

# FCDO Response

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11 September 2020

## FCDO Response to the Independent Commission for Aid Impact recommendations on: The UK's support to the African Development Bank Group, July 2020

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**Recommendation 1:** FCDO should minimise unilateral reform interventions – such as the 2017 Performance Improvement Plan (PIP) – that could undermine the multilateral nature of the Bank's governance structure as well as the UK's reputation as an honest broker.

### Partially Accept

We link funding to a number of partners with specific milestones that promote improved performance, drive reform and incentivise delivery in specific priority policy areas and consider these an appropriate measure to support progress. Internal review processes are helping to identify lessons and improve our approach to ensure we secure the best possible outcomes from such measures.

We took a decision in late 2017 to introduce a performance tranche into our annual contributions to the last African Development Fund (AfDF) replenishment (2017-19). This followed consecutive years of underperformance against Bank targets that were tracked in our Annual Review process. We accept that the bilateral nature and timing of the PIP posed challenges for our relationship with AfDB management. We also accept that, while performance did improve, the contribution that the performance tranche made to this progress is difficult to evidence or quantify. For the current AfDF replenishment, we have adapted our approach, making a pledge with a core contribution that is consistent with the overall financial scenario agreed by donors, while making available an additional £102m incentive tranche payable in the final year that will incentivise progress against the commitments agreed in the negotiations between management and all donors.

**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 (FCAS) and safeguards, are addressed.

### Accept

Promoting value for money at multilateral organisations, especially with regards to their administrative budgets and salaries, remains a priority for the UK. We recognise that the AfDB has been successful at controlling costs and demonstrating efficiency in recent years.

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We accept the review findings that increasing shareholder demands of the Bank, especially those agreed in the seventh general capital increase (GCI7) and fifteenth replenishment of the African Development Fund (AfDF15), may require flexibility to ensure effectiveness. Nevertheless, we expect the Bank to remain committed to value for money and seek cost reductions through economies of scale and use of technology.

During the budget setting discussions at the Board of Directors in December 2019, we supported a modest increase in the administrative budget for the AfDB to begin implementing these commitments in 2020. The Bank is agreeing more detailed plans with the Board of Directors to take forward its commitments; and is also reviewing its approach to financial planning, including underpinning the cost-to-income ratio with a new business case approach being developed. These will feed into the 2021 budget discussions this autumn and in future years.

**Recommendation 3:** FCDO should pay particular attention to ensuring that the Bank's environmental and social safeguards are implemented on the ground.

**Accept**

Strengthening the Bank's capacity for implementing environmental and social (E&S) safeguards is a priority for the UK. Addressing this was a priority UK objective during GCI7 and AfDF15 negotiations last year, where the Bank committed to improve its capacity to deliver its operational priorities and activities including strengthening safeguards. The Bank has already reviewed its approach on E&S safeguards and agreed an action plan, which includes increasing human and financial resources available for E&S safeguards, field missions, due diligence, and service delivery. An enhanced integrated safeguarding tracking system went live in June 2020. A skills audit across the Bank is underway to ensure that there is clear alignment of the Bank's skills and competency needs to deliver on this over the next five years. FCDO is monitoring this to ensure timely progress. The Minister for Africa reemphasised the importance of institutional reforms, including improved safeguarding capacity at the AfDB Annual Meeting in August.

**Recommendation 4:** If FCDO is to channel more resources to the Bank via Bankmanaged trust funds, it should help to build the Bank's capacity to manage such funds, including technical assistance to strengthen fiduciary and results management.

**Accept**

Whenever funding is provided to a partner organisation, FCDO undertakes a standard due diligence process. This process reviews partner policies and identifies areas (including capacity to manage funds, fiduciary, and results management) where policies may be strengthened. Feedback is provided to the partner. The AfDB is under consideration as a possible delivery partner for a number of programmes that are in the pipeline, and we will review the need for additional technical assistance as part of each proposal.

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**Recommendation 5:** Government country teams could do more to identify synergies with Bank investments, thus encouraging closer working, better information flows and better-informed oversight.

**Accept**

The AfDB remains an important partner for the UK in Africa. FCDO officials have recently increased senior level engagement with AfDB, including through regular Director level discussions with AfDB counterparts, and an increase in visits to AfDB Headquarters by regional staff and specialist advisers. We also held a strategic dialogue with the Bank in January 2020 to facilitate structured engagement between UK officials and AfDB staff on key country and thematic issues.

We have encouraged the AfDB to share future funding intentions earlier with our staff at post, using existing donor coordination mechanisms where possible, so that synergies can be identified. For example, FCDO's Sahel Department have recently identified synergies with the AfDB on infrastructure and energy, which are areas we consider to be a core strength for the Bank, and are establishing a new partnership in this area.