EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (MULTILATERAL DEBT RELIEF INITIATIVE) (AMENDMENT) ORDER 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Foreign, Commonwealth and Development Office and is laid before the House of Commons by Command of His Majesty.

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

2. Declaration

2.1 Kirsty McNeill MP, Minister of State for International Development and Africa, at the Foreign, Commonwealth and Development Office confirms that this Explanatory Memorandum meets the required standard.

2.2 Chris Bold, Deputy Director for International Financial Institutions at the Foreign, Commonwealth and Development Office confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Shing Hin Chung at the Foreign, Commonwealth and Development Office can be contacted by email at the following address with any queries regarding the instrument: fcdo.correspondence@fcdo.gov.uk. Alternatively, the department can be contacted by telephone: 020 7008 5000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The International Development Association (Multilateral Debt Relief Initiative) (Amendment) Order 2026 (the Order) permits His Majesty's Government (the Government) to increase its payments to the International Development Association (the Association) from £2,835.97 million to an amount not exceeding £3,083.89 million for the purposes of the Multilateral Debt Relief Initiative (MDRI). This increase is pursuant to arrangements that have been made between the Association and the Government in accordance with Resolution No. 211 of the Board of Governors of the World Bank dated 21 April 2006.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Association is part of the World Bank Group (WBG). The WBG is a global multilateral development bank. Its goals are to end extreme poverty and to promote shared prosperity. It is one of the largest and most effective development actors in the world. The size and global reach of the WBG makes it one of the most important partners to the United Kingdom for achieving its poverty reduction aims.

5.2 The Association provides grants, highly concessional loans (at zero or low interest rates and with long grace and maturity periods), and advisory support to the poorest and least credit-worthy countries globally. As the costs of doing this outweigh the returns on its loans, the Association needs to be replenished every three years by donors.

5.3 The Heavily Indebted Poor Countries (HIPC) initiative was launched in 1996 by the IMF and World Bank, with the aim of ensuring that no poor country faced a debt burden it could not manage. It is funded from resources provided by multilateral, bilateral and commercial creditors.

5.4 Under the MDRI, countries receive additional debt relief, above what is provided under the HIPC initiative. The MDRI was agreed by G8 Finance Ministers at a meeting in London in June 2005. They proposed that 100% of the remaining debts owed by qualifying countries to the Association, the International Monetary Fund, the Inter-American Development Bank and the African Development Fund would be cancelled. The cost of debt relief to creditors under the HIPC Initiative is estimated at US$76.2 billion, while the cost to the four multilaterals providing debt relief under the MDRI is estimated at US$43.3 billion (both in end-2017 present value terms).

5.5 To ensure that the financing capacity of the Association is not reduced as a result of the additional MDRI debt relief, the United Kingdom and other contributing members have committed to cover the costs of debt cancellation for the duration of the loans. The contributors reimburse the Association on an ongoing basis, compensating it for loan repayments at the time that they would have been due. This compensation is additional to the resources the United Kingdom contributes to the Association through each replenishment. In 2006, G8 Finance Ministers agreed that in future replenishment rounds, the MDRI costs would be reported separately to core replenishments, to ensure that they are clearly distinguishable.

5.6 The Board of Governors of the World Bank adopted Resolution No. 211 concerning the MDRI on 21 April 2006. Under the terms of that Resolution the United Kingdom undertook to pay £591.57 million which was subsequently approved under the International Development Association (Multilateral Debt Relief Initiative) Order 2006. This was to be paid in regular instalments from 2007-2016. Increases since then to cover the period until 2033 have resulted in an increase to £2,835.97 million.

5.7 The Twenty-First Replenishment (IDA 21) Resolution (Resolution No. 255) was adopted on 20 February 2025. A United Kingdom commitment of up to £1,980 million to the Association was made. Authorisation for contributions not exceeding that commitment is covered under a separate Order, the International Development Association (Twenty-First Replenishment) Order 2026. Those funds are separate to the fund provided for the purposes of the MDRI, though both will contribute to support the Association's clients.

5.8 As part of IDA 21, it was agreed that donors should provide unqualified MDRI commitments for the IDA 21 disbursement period. This Order will allow the Government to meet the United Kingdom's MDRI commitment by enabling payments covering the payment period up to and including 2036. This will add £247.92 million to the total MDRI payment ceiling. The final cost of MDRI donor compensation will depend on market exchange rates, the timing of when beneficiary countries complete the HIPC initiative and any changes in the foreign exchange reference rates for the Association.

5.9 As stated above, the purpose of the present Order is therefore to enable the Government of the United Kingdom to increase its MDRI contributions. The United Kingdom's contribution will be made in annual instalments, in accordance with a schedule agreed with the Association.

What was the previous policy, how is this different?

5.10 It has been longstanding Government policy to work through multilateral development banks to deliver the United Kingdom's international development objectives. Multilateral development banks are among the largest sources of development finance globally and play a central role in supporting poverty reduction, sustainable economic growth, climate resilience and development. Contributing to the Association for the purpose of the MDRI is consistent with these objectives.

6. Legislative and Legal Context

How has the law changed?

6.1 The effect of the Order is to authorise the Government to contribute up to £3,083.89 million to the Association for the purposes of the MDRI.

Why was this approach taken to change the law?

6.2 Contributing to the Association for the purposes of the MDRI is a 'relevant payment' within the meaning of section 11(2) of the International Development Act 2002 and, in accordance with section 11(5), an Order approved by the House of Commons is required for the payment to be made.

7. Consultation

Consultation Summary of consultation outcome and methodology

7.1 Not relevant in the context of this Order.

8. Applicable Guidance

8.1 This Order authorises the Foreign, Commonwealth and Development Office (on behalf of the Government) to make payments to the Association, so guidance is not needed.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because no significant direct impact on businesses in the UK is foreseen.

Impact on businesses, charities and voluntary bodies

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

9.3 The legislation does not impact small or micro businesses.

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

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring of this legislation is to assess the Association's performance against the latest results measurement system, which was developed for IDA 21 following consultation with donors, including the United Kingdom. This sets out what we can expect IDA 21 to deliver, both in terms of development impact and operational performance. The Association will also host a Mid-Term Review of IDA 21 for the Association with donors in late 2026 to assess progress. In addition, the WBG activities are independently evaluated by the Independent Evaluation Group.

10.2 The United Kingdom is represented on the Board of Governors by the Secretary of State. The United Kingdom's Executive Director on the World Bank Group Board of Directors oversees the use of WBG resources.

10.3 The United Kingdom's MDRI obligations are reviewed and updated through the Association's replenishment process, which takes place approximately every three years. Any future increase in the United Kingdom's MDRI commitment would be subject to further Ministerial and, where necessary, Parliamentary approval.

10.4 The Order does not include a statutory review clause because it has no regulatory effect on businesses.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 Section 11 of the International Development Act 2002 provides powers for 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 Commitment (the Instrument) with the Association which binds the UK to make payment foreseen by article 2 of the Order. This raises a technical issue about the Order making power in section 11. 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 to make the payment by the deposit of the Instrument. The draft Order is being laid at this time to secure the approval of the House, but it will not be made until the Instrument is deposited.

12. European Convention on Human Rights

12.1 The Minister of State for International Development and Africa has made the following statement regarding Human Rights:
"In my view the provisions of the International Development Association (Multilateral Debt Relief Initiative) (Amendment) Order 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (relevant European Union Acts). It does not trigger the statement requirements under the relevant European Union Acts.