

EXPLANATORY MEMORANDUM TO
THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
(ELEVENTH REPLENISHMENT) ORDER 2018

2018 No. 904

1. Introduction

- 1.1 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.
- 1.2 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 not exceeding £66,000,000 to the International Fund for Agricultural Development (hereafter “IFAD”) pursuant to arrangements that have been made between IFAD and the Government of the United Kingdom in accordance with Resolution No. 203/XLI of the Governing Council of IFAD on 14 February 2018.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 The proposed Order is being made to enable the Secretary of State to contribute further to IFAD (the UK has contributed to the previous ten replenishments). The purpose of this contribution, together with contributions pledged by other Member States, is to provide IFAD with commitment capacity for its continued provision of grants and loans on concessional terms to developing countries during the three-year period of the Eleventh Replenishment from 2019 to 2021.

Other matters of interest to the House of Commons

- 3.2 Disregarding minor or consequential changes, the territorial application of this instrument includes Northern Ireland and is not a financial instrument that relates exclusively to England, Wales and Northern Ireland.

4. Legislative Context

- 4.1 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. Extent and Territorial Application

- 5.1 The extent of this instrument applies to all of the United Kingdom.
- 5.2 The territorial application of this instrument is all of the United Kingdom.

6. European Convention on Human Rights

6.1 Penny Mordaunt, the Secretary of State for International Development, has made the following statement regarding Human Rights:

“In my view the provisions of the International Fund for Agricultural Development (Eleventh Replenishment) Order 2018 are compatible with the Convention rights.”

7. Policy background

What is being done and why

7.1 The 2017 report on the State of Food Security and Nutrition in the World¹ shows that, after a decade of decline, hunger is on the rise again. There are now over 815 million people in extreme poverty and hunger. Seventy-five per cent of these people live in rural areas. Achieving the Sustainable Development Goals, particularly the first two (on eliminating poverty and hunger), clearly requires a focus on rural areas.

7.2 IFAD is an international financial institution (IFI) and specialised United Nations (UN) agency that focuses exclusively on eradicating poverty and hunger in rural areas of developing countries. It provides grants and low-interest loans to governments to finance rural development programmes to enable poor rural people to improve their food and nutrition security, increase their incomes and strengthen their resilience. IFAD places particular emphasis on agriculture as business, creating economic opportunities and empowering women. It works in approximately 100 countries, with a particular focus on Africa: 40 per cent of financing is dedicated to sub-Saharan Africa and 50 per cent to Africa as a whole.

7.3 IFAD replenishments are generally at three-year intervals. The United Kingdom has supported IFAD since its inception in 1977 and has contributed to the last ten replenishments as follows:

Initial Contribution	£18,000,000
1st Replenishment	£12,901,127
2nd Replenishment	£ 9,226,517
3rd Replenishment	£11,305,433
4th Replenishment	£13,586,773
5th Replenishment	£18,531,000
6th Replenishment	£19,707,000
7th Replenishment	£27,725,000
8th Replenishment	£33,852,000
9th Replenishment	£51,132,720
10th Replenishment	£57,077,000

7.4 Member State contributions have increased over recent replenishments, reflecting the importance of IFAD’s mandate and IFAD’s ongoing commitment to reform. IFAD has improved its performance and independent evaluations show IFAD’s focus on continuing to deliver better results. By making grants and loans to developing countries, IFAD also mobilises countries’ own financing for development, both through their loan repayments and their co-financing of IFAD programmes. IFAD

¹ The State of Food Security and Nutrition in the World 2017, Building resilience for peace and food security, FAO, IFAD, UNICEF, WFP and WHO, Rome, FAO: <http://www.fao.org/3/a-I7695e.pdf>

programmes attract other investors, including the private sector. IFAD has increased its Programme of Loans and Grants (PoLG) through sovereign borrowing and is introducing concessional partner loans in IFAD11.

- 7.5 The Governing Council of IFAD adopted the Eleventh Replenishment Resolution (Resolution No.203/XLI) on 14 February 2018. A copy of Resolution No. 203/XLI has been laid in the House of Commons library. In accordance with Resolution No. 203/XLI, 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.

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 There is no impact on business, charities or voluntary bodies.
- 10.2 There is no impact on the public sector.
- 10.3 An Impact Assessment has not been prepared for this instrument because no impact on business is foreseen.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses in the United Kingdom.

12. Monitoring & review

- 12.1 The 2016 UK Multilateral Development Review (MDR) highlighted IFAD's unique mandate that is critical to achieving the Global Goals of reducing hunger and poverty; its strong results framework and commitment to improving delivery of results; as well as the fact that IFAD is considered as a trusted partner by developing countries.
- 12.2 The MDR also found that IFAD needed to do more to improve its efficiency and value for money. Reforms agreed by Member States and IFAD are set out in the Commitment Matrix of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources, Leaving no one behind: IFAD's role in the 2030 Agenda². These include: a Results Management Framework that disaggregates by gender and age, ensuring a focus on women and girls, and youth; increasing allocations of core funding to the poorest countries least able to self-finance; mainstreaming work on climate change, and nutrition; introducing a value for money scorecard to monitor progress in improving economy, efficiency, effectiveness, and equity; developing a transition framework; addressing the needs of people with disabilities; and supporting UN system-wide reform.

² See Report of the Consultation on the Eleventh Replenishment of IFAD's Resources, Leaving no one behind: IFAD's role in the 2030 Agenda, IFAD Governing Council, February 2018, <https://webapps.ifad.org/members/gc/41/docs/GC-41-L-3-Rev-1.pdf>

- 12.3 IFAD's annual Report on Impact and Development Effectiveness (RIDE), submitted to IFAD's Executive Board, will report against the Results Framework agreed for IFAD 11. This covers development impact as well as improvements in operational performance and efficiency. IFAD's activities are evaluated by an Independent Office of Evaluation, which publishes evaluations of country programmes and an Annual Report on Results and Impact (ARRI). Impact evaluation will also be used to measure progress against IFAD's targets, including to: reach 110-130 million people; improve the market access of 46 million people; improve the agricultural production of 47 million people; and enable 44 million people to experience economic mobility. IFAD's financial data is audited by an independent, external auditor.
- 12.4 The UK is a member of IFAD's Executive Board and the Department for International Development (DFID) monitors IFAD's performance as part of its ongoing engagement with IFAD, working closely with other Member States through governing bodies in overseeing IFAD's performance and use of resources. DFID will monitor delivery and continue to review progress in both operational and administrative effectiveness and efficiency through regular monitoring and conducting annual reviews. In addition, the UK will use payment by results to incentivise reform. Thirty per cent of the UK's core funding will be linked to IFAD's performance in delivering commitments that are aligned with UK priorities included in the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources Consultation.

13. Contact

- 13.1 Elizabeth Nasskau at the Department for International Development (telephone: +39 06 4220 4900 or email: e-nasskau@dfid.gov.uk) can answer any queries regarding the instrument.