



House of Commons
International Development
Committee

**The UK's support to the
African Development
Bank Group: report
from the Sub-
Committee on the Work
of ICAI**

Ninth Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

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The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

On 1 September 2020, DFID and the Foreign and Commonwealth Office were merged to form the Foreign, Commonwealth and Development Office (FCDO). The Committee remains responsible for scrutiny of those parts of FCDO expenditure, administration and policy that were formerly the responsibility of DFID.

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Current membership of the Sub-Committee on the work of the Independent Commission on Aid Impact (ICAI)

Formally, all members of the Committee are members of the Sub-Committee. In addition, the Committee has established a Sub-Committee core group:

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[Mr Richard Bacon MP](#) (*Conservative, South Norfolk*)

[Sarah Champion MP](#) (*Labour, Rotherham*)

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Conclusions and recommendations

1. We heard a range of evidence which bears out ICAI's generally positive assessment of the alignment of the African Development Bank with the UK's priorities. It is clear that, over the years, the UK has often used its formal and informal influence with the Bank in ways which have furthered the UK's development objectives. The Bank's ability to invest in large infrastructure projects, some of them crossing national borders and promoting regional integration neatly complements the strengths of the UK's bilateral engagement. (Paragraph 18)
2. There are early signs that recent changes to the institutional and policy context of UK's approach to development, including the FCO/DFID merger, have not reduced the Government's commitment to Africa and to fruitful working with the African Development Bank. We welcome these suggestions of continuity, including clear ministerial statements about the priority to be given to the poorest in Africa and elsewhere. (Paragraph 26)
3. The Integrated Review, *Global Britain in a Competitive Age*, has now been published, but announcements on the reduced aid budget have yet to be made. The jury is still out on whether the Government can successfully combine its new approach to diplomatic, defence, trade and security matters, and necessary budgetary discipline, with delivery of its commitments to the poorest. Africa will be the acid test of the effectiveness of the Government's new approach, and we will be monitoring its performance there closely. (Paragraph 27)
4. One of the key challenges facing the African Development Bank is in leveraging private finance for its key infrastructure projects. The current financial situation due to the coronavirus pandemic is likely to make that problem worse. (Paragraph 35)
5. *One possible action that could improve the prospects for funding of infrastructure is for a faster disbursement of the Bank's paid-in capital. We urge the Government, through its position as UK Executive Director, to consider encouraging this and other possible routes to maintaining financial support for Africa's infrastructure.* (Paragraph 36)
6. The need for the Bank to recruit good new staff, and to strengthen the skills of existing staff, was a pervasive theme of ICAI's review and of the evidence we took. We were concerned to hear that expertise in such key areas as safeguarding and development in fragile states is in short supply. We heard several statements about the Bank's efforts to acquire the skills it needs, and the UK's support for those efforts, but words need to be matched with effective action. (Paragraph 45)
7. *The UK Government should do all in its power to encourage sustained progress towards filling the skills gaps at the Bank. While bearing in mind the need to respect the Bank's independence and to maintain a multilateral approach, the UK should press the Bank for early action and regular monitoring of progress on recruitment and retention. An update on the staffing situation should be provided to the Committee by the end of October 2021.* (Paragraph 46)
8. We are heartened by the evidence of concerted and determined efforts on the part of the African Development Bank to mitigate the worst effects of the covid-19 pandemic

and support the response of individual countries. We also welcome what appears to have been wider enhanced coordination between development institutions in the face of the pandemic. (Paragraph 54)

9. However, we are concerned that, as the pandemic continues to spread, and in some cases to worsen, including in African countries, momentum could be lost in the face of the huge challenges posed by the pandemic. (Paragraph 55)
10. *The UK's future support for the African Development Bank should reflect the Bank's key role in complementing bilateral support.* (Paragraph 56)
11. We were concerned to read, in the ICAI review, of problems caused by the unilateral introduction by the UK in 2017 of a Performance Improvement Plan for the African Development Bank. It is clear that there was a failure to balance the need to keep the Bank accountable for its performance with the need to respect the independence of the Bank. This was an unfortunate deviation from what appears to have been a generally positive and sensitively-conducted relationship between the UK and the Bank. We welcome the evidence that the issue was soon addressed and harmony quickly restored. (Paragraph 62)
12. Our evidence suggests that UK engagement with the African Development Bank has been beneficial over many years, and that, partly as a result, the Bank's performance compares well with that of other development institutions, both in Africa and beyond. According to our evidence, the first months of the new FCDO have seen good engagement between HMG and the Bank. We hope that this will continue to be the case. (Paragraph 65)
13. Based on the findings presented in the review and the evidence we heard during our oral evidence session, we feel that a Green/Amber rating was an appropriate assessment of the UK's support to the African Development Bank Group. (Paragraph 67)

