EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (EIGHTEENTH REPLENISHMENT) 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 United Kingdom to make a further contribution of £3,336,000,000 to the International Development Association (hereafter "the Association") pursuant to arrangements that have been made between the Association and Her Majesty's Government in accordance with Resolution No. 239 of the Board of Governors of the Association on 31st March 2017.

2.2 The total contribution to the Association will be £3,336,000,000. This will be made up of a grant of £2,516,000,000 and a concessional loan of £820,000,000[1].

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 Association (the United Kingdom has contributed to the previous seventeen replenishments). The purpose of this further contribution, together with contributions pledged by other donors, is to provide the Association with commitment capacity for lending on highly concessional terms and to provide grants to the poorest countries in the world between July 2017 and June 2020.

4.2 This Order is made under section 11 of the International Development Act 2002 which 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 she must make an order, which has Treasury approval and a draft of which has been approved by the House of Commons.

[1] The loan will be in United Kingdom Sterling with 0% interest, 40 year maturity and 10 year grace period.

5. Extent and Territorial Application

5.1 The extent of this instrument is 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:

6.2 In my view the provisions of the International Development Association (Eighteenth Replenishment) Order 2017 are compatible with the Convention rights.

7. Policy background

7.1 The World Bank Group (WBG) is a global multilateral development bank which was established in 1944. Its goals are to end extreme poverty and to promote shared prosperity. It is the largest development actor in the world and is also one of the most effective. The size and global reach of the WBG makes it one of the most important partners to the United Kingdom for achieving our poverty reduction aims.

7.2 The WBG pursues its goals through five separate institutions: the Association, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). The Association is the part of the WBG which helps the poorest countries. It works to reduce poverty by providing grants and highly concessional loans (at zero or low interest rates and with long grace and maturity periods). IBRD, IFC and MIGA, lend to more credit-worthy countries or provide loans and guarantees to the private sector, by borrowing from the markets backed by equity generated from net income and periodic capital injections by shareholders. By contrast, the Association needs to be replenished every three years by its donors. Negotiations on the eighteenth replenishment (IDA 18) concluded in December 2016, with funding available to client countries from July 2017.

7.3 Since the Association was established in 1960 there have been seventeen replenishments. The United Kingdom's contributions to the last eight replenishments have been as listed below, along with the year Parliamentary approval was gained in order to do so:

11th Replenishment (interim) (1997)	£177.7 million
11th Replenishment (1998)	£299.2 million
12th Replenishment (2000)	£511.3 million
13th Replenishment (2002)	£964.8 million
14th Replenishment (2006)	£1,430 million
15th Replenishment (2008)	£2,134 million
16th Replenishment (2011)	£2,664 million
17th Replenishment (2014)	£3,300 million
17th Replenishment (additional payment) (2016)	£350 million

7.4 The overarching aims of IDA 18 are to promote growth, resilience and opportunity. It focuses on jobs and economic transformation, governance, gender, climate change and fragile and conflict-affected states. This reflects the critical importance of these factors in ending global poverty and reducing inequality and recognises that global poverty is becoming increasingly concentrated in fragile and conflict affected environment.

7.5 The United Kingdom's contribution to IDA 18 will directly increase the resources available to it and thereby the quantity of development results that will be delivered. Between July 2017 and June 2020, it is estimated that:

- 180 million children will receive life-saving vaccines;
- 20 million births will be attended by skilled health personnel;
- 45 million will get access to clean water;
- 35 million people will get access to reliable electricity;
- 10 million teachers will be recruited or trained; and
- 200 million children and women will get proper nutrition.

7.6 The United Kingdom's contribution will also help to secure the United Kingdom's priority institutional and operational reforms, further increasing the effectiveness of the Association. Following successful engagement from the United Kingdom and others, the Association has committed to:

- double the investment that goes to fragile states;
- increase support for poor countries dealing with protracted crises and hosting large numbers of refugees;
- give greater importance to creating jobs and promoting the economic transformation needed for countries to escape widespread poverty;
- provide more extensive support to governments on governance, anti-corruption and transparency;
- help close specific gender gaps in client countries and support women's economic empowerment; and
- Step up its efforts to improve effectiveness and efficiency.

7.7 For the first time, under this replenishment, the Association will be able to leverage its balance sheet to borrow from the market. This is possible due to it having received a triple-A rating in July 2016. Market borrowing will be expected to constitute a third of the Association's overall financing in IDA 18. This makes the Association an even better investment opportunity for United Kingdom aid than in the past and increases its ability to provide value for money even further. For every £1 of grant finance the United Kingdom and other donors put in, the Association is now able to deliver £3 to its clients. Together with donors' pledges it has also resulted in the largest replenishment in the Association's history, with a record total size of $75 billion of grants and loans being made available to the world's poorest people in IDA 18. The United Kingdom will remain the Association's largest donor in IDA 18 with a burden share of 13%.

7.8 The Association's Governors adopted the Eighteenth Replenishment Resolution (Resolution No. 239) on 31st March 2017.[2] A copy of Resolution No. 239 has been laid in the House of Commons library. In accordance with Resolution No. 239, part of 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. The rest will be made available as a loan to the Association.

7.9 In addition, the Resolution requires adjustments to the United Kingdom Instrument of Commitment for payments to the Association 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 International Development Association (Multilateral Debt Relief Initiative) (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 small business.

12. Monitoring & review

12.1 The Association agreed a new Results Measurement Framework for IDA 18 following consultation with donors, including the United Kingdom. This sets out what we can expect IDA 18 to deliver, in terms of both development impact and operational performance. The Association's management will report on IDA's outputs as part of its Annual Report. The Association will also host a Mid-Term Review of IDA 18 with donors during the autumn of 2018 to assess progress. In addition, the WBG's activities are independently evaluated by the Independent Evaluation Group (IEG).

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 WBG represents the United Kingdom and oversees the use of WBG resources as a member of the WBG Board of Directors.

12.3 Regular and effective monitoring, reviewing and lesson learning are critical to how DFID will measure the results of IDA 18 and demonstrate its value for money. DFID's monitoring will be undertaken through its own Annual Reviews in 2018-2019

[2] Link to Resolution: http://documents.worldbank.org/curated/en/464551491455240709/International-Development-Association-IDA-Board-of-Governors-resolution-no-239-additions-to-resources-eighteenth-replenishment

and a final Project Completion Review in 2020. Evidence to inform the DFID reviews will be drawn from a number of sources, including performance against IDA's Results Measurement System Annual Report, the IDA 18 Mid Term Review, consultation with the United Kingdom Executive Director at the WBG'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 Melissa Boulter at DFID via email: (M-Boulter@dfid.gov.uk) or telephone (020 7023 0112).