EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (SEVENTEENTH REPLENISHMENT) ORDER 2014

2014 No. 3055

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. Purpose of the instrument

2.1 The proposed Order permits the Secretary of State to make a further contribution of 3,300,000,000 pounds sterling 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 Association on 5th May 2014.

The total contribution to IDA will be 3,300,000,000 pounds sterling. This will be made up of a grant of 2,814,000,000 pounds sterling and a concessional loan of 486,000,000[1] pounds sterling.

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

3.1 None

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 between July 2014 and June 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 she must make an order, which has Treasury approval and a draft of which has been approved by the House of Commons.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

[1] The loan will be in UK Sterling with a 0.14% interest, 25 year maturity and 5 year grace period.

6. European Convention on Human Rights

Justine Greening, 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 (Seventeenth Replenishment) Order 2014 are compatible with the Convention rights.

7. Policy background

7.1 IDA is part of the World Bank Group (WBG). It aims to help the poorest countries reduce poverty by providing grants and highly concessional loans (at zero or low interest rates and with long grace and maturity periods).

7.2 The other organisations that make up the WBG are the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for the Settlement of Investment Disputes. The new WBG strategy sets out two goals for the WBG. Firstly to reduce extreme poverty to 3 percent by 2030, and secondly to promote shared prosperity in a sustainable manner. IDA is the Bank's main instrument for pursuing these goals in the world's poorest countries.

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

7.4 The IDA adopted the Seventeenth Replenishment Resolution (Resolution No. 234) on 5th May 2014. A copy of Resolution No. 234 has been laid in the House of Commons library. In accordance with Resolution No. 234 part of the United Kingdom's contribution will be made in the form of non-negotiable, non-interest bearing promissory notes expressed in pounds sterling and encashable on demand and part will be in a loan to IDA.

7.5 IDA is financed through a combination of donor contributions and internally generated resources. Donors negotiate their contributions on a three year cycle. The

current replenishment (IDA 16) ends in June 2014. IDA 17 negotiations ended in December 2013, so that funding will be available from July 2014.

7.6 The overarching theme for IDA 17 is maximising development impact and improving value for money, with special themes on inclusive economic development, gender, climate change and fragile and conflict states. The UK's contribution to IDA 17 will directly increase the resources available and thereby the quantity of development results that will be delivered. Between July 2014 and June 2017 IDA will deliver:

- Immunisation of up to 200 million children
- 21 million people gaining access to improved water sources
- Recruitment and training around half a million teachers
- Providing 54 million pregnant women with antenatal care
- Creating access to electricity for over 15 million people

The UK's contribution will also help to secure the UK's priority institutional and operational reforms, further increasing the effectiveness of IDA. Key reforms are:

- Improved poverty focus, including securing transition support for India;
- Improved engagement with fragile and conflict-affected states;
- Improved accountability for delivering results;
- A stronger focus on private sector development and job creation; and
- Better incentives for achieving results for women and girls.

7.7 DFID has helped shape the choice of indicators in the IDA Results Management System, including a greater emphasis on gender-disaggregated data and measurement of the Bank's contribution to economic development, climate change resilience and low carbon development, and progress in fragile states. We will be closely monitoring IDA's performance through the IDA Results Management System, which includes indicators such as:

- Cutting by nearly one third, the time it takes to go from project design phase to delivering on the ground
- IDA's project budgets will be made available for greater public scrutiny
- Joint working with other parts of the World Bank to increase, for example, the Bank's impact on private sector lead growth;

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 An Impact Assessment has not been prepared for this instrument because there is no impact on business, charities or voluntary bodies in the United Kingdom.

11. Regulating small business

11.1 The legislation does not apply to small business in the United Kingdom.

12. Monitoring and review

12.1 The WBG provides annual reports and accounts in October, including on IDA. The reports are based on the WBG's own evaluation of its performance. In addition, the WBG's activities are independently evaluated by the Independent Evaluation Group (IEG). The WBG'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 WBG also oversees the use of IDA resources.

12.3 The WBG has agreed to report against a Results Measurement System (included in the IDA 17 Resolution No. 234) that sets out what we can expect IDA 17 to deliver, in terms of both development impact and operational performance. The estimates of the indicators and outcomes expected in the period July 2014 to June 2017 are captured in the IDA 17 Results Measurement System which will be completed by the end of 2014. The Results Management System will also monitor global progress towards associated higher level goals at the impact level.

12.4 DFID will monitor IDA's performance as part of its continuous engagement with the WBG. DFID staff have developed a Logical Framework to monitor progress against a set of performance indicators, and will conduct annual performance reviews and a Project Completion Review of IDA 17. The Logical Framework and these reviews will be available on DFID's public website.

13. Contact

13.1 Further information concerning the proposed instrument can be obtained from Karen O'Riordan at the Department for International Development via email: (k-oriordan@dfid.gov.uk) or telephone (020 7023 1331).