

SUPPLEMENTARY SUBMISSION NO. 1.1
TT on 18 September 2012

Joint Standing Committee on Treaties, 26 November 2012

Question on Notice: Treasury

Question on notice is based on draft Hansard provided on 28 October 2012.

John Forrest MP asked (page 4):

“It also says that this would prescribe the conditions under which Australia's initial and future contributions are made. Can you lead us through what those conditions are going to be?”

Answer:

All drafting of the legislation to implement Australia's joining of the African Development Bank Group will be subject to the advice of the Office of Parliamentary Council, the Attorney-General's Department and the Australian Government Solicitor (if required).

It is expected that the legislation will be similar to the legislation implementing Australia's obligations to the Asian Development Bank and other multilateral development banks and international financial institutions of which Australia is a member.

The legislation will allow payments to the Bank consistent with the Articles of Agreement. It is expected that the legislation will allow the appropriation from consolidated revenue to make the initial payment to purchase shares in the Bank and that promissory notes or securities will be able to be issued to facilitate payments.

It is envisaged that the legislation will be drafted in such a way that the Act can be amended to facilitate any further purchases of capital in the Bank. Such purchases would be on the terms and conditions the Government negotiates at the time and would be subject to the passage of amending legislation.

Joint Standing Committee on Treaties, 26 November 2012

Questions on Notice: AusAID

Questions on notice are based on draft Hansard provided on 28 October 2012.

Mr Thomson asked (page 2, paragraph 6):

Australia already works with the African Development Bank providing \$13.4 million in joint funding to African Development Bank Projects in 2011-12. When did that commence? Is that money coming out of existing AusAID budgets, and what sort of projects have you been doing? Have they been successful?

Answer:

Australia has been piloting its relationship with the African Development Bank (AfDB) mainly through partnerships in water and sanitation. The AfDB provides implementation oversight of AusAID's USD14million contribution (2010-2013) to the Government of Malawi's National Water Development Program (NWDP). This program aims to increase access to clean water and effective sanitation in seven market centres.

The AfDB also manages the African Water Facility (AWF) on behalf of the African Ministers' Council on Water (AMCOW). Australia has contributed a total of \$8.4 million since 2009-10 to the AWF, including \$3.4 million in 2011-12. This most recent funding is supporting implementation of the AWF's new strategic plan 2012-2016. The AWF's main strategic priority is to mobilise resources for the African water sector through projects with the highest leveraging potential, such as the preparation of investment plans, feasibility studies and designs. As at January 2012, the AWF had helped leverage €20 million (estimated at more than AUD500 million) of follow-up investment projects.

In Zimbabwe, Australia has provided \$20 million since 2010-11 to the AfDB-administered Zim-Fund. The Zim-Fund is a multi-donor fund for coordinated donor support to meet urgently needed investment in Zimbabwean infrastructure. It is initially focused on water, sanitation and energy.

Senator McKenzie asked (page 3, paragraph 12):

Can you advise on the UK [Multilateral Aid Review criteria where the AfDB was rated as weak]?

Answer:

The 2011 UK Multilateral Aid Review (MAR) rated the AfDB ‘weak’ in two (2) indicators:

1. **Attention to cross-cutting issues**, comprising fragile contexts, gender equality and climate change and environmental stability.
2. **Contribution to results**

A rating of ‘weak’ signifies a rating of 2 on a four point scale.

Regarding **attention to cross-cutting issues**, the MAR noted concerns over the AfDB’s capacity and capability in fragile states, the lack of clarity around the gender policies it has in place and the lack of evidence of the implementation of its climate change and environmental stability policies.

In response to the MAR, the AfDB noted:

- it was strengthening its capacity and capability in fragile states, (for example, through the adoption of the Roadmap on Decentralization in April 2011, designed to transfer greater decision-making authority to field offices);
- it has reformed and “fine-tuned” its organisational structure to include a new Gender and Social Development Monitoring Division;
- it has created a Department for Energy, Environment and Climate Change and established a Climate Change Coordination Committee, which reports directly to the AfDB President; and
- it was taking deliberate steps to ensure effective integration of climate change and environmental and social safeguards in its operations and is currently undertaking a Safeguards Review.

With regard to the AfDB’s **contribution to results**, the MAR notes that reforms are underway, yet more work is still required – particularly in relation to the AfDB’s in-country capacity to drive and deliver results focus.

According to the AfDB, the Bank is taking steps to enhance its focus on results through:

- the introduction of the ‘One Bank’ Results Measurement Framework as a way of better supporting and tracking the progress of its programmes and activities, including private sector operations;
- improving the results metrics and results reporting systems used to measure the AfDB’s contribution to Africa’s development;

- the development of a Readiness Review tool for AfDB Country Strategy Papers, which will strengthen the focus and alignment of the AfDB to the national poverty reduction strategies of its member countries; and
- the adoption of a Roadmap for Improving Performance on Development Effectiveness and Promoting Effective Development.

