EXPLANATORY MEMORANDUM TO

THE CARIBBEAN DEVELOPMENT BANK (ELEVENTH REPLENISHMENT OF THE SPECIAL DEVELOPMENT FUND (UNIFIED)) ORDER 2026

2026 No. 365

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. Declaration

2.1 Chris Elmore MP, Parliamentary Under-Secretary of State at the Foreign, Commonwealth and Development Office confirms that this Explanatory Memorandum meets the required standard.

2.1 Chris Bold, Deputy Director for International Financial Institutions at the Foreign, Commonwealth and Development Office confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Nick Wright at the Foreign, Commonwealth and Development Office can be contacted by email at the following address with any queries regarding the instrument: fcdo.correspondence@fcdo.gov.uk. Alternatively, the department can be contacted by telephone: 020 7008 5000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Caribbean Development Bank (Eleventh Replenishment of the Special Development Fund (Unified)) Order 2026 (the 'Order') permits His Majesty's Government (the 'Government') to make further payments of an amount up to and not exceeding £21 million towards the replenishment of the Special Development Fund (the 'Fund') of the Caribbean Development Bank (the 'Bank'). The payments will be pursuant to arrangements that have been made between the Bank and the Government in accordance with the resolution titled 'Replenishment of the resources of the Special Development Fund (Unified) eleventh cycle (SDF 11)' adopted by the contributors to the Fund on 14th March 2025.

Where does the legislation extend to, and apply?

4.2 The extent of this Order (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.3 The territorial application of this Order (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why

5.1 The Fund is a concessionary funding pool managed by the Bank.

5.2 The Bank is a regional multilateral development bank. The Bank's mission is to reduce poverty and transform lives through sustainable, resilient and inclusive development. It is the sole multilateral development bank exclusively focused on the Caribbean and is the only multilateral development bank to lend to the UK Overseas Territories. In 2024, the Bank provided over USD$300m in development finance to the region, including projects on water, renewable energy, education, health, and budget support for governments.

5.3 The Fund provides concessional loans and grant funding for the Bank's poorest and most vulnerable members. Financing is used to improve prosperity, support improvements in education, help countries to adapt to the impacts of climate change, ensuring infrastructure is designed and built to withstand future climate changes. Due to the heavily concessional nature of the funding provided, the Fund needs to be replenished every four years by donors.

5.4 Negotiations on the Eleventh Replenishment ('SDF 11'), concluded in March 2025. The contributors to the Fund, including the UK, adopted the Eleventh Replenishment resolution on 14th March 2025.

5.5 Contributions to the Fund come from member countries of the Bank as well as income from the Bank's own resources. The strategic framework for SDF 11 will focus on the following five pillars of resilience:

a) Building environmental resilience to respond to and recover from environmental stresses and disasters whilst maintaining critical functions to support communities including climate adaptation and mitigation, disaster risk management, and promoting sustainable or renewable energy solutions;

b) Building social resilience for communities to withstand and recover from social and economic shocks, focused on education and training, water and sanitation, social protection, and crime and citizen security;

c) Building production resilience in areas and sectors such as resilient infrastructure, logistics and food security, and the private sector development of micro, small and medium-sized enterprises;

d) Building financial resilience to enhance the financial capability of systems and practices to improve the response of communities and public and private organisations to manage risks;

e) Building institutional resilience to enhance the operational efficiency and ability of institutions to withstand and respond to challenges.

5.6 Contributors also agreed that these themes will be supported by the cross-cutting areas of gender equality, good governance (including evidence-based decision-making), innovation (including digitalisation) and regional cooperation and integration.

5.7 This Order authorises the Government to make a payment of up to £21 million to SDF 11. This will enable the UK to maintain its position as the second largest contributor and reflects the UK's commitment to the Caribbean Region and its strong track record of working in partnership with recipient countries and delivering sustainable growth.

5.8 SDF 11 is already active, having become effective in January 2025. The FCDO has agreed with the Bank to make three equal payments of £5.25 million over the 2025/26 to 2027/28 financial years with a further option to make the final £5.25 million payment subject to agreement between the FCDO and the Bank.

What was the previous policy, how is this different?

