

**EXPLANATORY MEMORANDUM TO**  
**THE CARIBBEAN DEVELOPMENT BANK (SIXTH REPLENISHMENT OF**  
**THE UNIFIED SPECIAL DEVELOPMENT FUND) ORDER 2006**

**2006 No.2325**

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 £23,492,000 to the Unified Special Development Fund of the Caribbean Development Bank pursuant to arrangements that have been made between the Caribbean Development Bank and Her Majesty's Government in accordance with the Resolution of Contributors to the Unified Special Development Fund of the Caribbean Development Bank (SDF 6) adopted by the Bank's Board of Directors on 13 October 2005.
- 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 payment of the £23,492,000.

**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. However, the Government will not become bound to make the relevant payment until it has deposited with the Caribbean Development Bank an Instrument of Contribution. 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 payment 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 Subscription, 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 Subscription.
- 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 five previous occasions) to the Unified Special Development Fund of the Caribbean Development Bank. The purpose of this further contribution, together with contributions pledged by other donors, is to provide the Fund with commitment capacity for its continued lending on highly concessional terms to the poorest countries in the Caribbean region over the four-year period, 2005-2008. As stated above, section 11 of the International Development Act 2002 permits the Secretary of State to make a relevant payment to a multilateral development bank 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 Caribbean Development Bank (Sixth Replenishment of the Unified Special Development Fund) Order 2006 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 reducing 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 21<sup>st</sup> Century", and reaffirmed in the 2000 White Paper "Eliminating World Poverty: Making Globalisation Work for the Poor". The Department seeks to further this objective in part through a combination of bilateral programmes and contributions to various international financial institutions such as the Caribbean Development Bank.

7.2 The Caribbean Development Bank is a regional development bank established in 1969. Its purpose is to foster economic growth and development of the member countries in the Caribbean and to promote economic co-operation and integration among them, having special regard to the less developed members of the region. The major regional shareholders are Jamaica and Trinidad & Tobago (both with 17.91% shares and 17.54% votes). The major non-regional shareholders are the United Kingdom and Canada (both with 9.63% shares and 9.5% votes).

7.3 The Caribbean Development Bank is structured along similar lines to the World Bank, with two main lending windows: Ordinary capital resources (OCR) which lends at market rates of interest; and the Unified Special Development Fund (SDF) which lends on concessional terms to the poorest member countries. The Unified Special Development Fund was established by the Caribbean Development Bank in 1970 and is primarily donor funded. It is replenished usually every four years. Negotiations on the sixth replenishment of the Unified Special Development Fund (SDF 6) commenced in November 2004 and were concluded in October 2005.

7.4 Since the creation of the Special Development Fund, there have been five replenishments. The United Kingdom has contributed to these replenishments as follows:

**1<sup>st</sup> Replenishment 1984-1987:** £42,800,000 (including contributions from earlier special funds)

**2<sup>nd</sup> Replenishment 1988-1991:** £9,252,510

**3<sup>rd</sup> Replenishment 1992-1995:** £10,578,000

**4<sup>th</sup> Replenishment 1996-2000:** £10,600,000

**5<sup>th</sup> Replenishment 2001-2004:** £17,496,000

7.5 As stated above, the purpose of the present Order is to enable the Government to make a contribution to the sixth replenishment of the Caribbean Development Fund of a sum of £23,492,000. This amount was reached through negotiations with the Contributors to the Caribbean Development Bank's Unified Special Development Fund. Contributors adopted the Sixth

Replenishment Resolution on 13 October 2005 (A copy of the Resolution of Contributors to the Unified Special Development Fund of the Caribbean Development Bank (SDF 6) has been laid in the House of Commons library together with the SDF 6 Contributors Report). Contributors agreed that new contributions to the replenishment should total US\$184million. The United Kingdom's contribution to this (£23,492,000) will represent around 23.9 per cent of the total. Although the amount of the United Kingdom's contribution is set out at the end of the resolution, the United Kingdom is not formally bound to make this contribution until the Government has deposited with the Caribbean Development Bank an Instrument of Contribution, at which point the contribution immediately becomes effective. In accordance with the Resolution, the United Kingdom's contribution will be paid in four annual instalments beginning not earlier than 1 April 2006, 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 Saltford at the Department for International Development via email ([j-saltford@dfid.gov.uk](mailto:j-saltford@dfid.gov.uk)) or telephone (020 7023 0145).

Department for International Development  
March 2006