1 Introduction

1. The Independent Commission for Aid Impact (ICAI)¹ published its review *The UK's support to the African Development Bank Group* in July 2020.² The Government's response to the review was published in September 2020.³

2. The role of the International Development Committee's Sub-Committee on the Work of ICAI is to scrutinise the work of ICAI by examining its reviews and assessing Government Departments' responses to these reviews. What follows is the Sub-Committee's third Report outlining the evidence, conclusions and recommendations drawn by the Sub-Committee regarding ICAI's review and the Government response to it, as agreed by the main Committee.

Conduct of scrutiny

3. During the oral evidence session held via videoconferencing on 14 December 2020, the Sub-Committee took evidence from, firstly, James Duddridge MP, Minister for Africa, Debbie Palmer, Africa Director, and Phil Stevens, Deputy Director, International Financial Institutions Department, Foreign, Commonwealth and Development Office (FCDO). Secondly, we heard from Dr Tamsyn Barton, Chief Commissioner, and Marc Stephens, Team Lead, Review of UK support to the African Development Bank Group, ICAI. Finally, we took evidence from Simon Mizrahi, Director, African Development Bank Group, Colin Buckley, General Counsel, CDC Group, and Professor Stephany Griffith-Jones, Financial Markets Program Director, Initiative for Policy Dialogue, Columbia University.

4. We are very grateful for the evidence provided by all the witnesses.

Background

5. The African Development Bank (ADB) was founded in 1963 by 23 African nations with an initial authorised capital of \$250 million. Over time, it has evolved to include shareholders from 80 countries and capital of \$208 billion. In 1972, the ADB and 13 non-regional countries established the African Development Fund (ADF), which lends primarily to low-income countries on terms that are considerably more concessional (favourable) than market rates. In 1976, the government of Nigeria and the ADB established the Nigeria Trust Fund, which also provides funding on below-market terms. Together, the ADB, the ADF and the Nigeria Trust Fund are known as the African Development Bank Group ("the Bank Group" or "the Bank").⁴

6. The overarching objective of the Bank is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. It aims to achieve this objective by mobilising and allocating resources for

1 The Independent Commission for Aid Impact (ICAI) is an independent advisory non departmental public body created by the Government in 2011 to independently evaluate the impact and value for money of all Official Development Assistance (ODA) spent by the UK Government. See also the International Development (Official Development Assistance Target) Act 2015 [section 5](#).

2 ICAI, [The UK's support to the African Development Bank Group](#), July 2020

3 FCDO, [FCDO Response to the Independent Commission for Aid Impact recommendations on: The UK's support to the African Development Bank Group](#), 11 September 2020

4 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.i

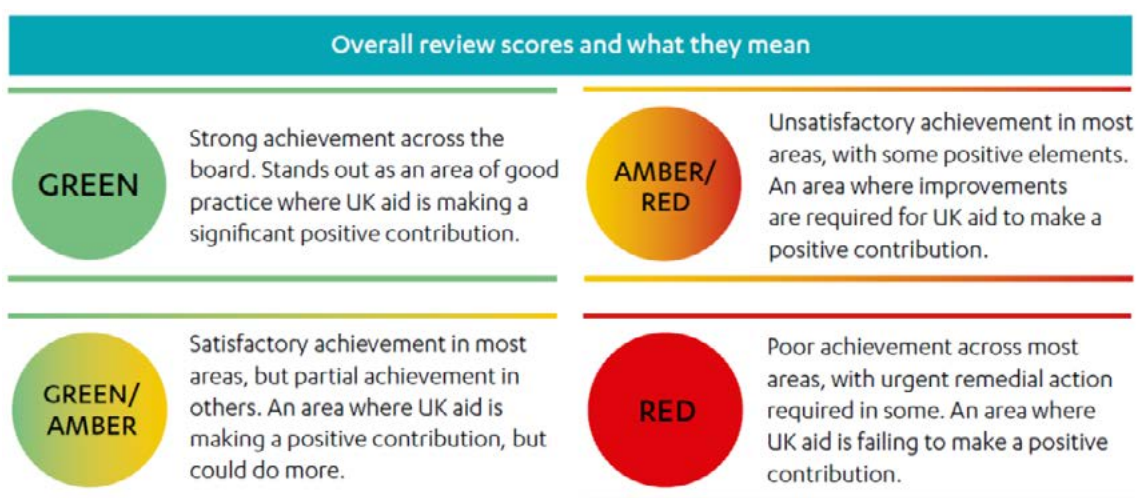
investment in regional member countries, and by providing policy advice and technical assistance to support development efforts. It is also committed to the pursuit of the UN Sustainable Development Goals set out in 2015.

