EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (TWENTIETH REPLENISHMENT) ORDER 2022

2022 No. 1377

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. Purpose of the instrument

2.1 The International Development Association (Twentieth Replenishment) Order 2022 ('the Order') permits His Majesty's Government (the 'Government') to make further payments of an amount not exceeding £1,414 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. 248 entitled 'Additions to Resource: Twentieth Replenishment'.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 The attention of the Committee is drawn to the legislative context summarised in paragraph 6.2. The Instrument of Commitment has been deposited with the Association, so the Government is now bound to make the payment.

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 Andrew Mitchell, Minister of State (Minister for Development), Foreign Commonwealth and Development Office, has made the following statement regarding Human Rights:

"*In my view the provisions of the International Development Association (Twentieth Replenishment) Order 2022 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 2022 and June 2025 as part of the twentieth replenishment of the Association ('IDA20').

6.2 The Order is made under section 11 of the International Development Act 2002 ("IDA"), which empowers the Government to make relevant payments to multilateral development banks where it is bound to make such a payment. No obligation arises until the Government deposits an Instrument of Commitment (the "Instrument") with the Association which binds the United Kingdom to make the payment foreseen by article 3 of the Order. This raises a technical issue about the Order making power in section 11 of the IDA. 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 was approved by the House on 31 October 2022 and the Instrument deposited on 23 November 2022, enabling the Order to be made in the form of the draft.

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.

7.3 Negotiations on the Twentieth replenishment, which will be operational from beginning July 2022 to end June 2025, concluded in December 2021. The Association's Governors adopted the Twentieth Replenishment Resolution (Resolution No. 248) on 31 March 2022. A copy of Resolution No. 248 alongside the final twentieth replenishment Deputies Report has been laid in the House of Commons library.([1])

7.4 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

([1]) Resolution No. 248 is also available online at https://documents1.worldbank.org/curated/en/099841004042214431/pdf/IDU0071008f30a7bf04ecd0b4e00311325799dc2.pdf.

Nineteenth replenishment (2020) £3,062 million

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

7.6 The total envelope for the Nineteenth replenishment (intended to be from July 2020 to June 2023) was (USD) $82bn. In response to the COVID-19 pandemic, and with the agreement of the UK and other donors, the Association frontloaded (USD) $70 billion financing to Association countries between July 2020 to June 2022 to mitigate the impacts of the pandemic and to support recovery. This left just (USD) $12 billion of financing remaining for July 2022 to June 2023.

7.7 For the Association to provide significant volumes of ongoing support to Association countries, additional financial resources were required. In February 2021, with the agreement of Association donors and borrowers, the Association shortened the nineteenth replenishment from three to two years, thus ending it in June 2022, and brought forward the twentieth replenishment a year earlier than originally planned, to start in July 2022. The UK supported this decision.

7.8 The overarching aims of the Association's twentieth replenishment are to continue to support borrower countries to respond, recover, and rebuild from the pandemic, while forging greener, more resilient, and inclusive development. Following successful United Kingdom-led engagement, the twentieth replenishment incorporates policy commitments that are well-aligned to UK development priorities outlined in the United Kingdom's International Development Strategy. In particular, the twentieth replenishment will:

- provide health services to over 285 million people;
- close learning gaps and improve learning outcomes for girls in 20 Association countries;
- support Association countries to contain the COVID-19 pandemic through vaccine rollout, preventive measures, testing, treatment, and care;
- ensure that at least 35% of Association financing tackles climate change;
- fully align the Association's operations with the Paris Agreement by 2023;
- support women's empowerment, by expanding access to affordable sexual and reproductive, adolescent, and maternal health services, in at least 30 Association borrower countries;
- support all Association countries to strengthen preparedness for future crises;
- mobilise private sector investment to create jobs in Association borrower countries.

7.9 The Association is surging resources under the twentieth replenishment to respond to the growing global food insecurity, debt, and energy crises, under the World Bank

Group's overall (USD) $170 billion global response (from April 2022 – July 2023). The World Bank Group has also co-convened the Global Alliance for Food Security alongside the G7 and will make (USD) $30 billion available to tackle food insecurity specifically under its global response.

7.10 The Association intends to commit (USD) $35 billion in the first year of the twentieth replenishment (from June 2022 – July 2023). This financing will include efforts to encourage food and fertiliser production, enhance food systems, facilitate greater trade, and support vulnerable households and producers. The Association is accelerating new programmes, adapting existing programmes, and using its crisis tools – which the UK advocated for – to disburse this financing quickly, targeting those hardest hit. Examples of new financing include (USD) $2.3 billion to increase food availability across East and Southern Africa, providing immediate support to 2.3 million people in Ethiopia and Madagascar;[2] and (USD) $327.5 million to pastoralists in the Horn of Africa, providing support through droughts, supporting their herds, and aiming to improve livelihoods for 1.6 million people facing immediate food insecurity.[3]

7.11 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 the twentieth replenishment, for every £1 of grant finance provided by the United Kingdom, the Association will provide around £3.95 support to borrower countries (including resources carried over from the nineteenth replenishment).

7.12 By combining $23.5bn of new donor pledges, repayments on previous loans, and market borrowing, the twentieth replenishment will make $93bn of grants and loans available to 74 of the world's poorest countries between July 2022 and June 2025 – the largest replenishment in the Association's history.

7.13 The United Kingdom's £1,414 million contribution to the twentieth replenishment is the third largest donor contribution, accounting for 8.36% of donor contributions. Our pledge to the twentieth replenishment is a reduction of 54% compared to our previous pledge to the nineteenth replenishment. This will allow us to focus funding on UK bilateral programmes to support priorities in the International Development Strategy, including clean infrastructure investment, promoting British expertise, supporting women and girls, delivering humanitarian aid.

7.14 The twentieth replenishment 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 2022' made in accordance with section 11 of the IDA.

8. European Union Withdrawal and Future Relationship

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

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[2] https://www.worldbank.org/en/news/press-release/2022/06/21/world-bank-approves-2-3-billion-program-to-address-escalating-food-insecurity-in-eastern-and-southern-africa

[3] https://www.worldbank.org/en/news/press-release/2022/06/23/world-bank-boosts-pastoral-economies-and-climate-action-in-the-horn-of-africa

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 There is no significant impact on business, charities, or voluntary bodies.

12.2 There is no significant impact on the public sector.

12.3 A full 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 latest results measurement system, which was developed for the twentieth replenishment following consultation with donors, including the United Kingdom. This sets out what we can expect the twentieth replenishment to deliver, both in terms of development impact and operational performance. The Association will also host a Mid-Term Review of the Twentieth replenishment with donors in late 2023 to assess progress. In addition, the WBG 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 on the World Bank Group Board of Directors oversees the use of WBG resources.

14.3 Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results of the twentieth replenishment and demonstrate its value for money. FCDO's monitoring will be undertaken through its own annual reviews in 2023 and 2024, and a final project completion review in 2025. Evidence to inform the FCDO reviews will be drawn from multiple sources, including performance against the Association's results measurement system, the twentieth replenishment mid-term review, consultation with the UK Executive Director on the World Bank Group Board, and feedback from the FCDO posts.

14.4 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 (ICAI), whose recent report on the Association assessed it to be green/amber.

14.5 The instrument does not include a statutory review clause as it has no regulatory effect on business.

15. Contact

15.1 John-Paul Fanning at the Foreign, Commonwealth and Development Office (john-paul.fanning@fcdo.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Phil Stevens, Deputy Director for International Financial Institutions, at the Foreign, Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard.

15.3 Andrew Mitchell, Minister of State (Minister for Development), Foreign Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard.