PARLIAMENTARY DEBATES

HOUSE OF COMMONS
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GENERAL COMMITTEES

Public Bill Committee

COMMONWEALTH DEVELOPMENT CORPORATION BILL

Second Sitting

Tuesday 6 December 2016

(Afternoon)

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PBC (Bill 093) 2016 - 2017

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Saturday 10 December 2016

The Committee consisted of the following Members:

Chairs: †Joan Ryan, Mr Gary Streeter

† Boswell, Philip *(Coatbridge, Chryston and Bellshill)* (SNP)
† Bruce, Fiona *(Congleton)* (Con)
† Doughty, Stephen *(Cardiff South and Penarth)* (Lab/Co-op)
† Duddridge, James *(Rochford and Southend East)* (Con)
† Elmore, Chris *(Ogmore)* (Lab/Co-op)
† Fuller, Richard *(Bedford)* (Con)
† Grady, Patrick *(Glasgow North)* (SNP)
† Graham, Richard *(Gloucester)* (Con)
† Griffiths, Andrew *(Lord Commissioner of Her Majesty's Treasury)*
† Hussain, Imran *(Bradford East)* (Lab)
† Lefroy, Jeremy *(Stafford)* (Con)
McGovern, Alison *(Wirral South)* (Lab)
† Osamor, Kate *(Edmonton)* (Lab/Co-op)
† Scully, Paul *(Sutton and Cheam)* (Con)
† Stewart, Rory *(Minister of State, Department for International Development)*
† Tolhurst, Kelly *(Rochester and Strood)* (Con)

Colin Lee, Glenn McKee, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 6 December 2016

(Afternoon)

[JOAN RYAN *in the Chair*]

Commonwealth Development Corporation Bill

2 pm

The Chair: We now begin line-by-line consideration of the Bill. Before we begin, I ask that everyone ensures that all electronic devices are turned off or are switched to silent mode. Members may remove their jackets if they wish—although it may be a little chilly today for that.

The selection list for this afternoon's sitting is available in the room. It shows how the selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or similar issues. A Member who has put their name to the leading amendment in a group is called first, and other Members are then free to catch my eye to speak on all or any of the amendments within that group. A Member may speak more than once in a single debate.

Please note that decisions on amendments do not take place in the order that they are debated, but in the order in which they appear on the amendment paper. In other words, debate occurs according to the selection and grouping list, and decisions are taken in the order on the amendment paper. I hope that explanation is helpful to Members.

Clause 1

AMOUNT OF THE LIMIT ON GOVERNMENT ASSISTANCE

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): I beg to move amendment 6, in clause 1, page 1, line 4, leave out "£6,000" and insert "£3,000".

The Chair: With this it will be convenient to discuss the following:

Amendment 1, in clause 1, page 1, line 4, leave out "£6,000" and insert "£5,999".

Amendment 3, in clause 1, page 1, line 4, leave out "£6,000 million" and insert

"the amount specified in subsection (1A)".

This amendment paves the way for amendment 4.

Amendment 4, in clause 1, page 1, line 4, at end insert—

"(1A) After subsection (1), insert—

(1A) The amount specified in this subsection is whichever is the lesser of the following amounts—

(i) £6,000 million,

(ii) the amount determined in accordance with subsection (1B).

(1B) The Secretary of State shall determine the amount for the purposes of this subsection by estimating the amount which will constitute 5% of official development assistance in the relevant period determined in accordance with subsection (1C).

(1C) That period begins with the financial year in which the Secretary of State considers that the Crown's assistance to the Corporation (determined in accordance with subsection (2)) will exceed £1,500 million and ends at the end of the fourth subsequent financial year.

(1D) For the purposes of this section, "official development assistance" has the same meaning as in the most recent annual report laid before each House of Parliament in accordance with the provisions of section 1 of the International Development (Reporting and Transparency) Act 2006."".".

This amendment, together with amendment 3, would replace the proposed limit on government assistance under section 15 with a new amount, expressed as either £6 billion or 5% of forecast official development assistance over a five year period, whichever is the lesser amount.

Stephen Doughty: It is a pleasure to serve under your chairmanship, Ms Ryan, and for the first time, I think. I know you take a keen interest in these matters, so it is particularly delightful to serve under you, as it was to serve under Mr Streeter this morning—I know he is equally interested in the Bill. We had a wide-ranging debate on Second Reading and a wide range of issues were also explored by all members of the Committee during some excellent scrutiny of the witnesses who were before us this morning.

Amendment 6 stands in my name and those of my hon. Friends the Members for Edmonton and for Bradford East. It regards the nub of the matter, which is the amount of money—aid money; taxpayers' money—that the Bill intends to allow the CDC to receive. It is a very large sum: up to £6 billion, leading up to £12 billion, which I know we will come to discuss in due course.

As I said on Second Reading, I am not opposed to the existence of the CDC and I am not opposed to much of the important work that it does; I recognise that it does some excellent work. Indeed, the National Audit Office is clear that the CDC is largely meeting its own standards and the strategy that was set for it in 2012. However, that is not the issue before the House or, indeed, the Committee; rather it is whether we should grant such large sums of money to CDC as opposed to directing that important aid money to other uses.

Despite having listened carefully to the Minister and the CDC itself—I have met its representatives—and reading much of the documentation about the Bill, I am still at a loss as to where the £6 billion and £12 billion figures have come from; I do not believe that the case has been made for that expenditure. There may be a case for increasing capital for the CDC, and I am sure we will hear many of those arguments today, but I have certainly not seen the case to justify the expenditure of a potential extra £4.5 billion over this spending round, as implied by the Minister's earlier comments and the contents of the explanatory notes to the Bill, nor do I see the rationale for potentially expanding that sum to £12 billion.

The information we have before us is very vague. Paragraph 10 of the explanatory notes to the Bill says:

"Increasing the limit on government assistance to £6,000 million will enable the Secretary of State to accelerate CDC's growth over the current Spending Round in response to forecast market demand—"

which is not actually explained anywhere, nor has it been explained in answers to questions I have put to Ministers—

"over CDC's next strategy cycle and in order for CDC—"

this, again, is very vague—

"to play a fuller role in the delivery of the UK's international development objectives."

Those are very short sentences and paragraphs to justify the potential spending of £6 billion, rising to £12 billion. Let us remember that the CDC only required capitalisation from the UK Government of £1.5 billion over the entire period between 1999 and 2016. We understand that the bulk of that has come at the CDC's request, although I know that there are a variety of views out there on that. In recent years, we have seen the big recapitalisation of £735 million in two tranches, which I am glad to say was accompanied by a business case. Not all of that case was met, but at least there was some rationale for it—whether it should have gone through is not relevant now—whereas there is no rationale for the proposed increase.

I think it was the NAO that said that there is a cart-and-horse problem here. This is a huge potential uplift and we have not seen any kind of rationale for it, any clear statistics, analysis of markets or suggested project sectors, just a vague assurance that it will all be all right on the night and that Parliament should therefore go ahead and approve large sums of money on the nod. We have also heard doubts expressed by the NAO and others about whether the CDC even has the absorptive capacity to accept that sort of uplift in such a short space of time.

We had reassurances from the Minister that the uplift would only come in response to clear demand and with the clear ability to take it on, but the reality is that the NAO has criticised the CDC for risks in its staffing and for its organisation. Even regardless of that criticism, I question whether any organisation could take such an uplift in such a short space of time, whether it was a non-governmental organisation, the World Bank or a UN agency. We ought to treat our scrutiny of development finance institutions and multilateral agencies with the same brush, whether they are close to the Department for International Development or slightly further away; I will come back to that point in due course.

The other issue is that there is an opportunity cost here that I hope we will be able to explore in the debate. The Minister earlier seemed to suggest that if we do not give the money to the CDC, we will inevitably have to give it to a development finance institution that is performing less well or is perhaps even less focused than the CDC, but I do not think that he has made that case very clearly.

I have read in detail the multilateral aid review that the Minister published last week and that we scrutinised in an urgent question on Friday. It does a lot of good things; it gets into the meat of what some agencies are doing and it points out agencies that are not performing well. Has the CDC been put through that level of rigour? Is it subject to the same expectations of transparency, poverty focus, effectiveness and accountability to beneficiaries, taxpayers and the Government? I am not sure that it is. Where would it appear in the multilateral aid review's graph of agencies? Undoubtedly it would do well in some areas but in others I suspect it would not, particularly given the NAO's commentary.

Given what DFID expects not only of multilaterals but of its bilateral partnerships and its partnerships with civil society organisations, there seems to be a double standard. One example is that DFID now expects multilateral agencies to publish details of everything they spend over £500. That is a good thing, but we clearly do not have the same transparency from the CDC. Yet we are planning to give it extra billions of taxpayers' money via the Bill—initially up to £6 billion and later up to £12 billion. At the very least, we ought to provide a level playing field for assessment and expectation, so that we are absolutely sure we are investing our money in the routes that will lead to the greatest reduction in poverty, that align with our wider development objectives, that are coherent and that meet the wider objectives of the Government and the Department.

Conversations with the CDC and comments from the Minister have revealed a crucial issue: the CDC has not requested this capital increase. The Minister told me that in a written answer last night and confirmed it in this morning's Committee sitting, and the CDC itself has also confirmed it to me. That seems a very odd situation. I can understand a generic conversation—"Well, if *x* were *y* and *y* were *z*, we might be able to take a bit more money or do this or that". But not even to have a request, never mind a clear rationale or expectation of what could be done with £6 billion of taxpayer funding—let alone £12 billion—is extremely concerning. Is the tail wagging the dog? Is this Ministers putting pressure on an organisation to accept significant increases in money, perhaps for some other purpose which I will come on to, rather than it being based on a real set of demands and a real set of expectations of what could be delivered? I am concerned when I hear that from the Minister or from the CDC, and I am concerned when it is confirmed in writing. It is in contrast to the situation in which it made a request for recapitalisation in the last year. It was perfectly reasonable for there to have been a request—I do not know about the value—but the CDC put forward a business plan which was discussed over a period and the Department agreed the £735 million.

The Minister of State, Department for International Development (Rory Stewart) *indicated dissent.*

Stephen Doughty: The Minister is shaking his head but the CDC did request £735 million; it told me so. Perhaps the Minister wants to intervene? The Minister's own written answer to me last night, when I had asked him specifically what recapitalisations had been requested by the CDC in each of the past six years, told me that it had requested £735 million. So I am confused as to why he is shaking his head; perhaps he would like to intervene?

Rory Stewart: Thank you. It is a great pleasure, Ms Ryan, to serve under your chairmanship. I will try not to intervene too much, since this is not really my responsibility, but as a point of information, I think there are two separate issues here. The first is the question of the CDC calling on a promissory note, which is what would happen in the future. In terms of the £735 million request the hon. Gentleman is talking about, when the Government have funds available and have legislative authority to allow money to go into the CDC, the CDC will then make a request. That would be true in the future too, so if the Bill gets through Parliament and the money is available, so the option is available, and the promissory note and the business case from DFID are in place, at that point the request would come

[Rory Stewart]

from the CDC. One would not anticipate the request coming from the CDC at this stage. That has not happened in the past and it would not happen in the future.

Stephen Doughty: I find that a very odd suggestion when we are talking about such large sums. One would expect there to be the architecture of a request, or the basic bare bones of a request, even if the specific details were not there. We are not talking here about £100 million or £200 million, large sums as those are, we are talking about £6 billion and £12 billion. These are huge sums as a proportion of the overall aid budget and in terms of our commitments to other multilateral development finance institutions. Now the Minister suggests that we just accept these back-of-a-fag-packet calculations—£6 billion, £12 billion—without any kind of rationale for what they are. He said earlier that the department had come up with those figures, that he had come up with those figures, and they had been presented to the CDC, rather than the other way around. One would expect the CDC, as the expert in the markets and sectors it is investing in, to be suggesting to Ministers, perhaps, where potential investments could be made, where returns could be achieved and where poverty eradication could be delivered.

Rory Stewart: I am contradicting myself by intervening again. There is an important distinction here. This is a piece of enabling legislation. The CDC is in a very unusual position. Unlike our normal relationship, where we can, for an NGO such as Oxfam, give money without coming to Parliament, or for a multilateral organisation such as the World Bank, go through secondary legislation, a statutory instrument, this is unusual. This is one of the only organisations we deal with where Parliament had imposed a cap. So what we are asking for is enabling legislation which would allow DFID, if it had a request from the CDC, to give it the money. This is not our giving it the money, it is creating an option and a ceiling against which, in the future, the CDC would be able to present a business case.

Stephen Doughty: The Minister suggests we should not be sceptical of the Government and their intents. It is the role of this House to be sceptical of the Government and their intents. To suggest that Ministers are going to take powers but might not use them is a slightly curious argument: I have not seen many cases of that in the past. The timing of this is very odd, given some of the other circumstances, which I will come on to.

Jeremy Lefroy (Stafford) (Con): Will the hon. Gentleman give way?

Stephen Doughty: I will give way in a moment, but I just want to make one point. We have seen a very important change in the definition of the ODA, which occurred only last year. Previously, as I said on Second Reading, it was the issue of the CDC net disbursements that contributed to our ODA figures. Normally we looked at the money that the CDC was investing, returns from that investment, the function of the two and ended up, usually, with a positive number. Over the past five years it had been a £100 million or £200 million positive contribution to our aid effort. In fact, last year it would actually have been a negative contribution of minus £9 million. However, the Government changed the rules. They decided to count the capital inflow into the CDC—all of it, in its entirety—as ODA, as aid, rather than the function of what is actually, potentially, being achieved.

2.15 pm

There is no perfect way to establish the benefits of our aid. Many different formulae could be used. However, this seems a very odd situation, and it is such a large increase in the budget for which parliamentary authority is being requested. The reality is that whereas before it would have been a function of whether there had been an impact, whether there had been a net disbursement to the poorest countries, regardless of where that went, whether it was effective and all the other questions that we should be asking, we are now looking instead at just the pure input of capital into the CDC. As a result, last year, instead of a minus £9 million contribution to the ODA budget, we saw plus £450 million, because of the disbursement that was made by the Secretary of State in capital to the CDC.

What is to prevent the Government in the future from putting pressure on the CDC, regardless of whether it wants the money, to spend, use or request, through the process that the Minister has described, large sums to bump up the figures to show that the Government are, for example, meeting the 0.7% aid target? Before the Minister jumps to his feet to say, “Oh no, that would never happen,” let me say that he knows full well that it has been the habit of all Governments, of all colours, to look at how figures are presented, move things around and reclassify things in an attempt to meet wider targets and wider agendas. Obviously, a certain amount of that goes on all the time, but it does look very odd that we are seeing this huge rise, this huge potential new power being given, at the same time as the definition of how that is counted is changed. That is where my scepticism and that of many others comes from.

Jeremy Lefroy: It is a pleasure to serve under your chairmanship, Ms Ryan. The hon. Gentleman raises a very important point about the capacity of DFID and, indeed, the capacity of the two continents—Africa and part of the continent of Asia, south Asia—to absorb this kind of money, but does he not agree that one major challenge facing the world at the moment is the need to create in the next 15 years 1 billion jobs, most of which will be in those countries, and that the amount of money that we are talking about is tiny in comparison with the amount that would be required to create those jobs and thereby to alleviate poverty?

Stephen Doughty: I agree that the challenge of creating jobs is huge and one in which we and others should be playing a role, but it is not solely our role. Again, I hope that one question that we will get on to discussing is whether we should be providing what is in effect private capital in some of these locations or whether the capital should be coming from other sources: other Governments, institutions or DFIs. Indeed, should that be the responsibility of the Governments themselves? We will undoubtedly come on to that in discussion of some of the new clauses, but one of my fundamental questions is about the focus of this money: where is it going currently, and is it doing all that it could do? Professor Collier himself said this morning, in relation to the current bias of funding towards south Asia and India in particular, that he thought that there should be more focus on Africa. I agree.

Jeremy Lefroy: I agree, too, on that point. Will the hon. Gentleman also accept this point about the other DFIs? The Dutch DFI has invested far more money than we have, and the Netherlands has a population one quarter the size of the UK's. The French Proparco is in a similar position to the UK, but the Germans have invested three times as much. We are laggards in this respect.

Stephen Doughty: We are not here to discuss the Dutch DFI, but I do know a reasonable amount about it. It provides only marginally more than us. It does do interesting work; it does not do exactly the same work as us. I do not know its history of recapitalisations and how much additional ODA money it has received recently. It would be interesting to look at that. However, the question here is this. What is the best use of our money? Are we not investing or have we reduced investment in other sectors where we could be using our aid in order to do this, and is that the right choice? That is the question before us, and when we look at, for example, DFID's closures of bilateral programmes in places such as Burundi, we do not have clarity from the bilateral aid review on whether there will be further closures or changes.

We have heard worrying things about cuts in bilateral funding for HIV/AIDS programmes, despite the good money that is going into the global fund. We have seen a shift away from certain sectors and from budget support. We have seen a shift away from investing in free healthcare and education, and in teacher salaries, and with removing user fees for healthcare, for example. When the CDC invests in private healthcare and private school systems, we might have a debate about the role that voluntary and private play in healthcare and schools, but again it is an opportunity cost—it is a choice about where we invest these things.

I accept the hon. Gentleman's wider point about the importance of jobs, investing and crowding in capital into some of these sectors, but we have to question what we should be doing with our money and whether that is right versus other potential sources. I contend that the Government simply have not come forward with a case that justifies this level of cap. Some increase in the CDC's budget might be justified, but certainly not at this level.

Rory Stewart: Will the hon. Gentleman give way?

Stephen Doughty: I will give way in a moment, once I have made another point.

All that needs to be seen in line with some of the other issues. I mentioned the diversion of aid and the shifting of aid between priorities, but by 2019 26% of ODA will be spent by Departments other than DFID. That is a significant shift from where it was. As the hon. Member for Rochford and Southend East knows, I am not opposed to cross-Government working or other Departments spending ODA, but that level of it is concerning. With the CDC on top of that, as well as the prosperity fund, which we discover was given £1.3 billion of ODA in September this year—much of it spent through other Departments and yet ending up in India, China, Malaysia, Mexico and other locations—the picture of where our aid spending is shifting to gets worrying. Is it shifting away from the poorest countries and the poorest people, and from the core services that I believe we should be supporting?

Rory Stewart: Given that the hon. Gentleman seems to have such fundamental concerns about the CDC—its accounting practices, the role of Government, its strategy, its spending—will he clarify why he is proposing to give it £3 billion in his amendment?

Stephen Doughty: As the Minister knows, in this House we have a thing called probing amendments and, like the Minister, I have drawn up a suggested figure—

Rory Stewart: On the back of a fag packet?

Stephen Doughty: Indeed. We can put any figure down and, without the rationale, we can have a debate—the Minister might criticise me for a £3 billion figure, I can criticise the Minister for a £6 billion figure. The fact, however, is that the Minister has not provided a clear rationale or business case for £6 billion—nor has he for £12 billion—and there are some interesting suggestions from the SNP Members about proportions. Those are all issues that we ought to discuss. I made it clear earlier, I am not opposed to the CDC getting more money, but I am concerned about the period over which it gets it, the total amount and the caveats that we might then place on the CDC to receive it.

Rory Stewart *rose—*

Stephen Doughty: I will happily give way, although the Minister said that he would not intervene all the time.

Rory Stewart: I am just trying to understand. The hon. Gentleman is seriously proposing an amendment to this House which we will vote on to give £3 billion to the CDC. Will he justify why he wishes to give it £3 billion? This is a real amendment, to a real piece of legislation before this Committee.

Stephen Doughty: It is not Question Time for me; it is Question Time for the Minister—*[Interruption.]* It is Question Time for the Minister proposing the legislation. He must explain the rationale—*[Interruption.]*

The Chair: Order. May we keep this within the rules? If people want to make an intervention and the Member gives way, that is fine; shouting across the Floor is not fine. Everyone will get an opportunity to speak.

Stephen Doughty: The hon. Member for Rochford and Southend East is looking anxious to intervene. He has, for example, posted an amendment suggesting reducing the CDC funding to £1—I will happily give way to him to explain that.

James Duddridge (Rochford and Southend East) (Con): It is actually £1 million, but my amendment is probing, as the hon. Gentleman's is. What the hon. Gentleman is getting wrong—I do not think wilfully—is that the Minister does not need to present a business case and, indeed, he should not present a business case now. This is a figure that might be reached on the basis of drawdown and a request of the CDC with a business case which he will then analyse.

Stephen Doughty: But the CDC has not made such a request and, as the NAO said this morning, it is the cart before horse. That is the problem. I do not expect the Minister to provide a detailed analysis of every single project that we will invest in over the next 10 years, but a paragraph in the explanatory notes and some vague assurances about market demand are simply not good enough. We are talking about spending, potentially, billions of pounds of taxpayers' money. Would we suggest the same amount went to a non-governmental organisation such as Oxfam or indeed the World Bank?

Imran Hussain (Bradford East) (Lab): Does my hon. Friend agree that the central issue is not an increase in funding but the sheer level of funding? This is an organisation that in its whole life has had funding of £1.5 billion. On the Opposition Benches we want to probe why there is such a significant increase, which is a reasonable view to take.

Stephen Doughty: Absolutely, and that gets to the nub of the issue. The Minister has been a veteran of many debates in this House and in Committee, so he knows full well the format in which debate takes place on amendments. Amendments are tabled to discuss the fundamental issues and the matters around them. Therefore, given the faux outrage at me for suggesting £3 billion versus £6 billion, he needs to explain—he has not done yet—his rationale for £6 billion and £12 billion, which I have yet to hear.

Richard Graham (Gloucester) (Con): I am curious, partly because the hon. Gentleman's amendment proposes an absolute sum of money, but more because everything he has said so far suggests that he is almost as close to the lady from War on Want in disapproving strongly about the activities of the CDC and the ability of Government to allow it to access more capital if it makes the right case for doing so. Therefore, I suggest the emphasis is slightly on him to try to demonstrate to members of the Committee why he has decided that £3 billion is the appropriate figure. I imagine that he was influenced this morning by hearing Sir Paul say that we need to get on with investing more in business in order to provide the jobs that Africa in particular so badly needs. I leave it to him to point out that that is what he thinks.

Stephen Doughty: The hon. Gentleman clearly did not listen to what I said either on Second Reading or in Committee this morning. He knows full well that I do not support the views of War on Want on the role of business and private capital in supporting developments, jobs and job creation. I made it clear that I did not support that part of its views. What I did support was the suggestion that the CDC is being given a different set of rules to play by from other development finance institutions and indeed other routes on which we can put our valuable aid money, for which we should demand the highest levels of scrutiny, transparency and effectiveness, and coherence with the rest of our programme.

I do not want to stray too far from the terms of the amendment, but in the new clauses we will discuss some of those issues of coherence. Without additional safeguards and caveats on where that money is spent, the transparency arrangements, the business case that should be presented and so on, whatever number we put in, whether it is £1 million less that the hon. Member for Rochford and Southend East suggests, the £3 billion less that I suggest or indeed any other figure, or a proportion as suggested by SNP Members, we could see multiple distortive effects. For example, the value of investments currently going into middle-income countries is still significantly higher than into lower-income countries. The value of investments going into Africa has gone down and the value of investments going into south Asia—mostly to India, a country to which we were supposed to end giving aid—has in fact gone up. The reality is, if we boost the CDC's budget further without any change in that overall strategy, we will see a multiplication of that effect.

Richard Fuller (Bedford) (Con): On a point of clarity, when the hon. Gentleman talks about the value of investments, does he mean the valuation of investments made historically, and therefore revalued on the balance sheet, or is he talking about new disbursements?

Stephen Doughty: I am talking about the issue before us today, which is about new investment and new disbursements. The figures I am referring to about those shifts relate to new disbursements by CDC—new investments made in recent years. We can have a lengthy debate about what went on in CDC before 2012 and the legacy investments that are still part of the portfolio—

The Chair: Not here.

Stephen Doughty: We are not going to do that here. We are talking about the future. We are talking about where this money would go. I am concerned that in recent years, despite the progress, there has not been a big enough shift into the types of markets, sectors and places that would fit more coherently with DFID's objectives. The CDC is operating in 65 countries and DFID in only 35. I accept that there might be some difference in that and some difference of focus, but that is a huge difference and yet potentially we will decide to give billions more.

I will draw my remarks to a close, but I simply do not see that the case has been set out or the rationale has been given. I do not think there is enough clarity on the absorptive capacity. I do not think there is enough justification of the opportunity costs of not investing by other routes. The crucial fact is that the CDC did not request this money. Did it even request the legislation, I wonder? Perhaps the Minister will be able to provide us with documents to that effect, asking for the legislation to be made available. The CDC has just been given £735 million extra. It seems slightly odd that it then requests a Bill for £6 billion or £12 billion more.

I am very interested to hear what the SNP has to say about its proposals to other Members.

2.30 pm

James Duddridge: It is a pleasure to serve under your chairmanship, Ms Ryan. I have only two groups of points. The first is on process. I am a great fan of the "Daily Politics" show and was very disappointed when the hon. Member for Cardiff and Penarth resigned from the Front Bench. This is the first time I have sat on a Bill Committee where a Back Bencher has led the amendments in this way. The Labour Front Benchers, the hon. Members for Edmonton and for Bradford East, have added their names to the amendments, but have not tabled any in their own names. I will not do so in this debate, but I am thinking about leading a debate on the good use of Short money, because the Labour Front Bench is paid to do the job that is being done by the hon. Member for Cardiff South and Penarth on its behalf.

The Chair: Order. Will the hon. Gentleman stick to the issues in front of us? A discussion of Short money is not relevant here.

Stephen Doughty *rose—*

James Duddridge: I give way.

Stephen Doughty: I am sure that my hon. Friends on the Front Bench will confirm that they are in full support. In fact, we have discussed the amendments at great length. It is simply a procedural point. I was not aware until I was informed by the Clerk earlier about the ordering of names, despite having been on many Bill Committees. I was informed by the Chair at the start that I would be called first because my name came first in the list. I assure the hon. Gentleman that the amendments have been fully discussed with the Front Benchers and have their full support. No doubt the Front Benchers will speak to the amendments in due course.

James Duddridge: Fantastic. My Front Bench also seems to be aware of that situation. I look forward to listening to the SNP's contribution on amendments 3 and 4 and to seeing how its Front Bench is taking things forward.

Amendments 1 and 2, which I tabled, are probing amendments. I had taken myself off to table amendments that increased, not decreased, the amount and was told that while it would be permissible to table them, it would not be permissible for them to be selected, because of the money resolution. I therefore want to enter into a debate about whether it is the right amount. I have tabled an amendment that would make it lower, rather than higher, although I believe that there is capacity to invest more money in CDC, and faster. I do not share the scepticism of others around the table. I hope to see the £6 billion target reached earlier, rather than later.

This morning's evidence session was incredibly useful and covered a lot of the points and queries that I would have wanted the Minister to address in his remarks. With that in mind, I will not detain the Committee any further.

Patrick Grady (Glasgow North) (SNP): It is a pleasure to serve under your chairmanship, Ms Ryan. I will speak to amendments 3 and 4, which stand in my name and that of my hon. Friend the Member for Coatbridge, Chryston and Bellshill.

I agree with pretty much everything the hon. Member for Cardiff South and Penarth had to say. The Minister has been asked repeatedly how the figures of £6 billion and £12 billion were arrived at. It increasingly sounds as if they were arbitrary figures based on a best-guess discussion with the CDC about what it might manage to spend over a particular period in the coming years.

Amendments 3 and 4 try to relate the amount of investment in the CDC more clearly to the overall amount of official development assistance the Government are likely to have at their disposal over a spending review period of the lifetime of a Parliament. Of course, the amount of ODA can go up or down in any given year, because it is, by definition, a proportionate target: it is a percentage of gross national income. Indeed, in the autumn statement a couple of weeks ago, the ODA forecasts were revised down because the economy as a whole is contracting, not least because of the Brexit result.

Using those forecasts, the Library estimates that amendment 4 would mean that £3.77 billion of additional investment could be made on top of the £1.5 billion already invested, making a total investment of £5.02 billion. The effect of amendment 5, which I appreciate we are not discussing immediately, would be to bring the upper cap to £9.77 billion. As the hon. Member for Rochford and Southend East just said, the money resolution means that those numbers cannot go above £6 billion or £12 billion in any event. It is worth noting that introducing such a formula would mean that in the event of a significant decline in GNI—some sort of catastrophic economic collapse, which I am sure will not happen under this Government—the cap on investment could reduce, meaning that the Government would have to divest.

James Duddridge: The first time the hon. Gentleman mentioned a contraction in the economy I let it go, but I thought the economy was growing at about 2.2%. It is the fastest growing economy in either the G7 or the G8—forgive me for not knowing which. Does he have the wrong numbers, or is he drawing a distinction between GNI and GDP and being selective?

Patrick Grady: As I said, the autumn statement demonstrated that GNI will go down and therefore the ODA forecasts are being revised down as well. The point I am trying to make is that if we are going to find a way of varying the cap on investment in the CDC, finding a way to make it proportionate to overall aid spending would seem to be the more sensible way of doing that.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): In amendments 4 and 5, my hon. Friend and I have suggested a percentage adjustment mechanism. In this case, the figure of 5% is proffered. Does he agree that such a mechanism is altogether more equitable and appropriate? Will he elaborate on that for the Committee's further consideration?

Patrick Grady: I thank my hon. Friend for that point. The point of equity and proportionality is what I am trying to test. As I have said, under my formula, the figures would come out not that much lower than the caps proposed in the Bill. Let us accept, in good faith, that we will hear some rationale for those caps. My formula

[Patrick Grady]

would take us not a million miles away from those numbers. The point is that under my formula, the caps would vary over time, depending on what the total ODA spend was likely to be.

Even if the Minister objects to the particular formula, I will be keen to hear why some kind of proportionate formula is not preferable to the hard numbers in the Bill. We have heard about other amendments that probe those numbers. A formula that linked the caps to the total ODA spend over a period of time surely would help to clarify the link with the overall amount of ODA and the balance of the Government's development priorities, which we will discuss when we debate the new clauses.

Jeremy Lefroy: I will make four brief points. First, there are several reasons for bringing forward the Bill, but one of the major reasons is that reducing the expected rate of return of the CDC's investments, which I absolutely agree with, creates a need for more capital.

Under the last Labour Government, the CDC grew substantially, was well managed, invested in funds and made a lot of money out of significant investments, such as that in Celtel. All of that was good and I welcomed it, but it perhaps was not in accordance with the CDC's original mission, although I would argue that it helped to reduce poverty. Capital was generated internally to quite a considerable extent. The required rate of return was relatively high, those returns came in and that money was reinvested.

Now that CDC is quite rightly supposed to focus on harder investments with lower rates of return and higher risk, there inevitably will not be as much free cash flow or free capital available for investment, so the shareholder—the UK Government, DFID and the taxpayer—needs to be prepared to put in more capital if we are to meet those objectives.

The second point is about middle-income countries. I fully accept the Minister's point about the importance of targeting lower-income countries wherever possible, but let us not forget that the range for middle-income countries is, frankly, ridiculous. It goes from just over £1,000 to £13,000 per year. At the lower end are countries that are basically low-income countries and at the higher end are relatively wealthy countries. If we categorise all middle-income countries as somehow moderately wealthy, that is simply not the case. There was a point—not now, sadly, because of what is happening there—when South Sudan was briefly a middle-income country; look at where it is now. We have to be very careful when we talk about middle-income countries as though they are a homogenous group; they are not.

Stephen Doughty: The hon. Gentleman is making an important point and I have no doubt we will discuss this further. Is he not concerned, though, when he looks at the amount that is going into India, for example, and at individual states within India, where the majority of even the CDC's new disbursements are still going to the richest states rather than the poorest? The top disbursement was to Maharashtra, where Mumbai is.

Jeremy Lefroy: Absolutely, we should look at that. However, there are more of the poorest people in India than in the whole of sub-Saharan Africa. If you take the view that a company in India in which you invest is likely to have national ambitions and wants to work across India, you would hope that it would therefore target the poorest as well as those who are perhaps better off. I agree, though, that the CDC needs to look at this and ensure that it does not stray back into the realms of investing only in fairly soft, nice, high rate of return investments.