7. The UK joined the ADF (the concessional lending and grants arm of the Bank) in 1973 and became a member of the ADB in 1983. The UK currently has the smallest shareholding in the Bank itself of all G7 countries at 1.72% of total shares and is the 14th largest shareholder overall. ICAI observe that “This small shareholding means that the UK’s vote on all ADB issues carries less weight than many other shareholders.”⁵ It also means that the UK is required to share its representation on the board of executive directors with two other small shareholders (Italy and the Netherlands) on a rotating basis. This contrasts with the UK’s contribution to the ADF where it is the largest donor, representing (on average over recent replenishments) 12.37% of total donor contributions.

ICAI’s Findings

8. Using its scoring system, ICAI gave the UK’s support for the African Development Bank Group an overall Green/Amber score, indicating “satisfactory achievement in most areas, but partial achievement in others.”⁶

Figure 1: ICAI’s four-tier traffic light system for rating the findings from its reviews



Source: ICAI, [The UK’s support to the African Development Bank Group](#), July 2020

9. ICAI’s findings were made against three tests:

- **Relevance:** How well aligned is the Bank with the UK’s aid priorities in Africa? ICAI scored this as a Green.
- **Effectiveness:** How effective is the Bank at delivering UK aid priorities? ICAI scored this as a Green/Amber
- **Efficiency:** How well did the [former] Department for International Development (DFID) ensure the value for money of its contributions to the Bank? ICAI scored this as a Green/Amber

5 ICAI, [The UK’s support to the African Development Bank Group](#), July 2020, p.i

6 ICAI, [The UK’s support to the African Development Bank Group](#), July 2020

ICAI Recommendations

10. ICAI made five recommendations:

- **Recommendation 1:** The FCDO should minimise unilateral reform interventions (such as the 2017 Performance Improvement Plan) that could undermine the multilateral nature of the Bank's governance structure as well as the UK's reputation as an honest broker.
- **Recommendation 2:** FCDO should take a broader view of value for money than cost-to-income ratios, and focus on ensuring that key areas of understaffing such as fragile and conflict-affected states and safeguards are addressed.
- **Recommendation 3:** FCDO should pay particular attention to ensuring that the Bank's environmental and social safeguards are implemented on the ground.
- **Recommendation 4:** If FCDO is to channel more resources to the Bank via Bank-managed trust funds, it should help to build the Bank's capacity to manage such funds, including technical assistance to strengthen fiduciary and results management.
- **Recommendation 5:** FCDO in-country teams could do more to identify synergies with Bank investments, thus encouraging closer working, better information flows and better-informed oversight.

Government response

11. In its response to ICAI's review published in September 2020, the Government partially accepted recommendation 1 (minimising unilateral reform interventions) and accepted the other recommendations.⁷

7 [FCDO, FCDO Response to the Independent Commission for Aid Impact recommendations on: The UK's support to the African Development Bank Group, 11 September 2020](#)

2 Relevance: How well aligned is the Bank with the UK's aid priorities in Africa?

12. On relevance, ICAI gives UK support for the ADB a green score. ICAI judges that the Bank's overarching objectives are well aligned with UK development goals, including key cross-cutting priorities such as fragile states and gender. ICAI says that "The Bank's standing as the premier African development institution increases the UK's development impact in Africa due to its position as a board member and contributor". According to ICAI, the Bank's strategy and tools for engaging in "transition states" fit well with the UK's focus on stability and development in fragile states.⁸

13. More specifically, ICAI traces the similarities between the Bank's key "High Five" priorities and the former DFID's sector priorities. The High Five are: "Light Up and Power Africa"; "Industrialise Africa"; "Integrate Africa"; "Feed Africa"; and "Improve the quality of life for the people of Africa". ICAI notes that "The High Five priorities support DFID's sector priorities, and focus on stability, governance and sustainability, as set out in DFID's 2017 Economic Development Strategy—the department's overarching strategy for advancing economic development in the poorest countries."⁹

