EXPLANATORY MEMORANDUM TO THE CARIBBEAN DEVELOPMENT BANK (SEVENTH REPLENISHMENT OF THE UNIFIED SPECIAL DEVELOPMENT FUND) ORDER 2009

2009 No. 2947

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. Purpose of the instrument

2.1 This proposed order permits the Secretary of State for International Development, in his role as United Kingdom Governor at the Caribbean Development Bank ("the Bank") to make a payment of £35,357,000 towards the seventh replenishment of the Special Development Fund (Unified[1]) ("the Fund").

2.2 Additionally, the draft 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 arrangements that are to be made by the Government of the United Kingdom and the Fund regarding the payment of the £35,357,000.

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

3.1 The draft Order is to be made pursuant to section 11 of the International Development Act 2002. Section 11 applies when the Government becomes bound to make a relevant payment to a multilateral development bank. The section goes on to provide that the Secretary of State can only make the relevant payment to the bank once the payment has been approved by an order made by him with Treasury approval, but that no such order may be made until a draft of it has been laid before and approved by the House of Commons.

3.2 The Government will not become bound to make the payment covered by this order until it has deposited with the Fund an Instrument of Contribution in accordance with the arrangements made with the Caribbean Development Bank. As section 11 only applies when the Government is bound to make the relevant payment and, at present, it is not so bound, there is technically an issue as to whether the Secretary of State can properly present this draft Order to the House. However, the clear purpose of laying the draft Order before the House is to secure the approval of the House before the deposit of the Instrument of Contribution.

3.3 Several orders have been made under the power in section 11 in relation to a number of different multinational development banks. In practice Parliamentary

[1] The original Special Development Fund offered an assortment of terms and conditions fixed by contributors. The "Unified" fund was established in 1983 with consistent terms, objectives and procurement conditions. All contributions to this replenishment are to the Special Development Fund (Unified).

approval for draft orders made under this section is sought before the Government becomes bound. It was once the practice to lay the order before parliament with a Ministerial undertaking that no order would be made in terms of the draft until the necessary Instrument of Contribution had been deposited and the Government in fact became bound to make the payment. While the Committee considered and accepted this practice in respect of previous orders[2] more recently we have adopted a simpler approach.[3] The Committee will note that the words at the end of Article 3 of the Order provide that the Secretary of State is only able to make the relevant payments "in accordance with section 11 of the International Development Act 2002". This has the effect that the Secretary of State is not empowered to make the payments under the Order until, as provided for by section 11 of the Act, he is bound to do so by virtue of the Instrument of Contribution having been duly deposited. As a result it is not considered necessary to provide a separate Ministerial undertaking.

4. Legislative Context

4.1 The proposed Order is being made to enable the Secretary of State to contribute further to the Fund of the Bank. 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 provision of grants to the poorest countries in the Caribbean Region over the four-year period, 2009-2012.

4.2 Section 11 of the International Development Act 2002 permits the Secretary of State to make relevant payments to multilateral development 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.

6. European Convention on Human Rights

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

In my view, the provisions of the Caribbean Development Bank (Seventh Replenishment of the Unified Special Development Fund) Order 2009 are compatible with the Convention on Human Rights.

7. Policy Background

[2] See the Committee's Fourth report (HC 126 iv 2002-03), considering the draft International Fund for Agricultural Development (Sixth Replenishment) Order 2003.
[3] See the International Fund for Agricultural Development (Seventh Replenishment) Order 2007 (S.I. 2007/3547)

7.1 The Department for International Development 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 Bank.

7.2 The Caribbean Development Bank is a regional development bank established in 1969. Its purpose is to foster economic growth and development of the member countries in the Caribbean and to promote economic co-operation and integration among them, having special regard to the less developed members of the region. The major regional shareholders are Jamaica and Trinidad & Tobago (both 17.77% shares and 17.38% votes). The major non-regional shareholders are the United Kingdom and Canada (both 9.56% shares and 9.41% votes).

7.3 The Caribbean Development Bank is structured along similar lines to the World Bank, with two main lending windows: Ordinary capital resources (OCR) which lends at market rates of interest; and the Special Development Fund (Unified) (SDF) which lends on concessional terms and provides grants to the poorest member countries. The Fund was established by the Caribbean Development Bank in 1970.

7.4 There are 26 member countries in the SDF: 21 are regional member countries and five are non-regional. The Fund is primarily donor funded and is replenished every four years. Canada and the UK are the largest contributors, each providing 24% of the funds in the previous replenishment (SDF 6). Negotiations on the seventh replenishment of the Fund (SDF 7) commenced in April 2008 and were concluded in December 2008.

7.5 Since the creation of the Fund, there have been six replenishments. The United Kingdom has contributed to these replenishments as follows:

1st Replenishment 1984-1987: £6,640,300

2nd Replenishment 1988-1991: £9,252,510

3rd Replenishment 1992-1995: £10,578,000

4th Replenishment 1996-2000: £10,600,000

5th Replenishment 2001-2004: £17,496,000

6th Replenishment 2005-2008: £23,492,000

7.6 As stated above, the purpose of the present Order is to enable the Government to make a contribution to the Fund's seventh replenishment of a sum of

£35,357,000. This amount was reached through negotiations with the contributors to the Caribbean Development Bank's Special Development Fund (Unified). The Bank adopted the Seventh Replenishment Resolution on 5 March 2009 (a copy of the Resolution has been laid in the House of Commons together with the SDF 7 Contributors' Report). Contributors agreed that new contributions to the replenishment should total around £145.2 million. The United Kingdom's contribution will represent around 24.4 per cent of the total. This is the same level as Canada and maintains the previous parity of contributions.

7.7 The UK entered the SDF 7 negotiations with a number of key objectives for the replenishment, all of which were achieved. These included:

- A much more focused strategy, reducing Bank core activities from around 20 dispersed areas to four key themes: growth, climate change, regional integration and development effectiveness.
- A fully quantified results monitoring framework with clear targets and baselines.
- Progress on human resource management, including restructuring some posts and recruiting more professional staff to work in areas such as gender, environmental sustainability and climate change.
- Increased emphasis on, and special funds for climate change, regional cooperation, and gender equality.
- A scaled up programme of assistance to Haiti.

8. Consultation outcome

8.1 Not relevant in the context of this instrument.

9. Guidance

9.1 Not relevant in the context of this instrument.

10. Impact

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

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring and review

12.1 Donors agreed a Results Framework and an Implementation Plan for SDF 7. Monitoring and review of progress against the Implementation Plan will be through annual SDF reports. A mid-term review of SDF 7 will also take place in December 2010.

13. Contact

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

Department for International Development
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