

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT AFRICAN DEVELOPMENT BANK
(FOURTEENTH REPLENISHMENT OF THE
AFRICAN DEVELOPMENT FUND) ORDER 2017

DRAFT ASIAN DEVELOPMENT BANK (ELEVENTH
REPLENISHMENT OF THE ASIAN DEVELOPMENT
FUND) ORDER 2017

DRAFT CARIBBEAN DEVELOPMENT BANK
(NINTH REPLENISHMENT OF THE UNIFIED
SPECIAL DEVELOPMENT FUND) ORDER 2017

Monday 20 November 2017

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Friday 24 November 2017

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The Committee consisted of the following Members:

Chair: ALBERT OWEN

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| † Blackman-Woods, Dr Roberta (<i>City of Durham</i>)
(Lab) | † Stewart, Rory (<i>Minister for Africa</i>) |
| † Burghart, Alex (<i>Brentwood and Ongar</i>) (Con) | † Swire, Sir Hugo (<i>East Devon</i>) (Con) |
| † Cameron, Dr Lisa (<i>East Kilbride, Strathaven and Lesmahagow</i>) (SNP) | † Thomas, Gareth (<i>Harrow West</i>) (Lab/Co-op) |
| † Elmore, Chris (<i>Ogmore</i>) (Lab) | † Timms, Stephen (<i>East Ham</i>) (Lab) |
| † Evennett, David (<i>Lord Commissioner of Her Majesty's Treasury</i>) | † Tomlinson, Michael (<i>Mid Dorset and North Poole</i>) (Con) |
| † Harrison, Trudy (<i>Copeland</i>) (Con) | † Umunna, Chuka (<i>Streatham</i>) (Lab) |
| † Hughes, Eddie (<i>Walsall North</i>) (Con) | † Whitfield, Martin (<i>East Lothian</i>) (Lab) |
| † Pincher, Christopher (<i>Comptroller of Her Majesty's Household</i>) | † Williams, Dr Paul (<i>Stockton South</i>) (Lab) |
| † Selous, Andrew (<i>South West Bedfordshire</i>) (Con) | Clementine Brown, <i>Committee Clerk</i> |
| | † attended the Committee |

The following also attended, pursuant to Standing Order No. 118(2):

Duddridge, James (*Rochford and Southend East*)
(Con)

Third Delegated Legislation Committee

Monday 20 November 2017

[ALBERT OWEN *in the Chair*]

Draft African Development Bank (Fourteenth Replenishment of the African Development Fund) Order 2017

6 pm

The Minister for Africa (Rory Stewart): I beg to move,

That the Committee has considered the draft African Development Bank (Fourteenth Replenishment of the African Development Fund) Order 2017.

The Chair: With this it will be convenient to consider the draft Asian Development Bank (Eleventh Replenishment of the Asian Development Fund) Order 2017 and the draft Caribbean Development Bank (Ninth Replenishment of the Unified Special Development Fund) Order 2017.

Rory Stewart: It is a great pleasure to serve under your chairmanship, Mr Owen. I will speak to all three draft orders in a single speech: the first pertains to the African Development Bank, the second to the Asian Development Bank and the third to the Caribbean Development Bank. Right hon. and hon. Members will be aware of our relationship with multinational development banks in general and why we work with them, so I will not waste too much time talking about that, but will focus instead on these specific banks and the money that we are giving them.

The overall argument is clear: the United Kingdom and other development partners give money to these banks because they allow us to do three things that would be difficult to do if we did not work with them. First, they give us a specialist reach into geographies in which the Department for International Development might not otherwise operate. For example, the Caribbean Development Bank specialises in small island states, and some of our work with the African Development Bank is in places such as the Central African Republic, where we do not have a permanent office. That is the geographical point.

Secondly, the banks allow us to leverage larger amounts of money than we would be able to provide on our own.

Gareth Thomas (Harrow West) (Lab/Co-op): Who is the head of the Caribbean Development Bank and when did the Minister last have a conversation with him?

Rory Stewart: The last correspondence with the Caribbean Development Bank was conducted by the new Secretary of State, whose letter to Dr Smith I have here. It is about an improvement plan. I am responsible for Africa, not directly for the Caribbean; work for the Caribbean is conducted by my colleague, Lord Bates.