14. ICAI is also clear that the work of the ADB in supporting the development of Africa's infrastructure effectively complements the UK's own bilateral programmes:

Africa faces critical infrastructure gaps ... Capital markets in developing countries remain incomplete and generally unable to tackle the risks and high transaction costs associated with large-scale infrastructure at the scale required. Most bilateral donors, including DFID, are not able to provide the substantial financing that is required for infrastructure projects ... In this context, multilateral development banks (MDBs), such as the Bank, which have the capacity to lend large amounts repayable over long periods of time, are well placed to help fill a critical gap in the market for infrastructure finance. Just under half (47%) of Bank loan approvals during 2014–19 were in transport and power ... During our visit to Nigeria, we found that the Bank clearly has the skills to prepare projects and provide early-stage financing in the infrastructure sector, and hence demonstrate to private investors that such investments are feasible.¹⁰

15. The Bank, ICAI says, is also well placed to support regional integration in Africa, another DFID priority. Regional integration is a core aspiration of the African Union whose vision includes "an integrated continent, politically united and based on the ideals of Pan Africanism and vision of Africa's Renaissance".¹¹ Again, the integrating role of the Bank was seen by ICAI as complementing the role of the former DFID, providing something that neither DFID nor most other development partners possess. Regional

8 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.20

9 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.16

10 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.17

11 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.17

integration is the specific focus of a separate department in the Bank with responsibility for incorporating regional integration across sectors and ensuring that there are synergies and lesson learning.

16. In oral evidence Minister Duddridge listed some of the advantages of the ADB in promoting development through a number of means, being focused on the longer term and infrastructure. It was, he said, “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”.¹²

17. Dr Barton of ICAI identified several other ways in which the Bank's strengths complemented those of the UK. During the review, she told us, “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.”¹³ Dr Barton was impressed by the progress made on decentralising the operations of the Bank, something that had been encouraged by the UK, and by recent improvements in the Bank's policy capacity.

18. We heard a range of evidence which bears out ICAI's generally positive assessment of the alignment of the African Development Bank with the UK's priorities. It is clear that, over the years, the UK has often used its formal and informal influence with the Bank in ways which have furthered the UK's development objectives. The Bank's ability to invest in large infrastructure projects, some of them crossing national borders and promoting regional integration neatly complements the strengths of the UK's bilateral engagement.

Reflecting a new set of UK priorities

19. Since the ICAI review of the African Development Bank was published in July 2020, the merger of DFID with the Foreign and Commonwealth Office to form the new Foreign, Commonwealth and Development Office has changed the institutional context for the UK's development work. Due to the Coronavirus pandemic there have been significant reductions to the aid budget as announced in the Spending Review of November 2020, meaning that, for the first time since 2013, the UK will not meet the UN recommended target of spending 0.7% of Gross National Income on Official Development Assistance. There have also been a number of policy statements on international issues from the Government, and *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, was published in March 2021. We asked our witnesses whether they thought these developments had yet affected UK support for the Bank, and what impact they might have in the future.

20. In answer to a question about the impact on aid to Africa of the large increase in defence and security spending, coupled with a fall in development spending, Minister Duddridge said:

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

12 Q7 [James Duddridge]

13 Q17 [Dr Tamsyn Barton]

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.¹⁴

21. Minister Duddridge continued, saying that the Government was “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.”

22. Dr Barton was asked about Government statements suggesting that UK aid would in future focus on countries where UK development, security and economic interests aligned. She observed that a pronouncement had already been made about the UK remaining the top donor to the World Bank’s International Development Association (IDA), which is the facility equivalent to the African Development Fund. She continued “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.”¹⁵

23. Asked about the suggestions that the Integrated Review would herald a “tilt” towards the Indo-Pacific and away from Africa, Minister Duddridge said: “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.”¹⁶ Emphasising the importance of multilateral work to tackle poverty, he said that “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.”

24. On a related topic, we asked Minister Duddridge about working with China, a fellow governor of the African Development Bank. He said that in some instances China made development interventions “in ways that would not be legal in the UK system”. However, the Chinese:

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

14 Q5 [James Duddridge]

15 Q22 [Dr Tamsyn Barton]

16 Q7 [James Duddridge]; on “tilt” see for instance <https://www.gov.uk/government/news/uk-commits-to-deeper-defence-and-security-cooperation-with-japan>. Accessed 12 February 2021

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.¹⁷

25. Debbie Palmer, of the FCDO, set out the case for making full use of UK engagement with the ADB when the budget for ODA is constrained:

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.¹⁸

26. There are early signs that recent changes to the institutional and policy context of UK's approach to development, including the FCO/DFID merger, have not reduced the Government's commitment to Africa and to fruitful working with the African Development Bank. We welcome these suggestions of continuity, including clear ministerial statements about the priority to be given to the poorest in Africa and elsewhere.

