as we know it. Africa, like other regions, possibly more than other



regions, is reeling from the economic and social consequences of the pandemic. The global economic downturn is undercutting absolutely every sector of Africa's economy. Growth is expected to turn negative for the first time in almost 50 years. This is threatening the hard-won development gains of the past decade in Africa. We expect an additional 43 million Africans to be pushed into poverty. This is clearly one of the gravest challenges Africa's leaders and institutions might be faced with since the independence of African countries in the 60s.

The good news is that African countries and leaders have already taken a bold range of actions, including ambitious public health interventions to flatten the curve, which might be one reason why we have seen that the level of impact of Covid on Africa has been less than other continents. They have been leading the expansion of social safety nets and monetary and fiscal interventions at an unprecedented scale.

We at the African Development Bank have been very keen to support these efforts. We have been doing so in a number of ways. One of the ways is through the establishment of a \$10 billion Covid-19 Rapid Response Facility. It is designed to help Governments implement the actions they have designed. We are providing them with liquidity and countercyclical support to help them. In March, we also launched a record-breaking \$3 billion Fight Covid-19 Social Bond on the global market, the largest ever US-denominated social bond. We will continue to be supporting African countries. We will continue to use our triple-A rating and our convening power to provide the level of support African countries need and deserve.

Professor Griffith-Jones: I wanted to add, also in respect of the previous question, that the countercyclical response that the African Development Bank had in the wake of the global financial crisis was the best one of all the multilaterals and regional development banks. It massively expanded lending. This was partly because, coming back to my previous theme, its capital was significantly increased and it had the space to do that. The response it had, both in commitments and in disbursements, was dramatically and by far the best. This is very important.

To complement what Simon has so well said, it is very sad to see in Africa, as in Latin America, that these countries have actually done extremely well, particularly Africa, in terms of growth and expansion of education and health. All that can be reversed within this year and possibly next year. The support that the African Development Bank is doing, as Simon has just described, is extremely crucial, but I am not sure it is enough because the problem is so large.

Colin Buckley: Stephany is right: Covid has been a real shift in the way institutions have worked together. Our challenge now is to make sure that survives Covid. We did a lot of things in crisis and now we have to regularise them. Early indications are good. We all moved money. More



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importantly, we all worked together to try to overcome the usual day-to-day issues to get the money on the ground a lot faster than would normally be the case. We have a great platform.

Chair: That is a great note to end on, with a positive. Thank you to all our witnesses.