EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (TWENTY-FIRST REPLENISHMENT) ORDER 2025

2025 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Foreign, Commonwealth, and Development Office ('FCDO') 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 Stephen Doughty MP, Minister of State 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 Jacob Crofton 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 (Twenty-First Replenishment) Order 2025 (the 'Order') permits His Majesty's Government (the 'Government') to make further payments of an amount up to and not exceeding £1,980 million towards the replenishment of the International Development Association (the 'Association'). The payments will be pursuant to arrangements that have been made between the Association and the Government in accordance with Resolution No. 255 entitled 'Additions to Resources: Twenty-First Replenishment' adopted by the Board of Governors of the Association on 15th April 2025.

Where does the legislation extend to, and apply?

4.2 The extent of this Order (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 Order (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 UK 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 Negotiations on the Twenty-First Replenishment ('IDA 21'), which will be operational from beginning July 2025 to end June 2028, concluded in December 2024. The Association's Governors including the UK adopted the Twenty-First Replenishment resolution (Resolution No. 255) on 15th April 2025.

5.4 The overarching aims of IDA 21 are to invest in the future of people and the planet with renewed scale, effectiveness, and financial efficiency to promote economic growth, tackle poverty and address the impacts of climate change. Following successful UK-led engagement, IDA 21 incorporates policy commitments that are well-aligned to the Government's development priorities outlined in the UK's International Development Strategy. In particular, IDA 21 will:

- deepen support to Fragile and Conflict-affected States ('FCS') and improve the Association's staffing in FCS countries;
- improve preparedness and scale up access to pre-arranged financing for emergency response, with a commitment to track the roll out of WBG's new crisis toolkit;
- ensure that 45% of IDA 21 financing will tackle climate change and report on nature investments by 2027 onwards;
- ensure job creation and increase accountability on progress, with the Association's Private Sector Window (a designated initiative that mobilises private investments in eligible countries to the Association) expected to provide at least US$3.7 billion of dedicated financing;
- support advancement of gender equality through implementation of the new Gender Strategy in all Association countries;
- support debt sustainability and debt transparency.

5.5 Following its successful introduction in the Eighteenth Replenishment, the Association has continued to utilise its balance sheet to borrow from the market to increase the overall volume of financing available. Under IDA 21, for every £1 of grant finance provided by the UK, the Association will provide around £4 support to borrower countries (including resources carried over from the Twentieth Replenishment).

5.6 By combining up to US$23.7bn of new donor pledges, repayments on previous loans, and market borrowing, IDA 21 will make up to US$100bn of grants and loans available to 78 of the world's poorest countries between July 2025 and June 2028 – the largest replenishment in the Association's history.

5.7 This Order authorises the Government to make a payment of up to £1,980 million to IDA 21. This will enable the UK to maintain its position as the third largest contributor and reflects the UK's commitment to IDA and its strong track record of working in partnership with recipient countries and delivering sustainable growth.

5.8 The Government has agreed an accelerated payment schedule with the Association, which enables the UK to benefit from a discount of approximately 10% on its net payment. Based on this accelerated payment schedule, the current indicative net payment profile is £1,770.6 million. However, as the precise net payment profile may be subject to future adjustments, this Order authorises payment of up to £1,980 million to provide necessary flexibility.

What was the previous policy, how is this different?

5.9 It has been longstanding policy to work through the multilateral system to deliver on the UK's development objectives. Multilateral development banks sit at the heart of this system as one of the largest sources of development finance. They form part of the core response to end extreme poverty and to tackle climate change and biodiversity loss. They work to help borrowers secure sustainable economic growth and achieve self-reliance to make progress across all Sustainable Development Goals. Contributing to IDA 21 is consistent with these aims.

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 £1,980 million to IDA 21. This will maintain the UK's current position as the third largest donor.

Why was this approach taken to change the law?

6.2 Contributing to IDA 21 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

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 FCDO (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 Association's performance will be assessed against the latest WBG Corporate Scorecard ('WBG Scorecard'), which includes the performance of IDA 21. This WBG Scorecard, which was developed as part of WBG reform initiatives following consultation with donors, including the UK. It sets out what shareholders can expect the WBG to deliver in terms of development impact. While the WBG Scorecard reports results achieved by the whole of the WBG, it also allows us to see the specific IDA 21 results. The Association will also host a Mid-Term Review of IDA 21 with donors in late 2026 to assess progress. In addition, WBG activities are constantly and independently evaluated by the Independent Evaluation Group in the WBG.

10.2 The UK is represented on the Board of Governors by the Minister for Development. The UK's Executive Director on the WBG Board of Directors oversees the use of WBG resources.

10.3 Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results of IDA 21 and demonstrate its value for money. FCDO's monitoring will be undertaken through its own annual reviews in 2026 and 2027, and a final project completion review in 2028. Evidence to inform the FCDO reviews will be drawn from multiple sources, including performance against the Association's results measurement system, the IDA 21 Mid-Term Review, consultation with the UK Executive Director on the World Bank Group Board, and feedback from the FCDO posts.

10.4 Other sources of information include internal and independent evaluations and reports by organisations, such as the Multilateral Organisation Performance Network and the Independent Commission on Aid Impact, whose recent report on the Association assessed it to be green/amber.

10.5 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 Contribution (the 'Instrument') with the Bank which binds the UK to make the payment foreseen by article 3 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 has made the following statement regarding Human Rights: "In my view the provisions of the International Development Association (Twenty-First Replenishment) Order 2025 are compatible with the Convention rights.".

13. The Relevant European Union Acts

13.1 This Order 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.