

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT AFRICAN DEVELOPMENT FUND
(MULTILATERAL DEBT RELIEF INITIATIVE)
(AMENDMENT) ORDER 2023

DRAFT AFRICAN DEVELOPMENT BANK
(SIXTEENTH REPLENISHMENT OF THE AFRICAN
DEVELOPMENT FUND) ORDER 2023

Monday 3 July 2023

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Friday 7 July 2023

© Parliamentary Copyright House of Commons 2023

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MARTIN VICKERS

- | | |
|---|--|
| † Bruce, Fiona (<i>Congleton</i>) (Con) | † Mahmood, Mr Khalid (<i>Birmingham, Perry Barr</i>) (Lab) |
| † Elmore, Chris (<i>Ogmore</i>) (Lab) | † Mak, Alan (<i>Havant</i>) (Con) |
| † Fysh, Mr Marcus (<i>Yeovil</i>) (Con) | † Mitchell, Mr Andrew (<i>Minister of State, Foreign, Commonwealth and Development Office</i>) |
| † Gill, Preet Kaur (<i>Birmingham, Edgbaston</i>) (Lab/Co-op) | † Poulter, Dr Dan (<i>Central Suffolk and North Ipswich</i>) (Con) |
| † Harris, Rebecca (<i>Comptroller of His Majesty's Household</i>) | † Richards, Nicola (<i>West Bromwich East</i>) (Con) |
| † Jenkinson, Mark (<i>Workington</i>) (Con) | † Wheeler, Mrs Heather (<i>South Derbyshire</i>) (Con) |
| † Lewis, Clive (<i>Norwich South</i>) (Lab) | † Yasin, Mohammad (<i>Bedford</i>) (Lab) |
| † Mackrory, Cherylyn (<i>Truro and Falmouth</i>) (Con) | Peter Stam, <i>Committee Clerk</i> |
| † Mc Nally, John (<i>Falkirk</i>) (SNP) | † attended the Committee |
| McDonnell, John (<i>Hayes and Harlington</i>) (Lab) | |

Third Delegated Legislation Committee

Monday 3 July 2023

[MARTIN VICKERS *in the Chair*]

Draft African Development Fund (Multilateral Debt Relief Initiative) (Amendment) Order 2023

6 pm

The Minister of State, Foreign, Commonwealth and Development Office (Mr Andrew Mitchell): I beg to move,

That the Committee has considered the draft African Development Fund (Multilateral Debt Relief Initiative) (Amendment) Order 2023.

The Chair: With this it will be convenient to consider the draft African Development Bank (Sixteenth Replenishment of the African Development Fund) Order 2023.

Mr Mitchell: I believe that this is the first time we have served together in a Committee such as this, Mr Vickers, and it is an enormous pleasure. The Opposition spokesman, the hon. Member for Birmingham, Edgbaston, and I have served together on many occasions; it is a pleasure to see her in her seat as well.

The orders, which were laid before the House on 23 and 22 May, will permit the British Government to make financial contributions to the African Development Fund up to the stated values for the purpose of core replenishment of the fund and contribution to the multilateral debt relief initiative. The African Development Fund—ADF for short—is an arm of the African Development Bank Group, which is the largest development finance institution focused solely on Africa.

As the Committee will be aware, the bank is a major source of funding for economic, social and institutional development across the continent, providing concessional loans and grants to the 37 poorest and most vulnerable countries in Africa. It is 60% owned by African countries, 80% staffed by nationals of African countries, and highly trusted across the region. It promotes green and inclusive growth and supports development in five focus areas, from infrastructure to industrialisation, food supplies and quality of life.

The bank is an important partner for UK international development. By spreading opportunities in African countries, it helps make the UK more secure and more prosperous. That is why we have purchased additional shares to increase our shareholding in the bank from 1.7% to 1.8%. We are also providing the bank with guarantees to release \$3 billion of additional climate finance across the continent. At the bank's recent annual meeting in Sharm El Sheikh in Egypt, I launched projects in Senegal and Egypt, which are the first to be supported by the guarantees.

I turn now to the African Development Bank (Sixteenth Replenishment of the African Development Fund) Order 2023. The ADF is replenished by donors every three years.

The 16th round of replenishment negotiations took place last year, with pledges made in December. The British Government pledged to provide £650 million to the ADF over three years, including £450 million to the core budget. The order allows for the provision of the core funding by the United Kingdom.

Forty per cent of our core pledge will be used to tackle climate change. We also pledged a further £200 million to the climate action window, which will be used entirely to help countries to adapt to climate change. Overall, that will represent a slight increase on our previous contribution and will make us the largest contributor to the 16th replenishment. That reflects our assessment that the ADF represents excellent value for money for British taxpayers.