If I can proceed, there are three types of argument for working with the three banks. The first is geographic; the second is about leveraging larger amounts of funds. We typically contribute 10%, 13% or 14% of the funds, particularly the concessional loan facilities for the banks, which allows us to leverage additional money. The third argument is the sector speciality and expertise provided by these banks. For example, the Asian Development Bank has expertise in energy and transport infrastructure in places such as Pakistan, which DFID would not have on its own.

Why these particular amounts of money? The first amount is £460 million, which will be given to the African Development Bank. The bank is run by a very distinguished Nigerian civil servant, Mr Adesina. It was set up in 1964 as part of a general development with regional banks that emerged from the first Bretton Woods institutions, which were set up in the 1940s to specialise in different regions. The African Development Bank allows us to work in some of the poorest countries in the world; as Members will be aware, 36 of the poorest countries in the world are in Africa.

Some 80% of the African Development Bank's staff are themselves African, including very distinguished former senior Ministers from those countries. Its particular expertise is in both infrastructure and regional work between different countries. We have a new opportunity, working with the African Development Bank, and we believe that DFID can play an important role with the bank in convening the flows of new capital into Africa. There is a big push to get from the current billions of pounds of investment going into Africa to the potential trillions that could come in from the private sectors of China, India and the City of London.

The challenge, of course, is around the rules for the loans. There have been examples—Mozambique is probably the most flagrant—of private sector loans going into national Governments without proper concern or regulation. The African Development Bank is the perfect partner, we believe, for DFID to work with in trying for a really good multinational understanding as to how private sector flows, and in particular flows from new donors, can go into African countries without creating a new crisis of heavily indebted poor countries.

Although £460 million is a substantial amount of money, it is a 24% reduction on the amount that we gave at the previous replenishment. That represents some of our existing concerns about the African Development Bank. Perhaps I shall be able to expand in detail on some of those concerns, and how we might address them, in response to questions from right hon. and hon. Members; they will have seen them set out in the multilateral development review.

Gareth Thomas: Why does not the Minister expand on his concerns now? Do they relate to significant levels of corruption in the African Development Bank, or some other lack of sufficient rigour in its internal processes?

Rory Stewart: I should be delighted to expand on that now, but the shadow Minister has questions about it and I agreed with her that I would give the more detailed answers in responding to her speech.

Essentially, six areas have been identified, through the multilateral development review, in which the African Development Bank requires improvement. The first is in its delivery programme; we feel that there have been substantial delays in the processing of key bits of paperwork, so we have set a series of time limits. I will perhaps provide more details on those targets in response to the shadow Minister.

The second area is efficiency and value for money. That is particularly about keeping administrative costs below 2.5%. The third is to do with recruitment, and we have set recruitment targets. Along with the movement of the headquarters from Tunis to Abidjan, there has been a recruitment crisis. The fourth area is anti-corruption, including the processing of anti-corruption claims and ensuring that 75% of those are complete within a year. The final two areas of concern relate to countries in transition—making sure that the country offices are properly staffed, and that a duty of care for staff in those offices is observed.

Sir Hugo Swire (East Devon) (Con): Given the serious concerns that the Minister has outlined on all those fronts, is it intended that the £460 million that he is talking about will be transferred over as one block, or will it be drawn down conditionally on some of the criteria being met—particularly those on corruption, accountability and transparency?

Rory Stewart: I think the first thing is to set things in context. The African Development Bank scored well in the multilateral development review; it was in the top third of our assessment of beneficiary partners and implementing partners. That means that we would not think it appropriate in its case to set aside money on a performance basis. We think we struck the right balance by reducing the overall amount, agreeing key performance indicators, and managing through the normal process.

The basic answer to my right hon. Friend's question is that the money will be transferred in a single amount, and our concerns about performance are reflected in the performance indicator agreement and the reduced total amount.

Gareth Thomas: Further to the question of the right hon. Member for East Devon, why did not the Minister decide to make some of the money conditional? Given the scale of his concerns, he might have said that £50 million of the £460 million was conditional on the bank's meeting the objectives, or making sufficient progress with them. Surely holding back some money would be much more effective than a bit of sweet-talking in a committee, or over the phone to the head of the bank or its officials in-country.

Rory Stewart: I agree, and it is indeed a distinguished predecessor of mine who is mounting this barrage of questions against me.

Gareth Thomas: I have asked one or two questions.

Rory Stewart: Perhaps if the hon. Gentleman did not interrupt I could answer him more clearly. The answer is that we need to distinguish clearly between two separate things. One is performance indicators; I understood my

right hon. Friend the Member for East Devon to be raising that question. The other is the question of contribution payment schedules.

As to performance indicators, in banks with poorer performance—the Caribbean Development Bank would be an example—we would indeed, out of the £18 million allocated, set £4.5 million as a performance reward. However, in the case of the African Development Bank, the tranche payment allows us to hold back 25% of the 2018 payment. If it did not meet the performance indicators, that 25% would not be delivered. It is therefore a question of performance schedules rather than performance indicators.

I move on to the Asian Development Bank and the second of the statutory instruments. The amount proposed to go to the Asian Development Bank is £110 million. That bank is, of course, a larger institution than the African Development Bank, so right hon. and hon. Members may be surprised that we are giving it a smaller amount of money. The answer, of course, is that because of the development of Asian countries and DFID's focus on lower income countries, most of which tend to be in Africa, we end up giving more to the facilities of the African Development Bank. These are concessional loan facilities, designed to work in poorer countries.

We have many fewer concerns with the Asian Development Bank than with the African Development Bank. The Asian Development Bank performed extremely well in the multilateral development review—it was right up there with the World Bank. Questions could be raised about some areas of its programme, but they are not directly relevant to the concessional loan financing that we are providing. We might have a chance to discuss them later.

That brings me to the smallest and perhaps most controversial element of our concessional loan finance, which is to the Caribbean Development Bank. We approach that bank with a degree of caution, but it is still an institution that we want to support and keep alive because it has a particular niche speciality in smaller island states. In particular, it will be our key partner through its main balance sheet in working through vital reconstruction after the hurricanes in places such as the British Virgin Islands and Anguilla, and, through the concessional funds, on the Leeward Islands and Montserrat. We believe we are justified in giving a small amount of money—relatively small compared with the other funds—of £18 million to the bank, to focus on its particular areas of expertise. However, as I said, we have laid aside £4.5 million out of that £18 million as a performance incentive. Only £13.5 million will be disbursed immediately, with £4.5 million to be held back to ensure that the bank delivers against our targets.

The targets, set out in the Secretary of State's letter to the Caribbean Development Bank, are: publishing project information to international aid transparency initiative standards; 100,000 beneficiaries—100,000 students at school; and that project completion reports are completed at 90% within two years.

With that, I commend the orders to the Committee. I look forward to a longer discussion in response to speeches from the shadow Minister and other right hon and hon. Members.

The Chair: May I ask those people using digital instruments to put them on silent? We do not want pings. I would expect the Government Whip to lead by example.

6.13 pm

Dr Roberta Blackman-Woods (City of Durham) (Lab): It is a pleasure to serve again under your chairmanship, Mr Owen. Like the Minister, I will deal with the three statutory instruments together. I thank him for going through them for us. As I said earlier today, the official Opposition's position is to support the transfer of funds to the African, Asian and Caribbean development banks, but, as the Minister would expect, we have a couple of questions and points to put to him.

We welcome the funds going to the African Development Bank. The explanatory memorandum to the order tells us helpfully and powerfully what the sums of money will do. It says that 21 million people will have improved electricity connections, 14.8 million will have improved access to transport, 11.9 million will have access to water and sanitation and 20.7 million will benefit from improvements to agriculture. The sorts of things the fund does are incredibly important. Of course, the point of having additional money is to see improvements. It would be quite useful if the Minister told us what he thinks some of those improvements might be.

As my hon. Friend the Member for Harrow West said, and as I mentioned earlier to the Minister, we are very keen to hear from the Government whether the additional funds will be used to press the bank to reform further. I was pleased to see that paragraph 7.7 of the explanatory note outlines what reforms have been asked for. They are really helpful. The Government want an increase in the number of country strategy papers with gender-informed design—we all want to see that; a decrease in the time of procurement of goods and works; a decrease in the time between project approval and the first disbursement of project funds; a reduction in the amount of administration costs as a proportion of total spending on projects; and an improved presence in insecure environments.

Those improvements are very specific asks of the bank. We have not had a great deal of detail on how the Government will ensure that those reforms come forward or what support the bank will get to ensure that it can deliver them. The areas in which there have been improvements, such as transport and water and sanitation, are incredibly important. We want to ensure that the bank can continue to deliver on those objectives but also continue to reform. That is really important.

We know that the bank scored only adequate against the “leave no one behind” criterion in DFID's 2016 multilateral aid review. It is important that the UK uses its influence to ensure that those impressive development outcomes of the bank are not only carried forward to future years but improve and are directed towards the world's most marginalised. Hearing a bit more from the Minister on that would be incredibly helpful.

I move on to the Asian Development Bank (Eleventh Replenishment of the Asian Development Fund) Order 2017. I listened carefully to what the Minister had to say about the reduction in funding for the Asian Development Bank, and I have a few questions. It seems that the UK's burden share will remain at around the 5% mark. That

implies a degree of continuity from the previous replenishment. The Minister can correct me if I am wrong, but the reduction is explained in paragraph 7.7 of the explanatory note, which says:

“The United Kingdom's contribution to the eleventh replenishment is lower than the contribution to the tenth replenishment because, as referred to in paragraph 7.4, donors are only contributing to grant resources at ADF 12 whereas at previous replenishments donors contributed to grants and concessional lending resources.”

We need a bit of clarification about the reduction and where it will fall. That is extremely important.

Again, when we look at what the Asian Development Fund is expected to deliver between 2017 and 2020, they are very laudable objectives. One is energy for 117,000 new households. Another addresses climate change and renewable energy. Anybody who has been to any Asian country knows what a huge issue climate change is there and of the need to develop renewable energy, as well as infrastructure, in terms of roads and railways, water and sanitation, education and finance. If any of those areas are to be affected by the reduction, we want to understand that a bit further and to understand where the Government think the additional funding will come from to ensure that those objectives and areas for investment, which we all think are really important, are continued.

I think the Minister said that the Government feel that the bank perhaps operates in a fairly robust way, but the multilateral aid review that DFID carried out in 2016 identified a couple of areas of concern—particularly the quality of some of its projects in conflict-affected states. I should be grateful to hear from the Minister what pressure the Government will put on the bank to try to improve it in those areas where it fell short in the 2016 review.

The draft Caribbean Development Bank (Ninth Replenishment of the Unified Special Development Fund) Order 2017 authorises an additional £18 million of funding for the Caribbean, as the Minister says. We have questioned the Minister around this area of funding before, but I have a few questions to put to him today.

First—again, we might have the figures wrong; it is a very technical order—is it correct that the UK's contribution is effectively falling from £33 million in the eighth replenishment in 2013 to just £18 million in this ninth replenishment in 2017? If so, that represents a marked decline, and is close to our halving our contribution to the Caribbean Development Bank special development fund, although I acknowledge that the separate UK Caribbean Infrastructure Fund is significantly larger. It will be helpful to have more of an explanation for the shift in funding—if it is a shift in funding.

That is particularly important in the wake of Hurricanes Irma and Maria. It has been widely documented that the long-term recovery of islands such as Antigua and Barbuda and Dominica depends to a great extent on their being able to access financing at concessional rates. They are struggling to access that financing from other global banks at manageable interest rates. The Labour party has argued extensively for the UK Government to do more than they are already doing to ensure that the least of the world's polluters do not bear the brunt of climate injustice. It is not clear how the private sector taskforce announced by the former Secretary of State for the region will actually help to unlock useful financing. I am aware that the order was laid

before the hurricanes struck, but I would like the Minister to tell us whether there are any plans beyond the remit of the order to now step up support to the Caribbean Development Bank.

Secondly, I am aware that the multilateral aid review in 2016 scored the bank as unsatisfactory in its transparency and as adequate or requiring improvement in a number of other areas, and that £4.5 million of the £18 million will only be paid subject to improvements in various criteria. That is a helpful way forward, but we want to hear from the Minister on how the Government will help the bank to reform and in what areas, so that all of the money, which is very much needed—particularly after the hurricanes—can be given to the bank.

6.24 pm

Andrew Selous (South West Bedfordshire) (Con): I shall make only a few brief comments. First, within about half an hour's debate, a small group of Members of Parliament will be responsible for authorising a total of £588 million of British taxpayers' money. I speak as a Member who is supportive of UK aid. I think that giving aid is morally the right thing to do and that there is a strong enlightened self-interest argument for what we are doing, in terms of reducing terrorism and immigration and providing the markets with which British companies can trade in the future.

That said, will my hon. Friend the Minister please give us some assurance as to how the money is being spent? It is being spent at one remove from Her Majesty's Government, because we are handing it over to the three development banks. The National Audit Office recently raised some concerns about the ability of officials in the Minister's Department to ensure that there is always value for money as far as British taxpayers' money is concerned. Concerns have also been raised about the need to rush to spend money before the financial year ends. Given that the sums are quite large and that all of us as constituency Members of Parliament probably have in our areas public services with specific needs—in my own area, Bedfordshire police need an extra £10 million to function—it is right and proper that we ask the Minister to go through in a little more detail why it is right for the British taxpayer to be spending £588 million in this way. As I have said, I speak as one who is generally supportive of what the Minister's Department does.

6.26 pm

Gareth Thomas: I would like to follow up some of the interventions that I made earlier. It would be good to hear from the Minister some examples of projects that he has discussed with his officials that have given him continued confidence in the work of the three multilateral development banks. I express, in passing, disappointment that we have not had the opportunity to consider each of the orders separately. Certainly in the past that has been the practice, but a decision has been made and I accept that decision.

Rory Stewart: I stand to be corrected by you, Mr Owen, but I believe that we were offered that chance and the Committee made its decision. We would have been very happy to consider the orders separately, had the hon. Member for City of Durham wished to do so.

The Chair: The Minister is correct.

Gareth Thomas: I am suitably chastised by the Minister and the Committee; I should have been awake at that point. There has, though, been a long-running concern on both sides of the House about corruption, and it would be good to hear a little more about what has given the Minister confidence that corruption or the concern about the potential for corruption is being properly addressed by all three banks.

My last point is linked to Brexit. When we leave the European Union, we will presumably be withdrawing from the European development efforts. As I understand it, the Minister and the rest of the current Government remain committed to the 0.7% target being maintained, so one would think, if money is being pulled back from the European development efforts, that the Minister will need to look at multilateral development banks as a potential place for increasing spending further down the line, unless it is all going to go to the World Bank or one or two of the other multilateral development bank institutions.

As I understand it, the current Government do not want to increase the number of countries in which we have a direct presence and footfall and our own individual development programmes, so it would be good to hear from the Minister how he sees the future relationship between the UK and the multilateral development banks after we have withdrawn from the European development efforts. It is a significant sum of money that we are putting in and a significant signal of confidence, notwithstanding the Minister's concerns, that we are giving the multilateral development banks. They are potentially likely to be tools for development spending that we will have to use even more going forward, so it would be good to hear how the Minister thinks we will spend our money post Brexit and whether these banks will see bigger tranches of money coming to them.

6.29 pm

Sir Hugo Swire: The numbers we are talking about this evening, in terms of the scale of Department for International Development spend, are relatively small, although none the less very important, and we should ensure they are spent as well as possible. We have heard a lot about some of the concerns about corruption and the deliverable mechanisms that some of the banks employ, but will my hon. Friend the Minister say something about the administration costs of these banks? My experience is that many of these large international organisations grow at an exponential rate. I would be interested to know what percentage of the money we give over is spent in administration.

Secondly, I am all for paying this money over and having a light hand on where the money goes, but can the Minister reassure me, particularly in terms of the African Development Bank, that there is some in-built flexibility. We hope that Robert Mugabe will shortly exit Zimbabwe, once the grain engine of Africa, which he has reduced because of his years and years of oppression. It is important that we put in money there very quickly to help raise the standards of living when that opportunity presents itself. On that subject, I hope he will say a bit more—I know there is a difficult balance between aid and trade—about the opportunities for British businesses

[Sir Hugo Swire]

all over: in Asia, the Caribbean and Africa. I was hoping that one of the reasons we were giving rather less to the African Development Bank was because so many commercial companies are now in Africa doing these jobs on a commercial basis, particularly in renewable energy and so forth.

The point about the EU is well made. The hon. Member for Harrow West was pressing the Minister on that. I think we contribute 11% or 12% of the EU aid budget. That money will be coming back to the United Kingdom. It will be interesting to know whether we will spend that money through the development banks or through other mechanisms as well.

The hon. Member for City of Durham, who speaks for the Opposition, asked about the private sector task force, which is being set up by the Government to look at the Caribbean. I know that she was questioning the Minister, not me, but in my capacity as the deputy chairman of the Commonwealth Enterprise and Investment Council, I have been asked to attend one of their first meetings, alternating with the chairman Lord Marland. I hope that is somewhere where we can marry the private sector with the Government's objectives in the Caribbean, which we do not discuss nearly enough in this House. Vast areas of the Caribbean are still completely ruined and much in need of trade, aid and anything else we can give them.

6.33 pm

Rory Stewart: These are all incredibly important points and questions, which go to the heart of our international development operations. The key questions here are about why we work through multilateral development banks and, of course, the fundamental question raised by my hon. Friend the Member for South West Bedfordshire: why we do any of this in the first place and whether it is a good use of money.

The fundamental thing is that we are working with concessional loan facilities in some of the very poorest countries on earth. These are countries, in some cases, where one in five children dies before the age of five, where adult life expectancy is 37, where rates of HIV/AIDS can be 30% or 40%, where unemployment rates can be 85%, where even relatively prosperous people in a community will still not have access to mains electricity or water, and where 85% of children emerging from school are still functionally illiterate.

The needs are desperate. People are living lives which are beyond imagining. Indeed, it is worse than that: in some of the countries where the African Development Bank operates, there are currently children dying because they do not have enough food to eat. There are currently children turning up at UNICEF emergency nutrition centres in Somalia who are having emergency tubes put in their nose because they have not been able to eat for two weeks, and of those a number are dying.

It is very important to stick to the fundamental basics here. We are talking about instruments and ways of moving money around, but in the end we are talking about some of the poorest and most vulnerable people on earth. Things that seem a little bit boring—moving £100 million here and there or building road and electricity networks—are absolutely vital, because those electricity

networks allow clinics to refrigerate vaccines to keep the children alive. Those roads allow the child dying of malnutrition to make it to the emergency nutrition centre. Those investments, hopefully, ultimately allow those countries to stand on their own feet and generate the taxation revenue to pay for their own health and education systems, and allow the developed world to disengage.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): I appreciate what the Minister is saying about reaching the most vulnerable. I would be interested to find out what level of detail we have to show that the most vulnerable, and leaving no one behind, are at the crux of all the projects, and that projects and programmes reach out to rural communities, for instance by getting disabled children into school.

Rory Stewart: That is a very good challenge. It is absolutely right that there is always a tension in the work of multilateral development banks between their traditional primary focus of infrastructure and economic growth, and making sure at the same time that we leave no one behind. That is something DFID has been doing since the hon. Member for Harrow West was a Minister in the Department; it has been leading on ensuring that we focus on the very poorest people, on rural communities and on equality. That is now central to the missions of the multilateral development banks, but it remains a challenge and it is something that we have to keep challenging them on again and again.

Of the three banks we are discussing in these statutory instruments, perhaps it is with the Asian Development Bank that we have had some of the most difficult conversations about ensuring that its successful track record on infrastructure investment focuses on the people at the very poorest levels of society who need it, rather than simply benefiting urban dwellers.

I will respond to the individual speeches made, starting with my right hon. Friend the Member for East Devon, who began with the question of administration costs. The administration costs are perhaps less of a challenge in multilateral development banks; it is a good question, but it would probably be more of a challenge if we were talking about non-government organisations. Most of the multilateral development banks have rather large equity portfolios, so their administration costs are relatively small. The target we are focused on, taking the African Development Bank as an example, is about 2.5% administration against equity, which we believe is reasonably competitive. It is roughly in line with where DFID itself sits in its ratio of staff to portfolio.

The second question was on flexibility, particularly relating to Zimbabwe. There is another challenge there, to be honest. The banks tend to make very long-term investments. Big road infrastructure and energy projects can take eight to 10 years to come to fruition, and by their very nature, it is difficult to suddenly shift money, in two weeks, from one place to another. If we are looking for rapid response to an emerging situation such as Zimbabwe, it is not to the multilateral development banks that we would look. However, my right hon. Friend's question is absolutely bang on the money, because we are hoping that the situation in Zimbabwe could be an extraordinary opportunity.

That opportunity is not only about Commonwealth membership and the United Nations, but about all the instruments that the international community can bring to help the Zimbabwean people, if the reform comes through and we go into a transition where there are free, fair and credible elections. For that, there needs to be an independent electoral commission, and we need to ensure there is proper voter registration, as there are currently one million “ghost voters”. We must ensure that Zimbabweans outside the country get their constitutional right to vote. If those things come into place, there is a great deal that we ought to be able to do, one aspect of which relates to multilateral institutions and ensuring that IMF loans are able to come in to save the Zimbabwean economy, which is in a difficult situation at the moment.

My right hon. Friend’s final question was about British business, and he is absolutely right that certain sectors where DFID invests, particularly green energy, financial services and insurance, are sectors where British companies can have a competitive advantage. The City of London has a strong advantage in financial services. Edinburgh, for example, also has strong advantages in financial services and insurance, and we have some impressive and innovative companies in green energy and city development.

Our aid is, of course, not tied, so it is about allowing British companies to compete fairly against other international companies for those contracts. The greatest thing that we can do for British companies is the longer term work of economic development. The reality in Africa at the moment is that there are only 17 million people who earn over £200 a month. That means that the middle class consumer population of Africa is currently about the size of Belgium, in a continent that is 100 times the size of Belgium and with considerably more externalities. The real opportunity for British business will only come when we really get the economic development off the ground and we can build that consumer base.

That brings me to the specific questions on the three banks raised by the shadow Minister, the hon. Member for City of Durham, and then I will conclude with the questions of my predecessor, the hon. Member for Harrow West. To go through the banks one by one, regarding the African Development Bank, the answer is that we have set very detailed performance indicators. Each one of these priorities that we have set around recruitment, value for money, efficiency and anti-corruption then breaks down into sub-performance indicators.

To give an example, we are not simply talking about recruitment. We have set a number: we are demanding that they recruit an additional 298 people by March. That would be an example of a recruitment indicator. I am not going to go through every one of the performance indicators, but I would be very happy to share them with the shadow Minister. In delivery and values, we are focusing on ensuring that 90% of the performance completion reports are completed in a year, and we will monitor that. In relation to countries in transition, we are making sure that all the 16 country offices are fully staffed.

We do have leverage over this. It is not just the nuclear option, which as I said is that 25% of this will not be disbursed immediately; 75% will be disbursed, but 25% will be held back. That is the nuclear option, but apart from that we are about to enter 2018 general capital negotiations, and if we find that it is not meeting

the performance indicators, that will affect the general capital contribution we make. In the next statutory instrument, which I hope we will both have the pleasure of debating here in three years’ time, we will perhaps have an opportunity to set exactly the kind of performance rewards that we have set for the Caribbean Development Bank. However, we do not think that we need to do that yet with the African Development Bank; we think that the performance indicator framework is the correct way to approach it.

There were two questions in relation to the Asian Development Bank. The first question was, is it enough money? The answer is yes, it is enough money. The Asian Development Bank is a smaller bank than the World Bank. While the International Development Association is disbursing about £75 billion a year, the Asian Development Bank will disburse only about £3.3 billion. As the shadow Minister pointed out, it now self-finances its concessional lending, which means that the amount of money it needs from us is reduced, and we are now in a situation in which the AIDB, the Asian Infrastructure Development Bank, is now stepping in to some of the areas in which the Asian Development Bank used to operate. The merger of its balance sheet has also given it much more flexibility in the way that it deals with moneys—it has merged the concessional and non-concessional parts of its balance sheet.

That brings me to the Caribbean Development Bank. The question was, is it correct that the amount of money that we have given it has been reduced from £33 million last time to £18 million this time? It is absolutely correct: we have reduced the amount of money that we are giving the Caribbean Development Bank by 50%. That is directly because in the multilateral development review we found that there were a number of serious problems in the way that the Caribbean Development Bank operated. Our view as Ministers—I am sure this would be the same on the other Benches—is that if we find there are serious performance problems, that has to have consequences.

We cannot be comfortable saying that there are serious performance problems and simply signing off the same amount of money, so we have halved the amount of money that we are giving. However, as the shadow Minister pointed out, there are still key tasks that the Caribbean Development Bank, and only the Caribbean Development Bank, can perform, particularly in the light of the hurricane. That is particularly its speciality in small island states and is why, notwithstanding our problems, we will, in a very carefully monitored way, be providing some money to it for that, but holding back £4.5 million for a performance bonus if it manages to meet the targets that we have provided. We will be looking in particular at ensuring that it delivers education. We have set this education target of 100,000 children in school, and we will be looking at that very carefully.

That brings me to the comments of the hon. Member for Harrow West. He began with the question of corruption and fraud, which is a big issue. It is a big issue because the countries in which one is operating are particularly fragile, conflict-affected states. It is extremely difficult in Afghanistan or Somalia—in somewhere like Mogadishu, people can barely leave the airport—to have a direct idea of what is happening on the ground.

We have an increasing number of sophisticated methods to try to ensure we do monitoring and evaluation in an imperfect world. For example, when it comes to

[Rory Stewart]

humanitarian delivery, we are relying on people using mobile telephones, so that we can track where the trucks are going and have photographs of beneficiaries receiving deliveries. An increasing amount of money goes into employing local monitoring and evaluation partners, who are completely independent of the projects. They go out to visit the projects, produce documentation and challenge directly what is being done on the ground.

We found in the multilateral development review that, in fact, these organisations are among the best for controlling fraud. They probably perform better, on average, than general NGOs in terms of their financial management systems and the fraud mechanisms they have in place. However, we supplement that with our own auditors and with new DFID approaches, where we go all the way down the chain, through every beneficiary and sub-beneficiary, to the ground. If we visit a DFID country office now, that entire map, which is often very complex, is up from the ground. That is supplemented by the work of the National Audit Office, the Independent Commission for Aid Impact and the International Development Committee.

We are never complacent about this problem, and if we find any cases of fraud and corruption, we come down on it very firmly and will take our money back. There was a case recently where we had to be reimbursed because we discovered that something of that sort had happened; it was not with these banks, but another NGO implementing partner.

That brings me to the final question from the hon. Member for Harrow West, which was about what happens after we leave the European Union. It is absolutely correct that as we leave the EU, there will probably and potentially be more development money to spend. I say probably and potentially because it is still an open question as to whether we might continue to put money through European institutions after we leave the EU. That is something for the Brexit negotiators to determine.

Some of these European institutions are highly professional and very competent. In particular, ECHO—the Directorate-General for European Civil Protection and Humanitarian Aid Operations—does an enormous amount of good work in the humanitarian sphere. We may be tempted to look at this on a case-by-case basis and continue to partner with them, but that is above my pay grade; it is a question for the negotiators.

If we were to reduce the amount of money we put through European institutions and had money coming back, my instinct is that it would be worth looking at the question raised by the hon. Member for Harrow West. That is to say, we may want to increase the number of our staff. We may want to look at the possibility of having larger footprints, because as we worry more and more about risk and implementation,

we may need to get more people into the field and into schools and those clinics to check what they are doing. Those people need to be able to speak local languages well and they need to understand the context well.

We need to be able to ensure that when we are spending money in a country, we have highly expert professional British civil servants on the ground to monitor those projects. My instinct—again, this is a broader discussion within the Department that would have to take place after Brexit—is that we would, as the hon. Gentleman implies, need more staff on the ground to ensure that implementation happened.

Dr Blackman-Woods: Before the Minister concludes, I want to say that I agree with him; I hope we are all still here in three years' time, but I hope our roles are reversed. I thank him for his response, but it would be really helpful if he could tell us where to find the key performance indicators, what the timescale is, how they will be measured, who will measure them and so on.

Rory Stewart: I hope I am not going to get stabbed by my officials. The key performance indicators certainly exist. I have read most of them. I therefore hope they are not some classified document that I am not in a position to share. If they are a public document, as I hope they are and as they should be, we will of course be delighted to share all the KPIs with all the dates and timelines, so that the hon. Lady can monitor them, along with us, to ensure that they are met.

I commend these three orders to the Committee.

Question put and agreed to.

Resolved,

That the Committee has considered the draft African Development Bank (Fourteenth Replenishment of the African Development Fund) Order 2017.

Draft Asian Development Bank (Eleventh Replenishment of the Asian Development Fund) Order 2017

Resolved,

That the Committee has considered the draft Asian Development Bank (Eleventh Replenishment of the Asian Development Fund) Order 2017.

Draft Caribbean Development Bank (Ninth Replenishment of the Unified Special Development Fund) Order 2017

Resolved,

That the Committee has considered the draft Caribbean Development Bank (Ninth Replenishment of the Unified Special Development Fund) Order 2017.

6.51 pm

Committee rose.