

EXPLANATORY MEMORANDUM TO
THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
(TWELFTH REPLENISHMENT) ORDER 2023

2023 No. [XXXX]

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 Fund for Agricultural Development (Twelfth Replenishment) Order 2023 ('the Order') permits His Majesty's Government (the 'Government') to make further payments of an amount not exceeding £36.96 million to the International Fund for Agricultural Development ('IFAD'). These payments will be pursuant to arrangements that have been made between IFAD and the Government in accordance with Resolution 219/XLIV on the 'Twelfth Replenishment of IFAD's Resources'.

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 draft Order will not be made until the Government is bound to make the payment by the deposit of the Instrument of Contribution with IFAD.

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 (Development and Africa), Foreign Commonwealth and Development Office, has made the following statement regarding Human Rights:

"In my view the provisions of the International Fund for Agricultural Development (Twelfth Replenishment) Order 2023 are compatible with the Convention rights."

6. Legislative Context

- 6.1 This Order is being made to enable the United Kingdom to make a further contribution to IFAD (the UK has contributed to the previous eleven 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 as part of

the Twelfth Replenishment of IFAD, ('Twelfth Replenishment'), covering the period from 2022 to 2024.

- 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 Contribution (the 'Instrument') with IFAD 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 is being laid at this time to secure the approval of the House, but it will not be made until the Instrument has been deposited with IFAD.

7. Policy background

What is being done and why?

- 7.1 The 2022 annual State of Food Security and Nutrition in the World report confirms an increase in hunger, food insecurity, and malnutrition in all its forms. Between 702 and 828 million people were affected by hunger in 2021. The number has grown by about 150 million since the outbreak of the COVID-19 pandemic – 103 million more people between 2019 and 2020 and 46 million more in 2021.
- 7.2 The report highlights continuing regional disparities, with Africa bearing the heaviest burden. Russia's invasion of Ukraine is also making many African countries more vulnerable to disruptions in grain supply and has further exacerbated food security conditions globally.
- 7.3 IFAD is an International Financial Institution and a specialised United Nations agency with global reach that is dedicated exclusively to eradicating poverty and hunger in the rural areas of the poorest countries.
- 7.4 IFAD focuses on those who are most at risk of being left behind: poor, small-scale food producers, women, young people, indigenous peoples, and other vulnerable groups. It provides grants and concessional loans to governments to finance rural development programmes to improve food and nutrition security, increase incomes and strengthen resilience, including to the effects of climate change.
- 7.5 IFAD is committed to delivering measurable results and conducts impact assessments to help continually improve performance, enhance sustainability, and increase value for money. IFAD was ranked first overall in the 2021 Quality of Official Development Assistance report¹, that focuses on aid effectiveness, published by the Center for Global Development.
- 7.6 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 eleven replenishments as follows:

Initial Contribution	£18,000,000
1st Replenishment	£12,901,127

¹ See: <https://www.cgdev.org/quoda-2021>

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
11th Replenishment	£66,000,000

- 7.7 Negotiations on IFAD's Twelfth Replenishment, which covers the period from January 2022 to December 2024, concluded in February 2021. IFAD's Governors adopted the Twelfth Replenishment Resolution (Resolution 219/XLIV) on 18th February 2021. A copy of Resolution 219/XLIV alongside the final Twelfth Replenishment Report has been deposited in the House of Commons library.² Following reviews of Official Development Assistance (ODA) and multilateral spend, Ministers communicated a UK pledge of £36.96 million to IFAD in June 2022, subject to Parliamentary approval.
- 7.8 The overarching theme of the Twelfth Replenishment is 'Recovery. Rebuilding. Resilience.' following the COVID-19 global pandemic. The Twelfth Replenishment will allocate 100 per cent of core replenishment funding to the poorest countries. 40 per cent of financing is dedicated to sub-Saharan Africa and 50 per cent to Africa as a whole. During the Twelfth Replenishment, IFAD aims to:
- Increase the incomes of over 60 million people;
 - Improve the production of 50 million people;
 - Improve market access for over 50 million people; and
 - Enhance the resilience of 28 million people.
- 7.9 IFAD will continue to strengthen its focus on adaptation to climate change and at least 40 per cent of core funding will support this. As IFAD targets the poorest, most vulnerable people in some of the hardest to reach areas, IFAD is well-placed to help rural communities access climate finance through its programmes to adapt to the effects of climate change and build resilience. During the Twelfth Replenishment, IFAD will also support recipient Member States to implement their national climate-related actions plans, including nationally determined contributions (NDCs), in line with international climate agreements.
- 7.10 IFAD will continue to promote social inclusion through its investments, focusing on gender equality and women's empowerment, nutrition, youth and youth employment, indigenous peoples, and persons with disabilities.

² Resolution 219/XLIV is also available online at <https://webapps.ifad.org/members/gc/44/docs/GC-44-Resolutions.pdf>

- 7.11 With 80 per cent of the world's extremely poor people estimated to live in fragile situations by 2030, IFAD will step up its engagement in fragile contexts in the Twelfth Replenishment, with a focus on the Sahel and Horn of Africa, strengthening collaboration with partners to help reduce humanitarian need. During the Twelfth Replenishment, at least 25 per cent of core resources will be dedicated to fragile situations.
- 7.12 In October 2020, IFAD obtained AA+ credit ratings from Fitch and from Standard & Poor. This will allow IFAD to increase its sovereign borrowing for on-lending to support credit-worthy middle-income countries in tackling rural poverty and climate change, ensuring that all core replenishment funding focuses on the poorest countries. This is also in line with the UK International Development Strategy emphasis on leveraging ODA and forging innovative partnerships.
- 7.13 The United Kingdom's £36.96 million contribution to the Twelfth Replenishment is a reduction of 44 per cent compared to the UK's pledge to IFAD's previous eleventh replenishment. This reflects the reduction in ODA resources available to FCDO and balances continued engagement in IFAD with funding for priorities in the International Development Strategy, including the UK's bilateral programmes and delivering humanitarian aid.

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.

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 this legislation is to assess IFAD's performance against its results measurement framework for the Twelfth Replenishment, agreed as part of the replenishment consultation with all Member States, including the United Kingdom.

- 14.2 IFAD's annual Report on Impact and Development Effectiveness is submitted to IFAD's Executive Board, of which the United Kingdom is an active member. It will report against the Twelfth Replenishment results framework that covers development impact as well as improvements in operational performance and efficiency. IFAD's activities are also evaluated by an Independent Office of Evaluation, which publishes evaluations of country programmes and an Annual Report on Results and Impact. Impact evaluation will also be used to measure progress against IFAD's targets. IFAD's financial data is audited by an independent, external auditor.
- 14.3 The FCDO 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. FCDO will conduct annual reviews to monitor progress in both operational and administrative effectiveness and efficiency. Evidence to inform the FCDO reviews will be drawn from multiple sources, including IFAD reporting, independent evaluations, feedback from FCDO posts, and other sources of information such as the Multilateral Organisation Performance Assessment Network report, due in 2023.

15. Contact

- 15.1 Elizabeth Nasskau at the Foreign, Commonwealth, and Development Office, Telephone: +39 4220 4900 or email: Elizabeth.Nasskau@fcdo.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Richard Teuten, Deputy Director for the Economic Growth Department at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Andrew Mitchell, Minister of State (Development and Africa) at the Foreign, Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard.