**EXPLANATORY MEMORANDUM TO**

**THE AFRICAN DEVELOPMENT BANK (FIFTEENTH REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND) ORDER 2020**

**2020 No. 1443**

## 1. Introduction

1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth and Development Office (FCDO) and is laid before the House of Commons by Command of Her Majesty.

## 2. Purpose of the instrument

2.1 The Order permits Her Majesty's Government (the 'Government') to make further payments not exceeding £633,090,000 towards the fifteenth replenishment of the African Development Fund (the 'Fund'). These payments are pursuant to arrangements that have been made between the African Development Bank (the 'Bank') and the Government in accordance with Resolution No F/BG/2020/01 of the Fund's Board of Governors dated 14th May 2020.

## 3. Matters of special interest to Parliament

***Matters of special interest to the Select Committee on Statutory Instruments***

3.1 None.

***Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)***

3.2 The territorial application of this instrument is the United Kingdom.

## 4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is United Kingdom.

## 5. European Convention on Human Rights

5.1 James Duddridge MP, Parliamentary Under Secretary of State, Foreign, Commonwealth and Development Office, has made the following statement regarding Human Rights:

"In my view the provisions of the African Development Bank (Fifteenth Replenishment of the African Development Fund) Order 2020 are compatible with the Convention rights".

## 6. Legislative Context

6.1 The Order is being made to enable the Government to make further payments to the Fund. The purpose of these further contributions, together with contributions from other donors, is to provide the Fund with commitment capacity for its continued provision of grants and concessional lending to the poorest countries in Africa over the three-year period of 2020-2022.

6.2 The Order is made under section 11 of the International Development Act 2002, which empowers the Government to make relevant payments to multilateral development banks where it is bound to do so. In order to make such a payment the Secretary of State for Foreign, Commonwealth and Development Affairs (the 'Secretary of State'), or a Minister acting on their behalf, must make an Order, which has HM Treasury approval and has been approved in draft by the House of Commons.

## 7. Policy background

***What is being done and why?***

7.1 The Bank is a regional development bank established in 1964. Its purpose is to foster economic growth and co-operation in Africa and to reduce poverty while contributing 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 1.72 per cent.

7.2 The Bank is structured along similar lines to the World Bank, with two main lending windows: the Bank, which lends at near market rates of interest; and the Fund, which lends on highly concessional terms and provides grants to the less developed members of the Bank. The Fund was established by the Bank in 1972, commencing operations in 1975, and is primarily donor funded. It is replenished every three years. Negotiations on the fifteenth replenishment of the Fund ('AfDF-15') commenced in March 2019 and were concluded in December 2019.

7.3 Since the creation of the Fund, there have been fourteen replenishments. The United Kingdom's contributions to recent replenishments have been as listed below along with the year Parliamentary approval was gained in order to do so:

| | |
|---|---|
| 8th Replenishment (2000): | £98,639,079 |
| 9th Replenishment (2003): | £121,333,000 |
| 10th Replenishment (2006): | £206,191,098 |
| 11th Replenishment (2008): | £417,000,000 |
| 12th Replenishment (2011): | £567,000,000 |
| 13th Replenishment (2014): | £603,585,673 |
| 14th Replenishment (2017): | £460,100,000 |

7.4 The United Kingdom's contribution of £633,090,000 for the fifteenth replenishment (2020-2022) will focus on delivering the twin objectives of inclusive and green growth through implementing the Bank's 'High 5'; Power Africa, Integrate Africa, Feed Africa, Industrialise Africa and improve the quality of life in Africa. These are priorities within the already approved ten-year strategy for the Bank, which focuses on inclusive growth and green growth. Specific commitments and objectives are set out in the AfDF-15 donors report, a copy of which has laid in the House of Commons library. The total United Kingdom AfDF-15 replenishment contribution breaks down as follows:

- £518 million in core funding
- £13.09 million in grant compensation (stemming from prior commitments).

- £102 million in performance-based funding, dependent on positive results reported at the mid-term review.

7.5 The Fund is the Bank Group's concessionary window. It provides financing for low-income countries using a performance-based allocation system to ensure efficiency and equity. The major beneficiaries of the Fund in 2016 were Ethiopia, Tanzania and Kenya. The Bank expects the following results will be delivered by programmes approved with AfDF-15 funding:

- Power: up to 5.4 million people will be supported with new or improved electricity connections. The Bank plans to respond to the growing energy needs of Africa, improving the quality of life by increasing access, enabling better quality services and abating pollution by reducing reliance on fossil fuels.
- Transport: up to 20 million people will be supported with improved access to transport. The Bank aims to create the necessary infrastructure to unlock the development potential of African countries by funding the construction and rehabilitation of roads and feeder roads that will, for example, connect smaller rural communities to major roads, market towns and urban centres.
- Water and sanitation: up to five million people will be supported with access to water and sanitation. The Bank plans to increase the number of people with access to clean water by increasing the reliable supply of safe water.
- Agriculture and Food Security: up to six million people will benefit from improvements in agriculture. The Bank will work to boost Africa's agriculture sector and improve food security by improving irrigation and water management and promoting increased resilience to shocks and natural disasters through measures such as replanting and reforestation.

7.6 The Bank will also deliver internal reforms agreed as part of the Fund's Replenishment. These reforms, such as those listed below, will improve the way the Bank and the Fund are run and enable a more substantial contribution towards Africa's development targets:

- An increase in the number of operations with climate informed design.
- An increase in the number of operations with gender informed design.
- Time of procurement of goods and works decreases.
- A decrease in the time between project concept and the first disbursement of project funds.
- Operational focus and support in fragile states.

7.7 The Fund adopted the Fifteenth Replenishment Resolution (Resolution F/BG/2020/01 on 14th May 2020. A copy of Resolution No F/BG/2020/01 has been laid in the House of Commons library. In accordance with Resolution F/BG/2020/01 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 United Kingdom Instrument of Commitment for payments to the Fund under the Multilateral Debt Relief Initiative. Authorisation for the payments to be made under these adjustments are covered by a separate draft Order, under section 11 of the 2002 Act, the African Development Fund (Multilateral Debt Relief Order) (Amendment) Order 2020.

## 8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

## 9. Consolidation

9.1 Not relevant in the context of this instrument.

## 10. Consultation Outcome

10.1 Not relevant in the context of this instrument.

## 11. Guidance

11.1 Not relevant in the context of this instrument.

## 12. Impact

12.1 There is no, or no significant, impact on the public sector.

12.2 An Impact Assessment has not been prepared for this instrument because no impact on business is foreseen

## 13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

## 14. Monitoring & review

14.1 The Bank agreed a Bank-wide Results Measurement Framework following consultation with shareholders and the Fund donors, including the United Kingdom, that sets targets for the efficiency and effectiveness of the Bank's operations and the impact on poor people. The Bank's management will review the Fund's outputs as part of its wider Annual Development Effectiveness Review that is published every May and report to the Board of Governor's at the Annual Meeting on progress against its institutional reform commitments and their impact. The Bank will also host a Mid-Term Review of AfDF-15 with donors during the autumn of 2021 to assess progress.

14.2 Regular and effective monitoring, reviewing and lesson learning are critical to how the FCDO will measure the results of AfDF-15 and demonstrate its value for money. FCDO monitoring will be undertaken through its own Annual Reviews in 2021-2022 and a final Project Completion Review of AfDF-15 in 2023. Evidence to inform the FCDO reviews will be drawn from a number of sources, including Bank reporting, the AfDF-15 Mid Term Review, consultation with the UK Executive Director at the Bank's Headquarters, and feedback from FCDO's offices overseas. Other sources of information include internal and independent evaluations and reports by organisations such as the Independent Commission for Aid Impact.

14.3 The Order does not include a statutory review clause because it has no regulatory effect on business.

## 15. Contact

15.1 Helen Yaxley at the FCDO (helen.yaxley@fcdo.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Phil Stevens, Deputy Director for International Financial Institutions at the FCDO can confirm that this Explanatory Memorandum meets the required standard.

15.3 James Duddridge, Parliamentary Under Secretary of State at the FCDO can confirm that this Explanatory Memorandum meets the required standard.