EXPLANATORY MEMORANDUM TO

THE ASIAN DEVELOPMENT BANK (NINTH REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND) ORDER 2009

2009 No. [XXXX]

1. This explanatory memorandum has been prepared by 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 Instrument permits the Secretary of State for International Development, in his role as United Kingdom Governor at the Asian Development Bank ("the Bank"), to make a payment of £116,000,000 towards the ninth replenishment of the Asian Development Fund ("the Fund").

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

3.1 None

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[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 provision of grants to the poorest countries in the Asia and Pacific 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:

[1] The UK has contributed funds through eight replenishments in addition to the initial contribution: the ninth replenishment is therefore called AsDF X by the Bank. The UK's previous contribution was authorised by Statutory Instrument 2006/2324

In my view, the provisions of the Asian Development Bank (Ninth Replenishment of the Asian Development Fund) Order 2009 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 Bank.

7.2 The Bank is a regional development bank established in 1966. Its purpose is to foster economic growth and co-operation in the region of Asia and the Pacific and to contribute to the acceleration of the process of economic development of its regional members, both collectively and individually. The major regional shareholders are Japan, the People's Republic of China, India, Australia, Indonesia and the Republic of Korea. The major non-regional shareholders are the USA, Canada, Germany and France. The UK was a founding member of the Bank and is a relatively small shareholder, with a shareholding of 1.93 percent.

7.3 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 regional members of the Bank. The Fund was established by the Bank in April 1973 and is primarily donor funded. It is replenished usually every four years: the last replenishment negotiations concluded in 2004, although Parliamentary approval was only gained in 2006. Negotiations on the ninth replenishment (called AsDF X by the Bank) of the Fund commenced in September 2007 and were concluded in May 2008.

7.4 Since the creation of the Fund, in addition to an initial contribution by donors, there have also been eight replenishments. The United Kingdom has contributed as follows[2]:

Initial funding (1973)	£11.4 million
1st Replenishment (1976)	£18.9 million
2nd Replenishment (1979)	£59.3 million
3rd Replenishment (1983)	£71.9 million
4th Replenishment (1987)	£95.1 million
5th Replenishment (1992)	£86.3 million

[2] The dates shown are the date on which the resolutions took effect.

6th Replenishment (1997)	£67.0 million
7th Replenishment (2001)	£84.7 million
8th Replenishment (2005)	£114.1 million

7.5 As stated above, the purpose of the present Order is to enable the Government to make a contribution to the ninth replenishment of the Fund of a sum of £116,000,000. There are two elements to this £116,000,000 figure – a non-discretionary 'core' contribution of £109,845,951, and an additional incentive-based discretionary contribution (known as a 'supplementary') of £6,154,049. Under the AsDF X Resolution No. 333, the UK has pledged to make the core contribution, and indicated its willingness to make a further supplementary contribution based on 'benchmarks to be agreed with ADB Management'.

7.6 DFID recognises that the Bank makes a significant contribution to tackling poverty in Asia and the Pacific, particularly helping countries to accelerate growth. DFID has worked with other shareholders to help the Bank improve its focus on the key sectors where it has special strengths, particularly infrastructure and regional integration, and supported internal reforms to improve staff skills and performance and the effectiveness of evaluation systems.

7.7 DFID, on behalf of the UK, has pursued the goal of improved development effectiveness throughout the AsDF X negotiations to replenish the Fund and achieved our objectives including i) securing a $1 billion programme for Afghanistan; ii) an increased focus on regional cooperation and integration iii) a new results framework to ensure more focus in the Fund's work and iv) a commitment to undertake a full review of Bank's human resources strategy.

7.8 It has been agreed with Bank management that the benchmark for approving the payment of the supplementary contribution will be satisfactory performance against the Bank's Gender Action Plan (2008-2010). Improved gender equality will quicken the pace of equitable growth and poverty reduction in the region and is a priority for both DFID and the Asian Development Bank. The criteria for measuring the Bank's performance against the Gender Action Plan will be i) evidence that the AsDB has the ability to deliver tangible results on gender equality and empowerment through its operations and ii) evidence that AsDB's regional departments are equipped with adequate staff skills and resources to promote gender throughout its operations. A set of indicators has been agreed with the Bank to measure these results criteria and performance against them will be reviewed in early 2010. If satisfactory, the supplementary payment of £6,154,049 will be made.

7.9 The Bank also agreed to a 3% allocation of total AsDF X core contributions to the Technical Assistance Fund (TASF) when the AsDF X Resolution No. 333 was adopted. The TASF was set up soon after the Bank to provide technical assistance on a grant basis to countries borrowing from the Bank. It is financed from a number of sources including direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources and AsDF contributions. When the Bank judges that the TASF resources need replenishment, this has been factored into AsDF replenishment

negotiations. This is the fourth replenishment of the TASF – previous replenishments were made in 1987, 1992 and 2005.

7.10 The Bank adopted the AsDF X Resolution No. 333 on 18 August 2008. (A copy of Resolution No. 333 has been laid in the House of Commons library together with the AsDF X Donors Report). In accordance with Resolution No. 333 the United Kingdom's contribution will be made in four annual instalments, each in the form of a non-negotiable, non-interest bearing promissory note expressed in pounds sterling and encashable on demand.

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 because there is no impact on business, charities or voluntary bodies.

11. Regulating small business

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11.1 The legislation does not apply to small business.

12. Monitoring and review

12.1 Donors agreed with the Bank that a review of AsDF X will be held towards the end of 2010. This 'midterm' review will assess progress on the implementation plan of AsDF X. In addition, the monitoring structure of the implementation plan includes regular monitoring reports, and donors emphasised the importance of consistent reporting over the duration of AsDF X.

13. Contact

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).