EXPLANATORY MEMORANDUM TO

THE CARIBBEAN DEVELOPMENT BANK (TENTH REPLENISHMENT OF THE SPECIAL DEVELOPMENT FUND (UNIFIED)) ORDER 2021

2021 No. 734

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.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 The Order permits Her Majesty's Government (the "Government") to make payments not exceeding £21 million towards the tenth replenishment of the Special Development Fund (Unified) (the "Fund"). The Fund is the concessional lending arm of the Caribbean Development Bank (the "Bank"), supporting the poorest and most vulnerable countries in the Caribbean. These payments are pursuant to arrangements that have been made between the Bank and the Government in accordance with the resolution titled "Replenishment of the Resources of the Special Development Fund (Unified) (SDF 10)," adopted by the contributors to the Fund on 12th February 2021. This resolution concluded the replenishment negotiations for the tenth replenishment of the fund and sets out contributions pledged by donors, including the United Kingdom.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 The attention of the Committee is drawn to the legislative context summarised in paragraph 6.2. The Instrument of Contribution has been deposited with the Bank, so the Government is now bound the make the payment.

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

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5. European Convention on Human Rights

5.1 The Rt. Hon. Nigel Adams, Minister for Asia, Foreign, Commonwealth and Development Office has made the following statement regarding Human Rights:

"In my view the provisions of The Caribbean Development Bank (Tenth Replenishment of the Special Development Fund (Unified)) Order 2021 are compatible with the Convention rights".

6. Legislative Context

6.1 The Order is being made to enable the Government to contribute towards the tenth replenishment of the Fund. The purpose of this contribution, together with contributions pledged by other donors, is to provide the Fund with commitment capacity for its continued provision of grants and concessional lending to the poorest countries in the Caribbean over the four-year period, 2021-2024.

6.2 The Order is made under section 11 of the International Development Act 2002 ("IDA"), which empowers the Government to make relevant payments to multilateral development banks where it is bound to do so. No obligation arises until the Government deposits an Instrument of Contribution (the "Instrument") with the Bank which binds the United Kingdom to make the payment foreseen by article 3 of the Order. This raises a technical issue about the Order making power in section 11 of the IDA. The power requires the Order to be approved in draft by the House of Commons, but the Secretary of State, with the approval of the Treasury, may make the Order only when the Government is bound by the deposit of the Instrument. The draft Order was approved by the House on 19th May 2021 and the Instrument deposited on 8th June 2021, enabling the Order to be made in the form of the draft.

7. Policy background

What is being done and why?

7.1 The Bank is a regional development bank established in 1969. Its purpose is to contribute to the harmonious 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 needs of the less developed members of the region. The major borrowing shareholders are Jamaica and Trinidad and Tobago (joint largest shareholders, each with 17.31% of shares as at 31st December 2019). The major non-borrowing shareholders are the United Kingdom and Canada (each with 9.31% of shares as at 31st December 2019).

7.2 The Bank is structured along similar lines to the World Bank, with two main lending windows: Ordinary Capital Resources which lend at near market rates of interest, and the Fund which lends on concessional terms and provides grants to the poorest and most vulnerable members of the Bank. The Fund was established by the Bank in 1970 and is replenished every four years. It is financed from a number of sources, primarily donor contributions and the repayment of past loans. Since the creation of the Fund, there have been nine replenishments. The United Kingdom contributed to its establishment and has also contributed to each replenishment of the Fund.

7.3 The Fund contributes to economic and social development in the Caribbean through investments in core sectors including transport, education, water and sanitation, and agriculture that contribute to the progress of the Caribbean Sustainable Development Goals ("SDGs"). The Bank will deliver both direct development results through the tenth replenishment, and internal reforms agreed as part of the negotiations for the replenishment of the Fund. These reforms will improve the way the Fund is run and

enable the Fund to make a more substantial contribution towards the SDGs in the longer term.

7.4 The specific objectives and commitments for the tenth replenishment are set out in the "Report of Contributors". The replenishment is expected to raise the borrowing countries' capacity and resilience across social, economic, and environmental areas. It is positioned to help deliver the Government's regional priorities, including poverty reduction, girls' education and climate change. It provides a framework for the Bank to continue to respond to the COVID-19 pandemic.

7.5 Negotiations on the tenth replenishment of the Fund commenced in December 2019 and were concluded, through adoption of a Resolution of contributors, on 12th February 2021. The funding outcome is a total programme of US$383 million for the period 2021 – 2024, with new donor contributions accounting for US$188.2 million. As part of delivering on the United Kingdom's Caribbean priorities on growth, poverty reduction and climate action, the United Kingdom pledged £21 million to the replenishment and retained its position as the second largest contributor to the Fund (behind Canada).

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 This Order does not amend any other instruments, so consolidation is not relevant.

10. Consultation outcome

10.1 The United Kingdom contributed to the establishment and all subsequent replenishments of the Fund. Contributing to this multilateral fund is in line with the Government's strategic priorities for Overseas Development Assistance so no consultation was conducted.

11. Guidance

11.1 This Order authorises the FCDO (on behalf of the Government) to make payments to the Fund, so guidance is not needed.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

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

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

14.2 Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results and demonstrate its value for money. FCDO's monitoring will be undertaken through its own Annual Reviews in 2022-2024 and a final Project Completion Review of the tenth replenishment in 2025. Evidence to inform the FCDO reviews will be drawn from several sources, including the Bank's Annual Development Effectiveness Review and Annual Report, the Mid-Term Review of the tenth replenishment, consultation with the United Kingdom's representative on the Bank's Board of Directors, and feedback from FCDO project teams overseas. FCDO will monitor progress against a set of performance indicators taken from the Fund's Results Management Framework.

15. Contact

15.1 Rajvinder Heer at the Foreign, Commonwealth and Development Office can be contacted with any queries regarding the instrument. Telephone: +44 7721236101 or email: rajvinder.heer@fcdo.gov.uk.

15.2 Phil Stevens, Deputy Director for the International Financial Institutions, at the Foreign, Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard.

15.3 Nigel Adams, Minister for Asia at the Foreign, Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard