

# Chapter 1

## Introduction

1.1 On 30 May 2013, the Hon Mr Bernie Ripoll, Parliamentary Secretary to the Treasurer and Parliamentary Secretary for Small Business, introduced the African Development Bank Bill 2013 (the bill) into the House of Representatives.<sup>1</sup> That same day, on the recommendation of the Selection Committee, the bill was referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade.<sup>2</sup> This committee was to review the commitments Australia would enter into on becoming a member of the African Development Bank Group (AfDB Group or the Group).<sup>3</sup>

### Referral

1.2 On 18 June 2013, the Senate referred the provisions of the bill to the Senate Foreign Affairs, Defence and Trade Legislation Committee (the committee) for inquiry and report by 20 August 2013.<sup>4</sup> In undertaking the inquiry, the Senate asked the committee to examine in particular the additional financial and human resources that the Commonwealth Treasury and the Australian Agency for International Development (AusAID) would require to support Australia's engagement with the AfDB Group. The committee was also to consider the effectiveness of the Group's governance structures.<sup>5</sup>

1.3 The AfDB Group comprises three distinct entities: the African Development Bank (AfDB or the Bank), which is the parent institution; and two affiliates, the African Development Fund (ADF or the Fund) founded in 1973 and the Nigerian Trust Fund, established in 1976.<sup>6</sup> For the purposes of this inquiry, which is concerned with Australia's proposed membership of the Group, the committee's consideration is limited to the AfDB and ADF.

### Conduct of inquiry

1.4 The committee advertised the inquiry on its website and wrote to relevant ministers and departments calling for written submissions. It also contacted a number of other organisations, including Transparency International Australia and the Australian Council for International Development, and relevant businesses and

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1 *House of Representatives Hansard*, 30 May 2013, p. 4528.

2 *House of Representatives Hansard*, 30 May 2013, p. 4610.

3 Selection Committee, Report No. 82, *Report relating to the consideration of bills introduced 27 to 30 May 2013*, in *House of Representatives Hansard*, 30 May 2013, p. 4610.

4 *Journals of the Senate*, No. 148, 18 June 2013, pp. 4048–4049.

5 Selection of Bills Committee, *Report No. 6 of 2013*, 18 June 2013, Appendix 1.

6 African Development Bank Group, *AfDB in Brief*, May 2013, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20in%20Brief.pdf> (accessed 20 June 2013).

academic institutions inviting them to make submissions to the inquiry. The committee received 5 submissions, which are listed at Appendix 1.

1.5 On 5 August 2013, the 43<sup>rd</sup> Parliament was prorogued. Senate committees, however, are authorised to continue to meet and transact business, such as conduct hearings and make reports, after a prorogation if they choose to do so. Reports which are due by a particular date under an order of the Senate should be presented to the President by the due date.<sup>7</sup> The committee decided to proceed with its deliberations on the legislation and to table a report.

### **Recent research**

1.6 A number of recent reviews and inquiries have made findings relating to Australia becoming a member of the AfDB Group. They include a 2011 independent review of Australia's aid effectiveness, AusAID's 2012 assessment of multilateral organisations, an Australian Treaty National Interest Analysis and an inquiry by the Joint Standing Committee on Treaties. Based on their work, a substantial body of current views and evidence is now available on this matter, all of which advocated Australia joining the AfDB Group. Submissions to this inquiry likewise supported this measure.

1.7 Overseas agencies have also recently undertaken a number of performance evaluations of the Bank, including a review by the United Kingdom's Department for International Development and an assessment by the Multilateral Organisation Performance Assessment Network (MOPAN).<sup>8</sup> The Bank itself undertakes appraisals including its Annual Development Effectiveness Review. In considering Australia's proposed membership of the AfDB Group, the committee has drawn significantly from these various sources.

1.8 In response to the committee's request for additional information, Treasury and AusAID provided answers, which, in effect, gave added weight to the case for Australia becoming a member of the AfDB Group.<sup>9</sup>

1.9 In light of the substance and general thrust of the evidence, the committee decided that there was no need for a public hearing: that there was more than ample evidence available for the committee's deliberation and for members to make informed recommendations. Thus, this report takes account of the evidence and views gathered since the independent review of Australia's aid effectiveness highlighted the benefits of Australia becoming a member of the Group.

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7 See Harry Evans and Rosemary Laing, ed., *Odgers' Australian Senate Practice*, 13<sup>th</sup> ed., Department of the Senate 2012, pp. 189, 190, 332 and 487.