5.9 It has been longstanding policy to work through the multilateral system to deliver on the UK's development objectives. Multilateral development banks sit at the heart of the development architecture as one of the largest sources of development finance. They form part of the core response to end extreme poverty and to tackle climate change and biodiversity loss. They work to help borrowers secure sustainable economic growth and achieve self-reliance to make progress across all Sustainable Development Goals. Contributing to SDF 11 is consistent with these aims.

6. Legislative and Legal Context

How has the law changed?

6.1 The effect of the Order is to authorise the Government to contribute up to £21 million to SDF 11. This will maintain the UK's position as the second largest donor.

Why was this approach taken to change the law?

6.2 Contributing to SDF 11 is a 'relevant payment' within the meaning of section 11(2) of the International Development Act 2002 and, in accordance with section 11(5), an Order approved by the House of Commons is required for the payment to be made.

7. Consultation

Summary of consultation outcome and methodology

7.1 Not relevant in the context of this Order.

8. Applicable Guidance

8.1 This Order authorises the FCDO (on behalf of the Government) to make payments to the Fund, so guidance is not needed.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because no significant direct impact on businesses in the UK is foreseen.

Impact on businesses, charities and voluntary bodies

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

9.3 The legislation does not impact small or micro businesses.

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

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 Progress on the Fund's operations will be monitored and tracked at three levels, focusing on development outcomes and operational performance, with targets that are specific to programmes and projects that are wholly or partly funded by the Fund. Level 1 tracks progress toward the Sustainable Development Goals and regional outcomes; Level 2 measures the Bank's development impact under five resilience themes; Level 3 assesses how well the Bank manages its operations. The projections presented in the Funds Results Monitoring Framework (the 'Framework') leverages extensive data from the Bank's project management tools, resource documents, and financial systems to report on achievements of the Fund's previous replenishment and to support projections for the period 2025-2028. The Framework was developed as part of the consultation with donors, including the UK.

10.2 The Framework sets out what shareholders can expect the Bank to deliver in terms of development impact. While broadly the Framework reports results achieved by the whole of the Bank, there are a small number of results specific to the Fund. The Bank will undertake a Mid-Term Review of the Fund with donors in late 2026 to assess progress. In addition, the Bank's activities are regularly evaluated by the Bank's Office of Independent Evaluation. As agreed with donors, the SDF 11 Framework will also report separately on outcomes from the 'Basic Needs Trust Fund' and 'Haiti Grant' activities. Both are core cyclical programmes under the Fund aimed at reducing poverty and improving the quality of life in vulnerable communities across participating Caribbean countries and Haiti specifically

10.3 The UK is represented on the Board of Governors by the Minister for Development. The UK's Executive Director and Alternate Executive Director on the Bank's Board of Directors oversee the use of the Bank's resources.

10.4 Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results of SDF 11 and demonstrate its value for money. FCDO's monitoring will be undertaken through its own annual reviews in 2026 and 2027, and a final project completion review in 2028. Evidence to inform the FCDO reviews will be drawn from multiple sources, including performance against the Framework, the Fund's Mid-Term Review, consultation with the UK Executive and Alternate Executive Directors on the Banks board, and feedback from FCDO posts in the region.

10.5 Other sources of information include external and independent evaluations and reports by organisations such as the Multilateral Organisation Performance Network.

10.1 The Order does not include a statutory review clause because it has no regulatory effect on businesses.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 Section 11 of the International Development Act 2002 provides powers for the Government to make relevant payments to multilateral development banks where it is bound to do so. No obligation arises until the Government deposits an Instrument of Contribution (the 'Instrument') with the Bank which binds the UK to make payment foreseen by article 3 of the Order. This raises a technical issue about the Order making

power in section 11. 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 payment by the deposit of the Instrument. The draft Order was approved by the House of Commons on 23rd February 2026 and the Instrument deposited on 20th March 2026, enabling the Order to be made in the form of the draft.

12. European Convention on Human Rights

12.1 The Parliamentary Under-Secretary of State has made the following statement regarding Human Rights: "In my view the provisions of the Caribbean Development Bank (Eleventh Replenishment of the Special Development Fund (Unified)) Order 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This Order is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ('relevant European Union Acts'). It does not trigger the statement requirements under the relevant European Union Acts.