The UK will be undertaking a follow-up assessment of all multilateral development banks in 2013.

The current MAR of the AfDB can be found at:

<http://www.dfid.gov.uk/Documents/publications1/mar/AfDF.pdf>.

The AfDB's response to the MAR can be found at:

<http://www.dfid.gov.uk/Documents/MAR/AfDB-response.pdf>

Senator McKenzie asked (page 4, paragraph 2):

Can you advise on its [the MOPAN assessment of the AfDB] adequate areas?

Answer:

AusAID provided the Committee with incorrect information regarding the 2009 MOPAN assessment of the AfDB.

MOPAN rated the AfDB ‘adequate’ or higher for 16 of the 19 indicators and ‘inadequate’ for three (3) indicators. The latter indicators were:

- delegating decision making to field offices;
- managing human resources; and
- adjusting procedures to local conditions and abilities.

In responding to the assessment, the AfDB noted it “has made a strong commitment to decentralising and delegating greater authority to field offices as a way of improving [its] corporate performance and better supporting regional member clients’ needs”.

It was also “implementing a Human Resources Strategy, which focuses on (i) the recruitment and deployment of high-calibre staff to operations and country/regional offices and (ii) a more competitive and rationalised staff Compensation and Benefits Framework. These reforms require a long-term timeframe to take hold, particularly in a dynamic, multicultural environment”.

The AfDB “readily acknowledges that there is scope for improving its procedure and business processes by making better use of member countries’ systems”.

The Bank has also taken recent action to address these weaknesses through:

- establishing a Chief Operating Officer position and Operations Committee; and
- strengthening the AfDB’s Public Financial Management Department.

MOPAN will be releasing its 2012 assessment of the AfDB in the first quarter of 2013.

The MOPAN Assessment of the AfDB can be found at:

http://www.mopanonline.org/upload/documents/AfDB_Final_February_19_issued.pdf.

The AfDB’s response to the assessment can be found at:

http://www.mopanonline.org/upload/documents/AfDB_Management_response.pdf.

In the 2009 MOPAN Assessment of the AfDB, ‘adequate’ indicates a score of between 3 and 3.66 out of 5 and ‘inadequate’ is a rating of between 2.34 and 2.99 out of 5.

Senator Fawcett asked (page 5, paragraph 8):

Do you have any comparative indicators from the various effectiveness reports that you have quoted as to how the African Development Bank rates in a number of those reports versus the International Fund for Agricultural Development (IFAD)?

Answer:

Comparative indicators are available for the Australian Multilateral Assessment and the UK Multilateral Aid Review. They are not available for MOPAN, given the different rating systems used for each assessment and the differing timing of the assessments.

In addition, it should be noted that the AfDB is a multilateral development bank (like the World Bank and the Asian Development Bank), however IFAD is a hybrid institution that is part multilateral development bank and part specialised United Nations agency which must abide by United Nations policies and guidelines.

Australian Multilateral Assessment (AMA)

Out of seven (7) indicators used in the AMA, the AfDB and IFAD achieved the same result. Both organisations had five (5) indicators rated as ‘strong’ and two (2) rated as ‘satisfactory’

Indicator	Institution	
	AfDB	IFAD
1. Delivering results on poverty and sustainable development in line with mandate	Strong	Strong
2. Alignment with Australia’s aid priorities and national interests	Strong	Strong
3. Contribution to the wider multilateral development system	Strong	Satisfactory
4. Strategic management and performance	Strong	Strong
5. Cost and value consciousness	Satisfactory	Strong
6. Partnership behaviour	Satisfactory	Satisfactory
7. Transparency and accountability	Strong	Strong

The AMA defines ‘strong’ as a rating of 3 out of 4 and ‘satisfactory’ as 2 out of 4.

The AMA for the AfDB is available at: <http://www.ausaid.gov.au/partner/Documents/afdb-assessment.pdf>.

UK Multilateral Aid Review (MAR)

Out of the 13 indicators used in the MAR, the AfDB rated ‘strong’ in three (3), ‘satisfactory’ in six (6) and ‘weak’ in four (4). IFAD rated ‘satisfactory’ in 10 and ‘weak’ in three (3).

The MAR defines ‘strong’ as a rating of 4 out of 4, ‘satisfactory’ as 3 out of 4 and ‘weak’ as 2 out of 4.

The current MAR of the AfDB can be found at:

<http://www.dfid.gov.uk/Documents/publications1/mar/AfDF.pdf>.