

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Sixth Delegated Legislation Committee

DRAFT INTER-AMERICAN INVESTMENT
CORPORATION (IMMUNITIES AND PRIVILEGES)
ORDER 2022

Tuesday 8 November 2022

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Saturday 12 November 2022

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The Committee consisted of the following Members:

Chair: †JAMES GRAY

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| † Callaghan, Amy (<i>East Dunbartonshire</i>) (SNP) | † Mackrory, Cherilyn (<i>Truro and Falmouth</i>) (Con) |
| † Collins, Damian (<i>Folkestone and Hythe</i>) | † McDonnell, John (<i>Hayes and Harlington</i>) (Lab) |
| † Duddridge, Sir James (<i>Rochford and Southend East</i>) | † Russell-Moyle, Lloyd (<i>Brighton, Kemptown</i>) (Lab/
Co-op) |
| † Ford, Vicky (<i>Chelmsford</i>) (Con) | † Rutley, David (<i>Parliamentary Under-Secretary of
State for Foreign, Commonwealth and Development
Affairs</i>) |
| † Hamilton, Fabian (<i>Leeds North East</i>) (Lab) | † Sheerman, Mr Barry (<i>Huddersfield</i>) (Lab/Co-op) |
| † Harris, Rebecca (<i>Comptroller of His Majesty's
Household</i>) | † Tolhurst, Kelly (<i>Rochester and Strood</i>) |
| † Hillier, Dame Meg (<i>Hackney South and Shoreditch</i>)
(Lab/Co-op) | |
| † Holmes, Paul (<i>Eastleigh</i>) (Con) | Jonathan Edwards, Natalia Janiec-Janicki,
<i>Committee Clerks</i> |
| † Jones, Gerald (<i>Merthyr Tydfil and Rhymney</i>) (Lab) | |
| † Latham, Mrs Pauline (<i>Mid Derbyshire</i>) (Con) | |
| † Lopresti, Jack (<i>Filton and Bradley Stoke</i>) (Con) | † attended the Committee |

Sixth Delegated Legislation Committee

Tuesday 8 November 2022

[JAMES GRAY *in the Chair*]

Draft Inter-American Investment Corporation (Immunities and Privileges) Order 2022

2.30 pm

The Parliamentary Under-Secretary of State for Foreign, Commonwealth and Development Affairs (David Rutley): I beg to move,

That the Committee has considered the draft Inter-American Investment Corporation (Immunities and Privileges) Order 2022. It is a pleasure to serve with you in the Chair, Mr Gray. It is also a great honour to be here with esteemed colleagues, and I want to highlight my appreciation of the amazing work that a number of hon. Friends have done in the Foreign, Commonwealth and Development Office, and it is honour to serve in this Committee in their presence. And of course it is also an honour to be here with my hon. Friend the Member for Castle Point, with whom I served in the Whips Office for a long time. She is one particular Whip of whom we should take notice, and I will always be present when she wants me to be.

The statutory instrument, which is subject to the affirmative procedure, was laid before Parliament in draft on 11 October 2022. It will be made once it is approved by both Houses. It confers immunities and privileges on the private sector lending arm of the Inter-American Development Bank Group, the Inter-American Investment Corporation. That arm of the bank is known commercially as IDB Invest, and I shall refer to it as such.

The Inter-American Development Bank Group works to promote greater security and stability within Latin America and the Caribbean. The bank is a key partner as we work towards our objectives in the region. Those objectives include promoting democracy and economic growth, preventing organised crime and taking action on climate change, which I know is a huge issue for many members of the Committee. We are also working to deepen trade and investment relationships and to prevent and prepare for the next pandemic.

The Inter-American Development Bank Group is an international financial institution, headquartered in Washington DC. The bank group is the largest source for development finance for Latin America and the Caribbean, and it provided \$22.9 billion in 2021. It shares similar policy objectives with other international financial institutions, such as the World Bank Group, to accelerate economic and social development.

The UK has been a member of the Inter-American Development Bank Group since it was established in 1959 and we have used our shareholding to shape it. That includes securing a commitment from the bank, ahead of COP26, to align with the Paris agreement by 2023, and to increase the volume of finance that it provides to tackle climate change.

The bank plays a critical role in providing loan finance to Governments across the region to support development objectives and projects, including in infrastructure, health and education. However, private sector investment across Latin America and the Caribbean region is also critically important for driving growth, creating jobs and tackling climate change. To strengthen the bank group's focus on investing in the private sector, it agreed with shareholders in 2015 to "merge out" its private sector operations to form IDB Invest. That is now a separate legal entity within the bank group, with its own board and shareholding structures. Today, IDB Invest provides around \$6 billion of finance per year to businesses, with a focus particularly on small and medium-sized enterprises. The UK voted in favour of the merge out and agreed to transfer \$7 million of UK capital from the bank to IDB Invest. In 2018, the IDB Invest Treaty was presented to the UK Parliament. The final stage in the process to join IDB Invest is to ratify the treaty.