27. The Integrated Review, *Global Britain in a Competitive Age*, has now been published, but announcements on the reduced aid budget have yet to be made. The jury is still out on whether the Government can successfully combine its new approach to diplomatic, defence, trade and security matters, and necessary budgetary discipline, with delivery of its commitments to the poorest. Africa will be the acid test of the effectiveness of the Government's new approach, and we will be monitoring its performance there closely.

17 Q12 [James Duddridge]

18 Q8 [Debbie Palmer]

3 Effectiveness: How effective is the Bank at delivering UK aid priorities?

28. ICAI gave the ADB a green/amber score for effectiveness in delivering UK aid priorities. It said that “Overall, while the Bank still has some way to travel before it fully realises its potential, it is fundamentally performing well in relation to peers and is playing a central role delivering complex infrastructure projects that are critical to Africa’s development.”¹⁹

29. Professor Stephany Griffith-Jones argued that development banks should become even more important in promoting development: “development banks, and particularly multilateral regional development banks, are particularly valuable because they can, for example, leverage funds at a significant level.” She continued:

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.²⁰

30. Colin Buckley, CDC Group, saw the Bank as a strong partner with his organisation in helping to deliver on the UK’s development priorities:

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.²¹

31. ICAI, however, said that “The Bank has not mobilised as much private finance for development across the institution as peers ... International financial institutions, including specialist development finance institutions such as the IFC and the UK’s CDC, have all struggled to mobilise private finance from third-party investors in sub-Saharan Africa.”²²

19 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.ii

20 Q26 [Professor Stephany Griffith-Jones]

21 Q26 [Colin Buckley]

22 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.29

32. Professor Stephany Griffith-Jones warned us of the size of the task confronting the ADB in taking forward infrastructure projects:

Africa has now developed quite a lot, so a lot of 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.²³

33. Professor Griffith-Jones said that in assessing the effectiveness of the ADB, one should not just look at “financial performance, although that is important, but on whether the institution is maximising sustainable and inclusive development impact.” She also encouraged the Bank to do more to promote African financial markets:

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.²⁴

34. Colin Buckley warned that it was difficult to attract private funds to African projects: “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.”²⁵ He also cautioned that suitable projects in Africa were not always easy to come by—and they were often subject to political complications:

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.²⁶

35. One of the key challenges facing the African Development Bank is in leveraging private finance for its key infrastructure projects. The current financial situation due to the coronavirus pandemic is likely to make that problem worse.

23 Q31 [Professor Stephany Griffith-Jones]

24 Q30 [Professor Stephany Griffith-Jones]

25 Q30 [Colin Buckley]

26 Q28 [Colin Buckley]

36. ***One possible action that could improve the prospects for funding of infrastructure is for a faster disbursement of the Bank's paid-in capital. We urge the Government, through its position as UK Executive Director, to consider encouraging this and other possible routes to maintaining financial support for Africa's infrastructure.***

37. The problem of ensuring that infrastructure is built in ways that are sensitive to the interests of local people and of the environment came up regularly in our evidence. The Bank itself found in 2019 that the proportion of its work that had satisfactory environmental/social safeguard mitigation measures in place had been falling in recent years.²⁷

38. When we sought the views of the Minister, Minister Duddridge told us that development could be done in a way that recognised social and environmental needs:

If we develop Africa as Europe developed, or indeed as China or America developed, that will be catastrophic for the globe, and those that are growing their way out of poverty even more so ... 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.²⁸

39. Debbie Palmer said that the Bank has “a pretty good story to tell” on climate change, and had not, for instance, made any investment in coal since 2015:

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.²⁹

The problem of human resources

40. ICAI reported continued shortcomings in project preparation and implementation at the Bank, and Professor Griffith-Jones agreed, saying that from her experience “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.”³⁰ Simon Mizrahi, Director, African Development Bank Group, noted that this issue was raised in the context of a “historic” \$115 billion general capital increase for the Bank—the largest it had ever received. As part of that general capital increase, the Bank agreed on a set of “ambitious reforms to

27 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.27

28 Q11 [James Duddridge]

29 Q11 [Debbie Palmer]

30 Q28 [Professor Stephany Griffith-Jones]

improve the Bank”. These included improved 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.”³¹