My third point is about employment. I have already mentioned the figure of 1 billion jobs. The World Bank says that 600 million jobs are required across the world in the next decade; others have put it as high as 1 billion. There will be more of those 1 billion jobs in the middle-income countries than in the low-income countries, so we need to invest across the two if we are to tackle this enormous threat.

I was in Tunisia last week at the launch of the Parliamentary Network's middle east and north Africa chapter—I chair the global network. The problems that a country such as Tunisia faces, with a population of 10 million and unemployment among graduates of 60%, are enormous. We know the social consequences of that. Tunisia has a very high rate of young people who have gone to Syria and Iraq to fight for Daesh. That is one consequence of the very high rates of unemployment and the lack of hope in those countries.

Finally, this is about investment. We talk about money being spent, but it is actually investment. Once it goes in, provided it is well-managed, it is recycled. As I have said, the money that made about £500 million of profit from Celtel under the last Labour Government was recycled into investment and is still there. Some of it may have been invested twice since then. This is not a one-off hit where we make a grant to an organisation and it does excellent work, but is then gone. It is money that goes round and round, that is recycled and that creates jobs.

Stephen Doughty: The hon. Gentleman makes an interesting point and I agree that it is investment and it is recycled—the CDC has shown that. However, does he not agree that that applies to our whole aid budget? If we invest in the education of a girl through a bilateral programme, with the opportunities that provides in her life and the opportunity it gives her to contribute to the economy, that is, similarly, an investment.

Jeremy Lefroy: Yes; I do not disagree with that.

James Duddridge: The hon. Member for Cardiff South and Penarth is wrong. It is not an investment in the same way, in that it is not so easily controlled. An investment in a girl's education is, indeed, an investment, but we are discussing an investment that has an actual return, which we can reinvest and have some degree of control over, as the aid budget is targeted in different ways. It is a different type of investment. As I said on Second Reading, it is a gift that keeps giving.

Jeremy Lefroy: I will conclude by saying that I feel a little like I am in the middle of a great argument, but I probably agree in some way with both Members.

Kate Osamor (Edmonton) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Ms Ryan. This is the first time for me, but I am sure there will be many more.

I want to speak about investment. That word has been used many times and in the absence of an investment strategy from the CDC, we feel very sceptical about why we should use taxpayers' money in this way. It is only fair to ask the Minister to present that to us, so that we can have a debate in which we feel we have all the information. That is my brief contribution on this group of amendments.

2.45 pm

Imran Hussain: It is a pleasure to serve under your chairpersonship today, Ms Ryan.

I will sum up the points that we are making. My hon. Friend the Member for Cardiff South and Penarth has gone into some detail, as always, on where we stand. I want to place the Labour Front Bench firmly in line with his views, to answer the point made by the hon. Member for Rochford and Southend East.

The issue here is the Government's intention. We are not in any way, shape or form anti-DFI or against the spirit of the corporation. It was brought in by a Labour Government many years ago and we accept, on the record, that the CDC has been improved since 2011, as I said on Second Reading. As my hon. Friend the Member for Cardiff South and Penarth set out, we want to be satisfied on the rationale behind the level of increase; the lack of strategies and investment policies—the phrase "cart before horse" has been mentioned on many occasions and I will not go into it further—the CDC's capacity; and the fact that it has not requested this money. Those are all pertinent points. Finally, regarding the concern about where and how this money is currently being spent, I agree with Members on both sides of the Committee on the logical point of view that has been put forward. Nevertheless, that concern remains.

The Minister's earlier intervention was most helpful, when he set out his reason for why the business case, the strategy and the investment policy were not forthcoming. He gave the guarantee, which I want to press him on, that no money would go to the CDC unless it was requested by the CDC. Even so, it has to be done in the light of a proper business case, a strategy and an investment policy. Secondly, I press him to give some indication as to when those important strategies and policies will come forward. They are central to these proposals and I hope he genuinely gives us dates and assurances in that regard.

Rory Stewart: It is a great pleasure to serve under your chairmanship, Ms Ryan.

I will begin by saying that I have a lot of sympathy with the points that the hon. Member for Cardiff South and Penarth is making; they are all incredibly important. He has an encyclopaedic knowledge of CDC and has identified a number of issues in relation to CDC that we take very seriously. They range across its accounting principles, its reporting framework, the scope of the countries in which it operates, its overall effectiveness, its absorptive capacity, the strategy and business case systems, theories of change and types of investment. I think these are all good concerns and there is nothing mentioned by the hon. Gentleman that I would disagree with in principle. These are the kinds of questions we would expect DFID and Parliament to ask, as well as CDC to ask of itself before it makes an investment.

The real question is what is appropriate to put in the Bill, what is appropriate to be done through Parliament, what is appropriate to be done through the Department and what is appropriate to be done through CDC. That is where I hope I can provide a bit of assurance to right hon. and hon. Members of all parties.

I think we can take it as read that there is an overall agreement that we should give some more money to CDC. There is some disagreement about how much more money—the different amendments suggest different views on how much money and how that money is calculated—but the basic principle is that CDC is a good thing, that economic development is a good thing, that DFIs are a good thing and that, particularly at this moment, as Sir Paul Collier pointed out strongly in this morning's evidence session, we should be investing more in economic development and jobs in Africa. That is something we all agree. The question is how we do it and how we ensure that it is done in the right way.

The hon. Member for Glasgow North proposed a quite detailed amendment, but there is a small technical issue. He suggested that we aim at a 5% ODA amount, but there are two issues with that. We considered looking at that in the Bill, but the reasons we rejected it were twofold. There is an issue with confusing a stock with a flow. In other words, the measure is designed to create the capital that is invested and reinvested over time—that initial investment made by the Attlee Government continues to be recycled nearly 70 years later—whereas the ODA allocation is an annual allocation and an annual spend.

There is an issue around trying to compare a stock and a flow, and we can go on to that. In fact, rather good graphs have been produced, comparing stock and flow investments of Germany, France and the Netherlands, showing that, in proportional terms, Germany is spending nearly three times as much and France is spending nearly twice as much as we are. The reason I have not deployed those kinds of arguments is that I just do not think that that stock and flow comparison is good.

However, there is a more technical reason why we would reject the exact amendment. The way in which the amendment is written—at least on the basis of the analysis by our in-house lawyers—is that it would refer to the entire cap for the entire sum available to CDC. In other words, that 5% would not be 5% of future money. The way in which the amendment is drafted means that it would incorporate the £1.5 billion of its existing money. That would therefore limit us to only a further £1.5 billion over a five-year period. That would not be 5% of ODA. It would be about 2.5% of ODA, which we think would be considerably lower. The £3 billion number, which is what right hon. and hon. Members have been getting at, is a more plausible figure as an additional amount to the £1.5 billion. We can talk about that over time.

Very quickly, I will deal with the question of additional responsibilities, which is at the core of the questions asked by the shadow Secretary of State—the hon. Member for Edmonton—and the shadow Minister, the hon. Member for Bradford East. The basic questions are: are we are putting the cart before the horse, why are we using taxpayers' money for this kind of investment, when will we present our strategy, what are our real intentions, and what kind of guarantees are taking place? The answer is that, in effect, we have a whole

[Rory Stewart]

series of procedures. What we are asking Parliament to do is only the first stage of a whole series of checks and balances.

We are asking this Committee, and we are asking Parliament, to agree to the principle of lifting the existing cap on CDC—in other words, putting CDC more into the type of arrangement that we would have with any of our other donors. It is very unusual that CDC has a capped amount. That is not true for the amount of money we give to an NGO or to the World Bank. In fact, we are actually giving more to the World Bank than we would envisage giving to CDC. We are asking Parliament to lift the cap.

The next bit—the question of how the business strategy, the business case and individual investment decisions are written—would then be taken forward by the Department, in line with the UK aid strategy, and debated in Parliament. Directly to answer the question of the hon. Member for Bradford East, who wanted dates, in December 2016 we will complete our business strategy, which will lay out the strategy for the next five years for CDC. It is the strategy that the hon. Member for Cardiff South and Penarth was referring to as our last strategy. We will have a new strategy of that sort. That strategy will do a number of things that will address concerns raised in many of the amendments as the Bill passes through the House. It will, for example, tighten our impact assessments, put more focus on gender and set a cap on India. The next thing that will happen is that in summer 2017—this is quite a slow process—we will bring together a business case to draw down a promissory note of money; in other words, to say, "This is the amount of money we believe is the kind of money that CDC may need to call up."

Stephen Doughty: It is very helpful of the Minister to set out this process. Did I hear him correctly a moment ago when he said there would be a cap on India?

Rory Stewart: Indeed. I am happy to repeat that for the record. The intention is that, in our forthcoming business strategy, there will be a cap on the amount that CDC can spend on India.

As we move forward to the summer, we will produce the business case. The business case will define the amount of money, whatever that is. It could be, for example, £3 billion, which is roughly in line with some of the amendments that have come forward, but we would have the option to go up to £4.5 billion. I do not honestly believe that that business case will be going up to £4.5 billion, but we would have the option to do that.

The next stage is that CDCs needs to make very detailed investment decisions, which take a long time. A lot of these investment decisions take two to three years. Let us say that CDC was going into solar power in Burundi. It would have to get in on the ground. It would have to ensure that it had a viable business and then it would have to go through our development grid, which is the next stage of the process. That means ensuring that it had checked GDP per capita, it had checked the amount of capital available, it had checked the business environment and it had checked that this is a sector that creates jobs. That is just the first stage.

The next stage CDC needs to go through is to present a development impact theory. That individual investment needs to have a theory: exactly what contribution is this going to make to jobs, economic development and poverty alleviation? Within our strategy, at the end of this year, DFID will ask CDC to publish that development impact theory, so that the theory can be seen case by case with every investment and it will be possible to challenge that theory.

At that stage, CDC would then come back and call down on the promissory note to call down that money. Then other forms of monitoring come on. We are a 100% shareholder of CDC, which is why some of the analogies with giving money to NGOs or World Bank institutions are slightly different. This is us giving money to a wholly owned DFID institution. Every quarter, we as DFID shareholders meet the board and assess its performance. We have an annual review process. On top of that we have all the other processes: NAO, Public Accounts Committee and the International Development Committee. Independent Commission for Aid Impact reports would also be able to get into the business of CDC. It is that and, finally, it is our basic confidence in our institution that allows us to even begin the process. We would not come to the Committee asking for permission to make more money available unless we were confident that we had a good management team in place with a strong history and a strong track record of development; otherwise, we would be wasting hon. Members' time.

We believe that this is a good institution that will be in a position for us to produce the business case, and that it will be in a position to find investments. I absolutely guarantee—

Imran Hussain: Is the Minister giving an absolute assurance that no further investment will go to CDC before the full, thorough business case and investment policy comes before the House again?

Rory Stewart: I am giving an absolute assurance to the hon. Gentleman that no money will be given to CDC until a full strategy is developed and published, which can be debated in the House—that is a strategy coming in December—and no money will go to CDC until a full business case is written in huge detail, which will be prepared in the summer of 2017. Following on from that, there will be the individual investment decisions. I am happy to give that assurance. On that, I would ask the hon. Gentleman kindly to withdraw the amendment.

Stephen Doughty: This has been a helpful debate and we have covered some useful issues. I am still not convinced but I appreciate the steps the Minister has taken to explain some of the process and his assurances that issues that I and others have raised are being taken seriously. I welcome that; the Minister said nothing in principle that I would disagree with. I will record that and remember that as the Bill passes through its remaining stages.

I am intrigued by the Minister's admission that there would be a cap on India. I would certainly like to know more about that. Is he able to give us a specific value or percentage? Given some of the wider points I have made, and no doubt will make with regard to other amendments, it would help if he would explain whether the Department has thinking on that on other countries. On the subject of middle-income countries versus lower-income countries, there are some odd situations where

CDC seems to be putting money into places like Egypt. That country is not without its problems and not without poverty, but is not exactly a focus country for DFID. I would say there is a huge divergence between where DFID is operating bilaterally and where CDC is.

It would help if the Minister explained where CDC sits in relation to the transparency that is expected of other development finance institutions. It is all very well to go through the scrutiny and the checks and balances, because it is clear what those are, but it appears to me —I am not satisfied on this point—that CDC is being held to a different standard. We might not be a 100% shareholder in the World Bank, but we hold significant shareholdings as a major donor, and we take those very seriously. We use our influence there as a voting board member to take decisions, whether on individual loans or overall strategies.

3 pm

It would also be very helpful if the Minister stated some clearer timelines. He says that he does not expect that we would use the full power to go to £4.5 billion in a short space of time, but the power would remain there, and were he not to be in his place, or were there another Minister who perhaps felt more mischievous, trying to move things around to fit the 0.7% aid target or whatever it might be, I am not sure that assurance would stand. Could we be much clearer—unlike the explanatory notes—about what sort of period we are looking at. If we are talking about spending £12 billion over a 20-year horizon, that is very, very different from what the explanatory notes seem to suggest, which is to spend up to £4.5 billion extra by the end of the comprehensive spending review period and then move on to another £12 billion—that is a much faster expansion. The timeline is not clear.

I welcome the Minister's assurances—no doubt we will discuss this further—that there will be no further investment before a clear business case is produced. That will be debated by the House, and I think that is an important step forward. Indeed, I hope we will be able to vote on that. I will give the Minister a chance during this debate, and indeed during the weeks to come, to present further the case for expansion at this level. I am happy to withdraw my amendment at this stage, but we will undoubtedly return to the level and the exact amounts in due course. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 6, in clause 1, page 1, line 4, leave out "£6,000" and insert "£3,000".—*(Patrick Grady.)*

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 9.

Division No. 1]

AYES

Boswell, Philip
Grady, Patrick

NOES

Bruce, Fiona
Duddridge, James
Fuller, Richard
Graham, Richard
Griffiths, Andrew
Lefroy, Jeremy
Scully, Paul
Stewart, Rory
Tolhurst, Kelly

Question accordingly negatived.

The Chair: Before I call the hon. Member for Cardiff South and Penarth, it may be helpful for the Committee to be aware that, if amendment 7 is agreed to, not only will all of the other amendments in the group fall, but all of the new clauses cannot be debated because they all refer to a provision that amendment 7 would remove. Nevertheless, I have decided that it would be helpful for there to be separate debates afterwards on some of the new clauses—but I do not wish to hear repeated arguments about the principle of the delegated power.

Stephen Doughty: I beg to move amendment 7, in clause 1, page 1, line 5, leave out subsection (3).

This amendment removes the power of the Secretary of State to set a limit on government assistance above £6 billion up to £12 billion by means of secondary legislation.

The Chair: With this it will be convenient to discuss the following:

Amendment 2, in clause 1, page 1, line 7, leave out "£12,000" and insert "£11,999".

Amendment 5, in clause 1, page 1, line 7, leave out "£12,000 million" and insert

"the amount specified in subsection (4A).

(4A) The amount specified in this subsection is whichever is the lesser of the following amounts—

(i) £12,000 million,

(ii) the current limit at the time plus the amount determined in accordance with subsection (4B).

(4B) The Secretary of State shall determine the amount for the purposes of this subsection by estimating the amount which will constitute 5% of official development assistance in the relevant period determined in accordance with subsection (4C).

(4C) That period begins with the financial year in which the Secretary of State considers that the Crown's assistance to the Corporation (determined in accordance with subsection (2)) will exceed the current limit at the time and ends at the end of the fourth subsequent financial year.

(4D) For the purposes of this section—

'the current limit at the time' means—

(a) prior to the making of any regulations under subsection (4), £6,000 million,

(b) thereafter, the limit set in regulations made under subsection (4) then in force;

'official development assistance' has the same meaning as in the most recent annual report laid before each House of Parliament in accordance with the provisions of section 1 of the International Development (Reporting and Transparency) Act 2006.".

This amendment would set a new limit on the power to make regulations to increase the limit on government assistance under section 15, expressed as either £12 billion or the current limit at the time plus 5% of official development assistance over a five year period, whichever is the lesser amount.

Clause stand part.

Stephen Doughty: I am conscious of your admonishment not to repeat the arguments I made when I moved amendment 6, Chair. I will discuss a few other issues, specifically around the use of a statutory instrument in this way, the value of it and the way in which other replenishments and funding rounds are agreed for development finance institutions.