As we have joined an international organisation, we are required under international law to grant it the necessary immunities and privileges. The International Organisations Act 1968 allows His Majesty to do that by Order in Council. It is a long-standing UK policy to only grant immunities and privileges where they are needed. I can assure hon. Members that the immunities and privileges afforded to persons connected with IDB Invest are strictly limited to those required for them to conduct their official activities. They are not for any personal benefit. Hon. Members should note that they are also in line with those offered to officials of other international financial institutions, with which they will be familiar and of which the UK is a member. They include immunity from suit and legal processes for staff in respect of their official acts, and tax exemption. Members should note that the income tax exemption does not apply to British citizens.

The order confers only those immunities and privileges on IDB Invest staff and secondees that are necessary for the institution to function effectively and to conduct its official activities in the UK. Immunities and privileges will be granted only to official visitors from IDB Invest. It does not currently have a UK office.

In granting the immunities and privileges in taking up membership in IDB Invest, the UK will be better placed to influence a major pool of development finance in a region of strategic importance. I commend the order to the Committee.

2.35pm

Fabian Hamilton (Leeds North East) (Lab): It is an honour to serve under your chairship, Mr Gray.

We welcome the SI, which approves IDB Invest and its immunities and privileges, and we welcome closer engagement with Latin America and the Caribbean. The economic prosperity of our partners is very important to our country and the stability it brings to the region also provides geopolitical security to that part of the world. As we know, however, many countries across Latin America and the Caribbean face pressing humanitarian crises. One of the most prominent of those is in Haiti, where the functionality of the Government has all but failed and criminal gangs control large parts of the country.

Haiti is one of the countries that will be able to borrow from the Inter-American Development Bank. Following the assassination of President Moïse last

year, it is essential that political and economic stability is returned to the Haitian people. I think it is therefore very urgent that the international community comes together, working through institutions such as the Inter-American Development Bank, and IDB Invest, to ensure that Haiti is able to carry out free and fair elections to establish a long-lasting permanent Government. With that in mind, I would like to ask the Minister whether he can tell us, based on the UK's involvement, how much money is being provided to Haiti to deal with the cholera outbreak and the impacts of criminal gangs? As Haiti's debt was cancelled after the 2020 earthquake, and more than \$2.2 billion was provided in grants from the bank up to 2020, it is really important that the institution urgently acts again to fund Haiti's long-term political and economic development plans.

The Chair: If the hon. Gentleman will allow me, I am listening with great interest to his remarks, but they bear very little relationship, or only a peripheral relationship, to the SI being considered. He perhaps might want to return to the instrument that we are discussing.

Fabian Hamilton: Thank you for that guidance, Mr Gray. I suppose the reason I believe they do bear relevance, and obviously I will be guided by you in the Chair, is that IDB Invest will have a substantial impact on the economic development and the resolution of the crises of many of the affected countries, which will be able to borrow from the bank and are able to receive from it. I can cut the rest of my speech out, if you wish, Mr Gray, and just ask the questions.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): While my hon. Friend is thinking about that, and I am sorry that I was slightly late because I was talking to some constituents outside, could we know where the sources of the money for the investment comes from? I have done a lot of work with the World Bank and the World Health Organisation, and what always worries me is that they do not actually have any money. They have to get money from elsewhere.

Fabian Hamilton: My hon. Friend makes a very good point. As the Minister has said, it is a multilateral organisation, and we are part of it. The SI is really designed to approve IDB Invest and of course the immunities and privileges granted to the British citizens who work for it. Without further analysis or research, I cannot answer my hon. Friend's question directly, but I know that many countries are involved in raising the finance necessary. And that finance is necessary.

I was going to mention, and I will just gloss over it if the Chair will permit me, the effect on the Bahamas of Hurricane Dorian, which struck at the end of August and during the first half of September in 2019. I spoke to people from there just last Thursday, and those effects have been devastating. The bank and its investment branch will have the ability to invest in the economy of the Bahamas to bring it back into credit, because at the moment its debt burden is 105% of its GDP, which of course is unsustainable. I hope that what we are doing today will ensure that development and inward investment can be given to the Bahamas by that essential organisation.

The explanatory memorandum to the SI states:

"The IIC currently provides around \$6 bn of annual finance to businesses within Latin America, with a focus on small-and-medium-sized enterprises. Once the UK becomes a member of IIC we will be able to work with other shareholders and the Bank to influence the allocation of this finance to align with UK priorities, with a policy goal of facilitating development finance and bolstering sustainable growth."

