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PARLIAMENTARY DEBATES
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HOUSE OF LORDS

OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Monday 27 November 2017

2.30 pm

Prayers—read by the Lord Bishop of Worcester.

Royal Engagement

2.36 pm

The Lord Speaker (Lord Fowler): My Lords, I would like to make a short statement following the announcement from Clarence House today of the engagement of His Royal Highness Prince Henry of Wales to Ms Meghan Markle. I am sure that Members from all sides of the House will join me in congratulating the couple on this most happy occasion, and wishing them all the very best for their future together.

Noble Lords: Hear, hear!

Domestic Violence and Abuse Bill

Question

2.36 pm

Asked by Baroness Donaghy

To ask Her Majesty's Government whether the proposed Domestic Violence and Abuse Bill will include measures to prevent violence against women and girls as well as criminal justice measures to deal with perpetrators.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, this Government are committed to a rigorous and comprehensive consultation on the proposed domestic violence and abuse Bill to identify all the legislative and non-legislative measures that we can take to truly transform our approach to domestic abuse. The Government recognise that it is critical to look beyond criminal justice measures and also to focus on what we can do to prevent abuse and violence in the first place.

Baroness Donaghy (Lab): I thank the Minister for that reply, and I am reassured by it. Could she give an indication of when the Bill will be before us? Has she consulted the various women's groups which have expressed anxiety up until now about the narrow scope of the Bill? For instance, Women's Aid has made a number of recommendations about mandatory relationship and sex education. Has she consulted it? When will we be looking at the Bill?

Baroness Williams of Trafford: The noble Baroness is absolutely right to make the point about engagement with the various women's groups and charities. Of course, they are the best placed to advise us on the Bill going forward. We are putting out a consultation document and I fully expect that the types of groups she talked about will be fully engaged with it. Other issues will also come out in the consultation process so we will have a well-informed Bill when it comes forward.

Baroness Manzoor (Con): My Lords, what progress has been made in tackling attacks with acid? Acid attacks cause horrific injuries and have a dreadful impact on people's lives.

Baroness Williams of Trafford: My noble friend is absolutely right to raise this issue; it has been quite prevalent in recent months. Back in July, the Government put in place an action plan to tackle the use of acid and other corrosive substances in violent attacks. It was based on four key strands: ensuring effective support for victims, effective policing, ensuring that the relevant legislation is understood and applied, and working to restrict access to acids and other harmful products.

Baroness Barker (LD): My Lords, lesbians, gay men, trans men and trans women are also victims of domestic violence and are often very isolated. Can the Minister assure the House that, alongside other people's, their access to services is always taken into consideration in the consultation on the strategy and will be safe?

Baroness Williams of Trafford: The noble Baroness makes a very valid point about LGBT victims of domestic abuse, because, of course, they are not exempt from the violence that people suffer. Any LGBT group can make representations to the consultation, and we have a national helpline for LGBT victims of domestic violence. We also made it clear in our national statement of expectations on domestic violence that we expected anybody who needed help to receive it, irrespective of their sexuality or, indeed, their sex.

Baroness Uddin (Non-Aff): My Lords, the Minister will be aware that Women's Aid has raised concerns about the suggestion that refugees be localised. Will she ensure that the proposed Bill provides for mandatory nationwide access to refuge services and resources for all those who seek refuge?

Baroness Williams of Trafford: I was part of the conversations on local delivery that took place in DCLG. We made it clear that we thought local areas were best placed to deliver the services appropriate to their locality, and set out the national expectations for delivery at a local level. We also made it clear that if things did not work out locally, we were prepared to legislate. However, the national statement of expectations seems to be playing out quite favourably.

Baroness Newlove (Con): My Lords, as Victims' Commissioner, I have not been privy to the preparation of the Government's consultation on the domestic abuse Bill. Therefore, will my noble friend the Minister say whether the Bill will include statutory provisions to prevent perpetrators of abuse pursuing their victims through the family courts?

Baroness Williams of Trafford: My noble friend makes a very good point about victims of domestic violence who quite often face further intimidation and, I would say, abuse as perpetrators seek to pursue them through the family courts. Certainly, the MoJ is considering this issue in relation to victims of domestic violence in the family courts.

Lord Morris of Aberavon (Lab): My Lords, can I assume that the proposed Bill has adequate measures to deal with the acid attacks as raised by the noble Baroness?

Baroness Williams of Trafford: As I said to the noble Baroness, the Government are certainly looking at how we can prevent acid attacks, in a domestic violence setting or otherwise. The consultation will be an opportunity for people to bring forward suggestions about what should be included in the Bill.

The Lord Bishop of Durham: My Lords, while recognising that faith communities have serious issues of domestic violence abuse within themselves, does the Minister also recognise that they contribute a great deal to tackling it through organisations such as the Mothers' Union, Restored and Kahrmel Wellness, and that today, 16 days of global action begin to try to raise awareness of domestic violence and abuse?

Baroness Williams of Trafford: I absolutely recognise that and praise the Church for what it does not only in raising awareness of domestic violence but in giving advice, sometimes extremely effectively, to those affected and, indeed, to perpetrators.

Lord Ramsbotham (CB): My Lords, bearing in mind the fragile state of the prison and probation services, can the Minister please tell the House what additional measures the Government propose to give the criminal justice system to enable it to deal with perpetrators?

Baroness Williams of Trafford: One of the suggestions that has been made, which the Government are actively considering, is to recognise in law, in sentencing, the terrible effect that domestic violence has on children. There could be as few as one witness of domestic violence but it will not only affect the rest of their lives; there is also a societal effect, and this cycle of abuse can go on.

Whistleblowers

Question

2.44 pm

Asked by **Lord Cromwell**

To ask Her Majesty's Government what assessment they have made of the effectiveness of the processes in place to enable whistleblowers to come forward without adverse personal consequences.

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Con): My Lords, individuals should be able to report malpractice in the workplace without fear of reprisal. The Employment Rights Act 1996 provides employment protection for workers in all sectors who have blown the whistle. It enables them to seek redress if they are dismissed or suffer detriment at the hands of the employer because they have made a protected disclosure about wrongdoing that they have witnessed at work.

Lord Cromwell (CB): I thank the Minister for his reply. As he knows, in putting down the Question I had in mind a specific example. The whistleblower

concerned, who is from the UK banking sector, asked me in due course not to name them for fear of persecution. Will the Minister agree to meet me and the organisation Whistleblowers UK to review the shocking evidence that, far from being respected for their bravery, whistleblowers are frequently made unemployable or impoverished, and many are driven into mental illness? Does he also agree that the FCA should do a great deal more as a regulator to support them, particularly in their legal costs? Finally, what message does he feel we send to those who expose wrongdoing if in America they are rewarded, whereas in this country they pay such a terrible price for doing the right thing?

Lord Henley: My Lords, I thank the noble Lord for his Question and the supplementaries. I am grateful that he did not raise an individual case, because obviously I would not be able to comment on that. However, I am more than happy to make arrangements to meet him and Whistleblowers UK to discuss that case. I note what he says about the FCA. I am sure that he is aware that the FCA is looking at its procedures and will conduct a review, as I think my noble friend Lady Williams made clear during the passage of another Bill earlier this year. The possibility of following the American route is interesting, and the review could certainly look at it. The review that the FCA conducted in 2014 concluded that introducing financial incentives was not likely to increase the number or the quality of disclosures, but it will certainly look at that again in its review in early 2018.

Lord Howarth of Newport (Lab): My Lords, do the Government have plans to ban gagging clauses—the practice whereby individuals who are aware of failures or malpractice within an organisation are paid to leave on the basis that they keep quiet about what they know? Will the Government ban this practice of bribery and conspiracy of silence?

Lord Henley: My Lords, I would be more than happy to look at that matter. Of course, as I made clear, the FCA is conducting a further review, but there are the protections within the Employment Rights Act 1996, as amended—as the noble Lord will be aware—by the Public Interest Disclosure Act 1998. Whether under those two pieces of legislation gagging orders would be prohibited or would in fact apply needs looking at.

Lord Skelmersdale (Con): My Lords, I urge my noble friend to have some caution in this area. It is one thing to concentrate on whistleblowers as result of activities at work, but we have seen recent cases—not least in that of a former Prime Minister—where a whistleblower has cost the police vast amounts of money to no effect whatever, as far as I can see.

Lord Henley: My noble friend makes an interesting point which goes slightly beyond the Question, but we should bear it in mind. We are looking here at the protections offered by the Employment Rights Act 1996, as amended by the Public Interest Disclosure Act.

Baroness Kramer (LD): My Lords, will the Minister resist this negative connotation of whistleblowers? This summer I met whistleblowers whose lives are in complete ruins. The example given by the noble Lord, Lord Cromwell, is one of very many. The regulators have a long history of being totally passive, of providing no protection and often of being gratuitously suspicious of whistleblowers. In the United States, not only is there compensation for a life damaged and ruined but there is an Office of the Whistleblower—a concept that we attempted to get into the then Criminal Finances Bill—which provides appropriate protection from a significant, senior and high level.

Lord Henley: My Lords, I do not believe that we are taking these matters lightly. I know that the noble Baroness has considerable concerns about this matter. She raised them during the passage of the Criminal Finances Bill, enacted in 2017, and many of them were dealt with by my noble friend far better than I could do in the brief time I have available at the Dispatch Box. I could quote at length the answers that my noble friend gave the noble Baroness on that occasion, but suffice it to say that we note her concerns. The FCA is looking at this issue and conducting another review, and no doubt the noble Baroness will take a look at that when it comes out next year.

Lord Touhig (Lab): My Lords, I introduced a Bill to protect whistleblowers but it did not succeed. Later, my Conservative colleague and friend Richard Shepherd succeeded with the then Public Interest Disclosure Bill. It was a great step forward but no longer protects whistleblowers as it should. It should be revised. Why will the Government not do so?

Lord Henley: My Lords, as I have made clear, it was revised in 1998—by the Government of whom the noble Lord was a very keen supporter. I also made it clear that the FCA is looking not necessarily at amendments but at further adjustments that can be made. I commend the noble Lord on all that he did on that occasion. I am sorry that his Bill did not succeed but others did and legislation is now in place. That legislation was amended by the party opposite—again, with support from all sides of the House—and we should see what the FCA can do in the future.

Domestic Violence: Police Resources *Question*

2.51 pm

Asked by Baroness Nye

To ask Her Majesty's Government what is their assessment of police resources available to support victims of domestic violence.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services has noted in recent inspections that forces have protected dedicated resources to support victims of domestic abuse. The number of police referrals, prosecutions and convictions for domestic abuse has increased significantly since 2010. However, this Government are committed to

doing more still and in this Session will publish in draft a landmark domestic violence and abuse Bill to better protect and support victims and to bring perpetrators to justice.

Baroness Nye (Lab): I thank the Minister for that Answer. With police numbers already at a 35-year low and with no new money for policing announced in last week's Budget, the situation is in a potentially perilous state, according to HM Inspectorate. Requests made under the "right to ask" part of Clare's law must be made in person at a police station, but the number of public-access stations is being reduced as part of the cuts being imposed on local authorities. Are the Government therefore exploring other options, such as online requests, for victims of domestic abuse who want to find out whether their abuser has a violent past?

Baroness Williams of Trafford: I can certainly make inquiries for the noble Baroness about online requests for such information. However, HMICFRS has noted improvements in the overall police response to victims of domestic abuse since the publication of its first report in 2014. In addition, the Home Office is putting forward £1.9 million for specialist training for police to obtain a licence to practise so that they are equipped to deal with vulnerable people in such situations.

Baroness Seccombe (Con): My Lords, the majority of victims are women but today, sadly, there are many men who suffer domestic violence. Do we have enough places for them to go to?

Baroness Williams of Trafford: My noble friend makes a good point. The breakdown of victims of domestic violence is thought to be about 96% women and 4% men. We have a helpline for men and, as I said to the noble Baroness, Lady Barker, earlier, anyone who is a victim of domestic violence should be able to have the help they need.

Baroness Brinton (LD): My Lords, the Minister will remember that earlier in the year during the passage of the Policing and Crime Bill, some amendments were tabled to strengthen the victims' code. At the moment, there is no mandatory requirement on the police and other agencies to provide support—it is an entitlement for victims—and, despite being promised back in January that there would be extensive and wide consultation on strengthening it, we still have no sight of that consultation, let alone any proposals from the Government. When are we going to see specific proposals from the Government to strengthen the support for victims?

Baroness Williams of Trafford: My Lords, I can give the noble Baroness further updates on that matter. Yes, she raised it in the Bill, and the Home Secretary is chairing an oversight board to ensure that the police, the Crown Prosecution Service and national police leads are doing all that is required of them in dealing appropriately with victims of domestic violence.

Baroness Afshar (CB): My Lords, what are the Government doing to provide safe places outside the community where the violence occurs? Many community minorities have always, as a matter of course, closed

[BARONESS AFSHAR]

ranks to defend whatever their position is, and many women need somewhere that is safe for them which is not in the same city but somewhere else.

Baroness Williams of Trafford: The noble Baroness raises the reason why we set out the national statement of expectations rather than a nationally led programme of delivery for domestic violence. In terms of safe places outside the community, that means that a lady or a man who needs to flee their community to go to somewhere else will be sure of a safe place. I would like to move to a position where a lady did not need to flee her community in order to be safe but where the perpetrator was dealt with effectively.

Baroness Hodgson of Abinger (Con): My Lords, many women in the justice system are victims of domestic violence, which is one of the root causes of their offending. Is this taken into account when decisions are made to prosecute?

Baroness Williams of Trafford: All circumstances are taken into account when someone is prosecuted. My noble friend is right about the cycle of abuse. Someone who is a victim of domestic violence will go on to have perhaps depression or other mental health problems, or drug or alcohol problems, which may lead to crimes being committed. Certainly within the justice system this cycle of abuse and crime needs to be unlocked.

Lord Foulkes of Cumnock (Lab): My Lords, will the noble Baroness have discussions with her counterparts in Scotland and Northern Ireland so that we can learn from experience and exchange ideas in this United Kingdom? In that context, will she welcome the visit by the Justice Committee of the Scottish Parliament to Westminster today?

Baroness Williams of Trafford: I certainly welcome the visit of the Justice Committee. As to whether we have lessons to learn, I am sure that we have lessons to learn from each other in examples of good practice. However, I say to the noble Lord that I am proud to stand here, given what this Government have done over the past seven years to help victims of domestic violence.

Baroness Benjamin (LD): My Lords, many children and young people suffer from domestic violence after seeing pornography and other violent acts online. What are the Government doing to encourage the police to go into schools and talk to young people about this kind of crime and the support that victims would get from them if it is happening to them?

Baroness Williams of Trafford: My Lords, sex and relationship services within schools are a good forum in which to discuss not only what healthy relationships look like but what unhealthy relationships look like. Online providers are alive to what sort of material is suitable for viewing by children, and the Home Secretary is working with CSPs to improve their response to it.

