EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (FOURTEENTH REPLENISHMENT) ORDER 2006

2006 No. 1071

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.

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

2. Description

2.1 The proposed Order permits the Secretary of State to make a further contribution of £1,430,000,000 to the International Development Association pursuant to arrangements that have been made between the International Development Association and Her Majesty's Government in accordance with Resolution No. 209 of the Board of Governors.

2.2 Additionally, the Order permits the Secretary of State to make payment of sums required to redeem any non-interest bearing and non-negotiable notes or other obligations that may be issued or created by him as a result of the arrangements that are to be made by the Government of the United Kingdom and the Bank regarding the payments totalling £1,430,000,000.

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

3.1 The draft Order is to be made pursuant to section 11 of the International Development Act 2002. Section 11 applies when the Government becomes bound to make a relevant payment to a multilateral development bank. The section goes on to provide that the Secretary of State can only make the relevant payment to the bank once the payment has been approved by an order made by him with Treasury approval. But, the Secretary of State cannot make such an order until a draft of it has been laid before and approved by the House of Commons.

3.2 The purpose of an Order made under section 11 is to allow the Secretary of State to make the relevant payments when the Government is bound to do so. The deposit of an Instrument of Commitment with the International Development Association binds the Government to make the relevant payment. As section 11 only applies when the Government is bound to make the relevant payment and, at present, it is not so bound, this raises the technical issue of whether the Secretary of State may properly present the draft Order to the House when the Government is not yet bound to make the payments the Order deals with and thus, as yet, has no power to make the Order.

3.3 The seeking of Parliamentary approval for the draft Order before the Government is bound is the usual practice in these cases. The Committee has considered this issue previously (for example in respect of the draft International Fund for Agricultural Development (Sixth Replenishment) Order 2003 in its Fourth report (HC 126-iv 2002-03)) and has concluded that there is no technical reason for the House not to approve the draft Order but that it should merely be aware that it is acting, as on occasions in the past, on a Ministerial undertaking that the Order will not be made until the Government is bound. Accordingly the Secretary of State gives his undertaking that no Order will be made in terms of the draft until, on deposit of the Instrument of Commitment, the Government is bound to make the payment. The purpose of the Secretary of State laying the draft Order before the House is to secure the approval of the House before the deposit of the Instrument of Commitment.

3.4 The Department respectfully submits that the contents of the draft Order do not require any departure from the Committee's established approach to the exercise of the powers under section 11.

4. Legislative Background

4.1 The proposed Order is being made to enable the Secretary of State to contribute further (the UK has contributed funds on fourteen previous occasions) to the International Development Association. The purpose of this further contribution, together with contributions pledged by other donors, is to provide the International Development Association with commitment capacity for lending on highly concessional terms to the poorest countries in the world over the period, 2005-2008. As stated above, 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. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 Hilary Benn, the Secretary of State for International Development, has made the following statement regarding Human Rights:

In my view the provisions of the International Development Association (Fourteenth Replenishment) Order 2005 are compatible with the Convention rights.

7. Policy Background

7.1 The Department for International Development is responsible for leading the United Kingdom's contribution to promoting development and the reduction of

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". The Department delivers its international development funds through a combination of bilateral programmes, and contributions to various international financial institutions, such as the International Development Association.

7.2 The International Development Association is part of the World Bank Group. It aims to help the poorest countries reduce poverty by providing grants and "credits". "Credits" are loans at zero interest with a 10-year grace period and maturities of 35 to 45 years. 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.

7.3 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 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. The UK has an approximate shareholding in the World Bank of 5%.

7.4 International Development Association replenishment is generally at three-year intervals. The United Kingdom's contributions to the last five replenishments have been as follows:

Tenth replenishment (1993)	£620.0 million
Eleventh (interim) replenishment (1997)	£177.7 million
Eleventh replenishment (1998)	£299.2 million
Twelfth replenishment (2000)	£511.3 million
Thirteenth replenishment (2002)	£1,000.0 million

7.5 As stated above, the purpose of the present Order is to enable the Government to make a contribution to the fourteenth replenishment of the International Development Association of sums totalling £1.43 billion. This amount was reached through negotiations with the International Development Association's Board of Governors.

7.6 There are two elements to this £1.43 billion figure – additional contributions of £1.33 billion, and an additional incentive contribution of £100 million. Under the arrangements in Resolution 209 the UK has pledged to make both payments, the second being a contingent contribution on the International Development Association making progress on working effectively with other development agencies and in reducing the number of conditions it applies to its

lending. In accordance with the arrangements both payments are included in the Instrument of Commitment.

7.7 The Association adopted the Fourteenth Replenishment Resolution (Resolution No. 209) on 13 April 2005. (A copy of Resolution No. 209 has been laid in the House of Commons library). In accordance with Resolution No. 209 the United Kingdom's contribution will be made in three annual instalments, each in the form of a non-negotiable, non-interest bearing promissory note expressed in pounds sterling and encashable on demand.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

9.1 Further information concerning the proposed instrument can be obtained from John Moye at the Department for International Development via e-mail (j-moye@dfid.gov.uk) or telephone (020 7023 0250).

Department for International Development
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