With the issues that I have described in mind, could the Minister tell us what are the specific priorities of the Government in Latin America and the Caribbean and whether there are any plans to update or review the Debt Relief (Developing Countries) Act 2010?

Finally, I should like to raise the growing influence of China in the region, but if you feel that is not necessary, Mr Gray, obviously I will not.

The Chair: No.

Fabian Hamilton: Except to say that China is a member—

The Chair: It bears no relationship of any kind at all to the SI we are discussing. Will you please return to the SI?

Fabian Hamilton: Well, China is a member state of the Inter-American Development Bank—

The Chair: Order. I think I have been relatively slack, but the fact of the matter is that we are discussing the particular details of the way in which the bank will operate. Of course it would be possible to discuss almost any matter of international interest under that general context, but I think discussing China's influence in the Caribbean might be stretching it just a shade.

Fabian Hamilton: Obviously I will acknowledge and listen to your guidance, Mr Gray.

Lloyd Russell-Moyle (Brighton, Kemptown) (Lab/Co-op): I am interested in the idea of giving specific immunities to staff members of the institution and how that will affect our relationship with China in particular, given that in offering the organisation immunities, one is also offering a shareholder of the bank some level of access. Is there a concern about that?

Fabian Hamilton: I thank my hon. Friend for his intervention, and I believe that that is a legitimate question. I know that we are discussing immunities and privileges for UK staff, but do we know whether other countries that are part of the bank and part of IDB Invest also enjoy those immunities? I shall leave it there, Mr Gray.

2.42 pm

John McDonnell (Hayes and Harlington) (Lab): Just briefly, although I know how hon. Members like to spend long periods of time in SI Committees, I want to ask the Minister a question, and I am happy if he writes to me in response. On this occasion, and as we have asked on other occasions, it would be useful to know exactly the specific immunities and privileges that are being afforded. What are the extent of those immunities? I raise that because the IDB has not been an uncontroversial body. Its recent president, a Trump nominee, was ousted as a result of allegations of malpractice, and we will be

[John McDonnell]

electing a new president on 20 November. We will be affording it, as the Minister said, privileges and immunities in the normal run of business, but with this body I think there are some exceptional concerns that we must have in monitoring and making sure that the immunities and privileges and their parameters are properly set and open to public scrutiny in some detail. I do not expect the Minister to reply today, but if he could write, that would be really helpful.

2.44 pm

Mr Sheerman: I always come religiously to SI Committees. Some people find them a little irritating sometimes but I always enjoy them. I also always make sure that I say something because why would a politician come to a meeting and not say anything on the record?

I have done a lot of international work, so could we dig deeper on what the proposed immunities and privileges will deliver? We know of appalling things that have happened when international people have worked for international organisations, and they have been known to have predatory and sexual relationships and so on with local people. What are the privileges and immunities that will work in this case? If someone got into trouble for harassing a citizen in a particular country, would they be unable to be charged with any offence or punished?

2.45 pm

David Rutley: I welcome the comments and broad support offered by hon. Members for the order. Clearly, as the hon. Member for Leeds North East highlighted, the key priority is the economic prosperity of our partners and stability in the region. There is clear alignment there. He raised a number of issues, to which I know I am not supposed to respond, so I will not, but needless

to say and to reassure members of the Committee, we will be meeting next week to discuss those items in more detail, in a more appropriate setting. We will leave those issues for then, but we are very mindful of issues in Haiti and we know that we need to do more to tackle climate change in the region. Interacting with those partners, they understand the influence of the UK when other strategic players are in operation in the region, such as China.

To reassure hon. Members about the funding of IDB Invest, we are agreeing to transfer \$7 million of UK capital in annual instalments from the bank to IDB Invest. That is a transfer of funds, just to make that clear.

Questions were understandably raised about the immunities and privileges. I will provide more detail in writing to the hon. Members for Hayes and Harlington and for Huddersfield. The primary focus is on the legal and suit processes, and tax exemption, although that does not apply to British citizens. On the specific point raised by the hon. Member for Huddersfield, I will come back to him in more detail, but there is a precedent for waivers in such situations. But I will put that in writing to him so that he can be assured on the specific point he raised.

Without further ado, I should like to conclude by saying that in taking up our membership of IDB Invest, we will be better placed to influence the investment that it makes to support private sector development. That will allow us to support the UK's goal of promoting development and reducing poverty in a region of strategic importance. I thank hon. Members for their contributions and I commend the order to the Committee.

Question put and agreed to.

2.47 pm

Committee rose.