[Stephen Doughty]

Many of the arguments that we have already discussed also apply to amendment 7, although I will come to one that we did not cover, but the fundamental issue is whether the Government should be given this level of power. There is a debate to be had about how much we give CDC, over what time period and with what caveats, but giving the Secretary of State the power to come back at the time of their choosing, which could be next week or in 10 years' time, and not just increase the amount by another couple of billion but double it, is very significant. I am always extremely reluctant to grant Ministers such powers, whether they are financial powers or Executive powers.

We all know that despite the procedures of this House and the fact that many Members take an active interest in Delegated Legislation Committees and statutory instruments, secondary legislation often does not receive the same scrutiny as primary legislation. It often goes through on the nod or is scheduled on funny days when Members are not available. Obviously it is the responsibility of all Members to turn up and hold the Government to scrutiny, but given the debate we have had on the matter in this Committee and in the legislative process, it seems odd not to ask the Government to come back later with another Bill.

Let us not forget that a Bill was not required from 1999 to today, when only £1.5 billion was used. Even if there was an expansion, not to require another Bill for quite a significant period and just to put through another uptick, perhaps by a mischievous future Secretary of State or the current one, seems very odd.

I must come back to the Minister's point about other development finance institutions and the processes they are subject to. Most development finance institutions, including the global health fund, the World Bank's International Development Association, individual development banks and UN agencies, tend to go through replenishment rounds. They agree a set period, put out strategies and requests to donors for funding and come back on a three or four-year cycle. Those requests have to be justified so that we can scrutinise them and say whether we agree. Indeed, that is the very purpose of the multilateral aid review: to look into whether we are giving money in all the right areas and where we think some development finance institutions are underperforming.

I am concerned that, although CDC may be doing better in line with its 2012 plan, making improvements and shifting its focuses, as we have heard from the Minister, without any ability to come back and have a full, thorough debate about the nature of the organisation, the caveats that are placed on it and the overall cap of funding that it should receive, we are giving Ministers a completely open-ended power to increase that funding very significantly. Let us not forget that £12 billion is equivalent, roughly, to the annual aid budget—I know the Minister has made it clear that it will not be used in one year, but it is a very significant sum of money. We ought to be acting with real caution when giving Ministers such powers.

It would help if the Minister could be clear about the time periods he is looking at. If he is talking about 20 years, let us hear him say that. I would still be nervous even so, because a future Secretary of State or Minister might change their mind, but it would help to smooth the debate if we heard that statement from the Minister.

The other issue that the Committee did not discuss in our consideration of the previous amendment was the focus on sectors. I mentioned the problem of multiplying potential shifts into certain countries or regions, away from stated objectives; that argument applies equally to sectors. If we increased the limit to £12 billion, it would be magnified even further. I was concerned to receive an answer from the Minister today about certain sectors in which he stated that the CDC continues to disburse into some really questionable areas. One is private, fee-paying education—the CDC's portfolio value in 2015 was £56.9 million. Another is private healthcare providers and services, in which the CDC had a total portfolio value in 2015 of £117.9 million. Its portfolio value in extractive industries—metals and mining—was £9.3 million; the portfolio value in palm oil, which we have discussed in relation to the Feronia case and other matters, was £20.4 million; the value of the investment in real estate is £147.7 million; and in fossil fuels, the current value of CDC's portfolio is £250 million. That seems to me to be at complete odds with DFID's wider development objectives for Government coherence.

To come back to the nature of the amendment—I can see Ms Ryan looking anxiously at me—those sorts of issue will be magnified even further by rapid increases in the budget without caveats being placed on it. Ms Ryan, you have rightly said that were we to vote on the amendment, and were it to pass, we would not get a chance to discuss some of those other matters, but the power being given here without assurances is simply not acceptable and I have great concerns about giving that power to Ministers.

James Duddridge: I shall raise only two points. I made all the comments I could possibly make on amendment 2 in the previous debate, so I will not detain the Committee further. I am sure it is terribly bad form, but I hope, Ms Ryan, that you will not mind, if we are still sitting when the business in the Chamber gets to the Adjournment debate, which is on rail services in my constituency, Southend, that I rush off before any possible vote.

Patrick Grady: I share many of the concerns outlined by the hon. Member for Cardiff South and Penarth. Amendment 5, tabled in my name, would apply the same formula to the upper cap as my previous amendment, and I have obviously heard the Committee's view on that. I heard the Minister's view as well and I appreciate the fact that he has given it some consideration. Even if that particular formula would not meet the standards that DFID would like it to meet, it would be interesting to see whether there was a way of coming up with a proportionate formula. That would answer a number of points that have been made today.

We have heard from a number of witnesses and in other evidence to the Bill, as well as from other hon. Members on Second Reading and since, that the £12 billion figure is particularly high, especially as it might theoretically be some years down the line before that maximum is reached or a need for it is felt. In that case, the points made by the hon. Member for Cardiff South and Penarth about the use of a statutory instrument are correct; it would perhaps be better if the Government were to come back with primary legislation in due course. We may come on to some of these issues in the debates on the new clauses, but the hon. Gentleman made a point earlier about the number of other arm's length bodies that have the potential to receive an 800% increase in their funding from the Government with so little scrutiny. We should bear that in mind.

Richard Fuller: It is a great pleasure to serve under your chairmanship, Ms Ryan. I speak against amendment 7—that will be no surprise—and in favour of clause 1(3). I would like to use the opportunity to probe the Minister a little, without straying too much into strategies, about the general thinking on direct versus indirect investing and how that relates to the figures, particularly the figure of £12 billion.

It is my view that the CDC has had unparalleled success in identifying and stimulating people in a variety of countries to set up first-time funds that then contribute to economic development in countries around the world. That role is, in itself, a tremendous aspect of British development policy—finding people in new countries who can then assist in the economic development of their countries.

We heard on Second Reading from the former Secretary of State about why getting the CDC to focus a bit more on direct investing had an advantage, in that people would then recognise that the CDC was there—it was good branding for us, developed a deeper understanding of countries and we were less stand-offish—but there is a value in indirect investing. As the Minister will know, the UK budget is only part of the money in that role. There is a multiplier effect from the CDC providing its money into first-time funds, because those funds then attract third-party funds as well. Does the Minister feel there is the right balance between direct and indirect investing? Can he reassure me that the CDC will continue to focus on the identification and creation of first-time funds in developing countries and that he shares the view of its role in the development agenda for the United Kingdom?

3.15 pm

It goes to the point the Minister was kind enough to pick up on at Second Reading, when I mentioned the equivalence of respect. Part of this initiative from the Government is about rebalancing the way in which development budgets from the UK are spent. Rather than being a donor and donee model, we will work mutually together from the point of view of respect to understand how economic development in one country can be supported by a third country.

Those are my main points. Is the capacity there and does the Minister see indirect investment as having a significant role in the future? Does he share the view that identifying first-time funds in developing countries is an important part of our agenda and will he recommit himself to the issue of equivalence of respect through this amendment?

Jeremy Lefroy: I accept that the potential increase from £6 billion to £12 billion is very substantial. I note that subsection (3) talks about regulations. Does the Minister envisage gradual increases, perhaps of a billion at a time, through regulations under secondary legislation? I believe that secondary legislation is a very adequate way in which to do this and that hon. Members need to take it very seriously, as the hon. Member for Cardiff South and Penarth has mentioned. However, it might reassure Members if somewhere in the Bill or in an amendment it was stated that the increases would be no more than, say, £2 billion at a time. After all, we are now considering raising the amount by £4.5 billion in the Bill, yet, as I understand it, we are looking to put it up by £6 billion through secondary legislation. It might therefore be proportionate to indicate that we would expect the Government to come back to the House on more than one occasion if the sum were to go from £6 billion to £12 billion.

Imran Hussain: For the sake of avoiding repetition, I will cite the case I previously outlined, because I think the arguments are exactly the same. The only additional point is that I agree with my hon. Friend the Member for Cardiff South and Penarth, who makes the point that using a statutory instrument to double the increase, if not more, is something that MPs will be uncomfortable with, for obvious reasons.

Rory Stewart: Ms Ryan, thank you very much for chairing this debate. I will deal with these issues very quickly, because I do not wish to detain people very long. A few issues of fact: first, this will not be an additional £12 billion on top of the £6 billion. We are talking about lifting the ceiling, so it will be an additional £6 billion. Essentially, the whole debate—we keep coming back to it in different ways—is about the fact that the CDC, through an accident in history, is governed by completely different rules from any other body to which we can give money. In the initial legislation, from 1948 onwards, a cap was put on the amount of money that the Government could put in. An additional cap was put in during the early 2000s when the Government were proposing to sell off CDC. The cap was put in there simply so that the Government did not pump more money into this organisation before it was sold off. That was a perfectly legitimate intention of primary legislation, but it puts us in an eccentric position in that it is possible for us to give, theoretically, unlimited money to an NGO, to a research council or any other body, to the World Bank and to other financial institutions, whereas the CDC is the only institution for which we have to return to primary legislation every time we wish to give it money.

The point about this ability to go up to £12 billion in the future would be that it would try to put the CDC into a similar position to the other recipients. In other words, on the basis of Parliament, the Minister and the Department, a decision would be made on the strategy on how the money was to be allocated. Money could be allocated to an NGO, it could be allocated to CDC, and we would do that through the normal departmental process.

The hon. Member for Cardiff South and Penarth asked about time. My strong belief, which I am happy to put on the record, is that the money we are asking for—that first ability to increase by £4.5 billion—would be the absolute maximum over the next five-year period up to 2021. We do not intend to come back for the next money until at least after 2021-22. At that point a new Government—it could be a Government, theoretically, of the Labour party—would have the option to come, through secondary legislation, and ask for the ability to increase the cap up to £12 billion. That, again, I would anticipate being for continuous, steady state investment. That £12 billion simply reflects, again, about £1 billion

[Rory Stewart]

a year from the 2021 period going forward to 2026. That is the kind of money we are talking about and that is the kind of plan that is in place.

To conclude, we have heard very detailed, powerful and encyclopaedic speeches from the hon. Member for Cardiff South and Penarth. He has already made enormous arguments about the sectors and countries in which we should be investing. I request, if possible, that we do not return to those when the amendments are discussed, because they have already been made in enormous detail during the debate so far.

Stephen Doughty: Ms Ryan, I am sure that you, rather than the Minister, will decide what is in order. I have no doubt that we will want to explore some of those issues in further detail. I am sure the Minister does not want to, but I hope we can prevail on you. The fundamental issue here concerns my outstanding question: why £12 billion? Where has this figure come from? What is it based on? It seems to have been arbitrarily picked out of the air. It is an 800% potential increase, as the hon. Member for Glasgow North pointed out along the way.

It is helpful that the Minister talked about the timescale. He says that it goes up to 2021 and that he does not intend to come back before 2022. My question is, why give this power now at all? Why not just require another simple, one-clause Bill to increase the cap if CDC is shown to be performing, to be reforming, to be diverting its focus more to poverty eradication, more to some of the countries we want to work in, or some of the sectors we would like to see it working in? Why not come back? This happens with other legislation. An armed forces Bill comes through regularly to maintain funding for our standing armed forces, and there are many other instances where simple pieces of legislation are proposed and receive the required level of scrutiny—indeed, this has happened with the CDC in its lifetime. My concern is why we would give such extensive powers at this stage. I take in good faith the assurance of the Minister, but obviously, as I have said before, that does not apply to future Ministers. The Minister mentioned the issue of selling off CDC; what if a Minister wanted to do that in the future? This would allow a Government to pump money into it before a sell-off. That is concerning and should concern all of us in this Committee.

I was interested in the point made by the hon. Member for Stafford about gradual increases. Will the Minister reflect on the possibility of considering an India cap of a certain amount beyond which CDC could not increase, whether it be £1 billion or less, at a time, whether that was a year or a two-year period, and coming back with secondary legislation to do that? That might give a lot more assurance as to the scale of the increase and it would not be prey to the sorts of pressures that I know exist within the Department in terms of overspending more generally. We have a 0.7% target that we need to meet. As the CDC contributes to that, it is incredibly tempting, if there has been underspending in one Department or another, to suddenly pump a load of new capital into it, record it as official development assistance for that year, as has happened, and have it contribute to the overall figure.

However, I think the Minister has said some important things. I want to hear more about the caveats and strategy for CDC going forward and while I wholly object to the suggestion of giving statutory instrument powers, secondary legislation powers, I am sure that this will be an issue that those at the other end of the building will look at in great detail in due course. At this stage I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 1 ordered to stand part of the Bill.

Clause 2

Short title, extent and commencement

Question proposed, That the clause stand part of the Bill.

Rory Stewart: As hon. Members will be aware, clause 2 is entirely standard. The only point of any note is that in this case, the Bill will come into force on Royal Assent. As we have discussed, this is an enabling Bill. The amendment made by the Bill to the cap and the introduction of the delegated power have no immediate effect and nothing is gained by subjecting them to delay or later commencement by Ministers, so it is appropriate that they come into force on the day the Bill is passed.

Question put and agreed to.

Clause 2 accordingly ordered to stand part of the Bill.

New Clause 1

Condition for exercise of power to increase limit: poverty reduction

"After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

'15A Condition for exercise of power to increase limit: poverty reduction

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he has also laid before the House of Commons a review in accordance with subsection (2).

(2) A review under this subsection must provide the Secretary of State's assessment of the extent to which the increase in the limit on the Crown's assistance to the Corporation is likely to contribute to a reduction in poverty.

(3) In this section, "reduction in poverty" shall have the same meaning as in section 1(1) of the International Development Act 2002.'" —*(Patrick Grady.)*

This new clause would require any draft regulations to increase the limit on government assistance under section 15(4) to be preceded by a review, also to be laid before the House of Commons, of the extent to which the increase in the limit will contribute to a reduction in poverty, the aim of development assistance.

Brought up, and read the First time.

Patrick Grady: I beg to move, That the clause be read a Second time.

I mentioned during the evidence session that nowhere in the Commonwealth Development Corporation Act 1999 do we find the words "poverty" or "impact," or even the phrase "international development". We have heard much on Second Reading and in Committee—in evidence and during our debates—about the robust business cases, policies and decision-making procedures that are in place in DFID and CDC, but at the end of the day, that is all they are: policies and procedures. New clause 1—and perhaps some of the other new clauses—attempts to make it much clearer in the legislation that governs the CDC that it must meet the same high standards set for DFID and all the other Departments that spend money towards the ODA target. The new clause would require any proposal by the Government to raise the limit on Government assistance to CDC to be accompanied by a report to the House about how such an increase in investment was expected to lead to a reduction in poverty, as defined by the International Development Act 2002.

As we have just heard, the Government are asking for authority to increase their investment in CDC to up to £12 billion by statutory instrument. That is both a significant amount in itself and nearly 10 times the current investment cap. As I said a minute ago, I wonder how many other arm's length bodies have received or have the potential to receive such an increase—800%—in their funding from the Government by statutory instrument without any additional information justifying that being required to be laid before Parliament.

If Parliament is to be asked to increase the funding cap, it should have information at its disposal to help it make that decision. Ministers keep telling us that robust business cases will be presented, but—

Philip Boswell: Will my hon. Friend give way?

Patrick Grady: Yes, I will.

Philip Boswell: My hon. Friend quite rightly focuses on the robust business case that is required. New clause 2 would better enable transparent goals and practice in terms of checks and balances to be implemented prior to a commitment on funds—

The Chair: Order. The hon. Gentleman mentioned new clause 2. We are debating new clause 1.

Philip Boswell: My apologies, Ms Ryan; I meant new clause 1. Given the previous concerns about potential bad practice, which were raised on Second Reading, does my hon. Friend recognise the potential for misuse of this substantial fund as an enticement in titanic and desperate international trade negotiations due to Brexit? Should not a serious, transparent and fully accountable stage-gate approval review be implemented before any funding is approved on a case-by-case basis?

Patrick Grady: My hon. Friend makes an important point. As I said, Ministers have told us that robust business cases will be presented, but that is an assurance from the current crop of Ministers and the current generation of CDC officials. Putting reporting requirements in the Bill would help to future-proof against any risk of CDC backsliding into the kinds of questionable behaviours that were raised on Second Reading. My hon. Friend also raises interesting points about precisely how this massive potential investment in CDC relates to the Government's ongoing trade agenda and their interests in trading with different parts of the world, especially in the light of Brexit.