8 MOPAN is made up of 16 donor countries—Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, The Netherlands, Norway, Republic of Korea, Spain, Sweden, Switzerland and the United Kingdom. Each year MOPAN assesses several multilateral organisations for their organisational effectiveness. See Multilateral Organisation Performance Assessment Network, *Assessment of Organisational Effectiveness and Reporting on Development Results, African Development Bank (AfDB)*, Volume 1, December 2012, p. i.

9 See Appendix 2 of this report.

## Background to the African Development Bank Group

1.10 Established in 1964, the AfDB is the leading development financial institution in Africa.<sup>10</sup> The AfDB is a regional development bank belonging to a group of institutions known collectively as multilateral development banks (MDBs). This group includes the World Bank Group and three other regional development banks—the Asian Development Bank; the European Bank for Reconstruction and Development (EBRD); and the Inter-American Development Bank Group. MDBs provide 'financial support and professional advice for economic and social development activities in developing countries'.<sup>11</sup> Each bank draws its membership from both borrowing developing countries and developed donor countries and its broad membership extends to countries beyond the bank's particular region. Although the banks have similar mandates, each one has its own independent legal and operational status.<sup>12</sup>

1.11 The AfDB was modelled in many respects on the World Bank but is focused entirely on development in Africa.<sup>13</sup> The Bank provides concessional and non-concessional loans, grants and technical assistance to clients in regional member countries. The AfDB has a distinctly African character—its headquarters are in Africa, its investment operations are exclusively in Africa and the Bank's President is always African.<sup>14</sup>

1.12 Initially, only independent African countries were eligible to be shareholders in the AfDB but in 1982 the Bank opened its capital to non-African countries.<sup>15</sup>

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- 10 African Development Bank Group, [www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Integrity%20Anti-Corruption.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Integrity%20Anti-Corruption.pdf) (accessed 20 June 2013) and *AfDB in Brief*, May 2013, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20in%20Brief.pdf> (accessed 20 June 2013).
  - 11 World Bank website, 'About Us—Affiliates', <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20040612~menuPK:41694~pagePK:43912~piPK:44037~theSitePK:29708,00.html> (accessed 19 June 2013) and Commonwealth of Australia, *Independent Review of Aid Effectiveness*, April 2011, p. 333.
  - 12 World Bank website, 'About Us—Affiliates', <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20040612~menuPK:41694~pagePK:43912~piPK:44037~theSitePK:29708,00.html> (accessed 19 June 2013) and Commonwealth of Australia, *Independent Review of Aid Effectiveness*, April 2011, p. 333.
  - 13 See for example, House of Commons, International Development Committee, *DFID and the African Development Bank*, Seventh Report of Session 2007–08, Volume 1, 8 May 2008, p. 5.
  - 14 African Development Bank Group, *AfDB in Brief*, May 2013, p. 9, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20in%20Brief.pdf> (accessed 20 June 2013).
  - 15 African Development Bank, *AfDB in Brief*, May 2013, p. 7, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDB%20in%20Brief.pdf> (accessed 20 June 2013).

Currently, the Bank is owned and financed by 78 member countries, comprising 54 African countries (regional member countries) and 24 non-African countries (non-regional member countries).<sup>16</sup> As at June 2013, Libya, Australia and Turkey were in the final stages toward membership.<sup>17</sup> Australia must first become a State Participant in the ADF before it is eligible to become a member of the AfDB.

1.13 Over half of the non-regional members belong to the Group of Twenty (G20) countries and three quarters are members of the Organisation for Economic Co-operation and Development (OECD), including major economies such as France, Germany, Japan, the UK and the US. Australia is one of the few major OECD donors and one of only two developed G20 members (with Russia), that is not a member of the Bank.<sup>18</sup> Mr Robin Davies, Associate Director of the Development Policy Centre, Australian National University (ANU), noted that Australia 'is quite conspicuous by its absence from the AfDB membership'.<sup>19</sup>

1.14 In May 2012, the Minister for Foreign Affairs, Senator the Hon Bob Carr, announced that Australia would pursue membership of the African Development Bank, which would signal 'Australia's commitment as a long-term development partner to Africa'.<sup>20</sup> In July 2012, the Treasurer and Minister for Foreign Affairs restated the government's intention to pursue Australian membership of the AfDB and ADF 'to support Australia's efforts to overcome poverty and achieve the Millennium Development Goals in Africa'.<sup>21</sup> They noted that:

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- 16 African Development Bank Group, *Annual Report 2012*, p. v. South Sudan very recently became the latest member. See African Development Bank Group, 'Member countries', <http://www.afdb.org/en/about-us/members/> (accessed 9 August 2013). The non-regional member countries are: Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Kuwait, The Netherlands, Norway, Portugal, Saudi Arabia, South Korea, Spain, Sweden, Switzerland, United Kingdom and United States of America. The United Arab Emirates is a member of the ADF only. See also, AusAID, *Australian Multilateral Assessment*, March 2012, p. 55 and Multilateral Organisation Performance Assessment Network, *Assessment of Organisational Effectiveness and Reporting on Development Results, African Development Bank (AfDB)*, Volume 1, December 2012, p. 2.
- 17 President Donald Kaberuka, Opening remarks, Opening Session of the Second ADF 13 Replenishment Meeting, 12 June 2013, <http://www.afdb.org/en/news-and-events/article/opening-session-of-the-second-adf-13-replenishment-meeting-opening-remarks-by-the-afdb-president-donald-kaberuka-12025/> (accessed 18 July 2013).
- 18 The Treasury and AusAID, *Submission 2*, p. 2 and the Development Policy Centre, Australian National University, *Submission 5*, p. 14.
- 19 *Submission 5*, p. 14.
- 20 Minister for Foreign Affairs, Senator the Hon Bob Carr, '2012–13 International Development Assistance Budget', Media release, 8 May 2012.
- 21 Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP and the Minister for Foreign Affairs, Senator the Hon Bob Carr, 'Australia to pursue membership of the African Development Bank to help overcome poverty', Joint media release, 17 July 2012, [http://foreignminister.gov.au/releases/2012/bc\\_mr\\_120717b.html](http://foreignminister.gov.au/releases/2012/bc_mr_120717b.html) (accessed 16 July 2013).

...the Bank is already a valued partner in Australia's increasing aid program in Africa and formal membership would demonstrate Australia's intent to remain a long-term partner in Africa's development.<sup>22</sup>

1.15 The Australian Government proposes to sign and ratify the *Agreement Establishing the African Development Fund* as amended and the *Agreement Establishing the African Development Bank* as amended. The Australian Treaty National Interest Analysis (ATNIA 23) noted:

While the relevant provisions suggest, on the face of it, that accession alone would meet the requirements of the AfDB Agreement, firm advice to Treasury from the African Development Bank (AfDB) is that it expects Australia to sign and ratify both agreements.<sup>23</sup>

1.16 According to the ATNIA 23, Australia would take the following relevant actions:

- lodge a letter with the AfDB Group indicating Australia's intention to become a party to the ADF and AfDB Agreements and outlining the size of membership contributions that Australia would make;
- sign the ADF and AfDB Agreements after negotiations with the AfDB Group and the Terms of Membership have been approved by the Board of Governors; and
- following the passage of necessary legislation, lodge instruments of ratification for the ADF and AfDB Agreements, which the government intends to do between 1 July 2014 and 30 June 2015.<sup>24</sup>

1.17 The Treasury and AusAID informed the committee that in May 2013 Australia submitted a Formal Declaration of Intent to join the Bank in 2014–15, subject to passage of domestic legislation enabling Australia to become a Group member.

### Scope of inquiry

1.18 The committee is inquiring into this enabling legislation, which prescribes the conditions under which Australia's initial and future contributions to the AfDB are made. A Treasury representative told the Joint Standing Committee on Treaties that the legislation would be 'a fairly simple piece of legislation' that would ratify the joining process for both the Bank and the Fund and provide the appropriation to buy the shares in the Bank.<sup>25</sup>

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22 Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP and the Minister for Foreign Affairs, Senator the Hon Bob Carr, 'Australia to pursue membership of the African Development Bank to help overcome poverty', Joint media release, 17 July 2012, [http://foreignminister.gov.au/releases/2012/bc\\_mr\\_120717b.html](http://foreignminister.gov.au/releases/2012/bc_mr_120717b.html) (accessed 16 July 2013).

23 Australian Treaty National Interest Analysis [2012] ATNIA 23, paragraphs 1 and 2.

24 Australian Treaty National Interest Analysis [2012] ATNIA 23, paragraphs 3 and 4.

25 Joint Standing Committee on Treaties, *Committee Hansard*, 26 November 2012, p. 4.

1.19 In this report, the committee focuses on the human resource and financial investments that Australia must make to become a member of the Bank and whether, in light of Australia's overseas development assistance policy, it represents value for money. In the following chapters, the committee considers:

- the purpose and provisions of the bill;
- the costs associated with Australia's proposed membership of the AfDB Group, including future financial commitments, and the anticipated benefits of becoming a member; and
- the governance structure of the Bank and the Fund.

### **Acknowledgements**

1.20 The committee thanks all those who assisted with the inquiry. It especially acknowledges the contributions of those who made written submissions.