41. Simon Mizrahi also accepted that some of the challenges in applying 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.” He acknowledged that in key areas the Bank might need to strengthen its capacity and expertise, and specifically mentioned the UK’s role in helping to put focus and attention on work it was doing in terms of building skills to address problems related to sexual exploitation, abuse and harassment.³²

42. Minister Duddridge said that the UK would “support the African Development Bank to spend more on its people in proportionate terms, but particularly around fragile and conflict states.”³³ ICAI also identified shortages of capacity to manage trust funds. The Minister said that “The methodology of using a trust fund, i.e. effectively getting the bank to lead programmes, is a strong one ... 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.”³⁴ Phil Stevens of the FCDO said that the Department were supporting secondments to the Bank, in the areas of both gender and infrastructure, to try to build the Bank’s capacity in those specific areas.³⁵

43. Dr Barton of ICAI reiterated the concern that the Bank was “very lean in staff terms”, including in relation to implementing social and environmental safeguards, and that the UK itself “could do more to recognise the need for that flexibility in those areas and bear down less hard on the overall cost-income ratio.”³⁶ She said it would “obviously take time to see whether the Bank fulfils its ambitions [on staff for safeguarding and fragile states] 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.”³⁷

44. However, she told us that in his evidence it appeared that the Minister had “very much taken up our views on that”. Overall, she said she had been “very struck by how fully the Government appear to be implementing our recommendations.”³⁸

45. The need for the Bank to recruit good new staff, and to strengthen the skills of existing staff, was a pervasive theme of ICAI’s review and of the evidence we took. We were concerned to hear that expertise in such key areas as safeguarding and

31 Q29 [Simon Mizrahi]
32 Q35 [Simon Mizrahi]
33 Q10 [James Duddridge]
34 Q9 [James Duddridge]
35 Q9 [Phil Stevens]
36 Q18 [Dr Tamsyn Barton]
37 Q24 [Dr Tamsyn Barton]
38 Q18 [Dr Tamsyn Barton]

development in fragile states is in short supply. We heard several statements about the Bank's efforts to acquire the skills it needs, and the UK's support for those efforts, but words need to be matched with effective action.

46. The UK Government should do all in its power to encourage sustained progress towards filling the skills gaps at the Bank. While bearing in mind the need to respect the Bank's independence and to maintain a multilateral approach, the UK should press the Bank for early action and regular monitoring of progress on recruitment and retention. An update on the staffing situation should be provided to the Committee by the end of October 2021.

Responding to covid

47. We heard some evidence on how the Bank has been dealing with the effects of the covid pandemic. Simon Mizrahi painted a picture of the impact on Africa. The pandemic, he said, had “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.”³⁹ He quoted an IMF estimate that, as a result of the covid crisis, Africa will need \$1.2 trillion in additional investments over the next three years. He continued: “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.”⁴⁰

48. Debbie Palmer added some more figures to the picture. She told us that the economic consequences of covid in Africa “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.”⁴¹

49. There was frustration that the pandemic was undoing so much sound progress across the Continent. Professor Griffith-Jones 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.”⁴²

50. Simon Mizrahi said that “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 ... They have been leading the expansion of social safety nets and monetary and fiscal interventions at an unprecedented scale.”⁴³ He continued that the Bank had been very keen to support these efforts. This support included the establishment of a \$10 billion Covid-19 Rapid Response Facility, designed to help Governments implement their remedial actions. In March 2020, a “record-breaking” \$3 billion Fight Covid-19 Social Bond was launched on the global market, the largest ever US-denominated social bond. Mr Mizrahi said the Bank would “continue to use our triple-A rating and our convening power to provide the level of support African countries need and deserve.”⁴⁴

39 Q37 [Simon Mizrahi]

40 Q36 [Simon Mizrahi]

41 Q8 [Debbie Palmer]

42 Q37 [Professor Stephany Griffith-Jones]

43 Q37 [Simon Mizrahi]

44 Q37 [Simon Mizrahi]

51. Colin Buckley observed that covid had brought about "... 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 ... 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."⁴⁵

52. Debbie Palmer of FCDO gave another insight into the impact of covid-19 on collaborative working across institutions:

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.⁴⁶

53. Professor Griffith-Jones welcomed the covid support provided by the Bank as "extremely crucial", but she was "not sure it is enough because the problem is so large."⁴⁷

54. We are heartened by the evidence of concerted and determined efforts on the part of the African Development Bank to mitigate the worst effects of the covid-19 pandemic and support the response of individual countries. We also welcome what appears to have been wider enhanced coordination between development institutions in the face of the pandemic.