Stalking Question

2.59 pm

Asked by **Baroness Gale**

To ask Her Majesty's Government whether they will consult on establishing a register of serial stalkers.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the Government are fully committed to tackling stalking and we are working with partners to look at ways to strengthen the management of serial offenders. Stalking perpetrators can already be captured on the dangerous persons database and can be managed by the police and the probation service under the multi-agency public protection arrangements. We are not convinced that a new register would improve how serial perpetrators are managed and are concerned that this approach may risk a disjointed police and offender management response.

Baroness Gale (Lab): My Lords, I thank the Minister for her response. Is she saying that she does not see the need for a separate register despite all the evidence from Paladin? Surely the Minister would agree that serial stalkers and the perpetrators of domestic violence should be subject to orders that place a positive obligation on them to change their behaviour. They should be included on the ViSOR database and thus MAPPA to ensure that they are subject to robust and proactive supervision, monitoring and tracking, which would give better protection to victims.

Baroness Williams of Trafford: My Lords, I am fully supportive of a register for all the purposes that the noble Baroness has set out. The point I made in my first Answer was that running several registers might lead to a fragmented approach by the police and the probation service. One register capturing both violent and serious sex offenders enables the police to deal more effectively with the types of people that we all want to capture.

Baroness Burt of Solihull (LD): My Lords, contrary to what I think the Minister was moving towards saying, the House may know that currently there is no existing framework which can track or monitor serial stalkers. Might that be addressed in the domestic violence Bill and will measures to tackle serial stalkers be included in it?

Baroness Williams of Trafford: As I have said, we will be going out to consultation very shortly on the domestic violence Bill. On stalkers, the noble Baroness will know about Clare's law, which enables people to find out whether their partner has a past in this area. I would recommend to the noble Baroness and to all noble Lords who are interested in the Bill to take full part in the consultation.

Baroness Jenkin of Kennington (Con): My Lords, I know that all noble Lords will welcome the Government's commitment to an additional £17 million fund to tackle violence against women and girls. What impact does my noble friend expect the proposed domestic violence and abuse commissioner to have?

Baroness Williams of Trafford: I am pleased to be able to say to my noble friend that the domestic violence and abuse commissioner will have a significant impact on domestic violence. Certainly the commissioner will stand up for victims and survivors, raise public awareness of the issue, monitor the response of statutory agencies and local authorities and, I hope, drive further improvements in tackling domestic abuse.

Lord Morris of Aberavon (Lab): My Lord, aside from the risk of multiplication, what are the difficulties in just expanding the sex offenders register?

Baroness Williams of Trafford: On expanding the sex offenders register, someone has to be violent and a sex offender to go on to it. A stalker might be neither violent nor a sex offender. However, if someone becomes violent and a menace both to society and to their victim, they would be captured on the sex offenders register.

Baroness Manzoor (Con): My Lords, some ethnic minority women have got married under the nikah ceremony and have subsequently found themselves in a domestic violence situation, but they have no redress because they have not had their marriage registered by a registry office. Will this be tackled in some sort of register too?

Baroness Williams of Trafford: I am so glad my noble friend brought up this issue because it is one I have seen evidence of on many occasions: a woman thinks she is married—she may have come from another country to get married in this country—but she is not and her marriage is not recognised in law. If she is a victim of domestic violence she is in a very vulnerable position indeed. I hope my noble friend brings this up in the course of the consultation on the domestic abuse Bill.

Baroness Royall of Blaisdon (Lab): My Lords, I am grateful to the noble Baroness for her answer to my letter of 23 October and for her suggestion that we should meet again. However, I do not understand what has changed between the meeting my colleagues from Paladin had with Sarah Newton the Minister on 11 September, when she said that a register would be part of the consultation, and the statements given by the noble Baroness today and in her letter to me saying that the register would not be part of such a consultation. What has changed in the last two months?

Baroness Williams of Trafford: My Lords, nothing has changed. There is every opportunity for the noble Baroness to put that forward through the consultation. At that point—I am sure she would agree—I was loath to have a fragmented system of registration. Let us continue to discuss it because we both want the same thing.

Baroness Hussein-Ece (LD): My Lords, women who have been stalked and have been victims of domestic violence keep having to move. I had a case recently of a woman who moved five times to get away from her

abuser. Several times information about where she had moved to was not passed on to the relevant constabulary and she was left vulnerable to her stalker. What safeguards are in place to ensure this does not happen?

Baroness Williams of Trafford: Going back to the national statement of expectations, we need a joined-up approach for local authorities and across police forces so women are not found by their stalkers or abusers. In fact, women should not have to flee at all and the perpetrators should be brought to justice.

European Union (Approvals) Bill

Third Reading

3.07 pm

Bill passed.

DfID Economic Development Strategy

Motion to Take Note

3.08 pm

Moved by Baroness Nicholson of Winterbourne

That this House takes note of the Department for International Development's Economic Development Strategy, and Her Majesty's Government's plans to implement that strategy.

Baroness Nicholson of Winterbourne (Con): My Lords, it is an honour to initiate this important debate because it marks a significant change in the Department for International Development's thinking that has perhaps not yet been fully explored in your Lordships' House. The change is highly important and there is already a new departmental strategy in place with some very senior staff already in post. As I read it, this has been triggered by Brexit, when we can no longer afford to run alone as different departments but must come together and work together for the wider British goals. The implementation the Government are offering will be largely, but I imagine not wholly, by CDC; the focus of the new policy—but I expect it will soon be beyond this—is on Africa and Asia; the collaboration, long sought, will be a close partnership between DfID, the Foreign and Commonwealth Office, the Department for International Trade and the MoD.

The new policy continues DfID's soft power. I had the honour of speaking for DfID at the UN's first ever global sustainable transport conference in Turkmenistan recently—something that could not have happened if DfID had not financed it through the World Bank—but soft power has limitations. It is not visible in expenditure; it is, if you like, at second or third hand, and it is not possible to find the British imprint on that expenditure. Adding to that widespread portfolio with the new policy is, as I see it, a very good thing to do.

Already, the Commonwealth Development Corporation had an ancient track record of excellence in this field, and under its new guise since 2007 it is joining the stable of eminent institutions whose view is that the value of aid per se in conquering poverty has perhaps peaked and is dropping and that we must focus much more on the free market and the rule of law and on making stability through jobs and futures.

[BARONESS NICHOLSON OF WINTERBOURNE]

The common characteristics of those countries which rank high on DfID's action list create most obvious barriers to investment. The first and clearest is our old friend corruption. All the countries that DfID is interested in assisting where poverty is rife are riddled with corruption. Alongside that goes weak, evasive or invisible justice, inadequate laws to protect the population and untrustworthy police. All these things open the door for international criminals, including globally active gangs of human traffickers. There will be a lack of international banks and a failure to honour UN conventions, which results in monstrous human rights breaches without apparent objections. There will be state ownership of national resources, concomitant with a lack of a private sector investment. All these unpleasant matters will add up to acute poverty—indeed, I would say that they cause poverty, particularly corruption. It is those characteristics which make aid the obvious answer to put forward, but I believe that aid should now diminish in its value because it does not help with employment or futures and we know that other things can do so.

Since my interests will inevitably flow through my remarks, as will be the case for all noble Lords, I declare immediately that I have the honour of being a trade envoy for Her Majesty's Government in four nations: Azerbaijan; the federal Republic of Iraq; Kazakhstan; and Turkmenistan. I have a commitment to the creative industries: I chair the Booker Prize for Russian fiction; I am vice-president of the Man Booker Prize for English fiction; and I am a patron of the Caine Prize for African Writing. Perhaps most relevantly, I chair the AMAR International Charitable Foundation, which is in its 25th year. It has 1 million patients in Iraq and 500,000 pupils of all ages, all well below any poverty line that can be identified. However, I say immediately that no funding for that comes from DfID, and therefore I have no conflicts of interest in this debate. I am also a non-executive president of the Iraq Britain Business Council.

I have no conflict, but I have a deep and lifelong commitment in aid and trade. I see the United Kingdom today as offering a different approach. For example, what are the needs? The needs of the poverty-stricken populations in the countries that DfID goes to are food aid and nutrition. What have we got to offer from the United Kingdom? We have magnificent agriculture—some of the very best on the globe—with one of the smallest populations working on the land and some of the highest and best-value output. We have so much to offer, yet when I tour these countries I do not actually see the National Farmers Union, which is the body that should be there. I do not see the big industrial agricultural sector that is here in the United Kingdom; we should export that eagerly and willingly.

I see a tremendous need for public health. However many jobs may be available, you simply cannot work if you have dysentery or worse. Here in the United Kingdom we have something that is the envy of the globe, although we tend to mock it, and that is the National Health Service. We should be exporting that infinitely more than we do. We have tremendous public health capabilities here, and I hope and believe that DfID should work on that in its new guise.

As for education, our universities, as we know, are also the envy of the globe and among the topmost universities anywhere. We have the British Council, the BBC Trust and the BBC World Service, but without the language of English, without the capacity for students to put themselves forward speaking English, no university here will accept them. One of the key issues that should be looked at at the moment is the teaching of English and, with that, the teaching of information technology. With those two things, any young person these days can go anywhere and succeed in anything. I urge the Minister to think of that.

Regarding conflict diminution—I will come in a minute to the hearts and minds campaign—justice and the rule of law is another tremendously important factor. Here in the United Kingdom we do not seem to invest in our associations. For example, the American Bar Association has tremendous investment from the State Department, but I have yet to find a similar investment for the British Bar Council or the solicitors, yet we have so much to offer in terms of justice and it just needs a push from government. If the State Department can do it, why not DfID?

I can hardly mention enough the excellence of the City of London—it is so enormous that it takes speech after speech to praise it. Given the transfer of knowledge that we did so eagerly and well when eastern Europe came into the land of the living again following the ending of the Cold War, surely we should do that again.

Again, I refer to the State Department, which funds a tremendous amount of teaching. I joined them myself in Jordan and in Morocco, teaching women to be, perhaps, barristers, solicitors, attorneys. There is enormous potential there which enables countries to offer justice and the rule of law more strongly. We have professional standards here which are unique and wonderful. Such high standards of engineering, accountancy and auditing are rare indeed. We should be teaching those things; everybody wants to learn them.

Regarding the creative arts, when the Globe Theatre toured the world a couple of years ago for Shakespeare's birthday, it won us more friends than anything else I have yet met on a single issue. Another thing we excel at is tourism. That is quite an easy thing to explain and to experience. We have wonderful tourist industries here in the United Kingdom.

For fighting corruption, we need transfer of technical knowledge—economist language, which is not at all easy for any of us to understand, even for economists. We have United Kingdom Export Finance, for example, with a tremendous offer these days of loan guarantees; yet the countries I know well do not understand that a loan guarantee is there to encourage western banks, British banks, to back a company, and that it is not, in fact, a grant or loan to government itself. I believe that the language, vocabulary and thinking of modern-day economics should be explained far more clearly. That is something else that can be done by government.

I have worked hard recently on corporate social responsibility, and I pay great tribute to those companies, big and small, which offer corporate social responsibility to local people. The classic, pioneering companies,

such as the oil and gas majors, do magnificent work, but it is also possible to do this with a much smaller company. However, as the Secretary of State for International Trade commented recently, it is hard to stimulate interest in the small to medium-sized businesses in the United Kingdom at the moment. It is difficult because they have been so cosy in the club of the EU that they do not see that the wider world is infinitely more exciting and has far greater possibilities. Might I suggest perhaps that DfID might consider financing roadshows—per country, it would have to be—inside the EU, using the magnificent chambers of commerce system that we have in Britain, to explain how it is perfectly possible to invest in a country where you may be a little nervous at the moment?

This does not divert at all from the absolute commitment of DfID to conquer poverty, but my argument, which I think is impregnable, is that conquering poverty in the long term means jobs and futures, training, standards, opportunities, languages and international exploration—at least on the web if nothing else. The classic pioneering companies can find a way of looking longer term because they have the deepest pockets and the longest life cycles, particularly in sectors such as oil and gas, but it is perfectly possible to interest the smaller companies, the ones with the shorter life cycles, which are absolutely crucial for different types and styles of jobs. I would suggest that, in its new guise with its new policies, DfID should invest in success. Britain has plenty of it, all of which is the envy of others and all of which is relevant to the areas of the world in which DfID chooses to focus.

Last week the noble Lord, Lord McConnell, commented on how crucial it is to bring together diplomacy, defence and DfID. I would indeed say that DfID should look seriously at major support of the Ministry of Defence. Indeed, it is hard not to think that in that sense DfID is the,

“Quinquireme of Nineveh from distant Ophir”,

and the Ministry of Defence is the,

“Dirty British coaster with a salt-caked smoke-stack”,

but the MoD is absolutely crucial. Fighting is only one phase in bringing peace; you have to have the hearts and minds following that.

Working in Basra with the British military in April 2003, I was dismayed when the funding was withdrawn and it could not continue with the wonderful things it was putting in and installing democracy. I moved up to Baghdad and worked for a number of years for the US Department of Defense, which I saw had the funding from Washington and was close to the people—no closer than the British in Basra but simply because it had the financial backing it was able to do much more of the job. I really commend that example to your Lordships. Safety and security are crucial for training, teaching and access to further education, which people need so badly.

I invite the Minister to consider, in the context of his new policy and of my own remarks, that the change from aid to trade is no great sharp leap from one side of a river to another. While it is a major shift of emphasis, which I believe our nation will highly welcome, aligning DfID with the Brexit horizon of a nation that is not just at ease with itself but with creating higher productivity and more prosperity for

all is something that DfID is uniquely capable of doing, bringing together, as must be the case, the FCO, DfID and the DIT in—to use the phrase more properly—ever closer union. Who knows? Even that beacon of ethics, the *Daily Mail*, might feel happier. I beg to move.

3.23 pm

Lord Desai (Lab): My Lords, we are very grateful to the noble Baroness, Lady Nicholson, for introducing this topic. She has done excellent work in this area and she has now very boldly invited us to think about the new policy on development. I say immediately that I entirely agree with her suggestion that there should be much more liaison—if not almost a formal coming together—between the Foreign Office, the Ministry of Defence and DfID.

Over the years that I have been studying or writing about development, we have come to a very different understanding of it now compared to before. Once upon a time, in the days of the Cold War, we got into development aid just to make sure that our voice was being heard, as against the opposite voice. We put faith in Governments, and government-to-government aid seemed to be the centre of the way development aid was distributed. We then realised that development is not actually about Governments but the people who live in those countries. The noble Baroness pointed out the problem of corruption; Governments often stopped development happening because they concentrated all the money in their own hands.

We need to look at two things. First, as the noble Baroness asked, how does UK development aid—I say parenthetically that I very much welcome our commitment to spending 0.7% of GDP on development—further the UK’s soft power? That is one way of looking at it. Secondly, how does UK money actually further development? That is a separate problem and we should worry about that in a different way from how we worry about the departmental correlation.

