



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:
Government Response to
the Committee's Ninth
Report of Session 2019–21**

**Second Special Report of
Session 2021–22**

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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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Committee staff

The current staff of the Committee are Grace Annan (Committee Specialist), Philip Aylett (Second Clerk), Gordon Clarke (Clerk), Mark Doyle (Media and Communications Officer), John-Paul Flaherty (Second Clerk), Paul Hampson (Committee Operations Officer), Rowena Macdonald (Committee Operations Officer), Emma Makey (Senior Committee Specialist), Leo Oliveira (Committee Operations Manager), Alison Pickard (Committee Specialist), Jack Tennant (Assistant Inquiry Manager–Apprentice).

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Second Special Report

The International Development Committee published its Ninth Report of Session 2019–21, [The UK's Support to the African Development Bank Group: report from the Sub-Committee on the work of ICAI](#) (HC 1055) on 5 May 2021. The Government response was received on 1 July 2021 and is appended below.

Appendix: Government Response

Relevance: How well aligned is the Bank to the UK's aid priorities in Africa? Key Committee Observations:

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 priorities. It is clear that over the years, the UK has often used its formal and informal influence 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 strength of the UK's bilateral engagement.*

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 the suggestion 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 the 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.*

65. *Our evidence suggests that UK engagement with the African Development Bank has been beneficial over many years, and 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 few months of the new FCDO have seen good engagement between HMG and the Bank. We hope that this will continue to be the case.*

We welcome the Committee's finding that through the FCDO transformation process we continued to demonstrate a strong commitment to African countries and maintain a close partnership with the African Development Bank. This continues to be the case. For example, the Minister for Africa has met the Bank's President, Akinwumi Adesina twice in 2021 and represented the UK at the Bank's Annual Meetings in June.

The Integrated Review sets out the Government's vision of the UK's role in the world through to 2030 and the action we will take at home and with other countries to ensure that we are stronger, safer and more prosperous in a more competitive age. Africa's long-term success matters to the UK and it is in all our interests to support a strong, prosperous and peaceful Africa – driven by its own citizens and acting as a dynamic

force in the international arena. Our partnership with the AfDB is strategically important to delivering our objectives, including building back greener from COVID-19 with a recovery that delivers for both people and planet.

The 2021/22 Spending Review confirmed that the UK will remain the largest donor to the Bank's African Development Fund, which provides concessional loans and grants to low income and fragile African countries. We are also continuing to invest in equity in line with our 1.72% shareholding as part of the Bank's Seventh General Capital Increase, agreed by Governors in October 2019. This will strengthen the Bank's capital base and enable it to continue to provide inexpensive loans to credit worthy African countries and the private sector.

Effectiveness: How effective is the Bank at delivering the UK's aid priorities? Key Committee Recommendations:

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

Recommendation 1: One possible action that could improve the prospects for funding infrastructure is 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.

We agree with this recommendation. The pandemic crisis has had a negative impact of the Bank's financial capacity. As a result, the Bank has asked its shareholders to consider shortening their payment schedules for paid-in capital by accelerating payments. The Government has considered this and will accelerate some of its capital subscriptions to the African Development Bank in 2021, additional to its planned annual instalment. As part of the next Spending Review we will consider further accelerated payments. During the recent Annual Meeting, we noted our intentions and encouraged other members to join us. Our UK Executive Director continues to participate in discussion with other shareholders through the Board of Directors, encouraging the acceleration of subscriptions by those who can.

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 developing 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.

Recommendation 2: The UK Government should do all in its power to encourage sustained progress towards filling the skills gap 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.

The Government recognises these skill gaps and worked with other shareholders to secure commitments from the Bank to address them in 2019 as part of the Seventh General

Capital Increase and the Fifteenth Replenishment of the African Development Fund. We are monitoring progress through six-monthly reporting to the Board of Directors and annual reporting to Governors. We will provide an update as requested by the end of October.

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 worsen, including in African countries, momentum could be lost in the face of the huge challenges posed by the pandemic.*

Recommendation 3: The UK's future support for the African Development Bank should reflect the Bank's role in complementing bilateral support.

The written ministerial statement on 2021/22 ODA allocations sets out the UK's commitment to remain the largest donor to the African Development Fund. Our multilateral investments are targeted carefully to complement our bilateral programmes. FCDO will spend around half its 2021/22 bilateral ODA budget in Africa, where human suffering remains most acute.

Efficiency: How well does DFID ensure the value for money of its contributions to the bank? Key Committee Observations:

62. *We were concerned to read, in the ICAI review, of problems caused by the unilateral introduction by the UK 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.*

The Performance Improvement Plan followed consecutive years of underperformance against agreed targets in our programmes. As noted in our response to the ICAI report, we recognise that the approach posed challenges for our relationship with the Bank. For our pledge to the latest replenishment in 2019 we chose to take a different approach, providing a core contribution that is consistent with the overall financial scenario agreed by donors, and an additional £102m incentive tranche payable in the final year based on progress against the commitments agreed in the negotiations between management and all donors, including staffing gaps discussed above.

Conclusion:

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.*

The Government agreed with ICAI's overall assessment and the green/amber rating. We welcome the Committee's reaffirmation.