55. However, we are concerned that, as the pandemic continues to spread, and in some cases to worsen, including in African countries, momentum could be lost in the face of the huge challenges posed by the pandemic.

56. *The UK's future support for the African Development Bank should reflect the Bank's key role in complementing bilateral support.*

45 Q37 [Colin Buckley]

46 Q15 [Debbie Palmer]

47 Q37 [Professor Stephany Griffith-Jones]

4 Efficiency: How well does DFID ensure the value for money of its contributions to the Bank?

57. The ICAI review welcomed some significant recent improvements in the efficiency of the ADB's operations.

The Bank has improved its business processes in recent years, including through decentralisation of its operations ... the Bank is recognised as one of the most effective multilateral banks. It is also one of the most cost effective ... The cost-to-income ratio of the Bank in 2017 was 41.9% and compares favourably with the Asian Development Bank (79.7%) and is only marginally above the Inter-American Development Bank (37.1%).⁴⁸

58. ICAI judged that "The UK is well regarded at the Bank, particularly for its inputs at technical level. There is no doubt that the UK is abreast of key issues at the Bank and, through its position on the boards of the Bank and the ADF, as well as through operational exchanges, engages purposefully and energetically." The role of the UK Executive Director on the Board of the Bank was emphasised by Phil Stevens, FCDO, who told us that the Director "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."⁴⁹

59. The Bank Director, Simon Mizrahi, welcomed the role of the UK in engaging with the Bank. The UK, he told us, "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."⁵⁰

60. However, UK engagement with the Bank was not always as welcome or constructive. ICAI drew attention to the problems arising from the UK's unilateral move in 2017 to impose a Performance Improvement Plan (PIP) on the Bank. ICAI said that this plan, known as the Accelerated Delivery Plan within the Bank, was seen by senior management at the Bank as "problematic".

First, they [senior management at the Bank] felt it was not clear how the Bank had underperformed. Senior management were under the impression that DFID's judgement was based on calculations that were not transparent. Second, the Bank had hoped to have a more strategic conversation with DFID, rather than what was perceived as the overly detailed scrutiny contained in the PIP.⁵¹

48 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.33

49 Q3 [Phil Stevens]

50 Q33 [Simon Mizrahi]

51 ICAI, [The UK's support to the African Development Bank Group](#), July 2020, p.37

61. Dr Barton told us that the plan had created “a lot of unhappiness” at the Bank, and there had been a “fall-off in senior engagement” from the UK around that time. However, she acknowledged that things had changed in the years since 2017 and the concerns created among ADB management by the Plan had diminished.

62. We were concerned to read, in the ICAI review, of problems caused by the unilateral introduction by the UK in 2017 of a Performance Improvement Plan for the African Development Bank. It is clear that there was a failure to balance the need to keep the Bank accountable for its performance with the need to respect the independence of the Bank. This was an unfortunate deviation from what appears to have been a generally positive and sensitively-conducted relationship between the UK and the Bank. We welcome the evidence that the issue was soon addressed and harmony quickly restored.

63. Minister Duddridge accepted that in previous years there had not been “integrated engagement” between the UK’s Departments and the Bank, but he said that the more integrated Department of FCDO was “working better” in that respect.⁵² He described the ways in which the UK Government was now keeping key players informed of its thinking, outlining a recent series of formal and informal meetings, at ministerial and official level, both with officials of the Bank but also with relevant senior figures in African countries, such as the Finance Minister of Senegal.⁵³

64. Simon Mizrahi said that he had noticed “a lot of continuity in the level of engagement from the UK” since the merger of FCO and DFID.⁵⁴ Dr Barton believed that 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 [where the ADB has its headquarters] itself, they were recruiting a counsellor to help the ambassador there. The opportunities are clearly there.”⁵⁵

65. Our evidence suggests that UK engagement with the African Development Bank has been beneficial over many years, and that, partly as a result, the Bank’s performance compares well with that of other development institutions, both in Africa and beyond. According to our evidence, the first months of the new FCDO have seen good engagement between HMG and the Bank. We hope that this will continue to be the case.

