EXPLANATORY MEMORANDUM TO

THE AFRICAN DEVELOPMENT BANK (ELEVENTH REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND) ORDER 2008

2008 No. 2088

1. This explanatory memorandum has been prepared by the Department for International development and is laid before the House of Commons by Command of her Majesty.

2. Description

2.1 The proposed order permits the Secretary of State to make a further contribution of £417,000,000 to the African Development Fund of the African Development Bank pursuant to arrangements that have been made between the African Development Bank and Her Majesty's Government in accordance with Resolution No. F/BG/2008/01 of the Fund's Board of Governors dated 28 March 2008.

2.2 Additionally, the order permits the Secretary of State to make payment of sums required to redeem any non-interest bearing and non-negotiable notes or other obligations that may be issued or created by him as a result of the arrangements that are to be made by the Government of the United Kingdom and the Bank regarding the payment of the £417,000,000

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Background

4.1 The proposed Order is being made to enable the Secretary of State to contribute further (the UK has contributed to the previous ten replenishments) to the African Development Fund of the African Development Bank[1]. The purpose of this further contribution, together with contributions pledged by other donors, is to provide the fund with commitment capacity for its continued lending on highly concessional terms and to provide grants to the poorest countries in the African Region over the three-year period, 2008-2010. Section 11 of the International Development Act 2002 permits the Secretary of State to make relevant payments to multilateral banks where the Government of the United Kingdom is bound to make such a payment, but that in order to make a payment he must make an order, which has Treasury approval and a draft of which has been approved by the House of Commons

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

[1] The previous contribution was authorised by Statutory Instrument 2006/2327

6. European Convention on Human Rights

Douglas Alexander, the Secretary of State for International Development has made the following statement regarding Human Rights:

In my view the provisions of the African Development Bank (Eleventh Replenishment of the African Development Fund) Order 2008 are compatible with the Convention rights.

7. Policy background

7.1 The Department for International Development (DFID) is responsible for leading the United Kingdom's contribution to promoting development and reducing poverty. The Department's overall objective is the elimination of world poverty. This objective was set out in the 1997 White Paper "Eliminating World Poverty: A Challenge for the 21st Century", and reaffirmed in the 2000 White Paper "Eliminating World Poverty: Making Globalisation Work for the Poor". In 2006, the Department published its third White Paper "Eliminating World Poverty: Making Governance Work for the Poor" which reiterated this objective and set out the forward agenda for the Department over the next five years. The Department delivers its international development funds through a combination of bilateral programmes, and contributions to various international financial institutions, such as the African Development Bank.

7.2 The African Development Bank is a regional development bank established in 1964. Its purpose is to foster economic growth and co-operation in Africa and to contribute to the acceleration of the economic development of its regional members, both collectively and individually. The major regional shareholders are Nigeria, Egypt, and South Africa. The major non-regional shareholders are the USA, Japan and Germany. The United Kingdom is a relatively small shareholder, with a shareholding of 1.68 percent.

7.3 The African Development Bank is structured along similar lines to the World Bank, with two main lending windows: the African Development Bank which lends at market rates of interest; and the African Development Fund which lends on highly concessional terms to the less developed members of the Bank. The African Development Fund was established by the African Development Bank in 1972, commencing operations in 1975, and is primarily donor funded. It is replenished usually every three years. Negotiations on the eleventh replenishment of the African Development Fund (ADF-XI) commenced in March 2007 and were concluded in December 2007.

7.4 Since the creation of the African Development Fund, there have been ten replenishments. The United Kingdom has contributed to these replenishments as follows:

1st Replenishment (1976-1978): £10,000,000

2nd Replenishment (1979-1981): £18,499,554

3rd Replenishment (1982-1984): £24,170,300

4th Replenishment (1985-1987): £30,934,961

5th Replenishment (1988-1990): £57,833,971

6th Replenishment (1991-1993): £71,915,912

7th Replenishment (1996-1998): £70,225,661

8th Replenishment (1999-2001): £98,639,079

9th Replenishment (2002-2004): £121,333,000

10th Replenishment (2005-2007): £206,191,098

7.5 As stated above, the purpose of the present order is to enable the Government to make a contribution to the eleventh replenishment of the African Development Fund of a sum of £417,000,000. The United Kingdom's contribution will represent around 14.8 per cent of the total donor pledges to the Eleventh Replenishment of some £.2.8 billion. This amount was reached through negotiations with the African Development Bank's Board of Governors and represents a doubling of our previous contribution (to the tenth replenishment). The African Development Bank is a major source of development finance in Africa and is crucial in meeting the Millennium Development Goals. In recent years the Bank has made significant reforms to become more effective. The level of contribution demonstrates the United Kingdom's commitment to help build African institutions, confidence in the reform process being undertaken by the African Development Bank, and belief that the Fund can effectively support development in Africa's poorest countries. The additional money will help the Fund work over the next three years with forty African countries to build better infrastructure – including improved water and sanitation and new energy projects. It will also mean that the Fund can help to strengthen economic and regional links between African nations and put more money into fragile states.

7.6 The Fund adopted the Eleventh Replenishment Resolution (Resolution No. F/BG/2008/01) on 28 March 2008 (A copy of Resolution No. F/BG/2008/01 has been laid in the House of Commons library together with the ADF XI Donors Report). In accordance with Resolution No. F/BG/2008/01 the United Kingdom's contribution will be made in the form of non-negotiable, non-interest bearing promissory notes expressed in pounds sterling and encashable on demand. In addition, the Resolution requests adjustments to the UK Instrument of Commitment for payments to the Fund under the Multilateral Debt Relief Initiative. Authorisation for the payments to be made under these adjustments will be sought under a separate Order, the African Development Fund (Multilateral Debt Relief Order) (Amendment) Order 2008, at or around the same time as this Order.

8. Impact

8.1 An Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies

9. Contact

Further information concerning the proposed instrument can be obtained from Adrian Miller at the Department for International Department for International Development via e-mail (adrian-miller@dfid.gov.uk) or telephone (020 7023 0145).

Department for International Development

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