On departmental correlation, the current problem of development is not only that it does not take place within national boundaries but that it often occurs in ways which are difficult to deal with. Take the problem of refugees, for example, who have streamed out of Syria because of the war. There are also people who are not refugees but economic migrants coming from Africa into Europe. That is a development problem, and the Syrian refugee issue is another such problem that belongs to no particular country but lots of lots of countries. We have to do something with our resources about the refugee problem, which will go on occurring. There will be no finite end to it; nor will there ever be an end to the problem of economic migration, no matter how many boats we ply in the Mediterranean. People will cross oceans and seas, taking enormous risks to move from what are now poor countries to what they consider to be rich countries offering them opportunities.

While we will do everything we can to stem the flow of people, there will be cases—especially those involving women, children and other vulnerable people—where we will have to face up to the fact that helping them is a problem for the Ministry of Defence and the Foreign

[LORD DESAI]

Office, or for DfID. But it is a problem we cannot neglect: if we are to advance our soft power and help development, we will have to have a philosophy within DfID, or within government itself, that takes a robust view of what we should do about these recurring problems.

Let me also point out the recent problem of hurricanes, floods and typhoons. It was reported—I say that only because I do not know whether it was true—that under OECD rules, DfID could not help certain Caribbean countries because they were classified as too prosperous to come under DfID rules. When people are affected by hurricanes, floods or climate change, do we not have a responsibility to think about how we can help them, especially if they are within the UK's overseas territories? All the problems of climate change, hurricanes and floods, post-war refugees and economic migration are the new problems of development, rather than the old ones associated with trying to help the people of a country by giving money to their Government, in the hope that they will trickle the money down to the people.

Going further along that line of thought, I will say just one more thing. Over the many years that I have worked in this area, I have always thought that aid should not be from government to government, but from charities and NGOs in the donor country to charities and NGOs in the recipient country. We have to get the money on the ground with as few intermediaries as possible; often, governments are not good intermediaries in the developing countries where the need is greatest. The more that we can fund our aid through UK charities, which have done very good development work over the years, the better. We ought to use their expertise and on-the-ground knowledge of where the money is needed, what it is needed for and how to use it most effectively.

I welcome what the noble Baroness said about the *Daily Mail*. Let us have the *Daily Mail* as a critic, because it keeps us on edge. There is no point in wasting money. We have to be able to demonstrate time and again that we are using the money we have properly. Remember, there is a development problem at home as well. We have to maintain balance, and every time we give money outside the country, we have to think of the people who are not getting that money at home. We should not pretend that we somehow have no problems and that all the problems are abroad. People resent that. When we spend DfID money, we have to make quite sure that we are getting good value in terms of both UK soft power and tackling the problem of development.

3.32 pm

Viscount Eccles (Con): My Lords, I am also very grateful to my noble friend for introducing this debate about economic development. Because the CDC is mentioned quite frequently in the development strategy, I thought it appropriate that I should say a few words and concentrate on it.

The CDC was founded 70 years ago, and I was fortunate enough to work for it at the beginning of its second half, so I am already history. My noble friend

is very closely connected with the CDC. Her father-in-law was the man who developed the idea, within the Colonial Office, for the beginnings of what was then the Colonial Development Corporation. Its purpose was to look for economic opportunities in the colonies, develop them and do so in a way that meant that, taking one year with another, the institution broke even. There was also a subline, which was that the United Kingdom was pretty short of food, so if it concentrated on agriculture, everybody would be very happy. Sir Michael Caine of Booker—justifiably famous for the Booker prize—was the vice-chairman of the CDC during my time. Apart from being very good at many things, he knew a great deal about the growing of sugar cane.

It seems to me that no institution can ever escape from its beginnings, and I am not sure that any institution should try. The CDC was founded in the context of economic development, and that is where it still is today. It is classified as a development finance institution, and as the noble Lord, Lord Desai, said, every now and again, you run into an awkward OECD rule, even if you are a publicly owned development finance institution.

As such, the CDC is 100% publicly owned; it works only in the private sector and primarily by the provision of equity finance. It derives some great advantages from its public ownership. One is that it has no need to distribute, as its shareholder does not call for dividends. Another is that it is not a profit maximiser since it does not have shareholders looking for the maximum return. This enables it to work in places and sectors where the fully private sector either does not want to work or is not yet ready to. So a development finance institution is a very useful gap-filler. Perhaps it enters into partnership with people who are already interested in an economic opportunity, or perhaps it starts one entirely of its own volition—the CDC has a long record of doing both. It is also able, with a proportion of its portfolio, to be innovative and take greater risks than the private sector might be willing to. In doing this, it has one huge advantage of being publicly owned: it has the backing of Her Majesty's Government's posts all round the world. That can be extremely useful if you are in a country where, as my noble friend says, there is rather a lot of corruption. It is a pretty good help to have someone who knows who is who and tells you with whom you should and should not work.

I say in parenthesis that in the 10 years that I was involved with the CDC I was never offered a bribe, nor was it once suggested to me that I should provide one. The CDC was known as incorruptible, and I assure noble Lords that when people on the other side of the fence know there is no game that they can play, they do not play it. That is an important lesson that might be more widely learned.

In searching for economic opportunities we hope to find something that will give both a financial and an economic rate of return. I apologise for my language being slightly out of date; the DfID strategy describes these matters in much more depth and detail than there was ever any need for in my time. If you find such economic opportunities and you succeed, that is a great help. I will give three examples. First, long ago

my predecessor invested in a £700,000 convertible loan to complete a project in Hong Kong. It is strange to think of Hong Kong being eligible for OECD aid, but it was at the time. Some 25 years later, that £700,000 turned into £48 million. When we accepted the £48 million cheque, we said to the Chinese who had bought the property, “You may be surprised to learn that we’re going to invest this money in Africa”. I merely make the point that if you succeed, it gives you opportunities in places where things are more difficult and where you are more badly needed.

Secondly, I would cite mobile telephones. The CDC was one of the very first investors in mobile telephones south of the Sahara. That has been a huge benefit to the continent of Africa, which in fact will never need hard-wiring in the same way as we have been hard-wired. Indeed, some of my children and grandchildren do not have a fixed-line telephone any more, and they live in this country.

Thirdly, I would cite the property, which had belonged to the Japanese, that was given to the CDC in its earliest days by the enemy alien property division of the Colonial Office. There we worked, and at the beginning we had 24 people from this country working on the project but by the end only one remained. We sold the property to a Singaporean firm for £100 million—again, a huge opportunity to redeploy the money in other, more needful places.

From time to time, a development finance institution investing and making a return has been questioned: is it aid? The most famous debates about the subject were in your Lordships’ House many years ago between two economists, both Hungarian: Lord Bauer and Lord Balogh. Lord Bauer was a man who believed entirely in private-sector economic development. He said, “We got development in the United Kingdom that way; why are we different from everybody else?”. He also made the point made this afternoon about Governments not necessarily being the best people to decide what should be done next. He was up against Lord Balogh, who was an adviser to Harold Wilson and very socialist. He believed that everything should be done through Governments. That debate has gone on, one way and another, ever since. My view is that it is time we stopped it, because obviously there is a critical place for aid in all sorts of humanitarian circumstances—refugee camps have been mentioned. There cannot be any argument that there should not be aid, but there also cannot be any argument that there should not be economic development.

I illustrate that with a little story. I was at lunch in Accra with 12 businessmen, half of them Ghanaian and half from various parts of Europe—a Conrad-type mixture of people. They asked me about Malaya: “John, tell us: why is it? We have about the same population, economic opportunities, level of mineral wealth—although ours is gold, in Malaya it is tin. We had the same colonial administration, education policy, approach to the human rights of the people in the country, and rule of law, although that did not always make us very happy. How does it come about that they are several times as rich per head as we are?”. That has continued. Today, the per capita income in Ghana, which is a wonderful country with huge opportunities and a charming people, is \$4,000 per capita, but in

Malaysia, it is \$27,000. That takes some explaining by anyone involved in economic development and trying to do the best they can around the world for the per capita income of the people.

Finally, I pick up a point made by the noble Lord, Lord Desai, about the Crown colonies and dependencies. It is a great pity that the CDC is no longer empowered to work in those countries. There was a time when the Foreign Office came to us and said, “Will you do something in Anguilla?”. It wanted the restoration of good behaviour in the power-generating company there. It seemed interesting, and we knew a lot about power generation and distribution, so we went and restored the Anguillan’s power company.

That was not done with any focus on poverty. If you are in economic development, that is not the right place to start. We started by saying, “We need a general manager”. We found a mixed-race Caribbean man who lived in Toronto—a lot of very able people from the Caribbean live in Toronto. He became the general manager and—surprise surprise—one day someone came into the office in London and said that he would like to see me. He turned out to be a maintenance engineer working on a British power station, but came originally from Anguilla. He had heard of the CDC and said, “If you are going to this company there, I will go home and become one of your maintenance engineers”. He did so, and that was a great success. We were not there for very long because, once we had put it right, we let it move on.

I quite understand and fully agree that we are trying to alleviate and remove, if possible, poverty from as many people in the world as possible. But if you have a finance development institution which invests successfully, it could do a lot more if it was allowed to work in places that are not so poor. There may be more economic opportunities, and if it makes a return it will go on to the balance sheet.

There is some concern in this House and elsewhere about the potential increase in the CDC’s capital. If it succeeds in making a reasonable return, it will be many years before it draws down all that capital. Indeed, in my time at the CDC, we did not draw any money net out of the aid programme at all. One of its objectives should be that it minimises its call on 0.7%.

3.46 pm

Lord Judd (Lab): My Lords, it is a great joy to follow the noble Viscount, Lord Eccles. During my ministerial days, I had the joy at one stage of being the Minister responsible for CDC, which has a powerful record that we should all recognise. Indeed, I put on record now my appreciation of the very helpful brief CDC sent in preparation for this debate.

As the noble Viscount said, it is not either/or; we have to get better at understanding the pluses and minuses in all situations with what different people have to offer. I will make just two gentle observations about CDC: it is a matter not just about growth but about focusing on poverty reduction as well. We need to know more about what is being achieved by CDC on poverty reduction. It is also very important to encourage CDC in its new commitment to the emancipation of women and their part in economic development. We

[LORD JUDD]

should hear all we possibly can about how that work is going. Another, more general point worth mentioning about CDC is that perhaps its patchy record of development impact could be a little fuller and more detailed. That would help its case tremendously.

I simply must declare an interest as much of my life has been spent working in this sphere, as a Minister in overseas development, in the Ministry of Defence and, indeed, in the Foreign Office. I have also been involved in the NGO world professionally—as noted in the register—and as a trustee and volunteer.

I am concerned that voices are now being heard by us all, calling in quite strident terms for a cut in the aid programme. This is a misunderstanding of the situation and is often very naive and ill-informed. I suggest that the challenges for the aid programme are still immense. In the aid programme, we still have the issue of world poverty. The World Bank itself has said that there are 770 million people living on less than \$1.90 dollars a day. Getting it down to that level has been an incredible achievement by all concerned. Since 1990, 1.1 billion people have lifted themselves out of extreme poverty, but we have to face the reality that the growth that has helped to deliver this has been vastly unequal in most countries. The World Bank's own figures show that, had growth been pro-poor between 1990 and 2010, 700 million more people, most of them women, would not be living in poverty today.

It is also important to point out that living on \$1.90 a day is far from a job well done, when you think about all the difficulties and hardships involved. It is an incredibly basic amount of income. It is also worth noting that, despite the downward trajectory of poverty, the number of hungry people in the world has increased for the first time since the turn of the century. In 2016, the number of chronically undernourished people reached 118 million, up 38 million from the previous year. That is a huge challenge—and it is no time to start talking about cutting the aid programme.

There are other aspects to this. I never forget the alarming statistics that the number of displaced people in the world is 65.6 million, and the number of refugees in the world is 22.5 million people. The number of stateless people in the world is 10 million—and just think of the proportion of those who come from South Sudan, Afghanistan and Syria. If we are concerned with peace and security, we should see how indispensable the aid programme is in meeting challenges of this scale, which military activity alone cannot possibly solve. They are all breeding grounds for alienation, polarisation, extremism and worse.

I have been looking at another set of statistics, and I put on record the help that I have received from our excellent Library, which I greatly appreciate. The World Health Organization is carrying a huge responsibility on behalf of the world, with the Ebola epidemic and other similar episodes that could follow. It is a vital international organisation in the cause of the service of humanity. The shortfall in its programme budget is recognised by it and by others to be \$1,119 million. Others, very well informed, have said that it is closer to £2.2 billion dollars.

UNRWA is an organisation on the front line dealing with Palestinian refugees. That is central to stability and peace in the world. Its general fund has a deficit of \$101.2 million. Its project shortfall is \$191.5 million. The shortfall on its emergency appeal is \$995.6 million. Where on earth are the people who talk about cutting the aid programme at this juncture coming from, when we have challenges on this scale to meet? The deficit in the current budget of the UN High Commissioner for Refugees is 46%. UNICEF, an organisation which is well known and greatly respected across the world, needs \$932 million for its vital education programmes in emergency countries. So far, the voluntary contributions towards that have been less than \$115 million. So the humanitarian challenges are irresistible.

I will talk for a moment about growth. Of course it matters and the noble Baroness made that point powerfully in her very good opening speech—which was not surprising in view of her almost unrivalled experience of what we are talking about. However, it is not just about growth as such: it is about the quality of growth, too. Where is that growth taking place; what are its knock-on consequences in, for example, fragile states; can it actually be risky in terms of conflict sensitivity; and are some vulnerable people in society being made more vulnerable as growth takes place? It is a constant preoccupation of mine that this matters tremendously, not just in humanitarian terms but for an intelligent approach to peace and security. We need to be more cognisant all the time about the nature of growth.

I will conclude with some specific points that the strategy requires us to look at. DfID surely needs to ensure that the objectives of its economic development strategy are framed around the sustainable development goals, ensuring that no one is left behind. In its economic development programmes, consideration needs to be given to the growth diagnostics in measuring economic development. It is not sufficient to have markers that measure only the quantity of job creation: quality has to be examined as well. I suggest, unashamedly, that these should be in line with the standards set by the International Labour Organization. There are questions around what indicators are being used and how DfID plans to monitor and report on the implementation of the strategy.

There are concerns that the strategy does not have sufficient focus on youth. There is a lot of work to be done with the private sector on the sustainability of industries as young people move to cities. Look at the huge drift of young people to the Channel and the immediate problems that confront us there. That happens because they find themselves without jobs, without work and without a purpose in life. There is a terrific challenge to be tackled at the grass roots in the countries concerned, not least in west Africa. What job opportunities are being created for the young on the ground?

We also need to be certain that there is a truly inclusive approach, ensuring that policies within DfID and between it and other government departments are coherent and do not undermine development outcomes. One of the things that worries me about the strategy is its insufficient emphasis on climate change. This is fundamental and needs to be strengthened. There will

be immeasurable consequences not only for people in the poorest countries, particularly low-lying countries, but for ourselves. That needs to receive more attention.