The mechanism proposed in the new clause may not be perfect, and some of the other new clauses are, in some ways, a bit more robust and may place a heavier burden on the Government, but are the Government prepared to use this opportunity to make it clear in the Bill—as they seem to be doing in debate and in the evidence we have heard—that the primary purpose of the CDC and the taxpayers' money that it spends is to reduce poverty around the world, and that people come before profit?

3.30 pm

Stephen Doughty: I am interested in this new clause. I think it will be very helpful to have the CDC more tightly linked to the terms of the International Development Act 2002. That set an important legal framework, which has guided the use of our ODA aid over the past 14 years, and therefore there are important safeguards within it that need to be closely looked at as regards the CDC. One of the issues is with the transparency around the CDC. Perhaps the Minister can clarify some of these, but when someone delves into the detail of some of the projects, organisations and programmes that we are funding, although there are a significant number of projects that are clearly focused on poverty reduction and are in some of the poorest countries in the world, there are others where it is questionable as to what the poverty-focused role is.

We heard this morning about the private healthcare provider in India. We could, but will not at this stage, get into a lengthy debate about the merits of private and voluntary healthcare versus public funded healthcare in developing countries, the role in transition and so on. It concerns me that CDC appears to be investing in a private fee-paying hospital without a focus on access for some of the poorest patients, for example, or some explanation as to why that money is focused on poverty eradication rather than as just a generalised investment.

I looked into one of the others called Qiming Venture Partners, which is a Chinese-based entrepreneurial fund. It describes itself as one of the top funders of entrepreneurs in the internet and consumer products; I struggle to see how that relates to poverty reduction. It has some very interesting pictures on its website of its staff sitting on tanks in Mongolia. I am happy for the Minister to clarify the nature of that investment, and if it is something completely different I will happily withdraw my comments about it, but it is very odd.

Another one we heard about this morning was Feronia. Clearly that is an investment in agribusiness, and we can see links there to poverty reduction and jobs in the agribusiness sector. However, there are also questions about the potential negative effects on livelihoods and poverty eradication because the investment is in palm oil. There are questions about land grabs, the rights of people living in the area and whether that is even a sustainable product to be investing in. Again, it seems odd that we are investing in fossil fuel projects when we are told that climate change is one of the biggest threats to developing countries and people in the poorest countries. I know that that is not just a problem to CDC; it applies to some of our investments through other development finance institutions, and is something we ought to look at much more closely.

I feel that tying CDC more closely to the wider terms under which DFID operates, and the wider terms in which our ODA is spent, would be helpful. Otherwise we might get some very interesting challenges and could even have legal challenges—judicial reviews—on some of these projects, particularly if we were to put in large sums

[Stephen Doughty]

of new money. I am sure that some of the campaigning organisations would take great interest in seeing whether some of these projects actually adhere to the principles that we set out for the Department and the spending of our ODA. I am encouraged by the new clause, and am certainly interested in the Minister's comments on it.

Rory Stewart: This is an important principle—we should be focused on poverty reduction and the particular aspect of poverty reduction through job creation and economic development. I absolutely agree, and that is central to the mission of the CDC and its investment policy, but we are circling around a bigger issue: where is the appropriate place for this to happen?

I think that the only disagreement between myself and the hon. Member for Glasgow North is that this is a straightforward Bill, which is designed to lift the cap. We believe that the appropriate place to determine spending decisions and exactly how strategy works is through the normal departmental process. That would be true for our investments in the World Bank and in Unicef, money we would give to Oxfam or Save the Children, or anybody. We have procedures and processes to do that, which do not happen through primary legislation. We will continue to present that five-year strategy in December for the hon. Member for Glasgow North and other right hon. Members to interrogate. We will continue to present the business cases. We will be held absolutely accountable in law. In 2015 we passed a law that we would spend 0.7% on overseas development assistance as defined by the OECD. The money we are giving is governed by that legislation, which commits us legally to make sure that that money is driven precisely in the directions that the hon. Member has raised.

The hon. Member for Cardiff South and Penarth continues to raise many different issues. I am struggling to work out in which sequence to answer them, because many of them are things I thought the hon. Gentleman was attempting to raise in later amendments. I hope that we are not going to keep hearing again and again about the same caseloads.

Richard Graham: It seems to me that the hon. Member for Cardiff South and Penarth has raised interesting points about individual investments by the CDC. He is concerned about where the geographic spend is. The figures probably suggest that it has been 48% in Africa over the last few years, but there is an interesting question there, on which the Minister might want to comment: if one invests in a business that is, for the sake of argument, based in Mumbai but investing in east Africa, is that geographically described as an Indian investment or an east African investment? The hon. Member then had questions about sectoral investment. There are interesting questions there, because if someone is building hospitals, they are also in construction, and therefore there are jobs for people building the hospital. Is that classified as an investment in health, in construction, or both?

The Chair: Order. This is an intervention. If the hon. Gentleman wants to speak longer, he needs to indicate—

Richard Graham: I will bring it to an end almost immediately. It struck me that the Minister might want to confirm that the CDC can be held to account directly before the Select Committee and that that is the place to ask specific questions on specific investments and their sectoral and geographic emphasis, rather than in this Bill Committee.

The Chair: I think it is for me to decide where the best place for the questions is, and I have allowed them.

Rory Stewart: To conclude, and to follow up from my hon. Friend the Member for Gloucester, the questions about poverty and the impacts of our investments need to be asked again and again, right through the process. They need to be asked in Parliament; they can be asked through urgent questions; they can be asked through this process. They also need to be asked primarily in details about the CDC's mission, its investment policy, the ex ante decision making based on the development impact grid, through the development impact theory on each individual investment, and we have to do it in a way that gets a very difficult balance right, because the National Audit Office has been very clear that it does not want the Department micromanaging and interfering in individual business cases and decisions. We are supposed to be setting the overall strategy, driving where the money is meant to be and driving it towards exactly the kind of indicators that right hon. and hon. Members have raised. Given the number of measures that the Government will be taking to address exactly the issues raised, not in the Bill but through all the existing other processes, within both the CDC and the Department and the wider parliamentary and public accountability process, I ask politely that the new clause be withdrawn.

Patrick Grady: That was an interesting and helpful response from the Minister. He has repeatedly said throughout this process that the CDC is different from all the organisations that DFID disburses funds to, precisely because of the way it is constituted in statute and the historical legacy, going back 70 years. This is an important opportunity to include in the Bill some of the assurances that the Minister continues to give us, to make it clear that poverty reduction is one of the purposes of the CDC. I hear what the Minister says about withdrawing the new clause at this stage. If I do so, I hope that he will understand if we choose to come back at a later stage with more detail. Perhaps the Government would indicate that they are willing to work on how we can build into the legislation some of the reassurances that we keep asking for and they say they are going to give us. On that basis, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 2

Condition for exercise of power to increase limit: Sustainable Development Goals

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: Sustainable Development Goals

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he has also laid before the House of Commons a review in accordance with subsection (2).

(2) A review under this subsection must provide the Secretary of State's assessment of the extent to which the increase in the limit on the Crown's assistance to the Corporation is likely to contribute to achievement of the Sustainable Development Goals.

(3) In this section, "the Sustainable Development Goals" means the Goals adopted at the United Nations on 25 September 2015.""—*(Patrick Grady.)*

This new clause would require any draft regulations to increase the limit on government assistance under section 15(4) to be preceded by a review, also to be laid before the House of Commons, of the extent to which the increase in the limit will contribute to achievement of the Sustainable Development Goals.

Brought up, and read the First time.

Patrick Grady: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 10—

Condition for exercise of power to increase limit: assessment of contribution to Sustainable Development Goals

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: assessment of contribution to Sustainable Development Goals

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he has also laid before the House of Commons the documents specified in subsection (2).

(2) The document specified in this subsection is a report containing an assessment by—

(a) CDC, and

(b) the Secretary of State

of the extent to which the proposed use of the new investment enabled by the proposed increase in the current limit at the time will contribute to progress in relation to the Sustainable Development Goals.

(3) In this section—

"the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force;

"the Sustainable Development Goals" means the Goals adopted at the United Nations on 25 September 2015.""

This new clause would require any draft regulations to increase the limit on government assistance under section 15(4) to be preceded by the laying before the House of Commons of assessments by both CDC itself and the Secretary of State of the extent to which additional investment will contribute towards progress towards the Sustainable Development Goals.

Patrick Grady: I have already explained why reporting requirements are important and we heard the Minister's response. The new clause asks for a report on how increasing the limit on Government assistance would help to achieve the sustainable development goals. It is worth putting on record why that is important. The sustainable development goals ought to be the overriding framework that explains in more detail what poverty reduction and international development look like in practice in the 21st century.

As I did on Second Reading, I pay tribute to the work of the previous Prime Minister in leading the process that drafted and achieved the agreement of the global sustainable development goals by every country at the United Nations. The emphasis now has to be on meeting those goals.

I received correspondence from the Secretary of State in response to my contribution on Second Reading and she emphasised the CDC is working towards some of the specific SDG goals: number 8 on employment, number 5 on gender empowerment, number 7 on energy access and number 13 on climate change. But the SDG framework is holistic and it is important to show how progress is being made across the board, and that progress in one area is not being traded off against progress in another.

As with the previous requirement to report on poverty reduction that we had hoped for, this proposed new clause would help prevent any risk of backsliding. It would clearly frame the work of the CDC in a global context that would shape the global development agenda through to 2030. Even if the Minister is not willing to accept the new clause, here or on Report, it would still be useful to hear assurances on how the totality of the sustainable development goals are to be reflected in the CDC's work through the additional funding of this Bill.

Stephen Doughty: I want to make some brief comments. As with the previous new clause proposed by the hon. Gentleman, it is helpful to align more closely the CDC to the overarching frameworks that apply to DFID and our aid budget. DFID has been a leader in going out to fight for the global goals, and in working with other Government Departments. However, the global goals do not apply only to DFID; they apply to our domestic Departments. They bring up important issues of coherence and focus, as I touched on earlier. If we are using them to apply to other areas of DFID spending such as our bilateral programme, funding through other multilaterals, the ODA being spent by other Government Departments and domestic policy on climate change, there is no reason to expect that the CDC should do any less.

We have heard the idea of micromanaging CDC discussed a few times. When we look at the sectors it is investing in at the moment, there are clear inconsistencies. I know the Minister does not like me to bring up examples but I will because they are important and I want to understand why those inconsistencies arise. We could include a much clearer framework about poverty eradication around those 17 global goals that cover everything from hunger, health and wellbeing, the quality of education and affordable and—crucially—clean energy. It is slightly odd that the CDC seems to be investing in fossil fuels.

The goals also include sustainable cities and communities, climate action, peace, justice, strong institutions and partnerships. The crucial issue is, who is involved in development and taking decisions? Are these measures just done to people in developing countries by corporations or investors or do they involve people living in poverty or excluded in some way in decisions about their future? Those are admirable goals and should form a guiding framework for the work and spending of our aid money, whether that is by an NGO, DFID directly or the CDC.

3.45 pm

I hope the Minister will accept new clause 2 in good faith. It is not meant to constrain or restrict. It is about ensuring that the CDC adheres to stated Government policy. The global goals are important. We need to ensure coherence across Government and the new clause would be very helpful in achieving that.

Imran Hussain: I associate myself with comments made by the SNP Front Bench team and, indeed, my hon. Friend the Member for Cardiff South and Penarth. I am not going to repeat what has been said, but I will make two additional points. The CDC should work towards the SDGs as much as possible, but as we stand, there is some confusion around their overall monitoring. Those criteria have not been released and I urge the Minister to consider that.

The other option, not the least option open to the Minister—and I am sure he will give assurances—is a matter that can also be dealt with through the business case and the strategies enshrined in that, to make sure the most effective way of contributing to the SDGs is laid out before Parliament.

Rory Stewart: This is an example of a clause where we strongly agree that SDGs are central to what the CDC should be doing. We are already delivering on these things. In 2015 alone, 326 women received jobs through the CDC investments; that is SDG 5. We provided 56,000 GW of electricity; that is SDG 7. SDG 8 on economic growth is, of course, central to everything the CDC does.

The bigger argument is that, as the SDGs were presented, people talked about a $2.5 trillion demand per annum for investment in the world's poorest countries. The CDC is the major instrument that will be used by the British Government to deliver that kind of investment into the private sector.

However, to respond to the shadow Minister's point, I think this is a good way of focusing the Department's mind and making sure that, as we develop the strategy for the CDC going forward over the next five years, the SDGs are baked into that process. We take the SNP spokesman's suggestion that it is important to understand the SDGs as a holistic set: that we do not simply look at them goal by goal, but that we group them together.

Stephen Doughty: The Minister made helpful comments earlier on about capping aid to India. Is he willing to consider looking at restricting, for example, the CDC's ability to invest in fossil fuels, as this seems at odds with the global goals?

Rory Stewart: It is a good challenge. We invest enormously in renewable energy. We have just made a difficult investment in solar energy in Burundi and the Central African Republic—not a place where most people want to go into investment. Unfortunately, Africa's need for energy is extraordinary. We do not invest in coal, for example, that is not something we go into, but we support some gas-powered stations through Globeleq. That is a difficult trade-off, but we believe Africa is currently falling behind. As I have mentioned before, China has been building about 8 GW of power in a two-month period, with Africa delivering 6 GW of power over a decade.

I feel that we have to get the balance of our investments right and I respectfully disagree with the argument put. I do not think it would be responsible for economic development in Africa to put us into a position where we cannot invest at all in any conventional energy source. With that, I would ask that new clause 2 be withdrawn.

Patrick Grady: What the Minister said at the end was disappointing, because, in fact, there is an opportunity for Africa and many parts of the developing world to leapfrog the technologies that have polluted our skies and buildings and all the rest of it over so many years. Surely, if the CDC's investment is for anything, it should be in innovative, clean technologies. That is what we are trying to get to with the various amendments and new clauses we have been tabling, to make it clear in statute that this is its duty and not to allow it space to make excuses such as "Well, it's difficult" and "We have to do this" and that jobs are more important than the longer-term viability of the planet. I am not convinced that is the case.

That is why we continue to seek assurances. Again, if we withdraw this new clause, we hope the Minister will reflect on the points made over the course of the debate in Committee. When the Bill comes back to the House on Report there might yet be ways in which it can be strengthened to take some of the points on board and reflect them going forward. On that basis, however, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 3

Condition for exercise of power to increase limit: prior bilateral programme

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: prior bilateral programme

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment in a country enabled by the proposed increase in the current limit at the time is in a country to which the Secretary of State provides assistance through a bilateral programme at the time.

(3) In this section—

"country" has the same meaning as in section 17 of the International Development Act 2002;

"the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force;

"assistance" has the same meaning as in section 5 of the International Development Act 2002.""—*(Stephen Doughty.)*

This new clause would limit any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) to countries where the United Kingdom maintains a bilateral programme at the time.

Brought up, and read the First time.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss the following:

New Clause 4

Condition for exercise of power to increase limit: limitation to eligible countries

'(1) After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: limitation to eligible countries

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment enabled by the proposed increase in the current limit at the time is in a country in Schedule 2A (Eligible countries).

(3) In this section "the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force."

(2) After Schedule 2 of the Commonwealth Development Corporation Act 1999 (Modification of Companies Act 1985 &c), insert—

"Schedule 2A

Eligible Countries

Afghanistan

Angola

Bangladesh

Benin

Burkina Faso

Burundi

Cameroon

Central African Republic

Chad

Congo (Democratic Republic of)

Congo (Republic of)

Côte d'Ivoire

Equatorial Guinea

Eritrea

Ethiopia

Gabon

Gambia, The

Ghana

Guinea

Guinea-Bissau

Kenya

Lesotho

Liberia

Madagascar

Malawi

Mali

Mozambique

Myanmar

Nepal

Niger

Nigeria

Pakistan

Rwanda

Senegal

Sierra Leone

Somalia

South Sudan

Sudan

Swaziland

Tanzania

Togo

Uganda

Zambia

Zimbabwe."

