EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (NINETEENTH REPLENISHMENT) ORDER 2020

2020 No. 1427

1. Introduction

1.1 This explanatory memorandum has been prepared by Foreign, Commonwealth and Development Office (FCDO) and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Order permits Her Majesty's Government (the 'Government') to make further payments of an amount not exceeding £3,062 million to the International Development Association (the 'Association'). These payments will be pursuant to arrangements that have been made between the Association and the Government in accordance with Resolution No. 244 entitled 'Additions to Resources: Nineteenth Replenishment' of the Association on 31 March 2020.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 The territorial application of this instrument is the United Kingdom.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 James Duddridge MP, the Parliamentary Under Secretary of State, Foreign, Commonwealth and Development Office, has made the following statement regarding Human Rights:

"*In my view the provisions of the International Development Association (Nineteenth Replenishment) Order 2020 are compatible with the Convention rights*."

6. Legislative Context

6.1 The Order is being made to enable the United Kingdom to make a further contribution to the Association. The purpose of this further contribution, together with contributions pledged by other donors, is to provide the Association with commitment capacity to provide grants and highly concessional lending to the poorest countries in the world between July 2020 and June 2023 as part of the 19th replenishment of the Association ('IDA19').

6.2 The Order is made under section 11 of the International Development Act 2002, which empowers the Government to make relevant payments to multilateral development banks where it is bound to make such a payment. In order to make such a payment the Secretary of State for Foreign, Commonwealth and Development Affairs (the 'Secretary of State'), or a Minister acting on their behalf, must make an Order, which has HM Treasury approval, and has been approved in draft by the House of Commons

7. Policy background

What is being done and why?

7.1 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.

7.2 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. Negotiations on IDA19 concluded in December 2019, with funding available to client countries from July 2020. The Association's Governors adopted the Nineteenth Replenishment Resolution (Resolution No. 244) on 31 March 2020. A copy of Resolution No. 244 has been laid in the House of Commons library.

7.3 The Association's replenishments are generally at three-year intervals. The United Kingdom's contributions to recent replenishments along with the year Parliamentary approval was gained in order to do so are listed below:

Twelfth replenishment (2000)	£511.3 million
Thirteenth replenishment (2002)	£964.8 million
Fourteenth replenishment (2006)	£1,430 million
Fifteenth replenishment (2008)	£2,134 million
Sixteenth replenishment (2011)	£2,664 million
Seventeenth replenishment (2014)	£3,300 million
Seventeenth replenishment (additional payment) (2016)	£350 million
Eighteenth replenishment (2017)	£3,336 million

7.4 A portion of the United Kingdom's contributions to the Seventeenth and Eighteenth replenishments were made in Concessional Partner Loans (CPLs). Given that these loans will be paid back over time, their net value to the Association is lower than grant contributions. As such the 'grant equivalent' value of the UK contributions to these replenishments are somewhat lower:

Seventeenth replenishment (2014)	£2,564 million
Seventeenth replenishment (additional payment) (2016)	£102 million
Eighteenth replenishment (2017)	£2,886 million

7.5 The overarching aims of IDA19 include addressing fragility, conflict and violence; tackling climate change; improving prevention and response for crises; stepping up support for jobs and economic transformation; tackling inequality and boosting

inclusion; and supporting debt sustainability. Specifically, following successful engagement from the United Kingdom and others, the Association made a number of commitments expected to further increase its effectiveness in these areas:

- Enhancing support for fragile and conflict-affected countries, including through a greater focus on prevention and deploying 150 more professional staff to work in these countries.
- Ensuring at least 30% of IDA19 financing supports action to tackle climate change, setting new renewable energy targets, and supporting a number of countries with their national climate-related and biodiversity action plans or strategies.
- Supporting IDA countries in addressing the bottlenecks in sectors with high potential for private sector led jobs and economic transformation and in developing sustainable, inclusive and productive cities.
- Increasing attention on inclusion with a focus on disability inclusion and girls' education.
- Implementation of the new sustainable development financing policy to help countries borrow more sustainably.

7.6 The Association will continue to leverage its balance sheet to borrow from the market to boost its overall financing in IDA19. This makes the Association an even better investment opportunity for United Kingdom aid and increases its ability to provide value for money even further. For every £1 of grant finance the United Kingdom and other donors put into IDA19, the Association is expected to provide more than £3 in development commitments for its clients. Together with donors' pledges this has resulted in the largest replenishment in the Association's history, with a record total size of $82 billion of grants and loans being made available to the world's poorest countries between July 2020 and June 2023. The United Kingdom is expected to remain the Association's largest donor in IDA19 with a reported burden share of 12.07%.

7.7 The United Kingdom's contribution to IDA19 will directly increase the resources available to it and support the development results that will be delivered. Between July 2020 and June 2023, it is estimated that the Association will deliver:

- essential health, nutrition, and population services for up to 370 million people;
- safe childbirth for up to 80 million women through provision of skilled health personnel;
- enhanced access to broadband internet for up to 60 million people; immunisations for up to 140 million children;
- better governance in up to 60 countries through improved statistical capacity; and
- an additional 10 GW of renewable energy generation capacity.

7.8 IDA 19 also requires adjustments to the United Kingdom Instrument of Commitment for payments to the Association under the Multilateral Debt Relief Initiative. Authorisation for those payments is covered by a separate Order 'the International Development Association (Multilateral Debt Relief Initiative) (Amendment) Order 2020' made in accordance with section 11 of the 2002 Act.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 Not relevant in the context of this instrument.

10. Consultation outcome

10.1 Not relevant in the context of this instrument.

11. Guidance

11.1 Not relevant in the context of this instrument.

12. Impact

12.1 No significant, impact on business, charities or voluntary bodies is expected.

12.2 No significant, impact on the public sector is expected.

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

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is to assess the Association's performance against the new results measurement system, which was developed for IDA19 following consultation with donors, including the United Kingdom. This sets out what we can expect IDA19 to deliver, both in terms of development impact and operational performance. The Association will also host a Mid-Term Review of IDA19 with donors during the autumn of 2022 to assess progress. In addition, the WBG's activities are independently evaluated by the Independent Evaluation Group.

14.2 The United Kingdom is represented on the Board of Governors by the Secretary of State. The United Kingdom's 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.

14.3 Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results of IDA19 and demonstrate its value for money. FCDO's monitoring will be undertaken through its own Annual Reviews in 2021-22 and a final Project Completion Review in 2023. Evidence to inform the FCDO reviews will be drawn from a number of sources, including performance against the Association's Results Measurement System, the IDA19 Mid-Term Review, consultation with the UK Delegation to the World Bank, and feedback from the FCDO's offices overseas. Other sources of information include internal and independent evaluations and reports by organisations, such as the Multilateral Organisation Performance Network.

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

15. Contact

15.1 Sam Navaratnam at FCDO (Sam.Navaratnam@fcdo.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Phil Stevens, Deputy Director for International Financial Institutions at FCDO can confirm that this Explanatory Memorandum meets the required standard.

15.3 James Duddridge MP, Under Secretary of State at the FCDO can confirm that this Explanatory Memorandum meets the required standard.