EXPLANATORY MEMORANDUM TO

THE INTER-AMERICAN INVESTMENT CORPORATION (FURTHER PAYMENTS TO CAPITAL STOCK) (AMENDMENT) ORDER 2026

2026 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. Declaration

2.1 Chris Elmore MP, Parliamentary Under-Secretary of State (Multilateral, Human Rights, Latin America, Caribbean) at the Foreign, Commonwealth and Development Office confirms that this Explanatory Memorandum meets the required standard.

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

3. Contact

3.1 Sara Labbate De Kruijf at the Foreign, Commonwealth and Development Office (sara.labbatedekruijf@fcdo.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Inter-American Investment Corporation (Further Payments to Capital Stock) (Amendment) Order 2026 (the 'Order') permits His Majesty's Government (the 'Government') to further increase its shareholding in the Inter-American Investment Corporation (the 'Corporation') by an additional contribution of US $25 million, making a total investment of up to US $131 million. The payments will be pursuant to arrangements that have been made between the Corporation and the Government in accordance with Resolution CII/AG-5/24 entitled 'New Vision and Business Model for the Inter-American Investment Corporation: Capitalisation Proposal and Implementation Plan' adopted by the Board of Governors of the Corporation on 10th March 2024.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (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 instrument (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 Inter-American Development Bank Group (the 'Group') is the largest source of development finance in Latin America and the Caribbean, with the Group's overall financing reaching ~US$35 billion in 2025. The Group is a key partner for the Government's global and regional objectives for tackling poverty and promoting sustainable development, with action on climate change, biodiversity protection, and pandemic and disaster preparedness. The Group's Institutional Strategy up to 2030 focuses on three pillars: reducing poverty and inequality, addressing climate change and bolstering sustainable regional growth to achieve the United Nation's Sustainable Development Goals ('SDGs').

5.2 The Group has two main arms: The Inter-American Development Bank (the 'Bank') which lends to sovereign governments (~US$18 bn in 2025); and the Corporation which invests in the private sector (~US$13bn in 2025). The Group also mobilised third-party financing (~US$5 bn in 2025). The UK has a shareholding of 0.96% in the Bank and 0.22% in the Corporation.

5.3 At the 2024 Annual Meeting, the Group's shareholders, including the UK, unanimously agreed to a $3.5 bn capital increase for the Corporation. This will more than double its capital base over the period 2025 to 2031. This capital injection will support the Corporation's shift to an Originate-to-Share business model, which will increase the scale and impact of its private sector operations, with greater levels of lending and mobilisation. The Corporation's recapitalisation and the full implementation of its Originate-to-Share business model are expected to raise total activity for private sector projects to more than US$20 billion annually over the next decade.

5.4 The FCDO has been a strong supporter of the Corporation's reforms. They align to the G20's (including the UK) broader calls for the Global Financial System to increase the volume of financing for developing countries, including through better allocation of capital resources, and stronger partnership with private investors.

5.5 This Order authorises the FCDO on behalf of the Government to further increase its shareholding by providing an additional US$25 million to the Corporation, increasing the total UK investment to approximately US$131 million. This will enable the UK to increase its shareholding from 0.22% to 1.83%. This change would increase the UK's influence and representation at the Board of Directors (which is related to level of shareholding).

5.6 The Inter-American Investment Corporation (Further Payments to Capital Stock) Order 2025 (the '2025 Order'), which was approved by Parliament in November 2024 and made in July 2025, authorised the UK to increase its shareholding in the Corporation from 0.22% to 1.5% at an estimated cost of $106 million based on the expected number of shares available. The Explanatory Memorandum (paragraph 5.10) for the 2025 Order explained that the Corporation would reallocate any initial shares not taken up by shareholders at the end of the subscription period in March 2026. The UK as a new member of the Corporation was offered the first option to purchase additional shares.

5.7 When the Corporation's shares subscription period closed on 10 March 2026, more shares had been relinquished than expected due to several non-regional shareholders choosing not to take up their full allocations. This is primarily driven by wider domestic aid budget reductions.

5.8 This offers the UK a strategically valuable opportunity to increase its shareholding beyond the level originally authorised, providing us with a route to deepen our influence within the institution and strengthen our overall shareholding at an additional cost of US$25 million.

5.9 If not approved, the UK would forgo a rare chance to enhance its influence within the Corporation. No immediate curtailment of other activities is anticipated.

What was the previous policy, how is this different?

5.10 Investment in the Corporation is consistent with longstanding UK policy to deliver development objectives through multilateral development banks.

5.11 Amount of cost extension: US$25 million

6. Legislative and Legal Context

How has the law changed?

6.1 The effect of the Order is to authorise the Government to purchase additional shares to the value of US$25 million in the Corporation. This will increase the UK's total investment to US$131 million, increasing shareholding from 0.22% to 1.83%.

Why was this approach taken to change the law?

6.2 The purchase of additional shares in the Corporation is a relevant payment within the meaning of section 11(3) of the International Development Act 2002 ('IDA') and 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 instrument.

8. Applicable Guidance

8.1 This Order authorises FCDO (on behalf of the Government) to make payments to the Corporation, 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 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 The Group approved a new impact framework (2024 – 2030) in September 2024 following consultation with shareholders, including the UK, that sets targets for the

efficiency and effectiveness of the Group's operations and the impact on poor people, tackling climate change, supporting the Caribbean and other key areas. The impact framework includes specific targets for the Corporation, which also have its own institutional level scorecard. The Corporation's management will review outputs as part of its wider Annual Report and the Group wide Development Effectiveness Overview Report that is published every March and in report to the Board of Governors at the Annual Meeting. Regular and effective monitoring, reviewing and lesson learning are critical to how FCDO will measure the results of the Corporation's increase in capital stock and demonstrate its value for money. FCDO monitoring will be undertaken through its own Annual Reviews and a final Project Completion Report of the Corporation in 2031. Evidence to inform the FCDO reviews will be drawn from a number of sources, including reporting and independent evaluation within the Group, consultation with the UK Representative, resident at the Group's Headquarters, and feedback from FCDO's offices overseas.

10.2 The legislation does not include a statutory review clause because it has no regulatory effect on business.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 Section 11 of IDA 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 Subscription (the 'Instrument') with the Corporation which binds the UK to make the relevant payment. 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 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 is deposited.

12. European Convention on Human Rights

12.1 Chris Elmore MP, Parliamentary Under-Secretary of State (Multilateral, Human Rights, Latin America, Caribbean), has made the following statement regarding Human Rights:

"In my view, the provisions of the Inter-American Investment Corporation (Further Payments to Capital Stock) (Amendment) Order 2026 are compatible with the Convention rights".

13. The Relevant European Union Acts

13.1 This instrument 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.