This new clause would limit any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) to certain eligible countries.

New Clause 5

Condition for exercise of power to increase limit: LDCs and LICs

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: LDCs and LICs

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment in a country enabled by the proposed increase in the current limit at the time is in a country which is classified as either—

(a) one of the least developed countries, or

(b) one of the other low income countries.

(3) In determining the classification of a country for the purposes of subsection (2), the Secretary of State shall use the latest analytical classification of the world's economies prepared by the World Bank.

(4) In this section, "the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force.""

This new clause would limit any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) to the least developed countries and other low income countries.

Stephen Doughty: The new clauses are all probing and designed to get further into this issue of the CDC's disjoint from DFID's overall focus, whether that is the disjoint from the Department's bilateral programme, from its focus on individual countries, or from its focus on income and countries considered to be least developed or low income. Again, I mention the Minister's interesting comments about India; I would be interested to know if he would consider looking at the broader issue.

The three new clauses look separately at the respective issues. The first one would amend the Bill to require that the CDC's new money was only invested in countries where DFID has a bilateral programme. New clause 4 would set out a very specific list as to where CDC was able to invest. I know that it already has a list, but I

[Stephen Doughty]

think that it should be shorter and I have suggested some countries that could be removed from it. I am sure we can have a debate about that.

New clause 5 suggests that any new disbursements should be focused on those countries defined as least developed or low income, rather than on middle-income countries where the significant proportion of the CDC spending does appear to be going.

The disjoint is very clear on the bilateral front. DFID currently invests in 35 countries. We are not sure where that is going because we do not have any detail on the bilateral aid review—perhaps the Minister could enlighten us as to whether that list is likely to increase, decrease or change in some way—but the CDC is in 63 countries. When we look at where other aid is being spent through other Government Departments, that number gets even higher. This is a worrying trend.

Library briefings for this Bill go into quite a bit of detail, particularly with regard to new clause 5, on relative investment by income group between 2010 and 2013. I am referring to page 5 of the Commons briefing for those who have it with them. It reflects that there has been an improvement in the situation, and it says that there is

"an increased emphasis on the poorest countries brought about by the new investment policy between 2010 and 2013. The share of new investments in the very poorest least developed countries (LDCs) increased from 4% to 12%, and from less than 1% to 4% in other low income countries (LICs). The share decreased in both lower middle income (LMICs) and upper middle income countries (UMICs)."

I did try to get the data on the two most recent years but I understand that the OECD has not given its full analysis of which countries fall into those categories and, conscious of some of the points made earlier, that information would be very helpful. I hope for, and would expect that there has been, a further trend in the direction highlighted. Again, it would be helpful for the Minister and the Department's statisticians to set this out for us. However, there is still a huge distortive effect. The share of new investments even just up to 12% in the least developed countries—12% of the CDC's investments by income group—is not a lot. I am not saying that investments in the middle-income countries are not going to the poorest people, because in some of those cases they clearly are, but when we delve into the detail, as we have done in the case of India, the picture is not clear and the majority of the investments, as of today, still go to the richer states rather than the poorest.

South Africa is another concerning example. The situation with South Africa and whether the CDC is allowed to invest is a complex one, but I asked the Minister in a written question whether or not there was an analysis of investment by state and I was told that the CDC does not assess its South African investments by state. We are not even able to understand whether the CDC's investments are going into poorer or richer parts of South Africa. We get an answer by portfolios and by sectors, but that is concerning to me.

Richard Graham: It looks as if new clauses 3, 4 and 5 offer three different options on the way in which the CDC could spend money geographically. They do so first by limiting its list of eligible countries to those where bilateral aid is already happening; secondly, by limiting that list to a new schedule to the Bill in new clause 4—schedule 2A—that the hon. Gentleman has tabled, which looks to be of about 43 countries and gives no particular explanation as to how those were chosen or why they differ; and thirdly new clause 5 uses other multilateral definitions. Which option is the hon. Gentleman advocating? All three contradict each other to some extent.

Stephen Doughty: Indeed, but—the hon. Gentleman will be familiar with the flow of debate in Committee—the tabling of probing amendments to discuss and debate different suggestions is very much the way in which we scrutinise, suggest alternatives and allow debate in the House. Personally, I think the latter option in new clause 5—some sort of measure based around ensuring that the CDC more closely focuses on the LDCs and LICs—would allow the CDC to have a little bit more flexibility than by restricting it to the bilateral programme.

That option would recognise some legacy investments—for example, those that have been mentioned in which money being spent in one country might actually benefit another. Perhaps some of the partnerships between India and Africa, which are very interesting, are such examples. I do not want to completely rule those out; there are some legitimate reasons for them. I want to see a much tighter focus on the poorest countries than appears to be the case at the moment. It is difficult to see where things are without the data for the last year, but we can see where they were a couple of years ago.

If we look at the trend in the last few years, in terms of new investments by region, another briefing helpfully provided by the House of Commons Library shows that the share of the total percentage of investments going to Africa has actually declined since 2012, while the share going to south Asia—which I would imagine, were we to delve into the detail, is going to India—has gone up. That concerns me, not least given what Professor Collier said, and what other Members who I know support the CDC getting more money have said. Those are the facts and statistics provided by the neutral House of Commons Library; they are there. It will be much more helpful to see where those trends are going and where the focus is, and then to be assured that Ministers were going to bear down in terms of setting caveats for the CDC—whether those are over specific countries where DFID has synergies with its bilateral programme, or, indeed, an overall focus on poverty eradication.

I am intrigued to hear that the CDC plans to expand its network of offices. At a time when we are talking about one UN and bringing UN agencies together in one office, and about an enhanced in-country co-operation between DFID and the Foreign Office, it seems slightly odd that the CDC could open new offices in locations where we do not maintain a bilateral programme and where there are not necessarily those synergies. I think that Ministers ought to look much more carefully at that, to ensure that there is coherence between what the CDC is doing and what the rest of Government are doing.

I will leave to one side comments on the detail of some of the sectoral arrangements in some of the locations. I conclude by appealing to the Minister to give us a bit more detail and a bit more assurance on what sort of caveats and guidance will be given—not micromanagement but clear guidance about what kind of shift Ministers expect in return for a new investment, particularly if it is a large one. For example, would they expect the CDC to stop investing completely in middle-income countries over the next three or four years? That seems to be incongruous with what the Department itself has said; the Government have made a big deal of ending aid to India, China, South Africa and other locations, yet we see aid to those locations increasing through this CDC route. That seems to be a difficult argument to make.

We all struggle with making the argument for international development to our constituents. At the moment, there is a good degree of cross-party consensus in the House about the importance of international development and aid, but I have difficulty explaining why we should be supporting some of the poorest people in the world to my constituents; I have real difficulty explaining why aid money should be used to fund a private hospital in India. We all need to take care to ensure that we are robustly focusing our aid, our effort and our limited taxpayer funding on the poorest and on the countries that align most closely with our existing development programmes, where we have an added advantage.

4 pm

Jeremy Lefroy: I have to say that I agree with a considerable number of the hon. Gentleman's points, although I see some problems with the way in which the new clauses address them. For instance, if we restricted new capital to a certain list of countries, where would that leave the self-generated capital, both from existing investments and from these investments once they are sold? That does not seem to be clear, so in effect we would have to segregate capital raised through the profits or the free cash flow of the sale of existing investments, and capital raised through the sale of new investments that had been restricted to certain countries.

Stephen Doughty: The hon. Gentleman will correct me if I am wrong, but has that not already happened with regard to legacy investments in Latin America, for example, as a result of the changes in the strategy for CDC in 2012?

Jeremy Lefroy: Yes, it has, absolutely, but what I am saying is that the new clauses are not specific enough to achieve what the hon. Gentleman wants.

I must also repeat my earlier point that middle-income countries are a very broad church. I think I mentioned that they cover gross national incomes between £1,000 and £13,000; forgive me, but I meant between just over $1,000 and just over $13,000—dollars, not pounds, although that is less of a difference than it was a year ago. I believe firmly that a country with a gross national income of $2,000 or $3,000 per head per year is absolutely the kind of country that we should be investing in to create the jobs I referred to earlier, but it would be counted as a middle income country.

My final point is that when we invest in multilateral institutions such as the World Bank through IDA, we are investing in low income countries; but when we invest through the International Bank for Reconstruction and Development, which is the major part of the World Bank, we are investing indirectly in middle income countries, including India, China, Brazil and all the other countries that the hon. Gentleman mentioned. I would not like us to treat the CDC differently from our investments in the World Bank or in other multilateral institutions such as the Global Fund.

Imran Hussain: Again, I associate myself with the comments made by my hon. Friend the Member for Cardiff South and Penarth. I have two additional general points. We have to look at the 2011 review. There were clear purposes behind it, one of which was that the CDC had lost its focus. As a result of the review, we saw the new universe of countries and, as I said earlier, have ended up in a better place today than we were in four or five years ago.

My hon. Friend is absolutely right that we must not lose our focus on development impact and where it can be greatest, and nor must CDC. We must continue to focus on the poorest countries, where the impact will be felt the most and where it is most needed. The CDC's ultimate goal must be to alleviate poverty, and that goal is not best achieved in some of the countries that have been used as examples.

Rory Stewart: If I may, I will focus not on particular sectors but on the issues addressed by the new clauses: the type of countries in which CDC should be working.

I wish to make four arguments. First, there are significant technical problems with the amendments, but I do not wish to take up too much of the Committee's time with them, so I will move on.

Secondly, there is a conceptual difference between DFIs and the bilateral programmes at DFID. It is perfectly reasonable for a Government looking at their overseas development programme not to limit themselves to where they happen to have a bilateral programme. A bilateral programme traditionally means somewhere where we happen to have a DFID office and are running our own bilateral programmes through our own staff. There might be an argument that we do not wish to have a bilateral programme in a country because we already have CDC operations taking place in that country.

The third argument, which I again do not wish to rehearse because it covers a lot of the issues that we have talked about today, is how to get the balance right between Parliament—it is absolutely right that Parliament should have the job of determining the overall financial allocation—and the discretion given to the Secretary of State and the Department to determine country programmes. It would be unfortunate if we ended up specifying in primary legislation a specific list of countries where we would and would not operate, as a result of the judgment calls that a Secretary of State or Department, from any party, has to make—the world changes very quickly.

Right hon. and hon. Members have raised some difficult judgment calls. India has 35% of the world's population who exist on $1.25 a day, which is more, in absolute numbers, than the number of poor people in sub-Saharan Africa. That is a difficult philosophical discussion, and different people on different sides of the House will have different views on whether we wish to focus on that, but whether we focus on those people or not seems reasonably to be a judgment call for the Department and perfectly in accordance with the

[Rory Stewart]

International Development Act 2002. It is also true that it may be necessary to make investments in a wealthier state in order to help a poorer state. It may be necessary to use South Africa's financial institutions in order to support poverty alleviation in other African countries.

Finally, it may be necessary to respond to quickly changing events in the world. For example, nobody predicted the conflagration in Syria. We are suddenly having to put bilateral programmes into middle income countries—Syria, Iraq, Jordan, Lebanon—where we never had bilateral programmes four years ago, in order to deal with 3.5 million refugees, horrendous killing, an extreme humanitarian disaster and a UN tier 3 emergency. The International Development Committee has been asking us to get the CDC to invest in exactly those situations. The new clause would prohibit us in primary legislation from doing that. With respect, I believe that these things are best left to the discretion of the Department. We are very happy to share all our thinking on how those decisions are made with Parliament in the normal fashion. With that, I hope that the new clause will be withdrawn.

Stephen Doughty: I thank the Minister and the hon. Members who have taken part in the debate for their comments. In response to the hon. Member for Stafford, I should point out that the fact that some of the other DFIs are focused in some of those other middle income countries is all the more reason for the CDC to have a different focus. We have less control in those organisations, by being a part-shareholder and part-donor. We have 100% control over what the CDC does. If we are contributing in that way to some particular important niche project that the World Bank is funding, for example, why do we need to add to that with an organisation over which we have a greater degree of strategic control? We are supposed to be leading—that is the mantra—and setting an example. We should perhaps be going to some of those more difficult locations that Professor Collier was talking about and addressing some of the innovative solutions that the hon. Member for Glasgow North was talking about on green energy. We ought to be leading, not just matching what other development finance institutions are doing.

The Minister makes a good point about not limiting the provisions to the bilateral programme in strictly defined terms, as the new clause—a probing amendment—would do. The example that he gave of Syria was a good one. There is also a very good argument to be made about francophone Africa, where CDC and our bilateral programme could play a bigger role and we could perhaps come alongside other investors. The Minister had a fair point on tight definitions and on listing countries.

I would ask the Minister to look again at the issue of the rankings of countries. In terms of CDC's total disbursements in Africa and south Asia over the past seven years, the lion's share has gone to India and South Africa, with £760.5 million and £194 million respectively. Money has also been disbursed to some very odd locations—these are not small amounts. Some £27.6 million has gone to Mauritius, £12.6 million to Morocco, £53.6 million to Egypt and £9.8 million to Algeria. That does not seem to fit into the categories that the Minister alluded to.

There is a debate to be had about India. I accept the point that he made, but it is not the argument that has been used in the past by advisers in his Department. In fact, the special adviser to the Department when he was at the TaxPayers' Alliance resoundingly criticised DFID for continuing aid to India which, he argued, had a space programme and everything else. He said that all aid should be stopped. The Government, including his Government, have made a big fanfare to the public and to this House about aid to India ending, and yet it continues. I think there is an inconsistency there, and it would be useful to know where we stand and where we are heading, because it is not what is being said.

Rory Stewart: Just to clarify the position on the record. The Government intend to stop all conventional bilateral grant aid to India. Support in India will then be targeted through technical assistance and through the CDC instrument of financial investment in private sector companies.

So the distinction that the Government are making is between traditional bilateral grant aid and instruments such as the CDC. Specifically on the question of balance, I absolutely take these points on board—60% of the investments since 2012 have been made in Africa, only 40% in south Asia, including Pakistan and Bangladesh. I absolutely understand the importance of keeping a rigorous development grid and development impact theory to make sure that CDC focuses on the countries that need aid most.

Stephen Doughty: I thank the Minister for his point. It was not the impression that was given by the Government at the time about aid to India. The clarification is helpful, but again we get into the value and the total amount that is going to India rather than other locations. For me, and for many others who contributed to this debate, it is simply too high. That is why I welcome what the Minister has said about a cap. However, I urge him to look at a cap in some of these other countries. There are some very odd outlier examples here which do not really fit in any way with our wider objectives, our strategic interests, or our poverty reduction objectives. There does not seem to be any clear explanation, and I think we ought to be bearing down more tightly on that.

It would be helpful for the Minister to explain, as we go through the next few days on the Bill, whether he would consider tough stretch targets.

Andrew Griffiths: Next few days?

Stephen Doughty: Well, we do have another day—the Whip is commenting—which we could get to, depending on where we are. We will certainly have time on Report and Third Reading, but it would be helpful to know by then the sort of stretch targets that the Minister envisages for the CDC, if it were to get extra money, and where it would be forced, perhaps not completely banning it from all investment in middle income countries—I accept some of the points that have been made—to have a much, much more significant focus for where its new investments are going, because it is clearly not meeting that at the current time. I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 6

"CONDITION FOR EXERCISE OF POWER TO INCREASE LIMIT: PROHIBITION ON USE OF TAX HAVENS

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: prohibition on use of tax havens

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment enabled by the proposed increase in the current limit at the time is not in either—

(a) an investment entity, or

(b) a company

which uses, or seems to the Secretary of State likely to use, tax havens.

(3) In determining whether the condition in subsection (2) is met, the Secretary of State shall consider—

(a) information provided by the OECD on countries or territories which are considered to be tax havens, and

(b) such information as is available to the Secretary of State, whether supplied by the CDC or others, about the current location of funds of the potentially relevant entities for the purposes of subsection (2).

(4) In this section, "the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force.""*.—(Stephen Doughty.)*

This new clause would prohibit any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) from going to an investment vehicle or company which uses or seems likely to use tax havens.

Brought up, and read the First time.

Stephen Doughty: I beg to move, That the clause be read a Second time.