I am glad that there is a strategy; it probably was time to examine what our direction and underlying objectives should be and whether they meet the real demands of the society in which we live. However, as the noble Viscount kept saying, it is not a case of either/or. In our preoccupation with the efficiency and contribution of industry, commerce and the rest, we must not lose sight of the humanitarian challenge, which cannot be separated from creating an environment in which industry can survive and flourish in the long term. It is vital not to lose sight of the need for a stable and peaceful world. Therefore, I plead with some of those who spoke in last week's defence debate to go away and do their homework, to face the realities and to see that it is not a matter of just cutting the aid programme to put into defence. Of course there ought to be appropriate co-operation and a recognised interrelationship between development and defence—I would be the first to emphasise that and see its value—but that is very different from a naive perception that you simply cut money out of the aid programme and put it into defence.

4.02 pm

Baroness Jenkin of Kennington (Con): My Lords, I welcome both the noble Baroness's introduction to her excellent debate and the discussion about DfID's economic development strategy. I admit to having had something of an essay crisis this morning when preparing for this debate but I am grateful for the words and works of Professor Paul Collier, the CDC, the noble Lord, Lord Griffiths, and his co-author Dr Kim Tan for making the case for social venture capital through their pamphlet, *Fighting Poverty Through Enterprise*, as inspiration and background reading for this debate.

What is clear is that the economic development strategy is good but that certain elements need expanding—namely, the opportunity for DfID to catalyse private sector skills and organisations and mobilise the best of Britain and British to assist, through advice, in supporting the sustainable building of poorer economies. I know, for example, British businesspeople who have helped to develop Nigeria's venture capital system to the benefit of both the UK and Nigeria. Using experienced people on a voluntary basis costs the UK nothing. They ask for no return or benefit for themselves, just the satisfaction of seeing the UK and Nigeria prosper. These are programmes on which to build. As a founder of the Conservative Friends of International Development, I meet successful businesspeople on a regular basis who are keen to share their expertise and experience by helping the UK and DfID develop programmes of this kind. May I ask my noble friend what is being done to harness the energy and enthusiasm of experienced entrepreneurs of this kind? Are there programmes within DfID to which they could be signposted?

The decision by DfID to allow more of the UK's aid budget to flow via the CDC to support private investment met with predictable criticisms from some quarters. There are still some who want aid to be uncontaminated by business and, on the other side of the coin, there are those who believe that aid allows

Governments to avoid facing reality while crowding out private finance. When such different arguments agree, we should be careful. Shifting aid to support for business will be essential for the small low-income countries that are the core of the development challenge. What is more, other advanced countries are also building up public agencies like the CDC. The ascent out of poverty depends on transforming the productivity of the vast workforce engaged in private economic activity. This transformation is not mysterious. It is achieved by reaping the gains from scale and specialisation. Modern countries perform this miracle of productivity as a matter of course but in poor countries proper companies have not yet developed. Informal microenterprises, while important, are not a substitute. Any of us who have travelled to poor countries will have seen intense activity by one-man bands working their socks off to make a living but unable to scale their businesses to soak up the workforce in any meaningful way.

In Africa in particular, few companies have scaled up, so their workers are condemned to poverty. The reason is that the economies of many African countries are tiny, environments are risky and the markets are undeveloped. Groups making investments will often be pioneers. Being a pioneer is even more important in poor countries than in rich ones. While in advanced economies, most investment simply deepens existing forms of capital, in the poorest countries this is not the case, so a much higher proportion of investment is likely to be pioneering, not technologically but because it is market-creating. A mechanism that supports the public benefit is therefore especially important. Aid is needed to pay for the substantial public benefit of bringing reputable companies into difficult countries. Without such groups the poorest countries will struggle to develop, and without public support there will be too few of them. This view should not be contentious, and, happily, development agencies are belatedly recognising its merits.

To channel aid to companies, aid agencies need specialist vehicles with private sector expertise. The African Development Bank has created the Africa50 Infrastructure Fund for this purpose. In December last year, donors signed off the £65 billion, 18th three-year replenishment of the International Development Association—the World Bank's aid programme. For the first time, this includes a private sector window, whereby about \$2.5 billion can be channelled to the International Finance Corporation—the bank's specialist vehicle for the private sector. The CDC is the British equivalent of the IFC. For a period it lost its way, and policy mistakes made a decade or more ago have left a scar. In 2011, a policy rethink brought in excellent new management and a new mandate. I pay particular credit to the recently departed chief executive, Diana Noble, who did so much to turn things around. I wish her successor, Nick O'Donohoe, continuing success as he builds on her legacy and continues to scale the work of the CDC to help build businesses and create jobs in Africa and south Asia. It is a crucial tool in the part that business and enterprise can play in reducing poverty.

I turn to microfinance and social impact investing, most particularly used in Africa as another tool. Micro-credit has been a crucial first step in directly helping the poor escape poverty. The development of microfinance

[BARONESS JENKIN OF KENNINGTON]

institutions providing small uncollateralised loans to poor entrepreneurs to start up micro-businesses has been successful. The loan repayment rate amongst these MFIs is exceptionally high, especially if the loans are made to women rather than men. Social venture capital has the potential to be a successful asset class and an important second step to support the growth of small and medium-sized enterprises in developing countries and thereby create crucial jobs. So what is social venture capital? These are for-profit social venture funds investing in SMEs in developing countries. They take an enterprise approach to poverty alleviation by building commercially sustainable companies that create jobs and empower the poor to improve their livelihoods. They adopt the principles, discipline and accountability of venture capital investing, but with a sub-venture capital rate of financial returns. Henry Ford once said, “A business that only makes money is a poor kind of business”. This is an attitude and business model which increasingly resonates amongst a new generation of social entrepreneurs. The old business model of existing solely to make a profit for their shareholders looks increasingly dated.

Social enterprise businesses look beyond just financial returns to social and environmental returns as well. Of course, they do not lose money—to be sustainable, a business has to be profitable—but a social VC does not require the same high rate of financial return, and this is a sector that is growing rapidly. Furthermore, some 10 years ago there were very few players in this market—for example, the Shell Foundation and Google.org—but it is growing rapidly and mainstream investment funds are allocating capital to this area. I would like to hear from the Minister what the Government are doing to encourage growth in this sector.

I would like to share with noble Lords an example of a successful social enterprise in a developing country. The Agape call centre operates in the largest men’s prison in Singapore. It employs convicts to try to rehabilitate them. It has helped inmates with remaining sentences of 12 to 24 months to rebuild their self-esteem and confidence. It helps offenders on their release to integrate back into society and the marketplace, and often reduces reoffending. The prison is now releasing inmates six months earlier on parole if they demonstrate good behaviour and if they work in the Agape call centre. It also leads to other things.

Anil calls himself an “unbankable” person—someone who is not reliable to bankroll or invest money in because he served time in that prison. He worked in that same call centre and worked his way up to the centre’s manager position. As he puts it, “To be in a call centre for a prisoner is the most effective work there is. In the prison environment, there are no distractions. They are completely focused and hungry for more. And we tell them that if you make 100 calls, you get 80% to 90% reject calls, but you know that you have actually learned perseverance. At times when customers call them and berate them, you know that they will not react because they value their jobs and they have developed the skill of patience”.

When he completed his jail term, armed with his industrial know-how, Anil decided that he wanted to give back and start a call centre business for inmates

and fellow ex-convicts. However, because of his ex-convict status, he could not get a bank loan to start the business, so two methods were devised to impose corporate governance systems to ensure that Anil managed the provided capital effectively and wisely. His investor and mentor said, “Here’s a guy who has transformed himself, having been through what he’s been through, and now he has a vision to go and build a business that can help others along the same journey and give them a second, third or fourth chance. So for us as investors, at the end of the day, we are wholeheartedly behind the vision. The key question for us was: is this the right person? Anil is willing to learn, teachable and transparent about his background, and he is treasuring his existing chance ... So we see that as something we are willing to take a bet on”.

And Anil has delivered. In all, he has given employment to 85 prison inmates, including six senior citizens, three people with disabilities, three single mothers and one stroke patient, and his call centre manager is a fellow ex-convict. He has won the social entrepreneur of the year award at the Singapore Venture Capital and Private Equity Association.

DfID should support this agenda where possible. Here is the opportunity but here too is the challenge. Looking back to 1960, per capita income in Africa and east Asia was roughly the same. By 2004, GDP per capita in east Asian countries was five times higher than in Africa. My noble friend Lord Eccles used more up-to-date figures to illustrate the same point. Such a divergence in income between poor and wealthier countries has been a contributory factor to greater illegal migration out of Africa, but if we in the UK could play our part in developing and investing in businesses such as these, just imagine what the future of Africa and other tragically poor countries across the developing world might look like.

4.13 pm

Lord McInnes of Kilwinning (Con): My Lords, I begin by thanking my noble friend Lady Nicholson for her excellent introduction to this debate and for bringing this strategy before your Lordships’ House. She proved very well her own impregnable argument as to why this strategy is right for Britain at this point.

It is helpful that this debate follows a recent one introduced by the noble Earl, Lord Sandwich, on the implications of Brexit for aid. Personally, I am very pleased that DfID is now putting a proper focus on how the UK can ensure that sustainable economic development is supported by the UK in less developed countries.

I take great pride in this country’s commitment to our 0.7% of GDP being spent on international aid. We have witnessed time and time again how the UK, working with NGOs, makes such a humanitarian difference to so many parts of the world. This humanitarian and reactive responsibility must, however, always lie at the heart of what the department does. With the greatest migration levels since the Second World War—and, outside the context of war, since late antiquity—coupled with natural disasters that we see worsened by climate change, that basic utility and purpose of DfID must not be forgotten.

However, it is clear that the UK's commitment, financially and in human resource, to international aid and scrutiny of the department mean that expectations of DfID and the difference it is making in the world can only increase. The department is therefore required to create economic sustainability and growth through this new strategy. The huge growth and urbanisation of the population in sub-Saharan Africa, for example, can be sustained only through full economic growth. Clearly these new supercities that we are seeing across the world will not be self-sustainable in food and utilities without a strong market economy based on development, supported by this country. By 2030, 70% of the world's population will live in an urban environment. That requires major infrastructural support for these countries.

I would like to cover a few fundamental themes on how the economic strategy is enacted. First, it is essential that the current ethical nature and humanitarian ethos of DfID underpins this strategy and is closely monitored to ensure that we do not lose our way. This strategy must not be a means for the UK to create an aid-for-trade basis with the less developed countries of the world. I am pleased to see in the strategy the commitment to continue placing a special focus on women and girls. That is exactly the kind of ethical basis this strategy needs.

It would be easy for us to slip to the lowest common denominator and to an easier economic strategy in many of these less developed countries. That would undermine the work of DfID and lead to even more critical analysis from our friends in the press and those in this country who do not always get too excited about our 0.7% commitment. As we have seen recently with the criticism of the CDC—as my noble friend Lady Jenkin said, it has found its way in again—it is important that this strategy is transparent as we move forward, and that there is not an opportunity for criticism of equity or investment strategies.

Secondly, we cannot doubt that this is an opportunity for our country, post Brexit, to negotiate new trade deals and to ensure that we put in place ethical trade deals that encourage economic development across the world. The most obvious example is coffee from Ethiopia. The EU does not currently allow that coffee to be properly processed in its country of origin, leading to the devaluing of what should be an economically strong export for Ethiopia.

We also need to make sure that this economic strategy is flexible and subject to regular review. The noble Lord, Lord Desai, mentioned refugees. There will be times when refugees enter countries that would not normally be included under OECD rules as countries that could benefit from international aid from us; we must ensure that there is economic stability for those refugees when they arrive. There are more than 1 million refugees in Lebanon and Jordan at the moment, so unless we provide proper support for economic development and employment opportunities for them, we will create a situation of political instability that will lead only to further resource needing to be invested in the future.

That leads me to my next concern. We cannot see immediate humanitarian aid, economic development and support through the Foreign Office for political

stabilisation as three separate things in three different silos. As my noble friend Lady Nicholson said, Iraq is a good example of where, despite enormous investment after 2003, a lack of investment in political reconciliation after that year has led to a point where the Iraqi people have not been able properly to benefit from the enormous pump-priming after 2003. I have absolute confidence in my noble friend and his colleagues, but it will be incumbent on them to ensure that this excellent economic strategy is not allowed to become a department within a department, or indeed be cut off from co-operation with the department's more traditional programme of humanitarian aid or from co-operation with the Foreign Office.

Finally, I emphasise that as long as we avoid the dangerous pitfalls I have outlined, I see this economic strategy as an opportunity to benefit not only the United Kingdom but also those less developed nations.

4.21 pm

Baroness Hodgson of Abinger (Con): My Lords, I thank noble Lords for allowing me to contribute and in particular I thank my noble friend Lady Nicholson for introducing this important debate. Encouraging economic development is the way to help countries lift themselves out of poverty, and ultimately the goal of development strategy has to be to make countries sustainable and able to stand on their own feet.

Many of the poorest countries have the ability to generate economic growth but too often they are hampered by lack of knowledge, political instability, conflict and corruption. Today's world is complex and those of us lucky enough to live in a developed country need to help. That is why we should be proud that we in the UK not only give 0.7% of GNI in aid, we have enshrined it into legislation to ensure that it continues. While this still appears to be somewhat controversial, we need to stand firm. Not only is it the right thing to do, but by helping those countries to gain stability it will help to cut migration flows and stem potential conflicts. Conflict creates poverty, but poverty can also create conflict.

Investing in the poorest countries is one tool we can use. I congratulate our Government on having increased the budget to the CDC by £3.5 million. Investing in private sector businesses has the benefit not only of generating income but of creating direct and indirect employment and thus having a real impact on individuals, families and communities. The general public here in the UK is quite rightly demanding that aid is well spent but supporting businesses in the most fragile countries does have risks and sometimes there will be failures. I would like to ask my noble friend the Minister about DfID's appetite for risk, and for transparency and accountability of the long-term investments that the CDC makes. How are the CDC's successful investments accounted for in the ODA budget—are they put against the spending as they create income? Is there more that we can do to encourage UK private sector investment in businesses in developing countries?

Besides investing in existing businesses, stimulating business creation is also important. As my noble friend Lady Jenkin has already said, microfinance is an important

[BARONESS HODGSON OF ABINGER]

grass-roots tool to encourage people to set up businesses. I have seen examples in Africa where a tiny bit of seed capital has helped women to set up stalls in the marketplace and create an income. Can the Minister say what the Government can do to encourage more microfinance opportunities?

Besides encouraging capital investment, there are other ways that we can help. The Hammamet conference last year, organised by the British Council, brought together youth from across the MENA region, where there is much unemployment but no culture of entrepreneurship. So perhaps through our trade envoys and attachés, ways could be found to link entrepreneurs in the UK with aspiring entrepreneurs in developing countries to encourage and assist. For example, getting produce into an international market can often be a problem. This is an area where the UK has speciality skills. Perhaps we can look to specifically link expertise and mentoring to help increase access to markets as well as to help with marketing. Too often, products are sold and then packaged and marketed elsewhere, losing the added value to the producer.