52 Q6 [James Duddridge]

53 Q2 [James Duddridge]

54 Q34 [Simon Mizrahi]

55 Q20 [Dr Tamsyn Barton]

Conclusion

66. Our evidence session confirmed the impression given by the ICAI review of UK support to the African Development Bank Group—that the Bank was a generally effective institution and that UK support and engagement had made a good contribution to that effectiveness. Whether that positive assessment is maintained in the future depends on a number of factors, including the quality of ADB's response to the continuing pandemic with its impact on Africa's economies and the lives of its people, especially the poorest. Future success depends also on whether the UK Government manages to combine effectively its wider international aspirations as expressed in the Integrated Review and its ongoing commitment to poverty reduction. We will be monitoring that closely in relation to Africa and elsewhere.

67. Based on the findings presented in the review and the evidence we heard during our oral evidence session, we feel that a Green/Amber rating was an appropriate assessment of the UK's support to the African Development Bank Group.

Formal minutes

Sub-Committee on the work of the Independent Commission for Aid Impact

Wednesday 14 April 2021

Members present:

Theo Clarke, in the Chair

Sarah Champion Kate Osamor
Chris Law Mr Virendra Sharma

Draft report (*The UK's support to the African Development Bank Group: report from the Sub-Committee on the Work of ICAI*), proposed by the Chair, brought up and read.

Ordered, That the draft report be read a second time, paragraph by paragraph.

Paragraphs 1 to 67 read and agreed to.

Resolved, That the report be the Third report of the Sub-Committee to the Committee.

Ordered, That the Chair make the report to the Committee.

[Adjourned to a date and time to be fixed by the Chair.]

International Development Committee

Tuesday 20 April 2021

Members present:

Sarah Champion, in the Chair

Theo Clarke Navendu Mishra
Mrs Pauline Latham Mr Virendra Sharma
Chris Law

Draft report from the Sub-Committee (*The UK's support to the African Development Bank Group: report from the Sub-Committee on the Work of ICAI*) brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 67 read and agreed to.

Resolved, That the report be the Ninth report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Tuesday 27 April at 1.45 p.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 14 December 2020

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

[Q1–16](#)

Dr Tamsyn Barton, Chief Commissioner, Independent Commission for Aid Impact; **Marc Stephens**, Team Lead, Independent Commission for Aid Impact

[Q17–25](#)

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

[Q26–37](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

ADB numbers are generated by the evidence processing system and so may not be complete.

- 1 Foreign, Commonwealth & Development Office ([ADB0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2019–21

Number	Title	Reference
1st Report	Humanitarian crises monitoring: the Rohingya	HC 259 (HC 658)
2nd Report	Effectiveness of UK aid: interim findings	HC 215 (HC 820)
3rd Report	The Newton Fund review: report of the Sub-Committee on the work of ICAI	HC 260 (HC 742)
4th Report	Effectiveness of UK aid: potential impact of FCO/DFID merger	HC 596 (HC 820)
5th Report	Humanitarian crises monitoring: impact of coronavirus (interim findings)	HC 292 (HC 1160)
6th Report	The Changing Nature of UK Aid in Ghana Review: report from the Sub-Committee on the Work of ICAI	HC 535 (HC 1198)
7th Report	Progress on tackling the sexual exploitation and abuse of aid beneficiaries	HC 605 (HC 1332)
8th Report	Covid-19 in developing countries: secondary impacts	HC 1186 (HC 1351)
1st Special Report	Follow up: sexual exploitation and abuse in the aid sector: Government Response to the First Report of the Committee	HC 127
2nd Special Report	Humanitarian crises monitoring: the Rohingya: Government Response to the First Report of the Committee, Session 2019–21	HC 658
3rd Special Report	The Newton Fund review: report of the Sub-Committee on the work of ICAI: Government response to the Committee's Third Report	HC 742
4th Special Report	Effectiveness of UK Aid: Interim Report & Effectiveness of UK Aid: potential impact of FCO/DFID merger: Government Response to the Second & Fourth Reports	HC 820
5th Special Report	Humanitarian crises monitoring: impact of coronavirus (interim findings): Government Response to the Committee's Fifth Report of Session 2019–21	HC 1160
6th Special Report	The Changing Nature of UK Aid in Ghana Review: report from the Sub-Committee on the Work of ICAI: Government response to the Committee's Sixth Report	HC 1198
7th Special Report	Progress on tackling the sexual exploitation and abuse of aid beneficiaries: Government Response to the Seventh Report of the Committee, Session 2019–21	HC 1332

Number	Title	Reference
8th Special Report	Covid-19 in developing countries: secondary impacts: Government Response to the Eighth Report of the Committee, Session 2019–21	HC 1351