This new clause relates to the issue of tax havens, which has been a persistent concern, not just on this side of the House, which is why it is in the name of myself and of my hon. Friends. I know that it is a matter of concern to Members across the House and to many of the campaigning organisations out there. There seems to be a major issue of incoherence between the Government's stated policy to bear down on tax avoidance and the types of vehicles that facilitate it, and CDC's continued investment, even to this year, through these vehicles.

I have had the argument made to me about the reason for using investment vehicles and companies that are not located in the country where the investment takes place. I think that it is a very reasonable argument, in that sometimes the legal framework—the fiduciary control frameworks—whatever they might be, are not good enough for us to be spending taxpayers' money, or for CDC to be spending its own funds, or, when it comes to other investors, for them to be willing to accept the risk of, for example, a fund in a particular African country.

However, I struggle to understand why so many of the investments continue to be made through offshore havens such as the Cayman Islands and Mauritius rather than simply under the law of England and Wales. Some would argue that the UK is a tax haven. We are not going to get into that debate here, but I do not understand why these investments are being made through Cayman in particular.

4.15 pm

The international aid transparency initiative data reveal recent 2015 commitments to funds domiciled in tax havens, including £9.7 million to the Ascent Rift Valley Fund, which is administered by Trident Trust Company, domiciled in Mauritius, and £33.1 million to Capital Alliance Private Equity IV (Cape IV) administered by the African Capital Alliance, which is based in the Cayman Islands. When you look at the overall portfolio, you see that at the end of 2013 a significant number of the CDC's fund assessments were channelled through the top 20 jurisdictions that are considered to be in the financial secrecy index, as it is known. We see 69 in Mauritius, 26 in the Cayman Islands, nine in Luxembourg, three in Guernsey and two in Singapore. That seems to be very odd.

The counter argument that is being made—it is one argument; I do not think it offsets this one—is that CDC's investment portfolio is contributing to the payment of taxes in developing countries. I have no doubt that that is the case. It says that its investment portfolio in Africa and south Asia contributed to the generation of £2.6 billion in local taxes in 2015. It is only fair that I reflect that on the record, because clearly tax is being paid. However, I have a few questions for the Minister. When we are investing in the Cayman Islands and using these particular vehicles, for the apparent reason that that is the only possible place we can do it effectively, what fees are we paying to the fund managers and the financial services sector in those countries? These are fees that are undoubtedly being paid by CDC and some of its investment partners. I have tabled a written question for the Minister, so if he has not got the information today, I hope he will provide it in due course.

Are we indirectly facilitating the operation of offshore financial services that are being used, perhaps not in relation to the specific CDC investments but in relation to overall tax avoidance and tax secrecy indirectly supporting that industry? I argue that we should not be supporting overseas territories to conduct these types of activities any more; we should be much more robust when looking at the activities of Cayman, BVI, Anguilla or any of these other locations. Yes, the CDC invests only in the top of the white list—that was an innovation introduced in the Department under the last Labour Government—but the fact is that it is still investing in tax havens. That is of deep concern to many people, not just in terms of the types of fees or indirect support that it might be providing to the offshore industry, but also in terms of transparency. I tried to look into a number of the companies and yes, there is information on the CDC website, but trying to get clear information on who is involved, why, how, where and for how long is very difficult. Particularly given the transparency of DFID's bilateral aid, and the overall agenda of transparency that the Government have pursued, it seems very odd that CDC continues to use these vehicles.

So I hope that the Minister can explain, first, what sort of indirect effect might be encountered by the CDC using these vehicles, and secondly, whether he thinks it acceptable in terms of transparency—and even if we cannot get transparency directly from the tax havens, whether there is another way of providing that information so that we can see what is going on. Thirdly, I have concerns that a number of these vehicles are bringing together other capital investors. Even if I believe that the CDC is not deliberately trying to avoid paying taxes, I am not so convinced about some of the partners, and there is no way of finding out. Many of the types of arrangements involved other funds, including Actis. I do not want to suggest that Actis has done anything wrong, but it has obviously been subject to controversy in the past. There are other partners involved, and it is very difficult to get clear about whether, by our relationships and our partnerships, we are facilitating tax avoidance and, fundamentally, affecting the flow of resources to developing countries that could be used for tackling poverty. This is a serious issue. I am concerned at the number of havens that are being used and I hope that the Minister can provide answers about how we are going to bear down on this.

Kate Osamor: I have not spoken a lot today. That is not because I have not been in support of my hon. Friend the Member for Cardiff South and Penarth, which I believe is the right way of saying it—I have heard many versions today. I want to speak on this clause, because my issue relates to tax havens and the way the CDC is using them. In the evidence session earlier today, Diana Noble of the CDC admitted that at times it has to use tax havens, but I feel that DFID should be looking at transparency. We should be working more closely with CDC because we are setting up a system that could be exploited, and I am concerned that we could be sitting back and not using the power that I believe DFID could be using.

This is the time to look at how the relationship was initially set up and at how we might reform that relationship, not because we should be micromanaging but because we should be taking some responsibility for taxpayers' money. I say that because, while there is cross-party support for DFID in this House, there is a lot of tension outside among people who do not agree with the way we are spending money. If this was highlighted and got into the wrong hands—the *Daily Mail*—it could turn into a situation in which the Government would have to fight back. I ask that we look at that relationship, make it a lot more transparent and also look at what will happen when Diana Noble moves on, because a new CEO may not able to turn things around the way she has. She has made great changes, but she is moving on, so we need to look at how that new relationship with DFID will be, and this is the time to change that situation.

I support the clause and I hope that the Minister can reassure us that we will not be in a situation going forward whereby the CDC, or similar organisations, have to use tax havens because the country they are functioning in does not have systems to take the tax.

Jeremy Lefroy: I have a lot of sympathy with the points made. I cannot support this new clause because I do not think that the international situation lends itself to being practical for the CDC at the moment. Regrettably, there is not the range of options for CDC to make its investments at the moment alongside other partners. When it is direct investments, which I am very glad to see the CDC has started to do again since the new arrangements in 2011-12, there is absolutely no reason why the investment cannot be made directly into the share capital of the company in which the investment is being made. However, when you are trying to leverage other investments, as the CDC often does, alongside other DFIs or other private sector entities, you have to arrive at a mutual agreement as to what jurisdiction is most suitable, both from the point of view of the ability of the legal system to uphold agreements and in terms of when dividends are paid, and whether double tax arrangements and so on are in place.

These are all practical matters, but I very much agree with the hon. Member for Edmonton and the hon. Member for Cardiff South and Penarth that there is an opportunity here for the CDC to set the pace—for instance, here in the United Kingdom, where we have such a fine legal system, as is being displayed right at this very moment across the road.

Hon. Members: Hear, hear.

Jeremy Lefroy: That is true from whatever point of view we approach the matter. Why can we not set up the kind of structure, based in the UK, that would be perfectly reasonable for funds to see as an acceptable basis for making their investment alongside the CDC?

Rory Stewart: I shall try, for the sake of right hon. and hon. Members who are under time pressure, to be quite short in answering. Of course, I agree strongly with points made about the absolute importance of this. The CDC never invests in any of these locations in order to save tax or to avoid scrutiny. There are only two reasons why we would do it, and those are the reasons that were raised by the hon. Member for Cardiff South and Penarth; which is to say either because the regulatory environment in the country in which we are investing is not sufficiently robust for us to be able to trust UK taxpayers' money to that location, or because we are attempting to accumulate a larger fund where we are trying to get co-investors. We are very proud of that. We have brought in, at times, £1 billion of investment and have managed to bring in £30 billion behind it, so that is a multiplier effect of 30 which might not have been possible had we not been able to ensure that we were able to go through certain offshore centres.

However, we are very focused on this issue. The Labour Government made great progress in focusing on the white list. The hon. Gentleman mentioned Anguilla and the British Virgin Islands. To be absolutely clear, as I think he is aware, we do not, nor would ever, invest in those locations, nor would we invest in Panama. We only invest in the places that have been put through the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes as compliant locations.

Nevertheless, I agree that in the long run we need to develop financial sectors within Africa to ensure we can make secure investments through African locations, rather than having to go through offshore centres. DFID is now running a big programme on that, which is something the CDC can learn from. To respond to my hon. Friend the Member for Stafford, we absolutely should be taking the lead on this. On that basis, I ask that the motion be withdrawn.

Stephen Doughty: The Minister provided some helpful assurances, but again, I want to see much clearer targets and guidance. I still do not feel satisfied on the indirect effects. He mentioned that we do not invest in Panama, but of course, many of the CDC's investments turned up in the Panama papers. The reputational damage that does not only to the United Kingdom but to the CDC is significant, because it suggests an organisation and a Government who do not take these commitments seriously, however much we might be able to explain an individual instance.

The 2014 report from Eurodad—the European Network on Debt and Development—found that 118 out of 157 fund investments made by the CDC went through jurisdictions that feature at the top of the financial secrecy index. To be clear on the scale, between 2000 and 2013, these funds received a total of $3.8 billion in original CDC commitments, including $553 million in 2013 alone. Whether or not there is avoidance or malfeasance going on with the CDC portion of these investments, the indirect effects in terms of payments being made to fund managers and financial services businesses in the Cayman Islands and others that may be engaged in other activities is significant. Transparency is also significant, in terms of being able to assess and properly scrutinise the information available. I am keen to press the new clause to a vote. It is important that we test the Committee's view on it, although no doubt we will return to this issue in due course.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 5, Noes 8.

Division No. 2]

AYES

Doughty, Stephen
Elmore, Chris
Grady, Patrick
Hussain, Imran
Osamor, Kate

NOES

Bruce, Fiona
Fuller, Richard
Graham, Richard
Griffiths, Andrew
Lefroy, Jeremy
Scully, Paul
Stewart, Rory
Tolhurst, Kelly

Question accordingly negatived.

New Clause 7

CONDITION FOR EXERCISE OF POWER TO INCREASE LIMIT: PROHIBITION ON INVESTMENT IN CERTAIN SECTORS

"After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: prohibition on investment in certain sectors

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment enabled by the proposed increase in the current limit at the time is not in any of the following sectors—

(a) the for profit education sector,

(b) the for profit health sector,

(c) the real estate sector,

(d) mineral extraction.

(3) In this section, "the current limit at the time" means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force.""—*(Stephen Doughty.)*

This new clause would prohibit any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) from being in the for profit education sector, the for profit health sector, real estate or mineral extraction.

Brought up, and read the First time.

Stephen Doughty: I beg to move, That the clause be read a Second time.

This new clause regards prohibitions on the sectors in which the CDC can invest. I have chosen four issues about which I think there are questions—and questions have been asked. We could equally add the issue of fossil fuels, which has already been discussed. I have specified the for-profit education sector, the for-profit health sector, the real estate sector and mineral extraction. *[Interruption.]* I notice the Minister disappearing for a moment; I will allow him a moment to use the bathroom.

The Chair: Moving swiftly on.

4.30 pm

Stephen Doughty: Moving swiftly on. I hope that the Whip can report my comments to him.

My concern—obviously I have been through some of the examples before—is the percentage investment in different sectors. We have heard the presentations, whether from the Secretary of State, or the chief executive and chair today, about how wonderful the CDC is, and all the wonderful work that it does; but they tend to draw on specific projects, which I do not doubt do excellent work on poverty eradication, and make a difference. However, those reflect only part of the picture.

From an overview of the CDC's portfolio, 40% is invested in what, I think, according to the House of Commons Library, is designated as "other"; 16% is in the financial sector; 8% is in power; 9% is in industry and manufacturing; 12% is in other infrastructure; 6% is in agribusiness; and 9% is in services. When we look at new CDC investments by sector from 2012 to 2015, according to the Library the share of new investment seems heavily focused on the financial services industry.

I know that the CDC makes many important investments that the Government promote, including access to microfinance, technological solutions or enhancing banking services for the poor. I have nothing against the financial services industry. Indeed, I have many financial services industries in my constituency. I am well aware of the important work that has been done under many Governments on investing in mobile phone banking technology, for example; again, that work began under a Labour Government but has continued to a great fruition in recent years.

There seems, however, to have been a very heavy focus on the financial services sector and very little on anything else, whether industry, healthcare, education or other sectors. Of the investment in education and healthcare, for example, as we saw from the example of India, a significant proportion seems to be going to the for-profit sector. I do not want to reiterate statistics that we heard earlier, but that seems to me to be of great

[Stephen Doughty]

concern. It does not seem to be in line with DFID's previous objectives of expanding free healthcare and investing in health systems.

I worry—and this is where we come to the issue of opportunity costs of investment in the CDC versus other potential routes—that the Department has started to skew significantly away from some of the work that was done to support the development of strong, national, public, free-at-point-of-use healthcare and education systems. We know how much of a deterrent user fees are to the poorest and to other excluded groups in accessing healthcare.

We also know from DFID's past how strategic catalytic investment in those sectors has resulted in massive uptake. Importantly, there is also a secondary effect—citizens demanding from their Governments that public health and education services should be provided. That creates the virtuous circle, the social contract, and has much wider benefits for governance, relationships between citizens and the state, and the promotion of democracy and stability. I am therefore concerned that CDC is investing in private solutions, that money still appears to be going into things such as real estate, and that there are questionable investments in such things as palm oil.

I mentioned South Africa earlier, but did not talk about specific sectors. We can see that the bulk of investments in South Africa went into the financial sector, and then agribusiness and food. That is surprising. I have visited South Africa many times and, if we are investing in some of the poorest people there, the issues are often food security and access to HIV treatments, among others. Yes, financial services are important, but the skewing that appears to be happening in the projects seems odd. Again, without being able to access detailed information on the nature of individual investments, we cannot necessarily create aggregates for whether the investments in healthcare or education, for example, are to help more vulnerable and more excluded people to get services, albeit at a low cost, or whether we just see a generalised investment, as in the Rainbow Hospitals in India.

Can the Minister explain the plans the Department has for pushing the CDC and why he thinks the split is so geared towards financial services as opposed to other sectors? Can he also specifically comment on the investments in the for-profit education and health sectors and the other ones I mentioned in this new clause?

Rory Stewart: These are a very good set of questions. Indeed, we are concerned—as is the hon. Gentleman—about which sectors we invest in. To reveal a little of the thinking in the forthcoming strategy, we are likely to put more of an emphasis on agriculture. The biggest element for investment is infrastructure and energy and I spoke at length on Second Reading about why we take electricity generation so seriously. I am not going to rehearse those arguments now. The hon. Gentleman will be aware of why that is an important sector for Africa.

Financial services is also a vital sector, for the reasons laid out by Sir Paul Collier in the evidence session, which we all had the privilege to hear today. Poverty alleviation in Africa will have to be driven by much more productive, specialised businesses. In addition to energy, the fundamental constraint on the development of those business at the moment is the availability of capital. Foreign direct investment levels in Africa are at an all-time low. We see this in livelihoods and supporting these lower income groups, through the support we provide through microfinance. Indeed, microfinance and all that kind of activity is included within financial services.

Large sums of capital available for medium and larger-sized enterprise, however, are going to be central. To pin down what we mean by this with an example, in Sierra Leone after the Ebola crisis, a number of serious investments were possible but were stopped because of people's fear about the Ebola crisis. It was our ability to take a more patient, long-term view as a public investor that allowed us to provide the capital investment that generates those jobs. A lot of these economic development opportunities and jobs we are talking about are driven by financial services.

To return to the shadow Minister's challenge, this is assessed by us in the individual development impact theory attached to each case. With regards to the new clause under consideration, we would oppose the idea of limiting in the Bill the sectors in which someone could invest, because sectors are very country-specific. To take an example from Afghanistan, I can completely understand why the hon. Member for Cardiff South and Penarth wishes to say there should be no investment in the mineral sector. However, in a country such as Afghanistan, the mineral sector is almost the only credible possibility for macroeconomic growth and therefore for the country as a whole. Supporting marble, jewellery extraction and other exploitation of natural resources in Afghanistan is a lifeline for that country in a place where they are struggling to generate private-sector investment and have a huge effect on revenue.

We will not get drawn into a difficult discussion about the position of private health and education, except to say again, from an Afghan context, I have seen directly how some of the poorest people who have been unable to access healthcare manage to access it through affordable, low-cost health clinics. This is in Kabul, where wealthier people are giving about $1 or $1.50 a day to be able to go to a health clinic. That money is then often recycled to allow a proportion of people to access the clinic at a more affordable rate.

