

EXPLANATORY MEMORANDUM TO
THE INTERNATIONAL DEVELOPMENT ASSOCIATION (NINETEENTH
REPLENISHMENT) ORDER 2020

2020 No. [XXXX]

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for International Development (DFID) and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The Order permits the Secretary of State to make a further contribution of £3,062 million to the International Development Association (hereafter “IDA” or “the Association”) pursuant to arrangements that have been made between the Association and Her Majesty’s Government in accordance with Resolution No. 224 entitled ‘Additions to Resources: Nineteenth Replenishment’ adopted by the Board of Governors 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 This entire instrument applies to England, Wales and Northern Ireland only and is a financial instrument for the purposes of Standing Order No. 83T of the Standing Orders of the House of Commons relating to Public Business.
- 3.3 In the view of the Department, for the purposes of House of Commons Standing Order No. 83P of the Standing Orders of the House of Commons relating to Public Business, the subject-matter of this instrument would not be within the devolved legislative competence of any of the Northern Ireland Assembly as a transferred matter, the Scottish Parliament or the National Assembly for Wales if equivalent provision in relation to the relevant territory were included in an Act of the relevant devolved legislature

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 The Rt Hon Anne-Marie Trevelyan MP, 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 (Nineteenth Replenishment) Order 2020 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 The Order is being made to enable the Secretary of State to contribute further to IDA (the United Kingdom has contributed to the previous eighteen replenishments). The purpose of this further contribution, together with contributions pledged by other donors, is to provide the Association with commitment capacity for lending on highly concessional terms and to provide grants to the poorest countries in the world between July 2020 and June 2023.
- 6.2 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 they must make an order, which has Treasury approval and a draft of which has been approved by the House of Commons.

7. Policy background

What is being done and why?

- 7.1 The World Bank Group (WBG) is a global multilateral development bank. Its goals are to end extreme poverty and to promote shared prosperity. It is the largest development actor in the world and is also one of the most effective. The size and global reach of the WBG makes it one of the most important partners to the United Kingdom for achieving our poverty reduction aims.
- 7.2 The WBG pursues its goals through five separate institutions: IDA, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). IDA 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 most indebted countries globally. As the costs of doing this outweigh the returns on its loans, IDA needs to be replenished every three years by donors. Negotiations on the nineteenth replenishment (IDA19) concluded in December 2019, with funding available to client countries from July 2020.
- 7.3 The Association's replenishments are generally at three-year intervals. The United Kingdom's contributions to the last nine replenishments have been as listed below along with the year Parliamentary approval was gained in order to do so:

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 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 IDA 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

7.4 The overarching aims of IDA19 include addressing fragility, conflict and violence; tackling climate change; improving prevention and response for crises; stepping up its support for jobs and economic transformation; tackling inequality and boosting inclusion; and introducing a new debt sustainability framework. This reflects the critical importance of these factors in ending global poverty and reducing inequality and recognises that global poverty is becoming increasingly concentrated in fragile and conflict-affected environments.

7.5 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 IDA 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.

7.6 The United Kingdom’s contribution will also help to secure its priority commitments and reforms, further increasing the effectiveness of the IDA. Following successful engagement from the United Kingdom and others, the Association has committed to:

- 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; and
- implementation of the new sustainable development financing policy to help countries borrow better and more sustainably.

7.7 IDA will continue to leverage its balance sheet to borrow from the market to boost the Association's 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 in, the IDA19 is expected to deliver more than £3 in development commitments for its clients. Together with donors' pledges it has also resulted in the largest replenishment in IDA's history, with a record total size of \$82 billion of grants and loans being made available to the world's poorest people between July 2020 and Jun 2023. The United Kingdom will remain the Association's largest donor in IDA19 with a reported burden share of 12.07%.

7.8 The Association's Governors adopted the Nineteenth Replenishment Resolution (Resolution No. 224) on 31 March 2020. A copy of Resolution No. 239 has been laid in the House of Commons library.

7.9 In addition, the Resolution requires adjustments to the United Kingdom Instrument of Commitment for payments to the Association under the Multilateral Debt Relief Initiative. Authorisation for the payments to be made under these adjustments will be sought using a separate Order, under section 11 of the 2002 Act, the International Development Association (Multilateral Debt Relief Initiative) (Amendment) Order 2020. That Order will be laid at or around the same time as this Order.

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

12.2 There is no, or no significant, impact on the public sector.

12.3 An Impact Assessment has not been prepared for this instrument.

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 IDA's performance against the new Results Measurement System which was developed for IDA19 following consultation with shareholders, including the United Kingdom. This sets out what we can expect IDA19 to deliver, in terms of both development impact and operational performance. IDA's management will report on IDA's outputs as part of its Annual Report. IDA 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 (IEG).
- 14.2 The United Kingdom is represented on the Board of Governors by the Secretary of State for International Development. The United Kingdom 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 DFID will measure the results of IDA19 and demonstrate its value for money. DFID'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 DFID reviews will be drawn from a number of sources, including performance against IDA's Results Measurement System, the IDA19 Mid-Term Review, consultation with the UK Delegation to the World Bank, and feedback from DFID country offices. Other sources of information include internal and independent evaluations and reports by organisations, such as the Multilateral Organisation Performance Network (MOPAN).
- 14.4 The Order does not include a statutory review clause because it has no regulatory effect on business

15. Contact

- 15.1 Olivia Smith at the Department for International Development, o-smith@dfid.gov.uk, can be contacted with any queries regarding the instrument.
- 15.2 Phil Stevens, Deputy Director for International Financial Institutions at the Department for International Development can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Rt Hon Ann-Marie Trevelyan MP, Secretary of State for International Development, at the Department for International Development can confirm that this Explanatory Memorandum meets the required standard.