For example, the African Development Fund is ranked second in the Centre for Global Development's quality of official development assistance report. The total value of the 16th replenishment is \$8.9 billion—up from \$7.4 billion for the previous round. That is an act of global solidarity with the poorest African countries to help cushion them from a series of crises, including a food crisis driven by the impact of Russia's illegal war and a climate crisis that is unleashing increasingly frequent and severe extreme weather on African countries, alongside the challenges of recovery from the pandemic.

The ADF works to respond to such crises with urgency and in a way that is tailored towards the needs of different communities. For example, to respond to the food crisis, the bank approved a \$1.5 billion emergency food production facility last year, which supported 20 million African smallholders and farmers by providing them with certified seeds and access to fertilisers. This supported the production of 38 million tonnes of food and helped to avert a looming food crisis on the continent.

The UK Government used the replenishment negotiations to secure commitments from the bank that will advance a number of our development priorities. The bank made commitments to support African countries to develop long-term strategies to tackle climate change, empower women, strengthen food security, tackle fragility, improve debt management and mobilise private sector investment.

The 16th replenishment is expected to deliver new or improved electricity connections for more than 19 million people, advances in agriculture for more than 24 million people, new or improved access to water sanitation for more than 32 million people, access to transport for over 14 million people and it is also expected to create 2.4 million new jobs, including more than 1 million new jobs for women.

We also welcome the agreement by the bank's governors in May to make changes to the ADF articles of agreement that will enable it to borrow from capital markets. The UK has been supportive of the bank taking this step for several years, which could release \$25 billion of additional financing for ADF countries over the next 15 years. That is very much in the spirit of the Bridgetown initiative.

I turn now to the draft African Development Fund (Multilateral Debt Relief Initiative) (Amendment) Order 2023, which permits the British Government to provide an additional £56 million between 2023 and 2035 to support the ADF's participation in the multilateral debt relief initiative, or MRDI. The UK Government played a leading role in establishing the MDRI in 2005 through

their G8 presidency. The initiative enabled the African Development Bank and the World Bank to cancel debts owed by some of the poorest countries by committing donors to compensate them for losses. This order will enable the current Government to continue to make good on that commitment.

To conclude, the African Development Bank Group is one of our closest and most important partners. The financial contributions covered by the two orders are an important part of this country's commitment to the poorest people in Africa. The orders will deliver UK international development and foreign policy objectives in some of the world's poorest countries and bring opportunity to tens of millions of people. That is not just in their interests. It is also in the UK's national interest, because greater opportunities in African countries reduce customers for people traffickers while creating more customers for UK exporters.

I commend the two orders to the Committee.

6.8 pm

Preet Kaur Gill (Birmingham, Edgbaston) (Lab/Co-op): I am grateful to the Minister for outlining the African Development Fund orders. We will not oppose them. I welcome the support they show for tackling poverty and food insecurity, creating new jobs and opportunities to meet the demands of Africa's young and fast-growing population, and tackling the climate crisis.

Since 2019, Africa has been hammered by the converging crises of the pandemic, the climate crisis, debt, inflation and conflict. An estimated 55 million people on the continent have been pushed into extreme poverty since the onset of the pandemic. In 2021, nearly half a billion people in total were living on less than \$1.90 a day. In that context, it is essential that we do what we can to prevent the current crisis from derailing long-term development gains.

Our financial support via the African Development Bank, with its significant financial clout, strong regional identity and deep knowledge, is one excellent means of doing that. Not only has Publish What You Fund ranked the African Development Bank's sovereign lending as No.1 in transparency out of 50 global development institutions but the bank is also well aligned with the UK's objectives and was green in its 2020 review.

While public-private infrastructure finance volumes in sub-Saharan Africa have stagnated over the past decade, the African Development Bank has punched above its weight, far outperforming other multilateral development banks in support for infrastructure partnerships with the private sector in recent years and giving donors more bang for their buck. During the new funding cycle, the African Development Bank will focus on two strategic priorities: governance, capacity building and sustainable debt management in recipient countries; and developing sustainable, climate-resilient and quality infrastructure. As we heard from the Minister, it will also focus on empowering women and girls as a condition for achieving inclusive and sustainable development. Through those investments, the total replenishment will help to connect 20 million people to electricity, benefit 24 million people through agricultural improvements, provide access to water and sanitation for 32 million people and improve transport infrastructure for 15 million people.

The bank's work over the next three years will complement long-standing investments in regional growth and infrastructure, offer a sustainable alternative to non-concessional Chinese lending and make headway on the long road to economic recovery from the pandemic and the worsening food security crisis, all of which are priorities that we support.

In that context, I must express some disappointment that we are again seeing a significant cut to UK financial support in this area; it is down nearly £200 million. The African Development Bank has done great work in the closely linked areas of climate adaptation and food insecurity in recent years. It has prioritised high-impact investments in water resource management and climate-smart agriculture, while also holding true to a model that puts countries in the driver's seat of their own destinies. Will the Minister say whether we should take these funding cuts as proof of the former International Environment Minister's comments on Friday? Do we have a Prime Minister who is "simply uninterested", is it true that

"efforts on a wide range of domestic environmental issues have simply ground to a standstill"

and are the Government

"absent from key international fora"?

They are breaking their promises on international climate finance, hoping to leave a tab for the next Government to pick up.

The African Development Bank estimates that the continent needs \$7 billion to \$15 billion a year in adaptation finance to meet this accelerating challenge, yet ICF, international engagement and domestic commitments were conspicuous in their absence in Government announcements at the Paris summit. Can the Minister explain whether the Government remain committed to delivering the £11.6 billion in international climate finance that they promised in 2019? How and when will that be delivered? Will the Minister explain why the Prime Minister was absent from the summit while more than 100 world leaders were in attendance at a time when, by his own admission, there is growing anger at the international community's failure to help the most vulnerable countries adapt to a climate crisis that they did not create?

Will the Minister say something specific about the absence of an announcement on the remaining half a billion special drawing rights that the United Kingdom promised but is yet to deliver? As he may well know, the African Development Bank has proposed an innovative new vehicle for the SDRs to be lent as hybrid capital. That would mean that every 100 million of SDRs recycled to the African Development Bank will be multiplied to increase loans to vulnerable African countries by up to 400 million. In effect, the African Development Bank proposes to leverage SDRs as capital to mobilise more lending funds so the SDRs are never spent; rather, they will be held as capital in the bank's SDR account at the International Monetary Fund. Has the Minister looked at that proposal, and will he comment on it? Why has the delivery of the 100 billion SDRs promised at the G7 in Carbis Bay in 2021 been so achingly slow?

Finally, the previous replenishment round included an element of performance-based funding dependent on positive results reported at the mid-term review. Will he clarify how much was disbursed or held back at that

[Preet Kaur Gill]

point, and what support has the UK provided to the bank to recruit sufficient staff in key areas, such as environmental and social safeguards and fragile and conflict-affected states, in recent years? What efforts, if any, have the Government made to encourage closer working, better information flows and better-informed oversight between the bank and Government country teams?

On the sovereign debt crisis in many African countries, I must start by noting the incredibly positive news that, three years after its default, Zambia has finally agreed a deal for debt restructuring with straight creditors, including China. The £5 billion deal will provide crucial fiscal space for its Government to serve its people, 16% of whom live on less than a \$1.90 a day, although billions owed to private lenders still needs to be tackled.

The situation is an ongoing illustration of the importance of the multilateral debt relief initiative agreed at the Gleneagles G8 summit 19 years ago. That was an outstanding example of what British leadership on the world stage can achieve and one of the proudest legacies of the last Labour Government. It has since had a transformative impact on many poor countries, freeing up their Governments to invest billions of pounds in public goods, such as health systems, climate action and education, that would have otherwise been spent servicing unsustainable debts. Will the Minister tell us how much debt the UK support has enabled the African Development Bank to cancel over the recent accounting period? What expectations does he have in relation to the orders? We welcome our latest contribution to the African Development Fund's portion of the multilateral debt relief initiative, and will not divide the Committee on the order.

Many of the development gains that we have made in Africa in recent decades are currently at risk of reverse. We can, however, choose to forge a way to a more positive future with the expertise, influence and financial muscle of institutions such as the African Development Bank. For Labour, the power of co-operation is unmistakable. We can choose to turn to each other when confronted with global crises, rather than turning inwards. We can choose to modernise our approach to international development. Learning from each other, we can and must address the world's greatest challenges together.

6.15 pm

Fiona Bruce (Congleton) (Con): The Minister has described some excellent initiatives towards which the funds will be applied. I do not want him to think anything other than that I fully support the proposed measures, but there is a great deal of money being provided, which is, if I recall, UK taxpayer funds. Will the Minister clarify how the effective use and impact of those funds will be scrutinised and assessed, and by whom? What reports can we expect to receive and what will the processes be so that the public can have confidence that assessment and scrutiny will take place?

6.16 pm

Mr Khalid Mahmood (Birmingham, Perry Barr) (Lab): It is a pleasure to serve under your chairmanship, Mr Vickers. I concur with everything that my hon.

Friend the Member for Birmingham, Edgbaston said. To follow on from the point that the hon. Member for Congleton has just made, it says in the explanatory note that:

“An impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.”

I find that incredible.

There is a huge amount of money going in—although not as much as we wanted—and we want to see the good work that is being done. As the Minister said, it will have a huge effect, creating over 2.4 million jobs, and that will have an impact. Food security for the region will have a huge impact. Security for the electricity work that has been done, and many of the other points that the Minister mentioned, will have an impact. We should take account of that. Will the Minister look to see if an impact report could be produced, saying what difference the money we are putting in will make?

6.17 pm

Mr Mitchell: I am extremely grateful to the Committee for its comments, and I will try to respond. The hon. Member for Birmingham, Edgbaston set out an analysis of the crisis that has struck Africa and the reasons for it. Across the Committee there will be complete agreement with her analysis, which was correct. She rightly pointed out that following a period from 1990 to 2020, under all three major parties, there was tremendous progress under British leadership particularly in the eradication of the extremes of poverty. There has probably been no period in human history when so much poverty alleviation has taken place so successfully. Of course, a lot of it was due to progress made in China and India. As she said, since 2020 those advances have been under threat due to the covid epidemic, the appalling aggression of Russia in Ukraine and the effect that that has had on inflation, standards of living and food flowing into Africa—in particular, to places of great shortage. We would all agree with that analysis.

The hon. Member for Birmingham, Edgbaston then made the point about Publish What You Fund and the high accolade that it has given to the work of the African Development Bank, which is, in part, the answer to the question of my near neighbour, the hon. Member for Birmingham, Perry Barr. There is a clearly a strong Birmingham-Sutton Coldfield element to this debate. The clear benefits were set out by Publish What You Fund.

On the level of funding, the ODA budget is immensely constrained. The hon. Member for Birmingham, Edgbaston and I both know that the budget could be spent many times over—and spent extremely well. The replenishment was for £650 million; we would have liked to have spent more, but we have to balance it with other funding. We have spent £1 billion supporting the global fund, which is outstandingly good expenditure. We settled on £650 million in this case, which is a little up from last time, when the figure was £633 million. I assure her that the money will be very well spent.

The hon. Lady referred to the letter written last week by my former colleague in the Foreign Office, Lord Goldsmith. Of course, I will not be drawn on any of that, except to say that those of us who know the Prime Minister well know that he is incredibly interested in the science and activity around climate change, and is very

committed to that agenda. The hon. Lady asked about the Prime Minister's attendance at the summit. It is true that he was not able to attend; he sent me instead, and I hope the Committee will accept that. I could only be a very poor reflection of him, but I did my best at the summit, and Britain was able to lead on the climate-resilient debt clauses, which will make such a difference to countries caught up in tragedy or crisis. Say disaster or covid struck the Government of Ghana, and that they really needed liquidity in order to help their people, and then had to pay off the capital and interest of loans. The climate-resilience debt clauses mean that they would get a two-year break to help them cope with the crisis. That is added on to the end of the loan. That is being done now by UK Export Finance, and it was the big British contribution to the summit; I think it will be powerful.

The hon. Lady asked me about SDR. We are engaged with the Treasury in a serious discussion on whether we can do more on SDRs. She is right in saying that the African Development Bank is a good potential vehicle for that. All I can say to her is that discussions are ongoing. Our colleagues in the Treasury are being very helpful, and we hope that the matter will move forward, though I point out that at the spring meetings of the IMF and the World Bank, my right hon. Friend the Chancellor of the Exchequer announced that Britain would use \$5.3 billion of SDR through the two particularly important pro-poor IMF funds. That was the British announcement.

The hon. Lady asked me about accountability, and my hon. Friend the Member for Congleton raised the same point. The accountability of the African Development Bank is absolutely excellent. Our performance tranche was fully disbursed at the mid-term review. We do not have a performance tranche for this replenishment, but

that reflects our experience, which is that the other controls are absolutely adequate to ensure value for money for the British taxpayer. The hon. Member for Birmingham, Edgbaston, will recall that—quite apart from our having officials who are based in Abidjan at the headquarters of the bank, and who regularly visit experts on all these matters—I am the British governor of the African Development Bank, and I can tell her and my hon. Friend the Member for Congleton that I keep a sharp eye on the interests of British taxpayers in this matter.

Finally, the hon. Member for Birmingham, Edgbaston mentioned the deal done on Zambian debt. I completely agree with what she said. Zambia has had to wait far too long for relief from those debts. Finally, the Chinese were persuaded to join in the international settlement. I had a WhatsApp message from the President of Zambia at the end of last week, thanking Britain so much for our engagement and assistance in the negotiations, which, as I say, went on for far too long. The African Development Fund is a vital source of finance and hope for the poorest and most vulnerable countries and people in Africa. I hope and trust that the Committee will support the orders.

Question put and agreed to.

**DRAFT AFRICAN DEVELOPMENT BANK
(SIXTEENTH REPLENISHMENT OF THE
AFRICAN DEVELOPMENT FUND) ORDER 2023**

Resolved,

That the Committee has considered the draft African Development Bank (Sixteenth Replenishment of the African Development Fund) Order 2023.—(*Mr. Mitchell.*)

6.24 pm

Committee rose.