Even without that cross-subsidy, in many countries, the only way we can get health and education to people in the short term, unfortunately, is by supporting these structures. There is a disagreement that we are not going to be able to resolve today, where we believe the private provision of education and healthcare can be a good way of delivering those kinds of service. With that, I ask that the new clause be withdrawn.

Stephen Doughty: I thank the Minister for his comments. I was pleased to hear that he thinks there might be more of a focus on agriculture and a strategy for it. That is an important step forward. As I made clear, I think that financial services are important, and I agree with many of the points he made. My question is, is there too much going into them to the exclusion of other sectors? I and other Members want there to be a clearer rationale for why that is happening at the expense of other things.

I do not think there is much disagreement about the importance of investing in infrastructure and energy, with the exception of the point about fossil fuels, which we discussed earlier. I wish we had done more of that in this country—that is what the previous Labour shadow team argued for, and we continue to do so. However, there remains an outstanding question about why so much of the new investment is going into just that one sector and why small amounts are going into others.

The point that the Minister made about the mineral sector in Afghanistan is fair, but I am sure he understands why there is a lot of scepticism, given the history of exploitation and poverty creation through the extractive industries, particularly in Africa and elsewhere. The UK led on the extractive industries transparency initiative, the Kimberley process and other measures for bearing down on the negative side effects. I hope that, if CDC invests in those potentially highly controversial sectors in the future, it will have a very clear public rationale for why it is doing so and will set out what the benefits are and what safeguards have been put in place; otherwise, there is the risk of creating a different impression.

The Minister is right that we do not agree on the issue of health and education. I do not think that the UK Government should be investing in private healthcare and education in developing countries. There is a role for the private health and education sectors in those countries—I am not opposed to the existence of a private health and education sector in this country, although I would not choose to use it myself—but should we be helping to expand them? Should we be bankrolling them by investing taxpayers' capital into, for example, private hospitals, when it is not clear how those services will be made more accessible to the poorest? I urge the Minister to look more closely at that issue.

I came across the example—perhaps the Minister can write to me about it—of an investment we are making in an education programme called GEMS Africa, which appears to be running a series of private schools in what it describes as leafy residential suburbs in Nairobi and charging up to £10,000 a year. That does not sound like low-cost education—it is certainly not no-cost. It would be good to have some clarity about the type and nature of some of these investments, because that does not seem to be right. I think the Department should focus its resources on supporting the development of strong public health and education systems that are free at the point of use. We did excellent work on that previously, and it is a shame that we have moved away from that. I hope the Department will rethink that. I am sure we will debate this issue further, so I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 8

CONDITION FOR EXERCISE OF POWER TO INCREASE LIMIT: ADHERENCE TO DFID PARTNERSHIP PRINCIPLES

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: adherence to DFID partnership principles

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he is satisfied that the condition in subsection (2) is met.

(2) That condition is that any new investment enabled by the proposed increase in the current limit at the time will be an entity which has agreed to adhere to the DFID partnership principles.

(3) In this section—

'the current limit at the time' means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force;

'the DFID partnership principles' means—

(a) the principles set out in the DFID guidance note of March 2014 entitled 'the Partnership Principles', or

(b) any DFID guidance note of the same title issued with the approval of the Secretary of State."—*(Stephen Doughty.)*

This new clause would require any new investment arising from any increase in the limit on government assistance under regulations under section 15(4) to go only to entities which agree to adhere to the DFID partnership principles.

Brought up, and read the First time.

Stephen Doughty: I beg to move, That the clause be read a Second time.

I do not want to detain the Committee for too long on this new clause, because it refers to some of the issues that we discussed earlier, in terms of setting the overall framework for what CDC is doing and ensuring it is coherent with what the rest of Government—specifically DFID—are doing. Members may or may not be familiar with the partnership principles, which are an important set of principles that underpins DFID's bilateral work, the types of relationships it has and the kinds of restrictions and caveats it places on that work.

For the benefit of the Committee, there are four partnership principles. The first is a commitment to reducing poverty and achieving what was then the millennium development goals—I am sure it is now the sustainable development goals. That is the commitment of a partner to address the constraints to poverty reduction and progress against those goals. The second is a commitment to respecting human rights and other international obligations. That is the commitment of a partner to respect human rights—particularly economic, social and cultural rights—as well as the civil and political rights of poor people. Third is a commitment to strengthen financial management and accountability and to reduce the risk of funds being misused through weak administration or corruption. The fourth is a commitment to domestic accountability, which is enabling people—a little bit to do with what I was just talking about with private healthcare and education—to hold their Government and public authorities to account for delivering on their commitments and responsibilities, and not undermining that either by supplanting those relationships or by diverting people's attention.

4.45 pm

Clearly, from some of the comments that the Minister made earlier about coherence with the sustainable development goals and the plans for the strategy, and from CDC's progress since 2012 in financial management and accountability, I feel quite comfortable that we are probably heading in the direction of the DFID partnership principles in those two areas, albeit the proof will be in the pudding. On partnership principles 2 and 4, I want to hear from the Minister what restrictions and guidance are in place to ensure that the activities of CDC, its investment vehicles and, crucially, its partners in some investments do not undermine human rights and other standards we might expect to be maintained in a bilateral or other investment that the Department might make. On that last point in particular, does he accept that if we simply do development to people, whether through a bilateral programme or a fund investment in a particular area, we perhaps do not empower people to take advantage of their own destiny and opportunities and so develop that positive social contract with the state in their countries?

I am concerned about No. 2. The example of Feronia has been brought up a few times, but War on Want and other organisations have expressed concerns. I have not yet heard a full explanation or a response, but I hope that will be forthcoming. I also hope the Department and CDC will take seriously future concerns about investments, whether expressed by CDC partners or CDC itself. We should be adhering to the highest standards. It would be perfectly reasonable to expect CDC to adhere to the four principles, and I hope the Minister will consider accepting the new clause, or find some other way to put the principles into law. That is what we expect of our bilateral programmes and other partnership relationships, and we should expect no less from CDC.

Rory Stewart: Again, I shall endeavour to be short, before we move on to the final new clause, because Members need to go.

I am very pleased with the tone of the debate. As a result of the Opposition challenges, we will take their proposed measures seriously. The Opposition will hold us to account when they see the strategy and how we plan to address things. Unfortunately, however, there is a technical reason why we are reluctant to accept the new clause, which is that partnership principles are primarily addressed to Governments. At the core of our partnership principles is the intention to strengthen

"the management of public finances"

and to enable

"people to hold the government and public authorities to account",

so we would be reluctant to extend them for technical reasons.

The basic theme behind the new clause, however, is correct, and we shall deal with that through internal processes. We now have a team in CDC who focus on issues of ethics, and they look exactly at business integrity. Until about three weeks ago, in fact, we had a larger team looking at such issues than the International Finance Corporation itself has.

We touched on Feronia, and I am happy to talk about it in more detail—perhaps we can even visit it. The case is a difficult one. The company has been around in various forms for 100 years. It is trying to sustain jobs three weeks upriver in the Democratic Republic of the Congo. We are really serious about improving standards there and, since we increased our investment, we have been pushing up wage rates and improving safety standards, but there are huge challenges. We have inherited some 19th-century boilers and other challenges, and we have to work closely, but it is a classic example of the challenges of CDC going into a real frontier market, in a difficult and sometimes dangerous place, where 9,000 people depend on us directly and 30,000 indirectly for their jobs. We are trying to get the balance right as we gradually increase standards while maintaining that important part of the economy of the area.

With that, I ask politely for the amendment to be withdrawn.

Stephen Doughty: I appreciate the spirit in which the Minister took the new clause. I accept the technical reason. Obviously, the partnership principles apply to partner Governments, but it seems they could be transposed quite easily. It is quite clear that the headline standards CDC would be expected to adhere to would be the same as the Department's bilateral programme as a whole.

I appreciate the Minister's comments about Feronia. It would be good to have more information in writing about that and what steps are being taken. I accept his point that there are sometimes difficult examples and situations. Professor Collier made the point this morning that we should be taking more risk, and we do not expect everything to be perfect or right from day one, particularly when we are operating in difficult environments. However, when repeated concerns are raised about a particular case but there appears to not be the clearest response, we risk going back to the darker days of CDC's past and some of the other investments. There were serious issues, which I do not want to dwell on, off the coast of west Africa and so on that enjoyed a great deal of scrutiny and criticism at the time.

A key point we have been debating is that if we expand CDC's resources at a huge pace and by such a significant amount, without safeguards, particularly if we are increasing the appetite for risk, there is a risk that more will go wrong. Without a clear caveat, clear standards and transparency, so that we here in Parliament and citizens of developing countries can scrutinise fully these investments and whether they hold to principles of human rights and ethics, we will potentially get ourselves into very serious difficulties. That is why I am so worried about the quantum of increase, despite the Minister's welcome statement about his intentions. I hope he will look seriously at the possibility of ensuring CDC adheres in that way. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 9

CONDITION FOR EXERCISE OF POWER TO INCREASE LIMIT: REPORT AND BUSINESS CASE

After section 15 of the Commonwealth Development Corporation Act 1999 (limit on government assistance), insert—

"15A Condition for exercise of power to increase limit: report and business case

(1) The Secretary of State may only lay a draft of regulations under section 15(4) before the House of Commons if he has also laid before the House of Commons the documents specified in subsections (2) and (3).

(2) The document specified in this subsection is a report submitted by the CDC to the Secretary of State giving an account, in respect of the most recently completed financial year, of—

(a) the investment activities of the CDC by country and sector, and

(b) the remuneration of staff, including anonymised information on individuals receiving a salary during the financial year in question in excess of £150,000.

(3) The document specified in this subsection is a business case for the proposed use of the new investment enabled by the proposed increase in the current limit at the time which includes information on—

(a) the expected market demand,

(b) the proposed sectors,

(c) the proposed locations, and

(d) the prospective development returns.

(4) In this section, 'the current limit at the time' means—

(a) prior to the making of any regulations under section 15(4), £6,000 million,

(b) thereafter, the limit set in regulations made under section 15(4) then in force."—*(Stephen Doughty.)*

This new clause would require any draft regulations to increase the limit on government assistance under section 15(4) to be preceded by the laying before the House of Commons of an annual report for the preceding financial year giving information on investment activities and remuneration and a detailed business case for the proposed additional investment.

Brought up, and read the First time.

Stephen Doughty: I beg to move, That the clause be read a Second time.

I will not dwell on this new clause too long, because it simply states some of the arguments I made earlier about the sort of business case and rationale that my hon. Friends and I feel should be provided before significant increases in CDC's capital receipts go ahead.

The new clause mentions expected market demand, proposed sectors, proposed locations and prospective development returns, as well as clear and transparent information on the investment activities of CDC and on remuneration. I have not dwelled too much on remuneration, but it bears looking at. Although the headline salaries of CDC's chief executive and others have come down significantly, which I welcome, they are still substantial. The number of staff within CDC who are in the higher income brackets concerns me. I realise there is a trade-off here, and it is not a debate we will conclude today, but we should set out all that information clearly before Parliament authorises such significant increases of money.

I feel we have had a productive debate today on many of the issues. I welcome the new information that the Minister provided. It would be good to see some of that in writing, and perhaps through further amendments, but I still fundamentally feel that the increase is too big, with too much power being given to Secretaries of State. Who knows if the Minister will be in his place in the future? It is too much of a temptation, without clear safeguards.

I hope that other Members who join us on Report will look carefully at these issues. I have no doubt that my hon. Friends will table amendments for the whole House to vote on, in the light of information we have heard today from the Minister. Serious concerns remain. I do not think the Minister has made the case yet, and certainly not for this level of increase, but I do not intend to press the new clause to a vote.

Rory Stewart: With your permission, Ms Ryan, I hope to thank people more formally on a point of order, but this has been an excellent and testing debate. I will try to come back to that point.

We take the issues that the hon. Member for Cardiff South and Penarth has raised seriously. We have an online searchable database in which is contained all the remuneration, every investment decision and every fund, including the name, description, location and sector. The annual reports and accounts are now published with that information. We are pushing—he will see this in the new strategy coming forward—for even more transparency.

We already feel that CDC is a real leader among DFIs in the world, but that is not good enough. It is not good enough for us to be better than other DFIs. We can keep improving. After the evidence session, I had a conversation with Oxfam about the concrete proposals it has for more that we could do internally. We are very open to those kind of challenges. There are absolutely no issues from us or from CDC in trying to prove again and again that we are a world leader on transparency. I thank the hon. Gentleman for saying that he will withdraw the new clause.

Stephen Doughty: I thank the Minister for his remarks. I think it would be helpful and more likely to gain support across the House were he to come back with a lower level of increase over a defined period and were he not to give those secondary powers. I do not think anyone is suggesting that there is not the potential for more good work to be done through CDC, but it is the question of the value and the caveats that need to be put in place before that goes forward. I do not think that the Government have made that business case yet. I look forward to hearing more from the Minister in due course, and I thank everyone who has taken part in today's debate. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

Rory Stewart: On a point of order, Ms Ryan. I put on record my enormous thanks to the Bill team, to the Doorkeepers, to *Hansard*, to the Clerks and to you for your chairmanship. Please put on record that we have explored all the amendments at great length and are finishing the Committee half a day early. In particular, I give huge thanks to all the Members—the hon. Member for Coatbridge, Chryston and Bellshill, my hon. Friend the Member for Congleton, the hon. Member for Cardiff South and Penarth, my hon. Friends the Members for Rochford and Southend East and for Bedford, the hon. Member for Glasgow North, my hon. Friend the Member for Gloucester, the hon. Member for Bradford East, my hon. Friend the Member for Stafford and the hon. Member for Edmonton—who contributed greatly to our debates. I also thank my hon. Friends the Members for Rochester and Strood and for Sutton and Cheam, the hon. Member for Wirral South, my hon. Friend the Member for Burton and the hon. Member for Ogmore for their attendance.

I will conclude with a personal note. I pay huge tribute to the level of scrutiny I have received from the hon. Members for Cardiff South and Penarth and for Glasgow North. I am extremely pleased, to be honest, that I am defending an institution that I am genuinely proud of and that does a genuinely good job. If I was not confident about the institution I am defending, it would have been extremely uncomfortable to be subjected to that level of expertise and scrutiny. I thank them so much for doing such a good job of holding us to

[Rory Stewart]

account. I again thank the Clerks, the Doorkeepers, *Hansard* and everybody for allowing us to conclude half a day early.

Kate Osamor: Further to that point of order, Ms Ryan. I want to tag on to the Minister's remarks and thank everyone who contributed today. My hon. Friend the Member for Cardiff South and Penarth has worked tremendously hard, and I wanted to thank him for all his work and the scrutiny he has put the Minister under. I appreciate it, and it has helped the debate no end.

Bill to be reported, without amendment.

4.59 pm

Committee rose.

Written evidence reported to the House

CDCB 01 The Rt Hon The Lord Boateng PC DL, Chair Africa Enterprise Challenge Fund, formerly Chief Sec HMT and High Commissioner to South Africa

CDCB 02 Nirmal Jain, Founder and Chairman, IIFL group

CDCB 03 Owen Barder, Center for Global Development

CDCB 04 Professor Ian Goldin, University of Oxford

CDCB 05 World Bank Group

CDCB 06 Zambeef Products PLC

CDCB 07 Graham Clark

CDCB 08 Lord Stern of Brentford, Kt, PBA, FRS

CDCB 09 Global Justice Now

CDCB 10 Christian Aid

CDCB 11 Private Infrastructure Development Group

CDCB 12 Rainbow Children's Hospital and BirthRight

CDCB 13 Dr Rajiv Lall, IDFC Bank Limited

CDCB 14 ARM Cement PLC

CDCB 15 Mr. Ramesh Ramanathan, Chairman - Janalakshmi Financial Services, Ltd

CDCB 16 Paddy Carter and Dirk Willem te Velde, Overseas Development Institute

CDCB 17 John Gibb

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Vasudevan, MD & CEO of Equitas Small Finance Bank, Chennai, India

Dr. BS Ajaikumar, Chairman & CEO, HCG Enterprises Ltd.