EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (SEVENTEENTH REPLENISHMENT: ADDITIONAL PAYMENTS) ORDER 2016

2016 No. [XXXX]

1. Introduction

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

2. Purpose of the instrument

2.1 The proposed Order permits the Secretary of State to make a further contribution of 350 million pounds sterling (of which the full £350m will be given as concessional loan) to the International Development Association (hereafter "IDA") pursuant to arrangements that have been made between the IDA and Her Majesty's Government in accordance with Resolution No. 234 of the Board of Governors of the IDA on 5 May 2014.

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 Secretary of State to contribute further to the IDA (the UK has contributed to the previous sixteen replenishments). The purpose of this further contribution, together with contributions pledged by other donors, is to provide the IDA with commitment capacity for lending on highly concessional terms and to provide grants to the poorest countries in the world over the period, 2014-2017. 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 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 The Secretary of State for International Development, Justine Greening, has made the following statement regarding Human Rights:

In my view the provisions of the International Development Association (Seventeenth Replenishment: Additional Payments) Order 2016 are compatible with the Convention rights.

7. Policy background

What is being done and why

7.1 IDA is part of the World Bank Group. It aims to help the poorest countries reduce poverty by providing grants and highly concessional loans (no or low interest rates and long grace and maturity periods). Its policy framework focuses on macroeconomic growth; social sector support; protecting the environment for sustainable development; fostering recovery in post-conflict countries; and promoting trade and regional integration.

7.2 The other organisations that make up the World Bank Group are 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 overarching goal of the Group is to reduce poverty and improve living standards by supporting sustainable growth and investment in people. IDA plays an important role in helping the world meet the Millennium Development Goals (MDGs).

7.3 IDA replenishments are generally at three-year intervals. The United Kingdom's contributions to the last seven replenishments have been as follows:

Eleventh (interim) replenishment (1997)	£177.7 million
Eleventh replenishment (1998)	£299.2 million
Twelfth replenishment (2000)	£511.3 million
Thirteenth replenishment (2002)	£964.8 million
Fourteenth replenishment (2006)	£1,430.0 million
Fifteenth replenishment (2008)	£2,134.0 million
Sixteenth replenishment (2011)	£2,664 million
Seventeenth replenishment (2014)	£3,300 million

7.4 The Association adopted the Seventeenth Replenishment (IDA 17) Resolution (Resolution No. 234) on 5 May 2014. A copy of Resolution No. 234 has been laid in the House of Commons library. In accordance with Resolution No.234 the United Kingdom's contribution will be made by cash payment as per the loan agreement.

7.5 This contribution of £350m is in addition to the previously agreed £3.3 billion contribution to the IDA17 replenishment. The reason for making an additional loan contribution is that while demands on IDA have risen significantly since the beginning of IDA17, the purchasing power of donor contributions to IDA has declined significantly as a result of exchange rate changes, leaving IDA with greater demand and reduced supply.

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 impact on business, charities or voluntary bodies.

10.2 There is no 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 World Bank provides annual reports and accounts in September, including on IDA. The reports are based on the World Bank's own evaluation of its performance. In addition, the World Bank's activities are independently evaluated by the Independent Evaluation Group (IEG). The World Bank's financial data is audited by an external and independent auditor.

12.2 The UK is represented on the Board of Governors by the Secretary of State for International Development, Justine Greening. Our Executive Director at the World Bank Group also oversees the use of IDA resources.

12.3 The World Bank has agreed to report against a Results Measurement System that sets out what we can expect IDA 17 to deliver, both in terms of development impact and improvements in operational performance. DFID monitor IDA's performance as part of its continuous engagement with the World Bank. A Logical Framework to monitor progress against a set of performance indicators will be available on DFID's public website. This annual review will be available on DFID's public website.

13. Contact

13.1 Steven Sabey at the Department for International Development Telephone: 020 7023 0224 or email: s-sabey@dfid.gov.uk can answer any queries regarding the instrument.