EXPLANATORY MEMORANDUM TO

THE AFRICAN DEVELOPMENT BANK (FOURTEENTH REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND) ORDER 2017

2017 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for International Development (DFID) and is laid before House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The proposed Order permits the Secretary of State for International Development in her role as Governor for the United Kingdom at the African Development Bank (hereafter "AfDB") to make a payment of £460,100,000 towards the fourteenth replenishment of the African Development Fund (hereafter the "Fund") made pursuant to arrangements that have been made between AfDB and Her Majesty's Government in accordance with Resolution No F/BG/2017/01 of the Fund's Board of Governors dated 27th April 2017.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 Disregarding minor or consequential changes, the territorial application of this instrument includes Scotland and Northern Ireland and is not a financial instrument that relates exclusively to England, Wales and Northern Ireland.

4. Legislative Context

4.1 The proposed Order is being made to enable the United Kingdom to contribute further to the Fund. The purpose of this further 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 Africa over the three-year period, 2017 – 2019.

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 the Secretary of State must make an order, which has Treasury approval and a draft of which has been approved by the House of Commons.

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

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

6. European Convention on Human Rights

6.1 Priti Patel, 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 (Fourteenth Replenishment of the African Development Fund) Order 2017 are compatible with the Convention rights."

7. Policy background

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 1.753 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 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 fourteenth replenishment of the Fund (ADF-14) commenced in March 2016 and were concluded in December 2016.

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

Initial funding (1976)	£10,000,000
2nd Replenishment (1979)	£18,499,554
3rd Replenishment (1982)	£24,170,300
4th Replenishment (1985)	£30,934,961
5th Replenishment (1988)	£57,833,971
6th Replenishment (1991)	£71,915,912
7th Replenishment (1996)	£70,225,661
8th Replenishment (1999)	£98,639,079
9th Replenishment (2002)	£121,333,000
10th Replenishment (2005)	£206,191,098
11th Replenishment (2008)	£417,000,000
12th Replenishment (2011)	£567,000,000
13th Replenishment (2014)	£603,585,673

7.4 The United Kingdom reduced its fourteenth replenishment contribution to £460,100,000, maintaining the largest burden share at 10.647%, but bringing it closer to that of other donors. This replenishment (2017-19) will focus on delivering the twin objectives of inclusive and green growth through implementing the AfDB '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 replenishment negotiations concluding 'Deputies Report'.

7.5 Africa experienced strong economic growth (3-6%) over the decade to 2013 despite the difficult global context, but 45.1% of the population of Fund eligible countries still live in extreme poverty, subsisting on less than US$ 1.90 a day. The UN Millennium Development Goals Report (MDGs) 2015 noted that Africa had made significant achievement towards attaining some of the MDGs, such as: 80% primary school enrolment rate in Sub-Saharan Africa; 89% of pregnant women receiving four or more ante-natal visits.; over 900 million treated mosquito delivered to malaria endemic Sub-Saharan African countries between 2004 and 2014 averting 6.2 million malaria deaths, mainly of children under five. Despite the progress made, millions remain poor and many of these have been left behind because of their age, sex, disability, ethnicity or geographical location. Undernourishment rates had fallen to 23% but remain the highest globally. Whilst child mortality and maternal mortality rates had fallen by around 50% between 2000 and 2015, they remain high by comparison to other regions. Only 38% of the African population has access to electricity, the penetration rate for internet is less than 10% while only a quarter of Africa's road network is paved. Poor road, rail and port facilities add 30% to 40% to the costs of goods traded among African countries, adversely affecting the private sector development and the flow of foreign direct investment. The poor state of infrastructure is estimated to reduce national economic growth by two percentage points every year.

7.6 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 during the ADF-14 period (2017-2019)::

- **Power**: 21 million people 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**: 14.8 million will have 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:** 11.9 million people to have 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**: 20.7 million people benefitting 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.

7.7 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 is run and enable a more substantial contribution towards Africa's development targets:

- An increase in the number of Country Strategy Papers with gender informed design.
- Time of procurement of goods and works decreases.
- A decrease in the time between project approval and the first disbursement of project funds.
- A reduction in the amount of administration costs as a proportion of total spending on projects.
- An improved presence in insecure environments

7.8 The Fund adopted the Fourteenth Replenishment Resolution (Resolution F/BG/2017/01) on 27th April 2017. A copy of Resolution No F/BG/2017/01 has been laid in the House of Commons library together with the ADF-14 Donors Report. In accordance with Resolution F/BG/2017/01the 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 will be sought using a separate draft Order, under section 11 of the 2002 Act, the African Development Fund (Multilateral Debt Relief Order) (Amendment) Order 2017. That draft order will be laid at or around the same time as this Order.

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

10.2 There is no expected impact on the public sector.

10.3 An Impact assessment has not been prepared for this instrument.

11. Regulating small business

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

12. Monitoring & review

12.1 The Bank agreed a new Results Measurement Framework for AfDF 14 following consultation with Bank shareholders and AfDF 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. The Bank will also host a Mid-Term Review of ADF-14 with donors during the autumn of 2018 to assess progress.

12.2 The United Kingdom is represented on the Board of Governors by the Secretary of State for International Development. The United Kingdom Executive Director to the Africa Development Bank represents the United Kingdom and contributes to oversight of the use of its resources as a member of the Africa Development Bank Board of Directors.

12.3 Regular and effective monitoring, reviewing and lesson learning are critical to how DFID will measure the results of ADF-14 and demonstrate its value for money. DFID's monitoring will be undertaken through its own Annual Reviews in 2018-2019 and a final Project Completion Review of ADF-14 in 2020. Evidence to inform the DFID reviews will be drawn from a number of sources, including the Bank's Annual Development Effectiveness Review and Annual Report, the ADF-14 Mid Term Review, consultation with the United Kingdom Executive Director at the Bank's Headquarters, and feedback from DFID country offices. Other sources of information include internal and independent evaluations and reports by organisations such as the Multilateral Organisation Performance Network (MOPAN).

13. Contact

13.1 Further information concerning the proposed instrument can be obtained from Paula Barrett at the DFID via e-mail: p-barrett@dfid.gov.uk or telephone 020 7023 0860.