However, we should not overlook that, all too often, the barriers to economic prosperity are poverty, conflict and corruption. All the work done by DfID through its programming and the UK embassies on the ground to help with stability and to encourage law and order, border controls and anti-corruption laws is to be applauded. Of course, too often it is women who are the poorest of the poor, so I particularly welcome all the work that the UK is engaged in to counter violence against women and to promote equality.

I thank noble Lords for letting me intercede today. I congratulate DfID, under a Conservative Government, on leading the way in creating this important strategy and all it is doing to encourage economic development in the poorest countries.

4.25 pm

Lord Bruce of Bennachie (LD): My Lords, I join in thanking the noble Baroness, Lady Nicholson, for giving us the opportunity to have this debate. I agree with her call for engagement in development not only across government but across UK plc. That is something that struck a chord in the House and which we could do a lot more of. Many of us would wish to respond to that and encourage private businesses, professional organisations and others to do more on participation with DfID.

The noble Baroness went through a list of professions and sectors, many of which are engaged but clearly could do more. In particular she mentioned the NHS, which I suggest is effectively engaged. It was perhaps the best cross-party response we saw during the Ebola crisis—which engaged pretty much every government department, including the NHS. It is interesting to see that the budget in Sierra Leone has now been cut. That raises the issue of the need to secure long-term capacity.

The contributions we have heard have ranged much more widely than just the CDC; indeed, the noble Baroness was more concerned about the wider interest than just about the CDC itself. The only thing I wish

to say is that the Government have increased the funding for the CDC by a substantial amount, and the CDC has been radically restructured to enable it to do more and to focus on poverty reduction in the poorest countries. Many of us agree it is in a much better shape to do so now than it was three or four years ago. When the International Development Committee reported on the CDC, when Andrew Mitchell indicated he was looking at restructuring it, we suggested it should concentrate on more high-risk, poorer areas using frontier investment, but it did not have the capacity to do so. It now does, but there is still a question mark over whether it will be able to absorb the scale of finance available to it. Although the CDC feels that it can definitely increase funding, I think it is absolutely clear, having met with it in recent weeks, that it has to invest where others would not to make things happen that would not otherwise happen; otherwise, it will perfectly legitimately earn criticism for stepping in where the private sector could perfectly well have done so without state involvement at all. That is quite an important qualification.

The noble Lord, Lord Judd, made a strong case for some of the traditional values of aid and development not being lost sight of. I echo quite a lot of what he said. There is no doubt whatever that no country that has lifted people out of poverty in significant numbers has done so other than by a very significant expansion of its private sector. That is incontrovertibly the case. To the extent that aid can and does help that happen, that clearly has to be an objective if we are to end absolute poverty and leave no one behind. The question is what the role of aid is in that and how we should do it. I would divide it into three components.

The first component is much discussed: the humanitarian response. That generally gets wide support and no criticism from almost every sector and point of view because it is obvious, apparent and immediate—people are in distress, first aid is required and we need to respond. We nearly doubled our response in UK funding; the British public added to that by their own generous response to appeals. That is completely understandable, but I suggest we can do better in bringing more private finance into humanitarian responses by use of, for example, more insurance-based and bond-based funding.

Many of these crises and disasters are predictable, if not the exact time and scale. Many countries are prone to flooding, drought or earthquakes. They know they will happen but they just do not know when, and the people are too poor to make adequate provision. By working together we can do two things. We can effectively pay insurance premiums on their behalf and get the benefit of risk assessment by the insurance industry to ensure: first, that people are better prepared if there is a disaster and they are adequately compensated to make the quickest possible recovery; and secondly, that when rebuilding or rehabilitation goes on, it is done in a way that will make the next disaster less severe because resilience has been built in. That is a way of bringing public and private money together and unlocking a great deal more funding than would otherwise be the case.

The noble Lord, Lord Desai, mentioned the recent hurricanes in the Caribbean. I think that most of us completely understand the OECD criteria but also accept that the scale of the devastation was such that, regardless of whether it is ODA, we should respond. We have responded, as is right and proper. I am a member of the APPG on the Caribbean. We had evidence last week that some of the smaller islands have effectively had their economic wealth wiped out, so it is possibly arguable that one or two of them have dropped below the threshold that would qualify them for ODA. If that is the case, I hope the OECD will take that into account. However, we should be very careful that we do not try to drive a coach and horses through the correct safeguards that the OECD has put in to ensure that aid money is targeted at the most vulnerable and poorest people in the poorest countries and is not diverted for other purposes. Indeed, the noble Lord, Lord McInnes, gave ample warning that it should not be used as a cover for trade deals that are in our interests rather than related to the real needs of poor countries, and he is absolutely right.

Development spending is not widely understood. Indeed, many times in debates in this House I have heard noble Lords say, “Well of course we should do the humanitarian stuff, but I am really not sure about this other aid. We can surely spend it in other ways”. By definition, aid is long term. We are trying to build the capacity of some of the weakest, most fragile countries so that they have, in the long run, the ability to develop themselves and to graduate from aid. As a country, successive Governments, including the present one, have made a policy decision that we should prioritise those countries emerging from conflict that are particularly vulnerable, particularly crisis-prone, particularly dysfunctional and particularly corrupt. If we have taken that policy decision, we have to accept that we are going to have to give aid in a variety of ways which are difficult and long term. What are we trying to do? We are trying to lay down the foundations of a functioning education system, a functioning health service, a decent infrastructure and ultimately a civil service and parliamentary capacity that will give governance that might ultimately create the platform that will enable both domestic and inward investment to take off in those countries. That is not going to happen in a year or two. It will take, if we are lucky, a generation.

One can look at the really bad countries, such as South Sudan, which is going solidly backwards. One of the tragedies of recent years is that a country that fought for its independence for 50 years and secured its independence by a democratic vote immediately went to war with the country it had just got its independence from and then decided to have a civil war at the same time. A country that was quite capable of building a future for itself has effectively destroyed it. Do we just walk away? Unfortunately, the UK has a legacy in many of these countries. We have a responsibility, but we have to work with partners, and partners do not always have the capacity we wish they had, but development is about helping that to happen.

There are countries that are further up the ladder where development can and does work, and we can see the quality of healthcare, vaccination and diet improving.

People say that aid does not work, but the noble Lord, Lord Judd, quoted statistics on the reduction in poverty that has taken place over the years. I do not think anybody should tell Members of this House that that has happened by happenstance. It happened because the international community had a development policy to tackle unemployment and it has actually delivered. But there are still too many people hungry and poor and we still need to ensure that we can reach them.

Many of us who have the advantage of travelling and seeing what is going on can see the practical benefits of partnership in countries which are beginning to show signs of positive development. I cite the example that I saw some time ago in Tanzania, where a combination of philanthropic private organisations, namely Gatsby and the Wood Foundation, working with DfID and Unilever, were providing agricultural support to tea planters to raise the yield and the quality of the tea they produced, with Unilever providing a guarantee that it would buy the tea at a price that would give an improved return. That was a really good example of philanthropy, state aid and commercial interests coming together in ways that were really beneficial. There are hundreds if not thousands of such examples. Indeed, as the noble Viscount pointed out, it is something that the CDC has traditionally done, and does, in significant and potentially growing operations now. Many of us look forward to seeing the CDC report back with some end results, but with the caution that we cannot expect the CDC to carry the full burden of aid and development.

As a number of contributors have made clear, what is fundamentally needed is a holistic approach that says, “We will fund humanitarian aid as necessary, innovatively and creatively, to meet a need. We will make sure that we encourage private sector development to try to build skills and capacity, and work with the private sector to create investment and jobs that will help countries lift themselves out of poverty. But we will continue to invest in public goods and the building of capacity, whether it is functioning parliaments, bureaucracies, health services, education—institutions across these countries that will ultimately enable them to take their place as successful economic countries that will not require aid”. I think that none of us who have been involved in this sector for a significant time believes that now is a moment when we could or should be cutting aid.

I would say to those who dismiss the idea that aid is not wasted and is getting to where it needs to go that one of the most striking things is how little evidence there is of misspent aid, given the risks that we associate with where we are spending it. The experience of DfID and its partners—whether they are NGOs, private contractors, commercial partners, specialist agencies or international agencies such as the World Bank—is that they know what they are doing. They make mistakes because they are operating in difficult environments but they learn from those mistakes and have become expert and professional.

I have just one question for the Minister. I have asked him this before and I suspect he will not want to answer. We have, on the verge of Brexit, a very substantial commitment to the World Development Fund. It has

[LORD BRUCE OF BENNACHIE]

been rated a very effective way of delivering UK aid. Can we expect a constructive conversation between ourselves and the EU to ensure that the best of the co-operation between the UK and the EU on development can continue in a constructive, ongoing way? The poor people of the world would really appreciate it if we did.

4.38 pm

Lord Collins of Highbury (Lab): My Lords, I too thank the noble Baroness, Lady Nicholson, for securing today's debate. I also place on record my appreciation of the efforts of the Minister, who also helped secure this debate. It has been important for the Government to recognise the need for parliamentary debate and scrutiny of this issue and I welcome his efforts.

I am totally with the noble Lord, Lord Bruce, in his analysis of the debate that we face. Language is quite important. We say, "development assistance" and "the Department for International Development" and then we suddenly switch to "aid", which fuels some of the negative comments from the likes of the *Daily Mail*. It is "development". We have a responsibility. Like the noble Lord, Lord McInnes, I welcome the fact that we have a party-political consensus on the 0.7% for ODA. But we have to recognise that despite that consensus, we have not necessarily gone far enough to persuade many of the public. We should and must make the case every day we can. When a budget as important as this is ring-fenced, there is a fiscal responsibility and a moral duty to ensure that the money we invest makes as much change as possible.

We also need to make the argument that development is also in Britain's interests—better off, growing and trading within a strong global economy, with a sustainable climate, supported governance and secure borders. All those things that we have heard in the debate are potential risks to the United Kingdom can be addressed through our commitment to the 0.7%.

I agree with the noble Lord, Lord Bruce, that we need to encourage the private sector to do more. We need the private sector to be engaged. When Priti Patel was Secretary of State, she argued that the private sector needed to play an even greater role by integrating the aims of the SDGs into its business practices—absolutely right; I could not agree more. Of course, developing countries currently face an annual investment gap of \$2.5 trillion to achieve the SDGs by 2030. Current investment levels are less than half that. Over the next decade, 1 billion more young people will enter the job market, mainly in Asia and sub-Saharan Africa. Africa's population is set to double by 2050 and its urban population is set to triple. As many as 18 million extra jobs a year will be needed. This challenge can be addressed only by working with the private sector, including organisations such as the CDC. The SDGs and the *Addis Ababa Action Agenda* produced an international consensus that the private sector must play a vital role in achieving sustainable development.

Again, I very much welcome DfID's strategy, which sets out how the UK will invest to support inclusive economic growth in the poorest regions by building the potential for developing countries to trade more, as well as entering into technical partnerships with

partner Governments to tackle the constraints—policy, legal and regulatory—that have been identified in today's debate, which deter investors and prevent business growth. CDC, wholly owned by DfID, has a central part to play in delivering that strategy, particularly in developing local financial sectors, deepening links with the City of London and pioneering investments in businesses to create jobs and catalyse private sector investment—to pump-prime and get things started in those difficult areas.

As we have heard in the debate, poverty and bad governance are still holding too many countries and their people back. Many women and disabled people and too many minorities are discriminated against and denied access to their fair share of goods, services and opportunity. Economic growth has the potential to be the engine to drive change. But growth without jobs, inclusion, healthcare, education or human rights—growth without power—will not deliver for the many. DfID's strategy assumes that growth means poverty reduction. As my noble friend Lord Judd said, that is not necessarily the case. Rising inequality in high-growth countries has been a manifest problem. If we are serious about leaving no one behind, we need to address that. Perhaps the Minister can tell us how the strategy will deliver on inclusion and identify the most marginalised.

Decent jobs are a vital part of goal 8 of the SDGs. I know I have said this before but it really bugs me that the SDGs can be described in a review, yet no mention is made of trade unions and how people are to be empowered. Trade unions are vital to making change. By supporting trade unions, women's groups and other civil society groups, we can give them a voice in mounting their own advocacy in defence of human rights, including workers' rights. That is how we make change happen on the ground.

DfID and the CDC need to consider the growth diagnostics when measuring economic development. It is not sufficient to have markers that measure only the quantity of jobs created; job quality also needs to be measured. These measurements should of course be in line with the standards set by the ILO. I hope the Minister can tell us just how trade unions will be involved in the dialogue on the quality of jobs created as part of the strategy.

I want to turn to one other aspect of inclusion. I declare an interest as an officer of the APPG for Global Lesbian, Gay, Bisexual, and Transgender Rights. There are still 13 countries where being gay is punishable by death and 75 where same-sex contact remains a criminal offence. That covers 2.9 billion people—some 40% of the world's population. LGBT rights, like women's rights, are workers' rights, too. That is what we need to address. The trade unions have long argued the benefits that flow when equality flourishes. On LGBT rights there is a business case to make, too, and this is where DfID's strategy and the CDC have a role to play. I recently raised this issue with the officers of the CDC and I hope that the Minister will also take this up.

The positive case for equality has recently been made in the five standards of conduct, published by the office of the United Nations High Commissioner

for Human Rights, to support the business community in tackling discrimination against LGBT people. I have met with the United Nations officials who were responsible. We can often say that investment is leverage but I am not one of those people who think that we should stop support or development assistance because a country makes same-sex contact illegal or criminalises homosexuals. I believe there is a case for engagement: engagement by making the case that inclusion, equality and empowerment deliver better growth, better jobs and better workers. We need to make that case strongly, so what steps have DfID and the CDC taken to work with the United Nations and the European Union on this issue? It is vital that we have that sort of response.

We have now seen the CDC investment plan and the strategic framework for the next five years. During the passage of what became the Commonwealth Development Corporation Act 2017, I think we all made the case that we wanted Parliament to have the fullest possible engagement with that five-year plan.

I am pleased that the strategy focuses on Africa and south Asia, where 80% of the world's poorest people live. I am pleased that capital is being mobilised towards the UN SDGs. If we are to measure our success, the tools that we have are the SDGs—they are what we must always be focused on. I certainly welcome the CDC's commitment to increase its transparency and improve accountability. It is not being critical of the CDC's actions to say that, in the past, there has not perhaps been as much transparency as we ought to have. But with our investment strategy, we can say that a much more robust approach needs to be taken to measuring development impact. As I said before, it is simply not enough to say we have created X amount of jobs. What sort of jobs, and of what quality? What training and opportunities are there for young people? There is not enough in the strategy about the needs of young people.

Another way to increase transparency is to allow the Independent Commission for Aid Impact to play a much bigger role; for example, by carrying out a regular assessment of CDC investments. I would like Parliament to debate the CDC's annual report. Bearing in mind how much money is now being funnelled through this important arm of government, why can we not have a yearly debate rather than having to wait for gaps in government business? Although I welcome this gap, I would like greater parliamentary involvement.

We have heard examples of the CDC's positive impact, particularly on health. I will not repeat them all, but one thing that is worth repeating is its role when such incidents happen. For example, when Sierra Leone was hit with Ebola, the CDC's engagement with Standard Chartered helped many businesses survive that terrible period. We talked about other incidents where the economic viability of a country can be affected, but the CDC's work with the private sector to ensure that businesses could continue was vital, and we should say more about it.

When we are faced with negative publicity in the *Daily Mail*, we should not be defensive about it. I know the Minister has been very strong on this issue, but we need to talk more about how it is in our interests to support a sustainable global economy. Whatever threats Brexit will bring—and whether we

are in or out of the European Union—the fact is that we need better and sustainable development. I welcome this debate and very much hope we will have more in the coming months.

I end on a point that I have made before. This generation—this Government and Opposition—has the opportunity to eliminate aid dependency for good by empowering the powerless. That is our vision and that is what we will press the Government to do.

4.54 pm

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, I join others in paying tribute to my noble friend Lady Nicholson for securing this debate and for the excellent way in which she introduced it. I thank all noble Lords who have spoken for their outstanding contributions.

What we at the Department for International Development are united in is our mission, which is simple though complex. It is to eradicate extreme poverty in line with the sustainable development goals by 2030. When we look at the scale of that challenge, we can be heartened by the fact that in 1990 there were 2 billion people living below the international definition of extreme poverty, and that today different people variously put that figure between 700 million and 750 million. So the goal of eradicating extreme poverty is within reach. However, the international community and the international development community need to exercise an element of humility; we need to recognise that the reason why the vast majority of people have been lifted out of poverty has been not through aid alone but through trade and economic growth. As the Growth Commission puts it, economic growth,

“can spare people en masse from poverty and drudgery. Nothing else ever has”.

The only way to eliminate poverty is by creating trade, investment and jobs—quality jobs that help the world's poorest to stand on their own two feet. The only way to end aid dependency is through inclusive economic growth—jobs, investment and trade. Many poor countries have achieved bouts of fast growth but the challenge runs deeper. Lasting progress comes from growth, which transforms economies, creates jobs and greater private sector investment, and spreads benefits right across society.

The stakes are significant and so are the opportunities. Over the next decade, as the noble Lords, Lord Collins and Lord Desai, among others, have mentioned, 1 billion more young people will enter the job market, mainly in Asia and sub-Saharan Africa. We must support this growing population by creating more and better jobs, helping people to provide for their families, expand their life choices and lead healthy and prosperous lives. That is why we published DfID's first ever economic development strategy earlier this year. Incidentally, it was launched in Ethiopia, a country that is hosting huge numbers of refugees from South Sudan and Somalia. It was launched at the same time as a compact working to develop businesses and industry in that area. The strategy emphasises the need for a sharper focus on nutrition, human development and skills in order to build a healthy, educated and productive workforce for the future.

[LORD BATES]

DfID and the Department for International Trade are working together to ensure that development and global prosperity are central to the UK's trade and investment policy. The noble Lord, Lord Desai, said development was not just about government; it was about people. He was absolutely right. It is people—it is businesspeople—who create jobs and wealth. It is the risk-takers, the wealth-creators and the taxpayers who build strong and stable societies. The UK has introduced legislation so that we are ready to put in place a trade preferences scheme when we leave the EU. This will, as a minimum, provide the same level of access as current EU trade preference scheme commitments. My noble friend Lord McInnes mentioned the travesty that many countries find themselves put at a disadvantage when trading with the EU. We want to ensure that an independent British trade policy deals fairly with the poorest countries in the world and gives them the chance to trade their way out of poverty.

The noble Lord, Lord Bruce, mentioned the European Development Fund. That is part of the negotiations that are going forward. It is true to say that the EDF's own rules do not permit countries that are not members of the EU to be part of it. I echo his point that we have found the EDF to be a high-performing and effective fund, and we would be interested in discussions with our European partners about how we can work together to eradicate poverty. In addition, the trade preferences scheme will offer non-reciprocal tariff reductions to around a further 25 developing countries. By helping developing countries to harness the formidable power of trade, we are creating our trading partners of the future and supporting jobs at home too. The noble Lord, Lord Bruce, also mentioned the role of the private sector with aid. I would say that it can never be a subsidy, but it can be a catalyst for growth. That is where we must focus and what we have been driving forward.

My noble friend Lady Nicholson mentioned the sustainable development goals 2030. We need to turn the trickle of private investment into a torrent. The figures for global aid flows have already been referred to. In 2015-16, they were about \$150 billion. The estimated requirement to meet the 17 sustainable development goals is \$3.9 trillion annually. The current level of investment in those goals is \$1.4 trillion, therefore, the gap as we stand is \$2.5 trillion that cannot be filled by Governments alone. We must do better at catalysing and leveraging private sector investment.

That is where the development finance institution, the CDC, is central. It is one of a handful of investors with the skills and risk appetite successfully to support businesses in the most difficult of markets. Over the past three years, companies backed by the CDC created more than 3 million new direct and indirect jobs and paid taxes to national Governments worth more than \$9 billion. The CDC's successful investments demonstrate to private investors the opportunities that exist, paving the way for other investors to follow. Last month, the UK reaffirmed our commitment to the CDC by providing a capital increase for the next five years.

I pay tribute to the work which my noble friend Lord Eccles did—I cannot remember whether it was as chief executive or general manager in those days—

through his leadership of that organisation. I also echo the tribute of my noble friend Lady Jenkin to Diana Noble and the work which she did on the latest strategy, which focused our attention on the hardest-to-reach countries. It focused on Asia and Africa because that is where 80% of the world's remaining poor live.

As one of the largest capital markets, the City of London is a natural partner to deliver the UK's ambitions on economic development. By making the City of London a leading financial centre for the developing world, we can make it easier for developing countries to access the expertise, innovation, and capital available to meet their investment and growth needs. Many noble Lords—including my noble friends Lady Hodgson, Lady Jenkin and Lady Nicholson, and the noble Lord, Lord Bruce—pointed to the fact that in many ways, the greatest thing that we can give to the developing world and the poorest in it is our knowledge and expertise, as well as our finance.

Our universities are at the forefront of developing innovative solutions to many of the complex challenges which are faced in development, health and education in developing countries. Our universities and other institutions are providing groundbreaking work in the world of agriculture. Our experienced lawyers and trade advisers can offer great expertise.

I was intrigued by the proposition put by my noble friend Lady Jenkin and echoed by my noble friend Lady Hodgson: how do we harness more of the experienced entrepreneurs with deep expertise of what it takes to build businesses and networks and to trade internationally, to provide that expertise overseas? I will take that away. We had an excellent round table with our trade envoys, which the noble Baroness, Lady Morris, who was in her place earlier, and my noble friend Lady Nicholson attended, at which we were talking about how we could further leverage the knowledge and skills in the wider community, among entrepreneurs and also among those in this House, who could offer a huge amount.

We are focusing on specific sectors that are vital to the growth in job creation, including energy infrastructure, urban planning, manufacturing, agriculture and financial services. The scale of investment needed for infrastructure far exceeds the capacity of the public sector to respond. When we talk about mobilising investment and development, we think of some incredible, liberating technologies in places like Kenya and Bangladesh, such as mobile phone technology. But if you do not have electricity, you cannot access it. We have looked at some amazing technology used in delivering education, but without electricity, it cannot be done. Often the places we deal with are too far away from the grid to be connected, so there need to be alternatives.

We are helping to mobilise private investment through our support to the Private Infrastructure Development Group. For every one dollar that donors provide to PIDG, around \$17 of private investment is raised. These investments can, for example, provide much needed electricity supplies and improved transport links to some of the poorest and most fragile countries in the world. Through the CDC's investment in M-Kopa the UK is supporting efforts to provide solar energy to

1 million homes in Kenya by 2018. M-Kopa has already connected more than 500,000 homes. These homes now enjoy over 60 million hours of kerosene-free lighting a month, which, of course, has huge effects on the environment, too, and is projected to save up to \$400 million.

Agriculture will also be a major source of economic growth in many countries for many years to come. The UK is leading efforts to clarify and strengthen land and property rights as a basic requirement for profitable and responsible investment—in particular, in our groundbreaking work in Ethiopia—by providing women with information on property and land rights. Women's empowerment is crucial to this. No country can ever hope to lift itself out of poverty by leaving half of its population behind. Women need to be part of this, as does every other community.

DfID's global land programme, LEGEND, works with investors to understand and manage land-related risks and with communities to help them to protect their rights and make the most of their land, resulting in raised incomes, reduced conflict and better management of natural resources. Natural disasters, to which the noble Lords, Lord Desai and Lord Bruce, referred, are an impediment to development in many countries. More than 200 million people per year are affected by these natural disasters. Economic losses are now reaching more than \$60 billion every year on average. In July, I launched the UK's new Centre for Global Disaster Protection here in London. It is a joint venture with our German friends and European partners, and the World Bank. That will strengthen disaster planning in the poorest countries and get finances in place before disaster strikes and it will ensure better management of the economic impact of emergencies.

When businesses operate responsibly they can support environmental protection, too, and work through supply chains to tackle modern slavery. DfID is partnering with organisations such as the Ethical Trading Initiative and the UN Global Compact to promote responsible business practices. DfID action alone is not enough. We need collective action from the international community, and that includes the international trade unions, which are essential partners in this effort. Some of the ILO global labour standards are very much part of that mission that we need to implement. We need collective action from the international community to stimulate economic growth. The UK is pushing the multilateral system to be more innovative and efficient. Through DfID backing, the World Bank is establishing a new \$2.5 billion private sector window to boost investment in the poorest countries, as referred to by the noble Baroness, Lady Jenkin. Through the UN high-level panel, the UK's leadership influenced leaders from business, government and international organisations to get serious about the economic empowerment of women, as the noble Lord, Lord Judd, rightly urged us to do.

Success requires a whole-government approach to economic growth. The UK used our leadership at the G20 to drive effective international action on tax. We co-launched the Addis Tax Initiative, where donors committed to double annual spend on strengthening tax systems in developing countries by 2020. That level of reach and influence is possible only through DfID

working closely with the Treasury and HMRC, drawing on the full range of Her Majesty's Government skills and networks.

The UK is unwavering in its commitment to boost global prosperity. Our pioneering approach to economic development and growth is supporting the development of future markets, leading to a more stable, prosperous and inclusive world, which is firmly in all our interests.

Today, more than ever, Britain must be an outward-looking and engaged country on the world stage. If we can build these developing markets and create these training partners as part of a new government approach to free trade, we can create jobs, investment and prosperity for British people, as well as the poorest in the world. Global Britain will take a lead in helping the world's poorest to participate and contribute to strong, prosperous economies. We know that that is the path to end poverty and reliance on aid, because no other path has ever been proved to work.

5.10 pm

Baroness Nicholson of Winterbourne: I believe it true to say that the Minister has given a full and comprehensive answer to the question posed to him by the noble Lord, Lord Collins of Highbury, which was how to empower people. The answer has been clearly identified: to create jobs and futures through the economic development strategy of the Department for International Development. If you add to that, as I did earlier, health and education, you get health, education, jobs and futures, which is what DfID can now offer, incorporating the wonderful work of the Commonwealth Development Corporation.

I draw attention to the note struck by the noble Baroness, Lady Jenkin of Kennington, in her remarks—that transparency is a key requirement. To that was added remarks about the absolute necessity of close monitoring, flexibility, subject changing and regular reviews. With those in mind, I believe that the noble Lord, Lord Collins, should be comfortable and happy and that even the noble Lord, Lord Judd, will be satisfied, because it has become clear that, throughout the entirety of the debate, that the concern is with those in greatest need.

Motion agreed.

Radox and Trimega Laboratories

Statement

5.12 pm

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, with the leave of the House, I shall repeat a Statement made in another place by my right honourable friend the Police Minister. The Statement is as follows:

“I thank the right honourable Lady for her Question. I apologise that it is me, rather than the Home Secretary, and congratulate HRH Prince Henry of Wales on his engagement.

In January, Radox Testing Services informed Greater Manchester Police that there may have been manipulation of test results at its laboratories. Ongoing police investigations have since uncovered that the same manipulation may have also occurred at the Trimega Laboratories. Criminal investigations by Greater

[BARONESS WILLIAMS OF TRAFFORD]

Manchester Police into alleged manipulation of toxicology results are still ongoing. Therefore, the House will understand why I must be cautious in my response. However, I want to reassure Members on all sides of the House that this matter is being treated with the utmost seriousness.

The Government's immediate priority is to work with the police and the independent forensic science regulator to establish the full scale of this issue and the potential impact on the public. A Written Ministerial Statement on the matter was laid in the House by me on 21 November. Public confidence in the justice system is absolutely vital, which is why the Written Ministerial Statement noted that my honourable friend the Justice Minister will oversee the review process for individual cases and will work closely with other Ministers from departments impacted by the outcome of this investigation.

Retesting in criminal cases has been under way since May and is ongoing, and the police, CPS and coroners will be contacting affected individuals once the outcome of the retests is known. The Department for Education has also asked all local authorities in England to review their records to establish whether they commissioned tests from Trimega and consider whether any action is necessary to fulfil their safeguarding responsibilities. It is unlikely that the decisions about the welfare of children will have been taken solely on the basis of toxicology results. However, the Department for Education has asked local authorities to assure themselves that the rationale for decisions made about children's safety and well-being is not now called into question.

The Government fully understand that people may have concerns about family cases, which is why the Ministry of Justice has also created an application form that allows people to apply to court to have their cases looked at free of charge if they are concerned. Government officials will continue to work with the police to monitor the scale of this pressing issue as further information emerges. Furthermore, as Greater Manchester Police's investigation continues, we are considering what lessons can be learned to ensure that public confidence in forensic science is upheld".

My Lords, that concludes the Statement.

5.15 pm

Lord Rosser (Lab): I thank the Minister for repeating the response to the Urgent Question in the other place. Perhaps she can explain, when she comes to respond, why the Police Minister chose originally to make his announcement in a Written Statement on 21 November, and why it has taken an Urgent Question to get an Oral Statement from him. One would have thought that what we are hearing about was sufficiently serious to justify the Minister in the Commons coming to the Dispatch Box without being summoned there through an Urgent Question.

Regrettably, the 2010 Government abolished the Forensic Science Service. Perhaps this is one of the chickens coming home to roost as a result. Randox Testing Services, one of the companies involved, has been quoted as saying:

"We are now well advanced in developing a foolproof testing system which would enhance the security of our operations in the future, to provide the necessary level of confidence".

Surely a fool-proof testing system being in place would have been part of the terms of its contract to do this work. Will the Minister confirm that that really is not the case, as the statement from the company seems to imply?

Randox has also said that it will be paying the cost of retesting. What about the cost of the police investigations that have been taking place for some time, of the local authority investigations referred to in the Statement and of the costs of obtaining legal advice? Who is going to be paying these? Is it the company, the police, local authorities or the individuals affected? The Police Minister's Written Statement of 21 November said, in relation to the other company, Trimega—which is now part of Randox:

"The number of Trimega's customers affected ... is unknown. It may never be possible to identify them all, due to poor record-keeping practices".

Is Trimega in breach of its contract, as a result of having poor record-keeping practices? If so, what are the potential penalties?

Finally, the information that has been given indicates that most drug tests from the current company, Randox Testing Services, between 2013 and 2017 are being treated as potentially unreliable. Will Parliament be told of the extent to which such drug tests—and those done by Trimega in the years before 2013—are found to have been unreliable and the precise impact this has had on individuals? That is the least that the Police Minister now owes Parliament.

Baroness Williams of Trafford: I thank the noble Lord for his questions. He is absolutely right: it is indeed a very serious matter and the Government do not take it lightly. He will have noticed that the WMS of 21 November was a fulsome Statement and there is now an investigation going on which will take some time. He questioned the abolition of the FSS. The alleged manipulation predates the closure of the FSS, which was never involved in family cases—that was Trimega. He talked about Trimega being part of Randox. I must make it clear that at this point Trimega was not part of Randox. Trimega closed and Randox set up: yes, the two individuals were employed at Randox, but Trimega was not part of it.

The noble Lord also asked whether the numbers would ever be known. They may never be known accurately, but we think that approximately 10,000 tests were affected. The nature of what allegedly went on here means that we can never make this fool-proof because, as the regulator herself said, no reasonable set of quality standards could be guaranteed to prevent determined manipulation by skilled but corrupt personnel.

Lord Paddick (LD): My Lords, while we agree that determined, skilled and corrupt practitioners in the public sector could equally have produced such a scandal, and that the performance of the former public sector Forensic Science Service was not without criticism, what lessons have already been learned, and what new safeguards are already in place, to prevent this happening

again? The Minister said that the Government are considering what lessons can be learned, but surely there are immediate steps from the initial findings that can be implemented—and should have been implemented by now. What action have the Government already taken to reassure the public?

Baroness Williams of Trafford: As the noble Lord points out, because this is an ongoing investigation the full lessons of what went on here cannot be appreciated yet. However, the Government have, of course, taken steps since January 2017, when we found out about this alleged manipulation. We supported the police's initial response to the news of manipulation, including officials advising of the impact on the marketplace and the regulatory impact. The Home Office advised the NPCC in the creation of the silver groups working on the operating protocol for forces, the forensic service providers and the CPS. We facilitated the agreement of commercial terms between Radox and the independent testing companies and sat on the technical advisory group of forensic experts which advised the gold group on the retesting strategy.

As the Statement said, the DfE has liaised with local authorities in England to review their records and will consider what action needs to be taken from there. The MoJ, together with the DfE and HMCTS, has worked closely with the police to identify family and civil court cases where a toxicology test was undertaken by Trimega. We have advised the NPCC gold group and the team that is working with the CPS to ensure that the appropriate disclosure is made. We have asked all forensic toxicology suppliers to review their practices and have asked the Forensic Science Advisory Council to consider a number of measures to strengthen provisions to reduce the risk of malpractice and to help rapid detection. We are supporting the UKAS internal review and have briefed the Lord Chief Justice and the President of the Family Division of the High Court. We have done a lot since we found out about this.

Baroness Harris of Richmond (LD): My Lords, a number of years ago, I visited the College of Policing's Harperley Hall site in County Durham, which led on forensic science at the time for the college and did an absolutely extraordinary job. Will the Government look at how that was run and seek to emulate it in the future?

Baroness Williams of Trafford: The noble Baroness is right that at times like this it is absolutely essential that we look at places and areas of best practice to see what we can learn. Of course, the full extent of that learning will not be forthcoming until a full investigation has been undertaken. However, I totally take her point that best practice has to be emulated.

Lord Berkeley of Knighton (CB): My Lords, I completely take the Minister's point about the difficulty in finding a system that is totally fool-proof, but it would seem from what we have heard that the vetting of personnel could well be the central issue here. Could she tell us, or possibly write to us about, how that vetting might be improved?

Baroness Williams of Trafford: The noble Lord may be right that the vetting process was not sufficient. However, as the regulator said, no reasonable set of quality standards could be guaranteed to prevent this determined malpractice. We are talking about two corrupt people—perhaps there may be more—and the regulator herself said that it would have been very difficult to prevent it.

Lord Campbell of Pittenweem (LD): My Lords, anyone who has practised in the criminal courts, whether prosecuting or defending, will know that confidently given forensic evidence is enormously persuasive when it comes to the issue of guilt or innocence, which is the responsibility of juries. Is not the terrible feature of this that some may have been wrongly convicted or offered pleas of guilty when the evidence put to them simply did not amount to sufficient evidence to justify conviction? This is a serious breach of the civil rights of those who have had to appear in the criminal courts.

Baroness Williams of Trafford: The noble Lord is right to point out that confidence in the system is absolutely crucial, and that to date, great confidence has been put in this area of science. He makes the point about somebody being wrongly convicted. It is rare, but not impossible, for someone to be wrongly convicted—but someone is rarely convicted on one piece of evidence, although it is not impossible. That is why the high-priority cases are being looked at and why, in the course of retesting, those sorts of issues will be established. However, the noble Lord is right to point it out.

Industrial Strategy Statement

5.26 pm

The Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley): My Lords, with the leave of the House, I shall now repeat a Statement made by my right honourable friend the Secretary of State for Business, Energy and Industrial Strategy:

“With permission, Mr Speaker, I would like to make a statement on the *Industrial Strategy* White Paper which we are publishing today. Today, at one of the most important, exciting and challenging times in our history, the future is unfolding before our eyes. New technology is creating new industries, changing existing ones and transforming the way we live our lives. We need to ensure that we are well prepared to prosper in this future. The decision to leave the European Union makes this even more important. More decisions about our economic future will be in our own hands to take, and it is vital that we take them well.

We start from a position of strength. We are an open, flexible economy, built on trade and engagement with the world. We have earned a reputation as a dependable and confident place to do business, thanks to our high standards, respected institutions and the rule of law. We have achieved higher levels of employment than ever before in our history. We are known for our innovation and discovery, with some of the best universities

[LORD HENLEY]

and research institutions in the world, which produce some of the most inventive people on earth. We have commercial and industrial sectors—from advanced manufacturing to financial services, and from life sciences to the creative industries—which are among the best in the world.

Our industrial strategy will build on these strengths, but it will also address weaknesses. We need to do more to make the most of our untapped potential. As the Chancellor said in last week's Budget, although we are proud of our strong record of high employment, our average productivity—output per hour worked—is less than it could be. Productivity might not be the most exciting term, but what it does really matters. For people all around the UK, higher productivity means greater earning power and better-paid jobs, and for our country it means more money to spend on our public services.

Today's *Industrial Strategy* White Paper starts with the five foundations of productivity: ideas; people's skills; infrastructure; business environment; and the importance of every place in the country. For each, we are clear about the kind of economy we need to be. Our vision is that the UK will be the world's most innovative economy, have good jobs and greater earning power for all our citizens, and make a major upgrade to our infrastructure, be the best place to start and grow a business and have prosperous communities all across the UK. It is a long-term strategy, working to make changes now but looking to the future, and we are taking action to realise it.

Take research and development. Our reputation is as one of the best countries in the world for science and research, but we cannot take that reputation for granted—we must reinforce it. So last week we announced an increase in public investment in R&D, with the aim of reaching a combined public-private spend up from 1.7% to 2.4% of GDP by 2027 and to 3% thereafter.

I strongly believe that there are few problems which cannot be solved by the innovation and ingenuity of British business and science. History has shown that partnerships between business and government can work, from outstanding collaborations in areas such as automotive and aerospace to recent partnerships on the creative industries.

Strategy has to be for the long term; a short-term strategy is, after all, a contradiction in terms. Other countries have benefited from establishing policies and institutions which can endure. That is why, through the consultation on the Green Paper, we have worked with business, industry bodies, investors, trade unions, universities, colleges, research institutions and many others to establish a shared commitment to the actions that we will take now and in the future.

After our consultation on the industrial strategy Green Paper, we saw an overwhelming response to the question we asked on whether we should pursue sector deals, as industries came forward with plans for their own future. Today, we have struck ambitious sector deals with four sectors—life sciences, construction, artificial intelligence and automotive—and I welcome the huge interest from other sectors coming forward with plans.

There are still those who hear the words 'industrial strategy' and associate them with the mistakes of the past, shielding incumbents and continuing the status quo. This is not the approach that we will take. Our modern industrial strategy is not about protecting the past; it is about taking control of our future.

So our industrial strategy sets out four 'grand challenges', identified on the advice of our leading scientists and technologists. They will be supported by investment from the industrial strategy challenge fund and matched by commercial investment. The challenges are: artificial intelligence and the data-driven economy; clean growth; the future of mobility; and meeting the needs of an aging society. Whether we like it or not, these challenges are sweeping the world. If we act now, we can lead them from the front, but if we wait and see, other countries will seize the initiative.

For each of these challenges, our industrial strategy sets out how we can seize the opportunity. From using artificial intelligence to raise productivity in all sectors to making energy-intensive industries competitive in the clean economy, and from supporting the transition to zero-emission vehicles to harnessing the power of big data to diagnose illnesses earlier, we can improve the quality of life for so many people in this country.

Britain needs to be a leader, not a follower—a country which is ahead of the curve, not behind the times. So let us rally around this industrial strategy, raise our productivity and build a country which is fit for the future. I commend this Statement to the House".

My Lords, that concludes the Statement.

5.33 pm

Lord Mendelsohn (Lab): My Lords, I draw attention to my interests as listed in the register.

I thank the Minister for repeating the Statement and I give a warm welcome to much of the industrial strategy White Paper, the warmest welcome being for its existence. There is much in it to be applauded and many important aspects. It is, like the Green Paper, quite a compendium of what we are familiar with and what we have already heard, but there are some very useful illustrations of collaboration across government, business, trade unions and science. The test is whether, joined together, it has the capacity to make a powerful difference.

The White Paper encompasses the old, the current and the new. The old—that is, what is already established—has been addressed through the sector deals. What is most welcome is that much, although not all, of what has been drifting now has a process to come to a conclusion. The present is in the grand challenges, but we also have to address the more chronic problems of regional imbalances, low wage growth, service sector imbalances and weakness in skills, as well as competition, markets and finance. The ONS statistics published last week show a stinging decline in capital stock, which shows that businesses are relying on cheap labour rather than investing in system upgrades to improve efficiency.

I had noticed that the Green Paper was 132 pages long, whereas the White Paper weighs in at 254. It is so much larger that it has already started to be part of the

growth story of the industrial strategy. However, given that the font size is up by around 25%, with more pictures, tables and illustrations than the Green Paper, that is in and of itself a good way to start evaluating whether it is more productive.

Reading the previous Government's press release launching the effort to help to reposition the UK's independent capability in the post-Brexit world, the word "productivity" did not even get a mention. However, it got a mention from one trade body, which said that it hoped that the strategy could help with productivity in its sector.

Today, the White Paper is all about productivity. This is different from the post-Brexit world and, I think, weaker for it; nevertheless, it is essential that we address it. Performance over the last decade has been the worst for any decade since the 19th century. In fact, since the predecessor document on the productivity plan was launched in 2015, we have seen the worst quarter performance recorded in the last 200 years. So this may not equip us over the horizon that we originally looked at but, as the OBR report illustrated, this is a pressing target now.

There are now five drivers of productivity and four grand challenges—nine items, not 10. By my reckoning, the last 10 pillars could probably fall into the first five and the challenges have been elevated to grand challenges. To my mind, these are more matters of presentation, so I would like to ask some questions on three major areas which I think are fundamental.

The first concerns institutions. The report announces the establishment of the industrial strategy council. This is to be welcomed and it comes in a section which has my favourite phrase of the entire report. It says that the strategy,

"needs to combine agility with patience",

and that the industrial strategy council will be there to help consistency and adaptability. However, we will be concerned if it becomes the same as the OBR. Will the Minister confirm that its make-up will demonstrate independence and what that might be? What independent powers will it have? Will it be able to talk to departments outside the Treasury? Will it have to take the political assumptions of Ministers and departments for its measurements? Will it publish independently of ministerial and departmental input, especially the Budget? Will it be accountable to Parliament, and will its head have to go through a confirmation process? Without those assurances, it may not have the necessary long-term cross-party support that this sort of strategy needs in order to succeed.

The White Paper adds some extra institutions and has a welcome review of SME productivity, but it does not address institutions such as NESTA which look like they are in need of a refresh, or even the newly established Small Business Commissioner, who, if he could unlock the problem of late payments, would create the recycling and velocity of cash that makes a measurable and meaningful difference to output per worker.

We do not address the weaknesses of our venture capital sector, which is much more reliant—despite our tax arrangements for VC through the SEIS and the British Business Bank—on the European Investment Fund than we are prepared to face up to. So is there a

wider review of all the agencies and current arrangements, and will they too be considered over time within the context of the industrial strategy report?

Secondly, there is the crucial question of funding. The White Paper indicates that we are going to try to do more with less. I am a great fan of efficiency but surely additional investment is required. Why is Germany streets ahead of us in preparation for the so-called fourth Industrial Revolution? It is because it has a €40 billion agency. Why did a small country such as Israel steal a march on us in the volume of VC tech and cybersecurity investment? It was because it established a well-funded agency called Yozma and dedicated 8% of all government IT departments' expenditure to it.

So will the Minister please tell us how much new—not previously announced—money there is in here or in the sector deals? Of the money that has already been announced, such as the Industrial Strategy Challenge Fund and all other announcements, how much is left unallocated?

I have always given great credit to the Government for increasing R&D spend, although much now has to go to make up for the loss that we face from Brexit. I welcomed the first place that R&D received in the Green Paper but I am not sure that it is there with the same force now. There is much to welcome but we are still aiming to be behind the OECD average and well behind all the pace-setter nations, even when we hit 2.4%. Can the Minister assure us that this is not the end of the science story in the UK's industrial strategy?

Finally, the report remains weak on identifiable, quantifiable and operable ambition and targets. DARPA, which is cited in the report, is clear about its mission and objectives. It is essentially and critically to ensure that the US military maintains overwhelming technological superiority over any rival. The clarity of the mission makes it clear how its challenges and structure can be overcome. The industrial strategy challenge fund needs to be similarly clear. Can the Minister provide us with what he considers to be the most concrete objectives, targets and outcomes we can measure it against; and what specific goals any of the measures are set to achieve?

I would have preferred a stronger call to action. It is said that you have to set goals that are almost out of reach. If you set a goal that is attainable without too much work or thought, you are stuck with something below your true talent and potential. Discipline is the bridge between goals and accomplishment. Without that, as good as this White Paper is, it can never truly be great.

Lord Fox (LD): My Lords, I draw attention to the interests registered in my name. Like the noble Lord who has just spoken, I am pleased that the words "industrial strategy" are coming from the Government's lips. In the life-cycle of an industrial strategy, we are perhaps at the most optimistic bit before cynicism and despair begin to set in. I shall try not to hasten us down that curve but there are some points that we should perhaps bring out today. It behoves me most of all to point out that the reference to Brexit, made as an aside in the Statement, clearly indicates the effect that

[LORD FOX]

the Government believe it will have on our industrial capability—and it is not positive.

This should be set into the context of the OBR's recent forecast which downgraded GDP by £45 billion by 2021. That is around £700 per person. We would have valued a sense of urgency in the report but there has not been any. It has been a long time in the making. The Minister pointed out that we have been through a long consultation and a long Green Paper, which was almost a year in the cooking. I acknowledge that we need a long-term strategy but, because it is a long-term strategy, that does not mean it needs such a long-term gestation.

For us, the most important part in this—it has received few column inches despite the font size and photographs, as pointed out earlier—is the implementation side. Without implementation, this is just another brochure; another tour of the industrial landscape. It is right that it falls to a Cabinet committee, chaired by the PM, to drive this issue forward. I would welcome the Minister's comments on how often the committee meets, how much energy we can expect from it and how often Parliament will receive a progress report from it.

Like the previous speaker, we also welcome the establishment of the industrial strategy council—or we think we do because there is so little detail it is almost impossible to know what it is, what it is for, how it will be resourced, how it will be staffed and to whom it will be answerable. Like the previous speaker, we would welcome answers to those questions.

Then we come to the grand challenge. There are noble Lords on many Benches who think this is a rehash of picking winners. I know the Statement went out of its way to decry that view but, however one looks at it, there is an element of picking sectors that we think are needed and can be successful, and investing in them. One can call that something else or picking winners. I urge the Minister to ensure that we are not cutting out funding into the wider exploration and seeking of knowledge because, without investment in that kind of research, graphene would never have been discovered. We still need to seek out the unknown unknowns in order to advance our science and keep us moving forward.

Perhaps I may add another warning on DARPA. This is not a DARPA process for one important reason—there is not the money that DARPA has to throw at these challenges. There is not the huge industrial military complex that sits behind it, which has itself enormous US Government funding for these initiatives. We should be careful when we bandy the word DARPA around.

That said, overall the topics that have been chosen for the challenge are broadly welcome. I note the inclusion of clean growth, which was hardly mentioned in the Green Paper and not at all in the consultation. It was mentioned extensively in the Lib Dem response to the consultation so I shall claim that as a Lib Dem win. However, the Government's record casts doubt on their commitment to clean growth. They have scrapped subsidies for solar and offshore wind and cut funding for carbon capture and storage—even though

we know that kind of support works—and, further, they have sold off the Green Investment Bank. This announcement is either a damascene conversion or just more paper.

I have just one question on the life sciences strategy. The Government commit the NHS to its role in the life sciences strategy: what extra resources will be given to the NHS in order for it to take up the research role it has been set?

The Government want to increase research and development spending to 2.4% of GDP by 2027. That of course is only the average, as has been pointed out, and a more ambitious target would be more sensible. However, there is not very much new money. If you do the maths, you will find that it is about £0.4 billion on top of what has already been announced. Certainly that is what has been said in the other place. The £2.5 billion investment fund to be created by the British Business Bank was not costed in the Red Book, raising questions of where the money will come from. Perhaps the Minister can enlighten us. These commitments are inadequate compared to what is being lost—the £2 billion provided by the European Investment Fund for start-ups and the £3.6 from Horizon 2020, which will disappear after that time.

Catapults are important and I am pleased they have been mentioned. I have two points. The paper mentions that there are poorly performing catapults. Can the Minister enlighten us as to how many are performing well and how many are not? Secondly, I note that the highly-regarded CEO of Innovate has just stepped down. Perhaps we can hear what that is about.

We on these Benches have said before that we will need the right people to implement this strategy. There has to be a joined-up national skills strategy.

Lord Henley: I thank the noble Lords, Lord Fox and Lord Mendelsohn, for what I take to be their general welcome of the industrial strategy. The noble Lord, Lord Fox, claimed that parts of it were in response to comments from the Liberal Democrats in their response to the Green Paper. He claimed that there was a lack of urgency, but when one publishes a Green Paper in January, as we did, to produce a response of this kind by December is doing pretty well. If we had produced it any faster, the noble Lord would accuse the Government of hurrying their response. He cannot have it both ways and my right honourable friend has got it just right. I am grateful that I joined the department only four weeks ago, so came in at the tail end of the development of this response, but I can assure the noble Lord that we have been busy these last four weeks going through draft after draft of the White Paper to produce this document, which went to the printers only last night.

The noble Lord, Lord Mendelsohn, worried what the size of the document compared to the Green Paper indicated about productivity gains. He noted that it was so many pages longer than the original Green Paper but then said that the font was larger, although he did not point out that the pages were smaller. I will have to take advice on whether there are more words in this document, when the pictures are taken out, than there were in the Green Paper. All I

can say to both noble Lords is that it has been a very considered process with, as I say, some 2,000 responses that had to be carefully considered. We had to talk to many people and develop our policies, as well as take it the whole way around the Government.

I am grateful to the noble Lord, Lord Fox, for emphasising the role of the Prime Minister. It is important to make it clear that the Prime Minister is fully committed to the strategy, as are all members of the Government. If this was a Business, Energy and Industrial Strategy document coming merely from the department, it would be nothing. The fact is that it reaches out to all other departments, which have all played their part and helped to produce it. As we implement the ideas behind it, other departments will contribute, be they the Department of Health, as mentioned by the noble Lord, or education and so on. The point is to get beyond the siloisation that we have seen on many occasions in different Governments of all persuasions; we want to bring a truly cross-government feel to this.

Both noble Lords asked a number of questions, which I will try to address. I hope I can provide responses that will satisfy them, but if not, I will be more than happy to write in due course. The first point made by the noble Lord, Lord Mendelsohn, was that he felt that the White Paper does not deal with regional imbalances. I assure him that this matter is of great concern to me more than most. He will know how activity can vary a great deal across the regions. If he looks at the north and the Midlands, he will find that productivity can be 9% to 14% below the United Kingdom average. We had quite a few speakers from Wales earlier today; productivity in Wales can be around 19% lower than the United Kingdom average. We want to reach out to the regions, to Wales and to Scotland, to ensure that we bring them up to higher levels of productivity. If we fail in that, we will have failed in all other ways.

Both noble Lords also asked about the industrial strategy council and wanted assurances that it would be independent. I can give that assurance and that it will include business leaders and experts. We will be able to give further details about the council in the coming months.

I was asked about British Business Bank investments. I can give an assurance that £2.5 billion of new funding is on offer and that further announcements will be made in due course. I was also asked about what further investment was required and how much new money there is. I have given the figures for what we are seeking to do on research and development so that we get that up to at least the OECD average by 2027. Importantly, that is just the initial target; we would like to get it up to 3% in the longer term. Going back to the question about infrastructure as a whole, we are looking at £31 billion in the pipeline for the future.

The noble Lord, Lord Mendelsohn, asked about measuring our goals and how we will seek to assess the success of the industrial strategy in due course. At the highest level we have a set of goals relating to productivity. We believe that it will be for the industrial strategy council to assess progress on those goals and the others outlined in the strategy.

I am beginning to feel that I am using up time that I should not, but perhaps I may turn to one or two of the questions asked by the noble Lord, Lord Fox, particularly on NHS funding. I refer him to what the Chancellor announced in the Budget when he referred to new funds. The noble Lord also asked about clean growth and whether the Government are cutting funding for renewables. I assure him that we have particularly fast growth in renewables and that we are still committed to a further £557 million for new contracts for different renewables such as offshore wind. We are seeing growth in that area.

As my right honourable friend said in another place, in the Statement and in response to questions, the industrial strategy sets out the long-term strategy that we hope to see. We hope to see developments continue in the manner made clear by my right honourable friend. I thank the noble Lords, Lord Mendelsohn and Lord Fox, for what I think was their cautious welcome. I hope that, as the strategy develops and we continue to bring it forward, that welcome will also continue.

5.56 pm

Baroness Blackstone (Lab): My Lords, can the Minister address the question of skills? There is very little in the Statement about the urgent need for more skills training. I am sure he will agree that we will not achieve greater productivity, or be able to implement this industrial strategy, unless we can greatly improve the level of skills among the workforce. That is particularly the case in construction, where Brexit will certainly be damaging. We will have fewer European workers able to operate in this field in the UK, or indeed be likely to be willing to do so. We need some realisable targets, to use the expression of my noble friend Lord Mendelsohn, for skills. We also need a timetable, and some urgency should be attached to this. Unless that happens, all the Minister's brave words about the desirability of an industrial strategy in the areas he has identified are unlikely to be implemented; nor will we address the housing crisis or achieve the investment in infrastructure that he has just referred to.

Lord Henley: The noble Baroness is quite right to address skills. I think she was my successor in the Department of Education many years ago, back in 1997. I refer her to the chapter on people, which starts on page 92. There she can see all we have to say about looking for further apprenticeship starts by 2020, along with the improvements we want to see to A-levels and the improvements we have been seeing. She will also see what we have to say about our approach to that. She will note the information about the new T-levels that are being introduced. We want to see a further 50% of our 16 to 19 year-olds increasing their training. There have been increases in the study of maths, again referred to by the Chancellor in the Budget. I could go on, but I refer her to the White Paper and the ideas behind it. The White Paper can be divided into five simple parts: ideas, people, infrastructure, the business environment and places. The part on people relates to skills. I think she will find it very good reading indeed.

Lord Hennessy of Nympsfield (CB): My Lords, perhaps I may say how pleased I am to see the noble Lord back on the Government Front Bench, although I miss the noble Lord, Lord Prior, who was always so helpful when he was on the Front Bench. I also welcome the White Paper, which is so critical to the nation's fortunes, and I hope it will find a very high level of consensus across the party Benches. In this period of continuous political gloom, as it often seems, it is a reason to be cheerful; it is Ian Dury country. I welcome the industrial strategy council, which is an idea that your Lordships' Select Committee on Science and Technology pushed very hard for. I am very pleased that it is in there. I ask the noble Lord for his individual judgment on which section of the White Paper he thinks is critical to the success of the rest of it and which phrase he hopes will cling to the Velcro of collective memory.

Lord Henley: My Lords, I thank the noble Lord for his welcome and for his very kind words about my noble friend Lord Prior. I would be very grateful if my noble friend was still here doing this, because he played a much larger part in the development of the White Paper than I did. I came somewhat late to it.

If the noble Lord would like me to identify one area, I go back to the five principles that I iterated to the noble Baroness: ideas, people, infrastructure, business environment and places. When the White Paper was developed, I played a small part in its redrafting and in our vision as set out on page 13. I was rather anxious to get the first five points at the top of that page into short, easy, memorable sentences. That is why we talk about a vision for the world's most innovative economy, good jobs and greater earning power for all, a major upgrade in the UK's infrastructure, the best place to start and grow a business, and prosperous communities across the UK. I can assure the noble Lord that he will find the whole of the White Paper very good reading. I will have a word with him tomorrow or perhaps the day after and test him on it to make sure he has fully grasped all of it.

Lord Wigley (PC): My Lords, I draw attention to my registered interests. The document is certainly strong in aspiration, which I welcome, but perhaps lacking in some of the detailed pathways to delivery. The Minister referred to Wales and Scotland. When will this be taken forward with the devolved Administrations? How will that happen with sector deals for the creative sector and the very welcome proposed food and drink sector, where so many of the responsibilities are devolved? Will the responsibility for their running be with the devolved Administrations? Will they have the resources to do the job?

Lord Henley: When a similar question was put to my right honourable friend in another place, he made it clear that he had very recently spoken to his opposite number in Wales. That process will continue in Wales and Scotland. My right honourable friend and other Ministers, as appropriate, depending on who is where at any given time, will talk to all Ministers in the devolved Administrations in Wales, Scotland and Northern Ireland. I will certainly play my part as much as possible in that. There will also be adequate

resources for the devolved Administrations from their own budgets to do this as appropriate. Whether the noble Lord will consider that adequate is obviously another matter, because no doubt he will be screaming for more—but then he would say that, wouldn't he?

We will continue to talk with our opposite numbers in the three devolved Administrations. I am sure they will want to make a success of this just as much as we do. That is why I pointed out that we have problems with productivity imbalances between our UK averages and those of other parts of the United Kingdom. It would be right to try to address those imbalances.

Lord Blunkett (Lab): My Lords, I draw attention to my registered interests related to education, skills and employment. I welcome this substantive document, not least because Friedrich von Hayek will be turning in his grave due to government being part of the solution, rather than always being the problem.

Will the Minister be willing to have a word with his opposite numbers in the Department for Education? Following on from my noble friend's question, I am deeply concerned about the capacity to meet the apprenticeships and skills challenge and to provide the wherewithal to match the desirable input into employment. Because he is new to his post the Minister will not know that, following the Green Paper and a meeting earlier this year of representatives of all the major infrastructure projects, the decision was taken to make a joint submission drawing attention to the need to map where skill shortages will occur and how they could be met by putting forward passportable skills, and to ensure we draw people back into the labour market. Will he ask his ministerial friends in the Department for Education to kindly invite representatives of those major infrastructure projects to what is being described as a skills summit on Thursday, so we can get it right for the future?

Lord Henley: My Lords, I am fully aware that a great many noble Lords want to come in with questions on this Statement, so I will try to keep my answers short. I am aware of what the noble Lord had to say, and I am certainly aware of the need to make sure we continue to talk to our colleagues in the Department for Education. I am also aware that those colleagues were present when the Statement was made in another place, as were colleagues from other departments. We will certainly make sure that they are aware of the noble Lord's concerns and that they take appropriate action.

Lord Prior of Brampton (Con): My Lords, the reports after the Budget by the IFS, the Resolution Foundation and the OBR posited or forecast stagnant productivity for the next 10 years, following the stagnation of the last 10 years, which is a truly frightening prospect. Only one other country in the world, Japan, has been able to cope with that level of stagnation for so long, and it has a very different society from ours. The industrial strategy should be seen in that context. If we do not move the dial on productivity, the implications for our society and the kind of democracy we have will be profound. In that context, does my noble friend

agree that the four grand challenges we have identified are fundamental to getting ahead in the fourth industrial revolution? If we fail to do that, we will fail to address this underlying productivity problem. Does he agree that the DARPA-lite approach we are taking to these four grand challenges is fundamental?

Lord Henley: I am most grateful to my noble friend, who played a considerable part in helping to put this industrial strategy together. I am grateful to him for reminding the House of the need to move the dial on productivity, as he puts it, and for underlining the fundamental nature of those four grand challenges. That is repeated again and again in the White Paper, and the Government are committed to it.

Lord Shipley (LD): My Lords, I welcome the industrial strategy, which, like my noble friend Lord Fox, I think is extremely helpful in the most part. I want to ask the Minister about inclusive growth. One of the foundations of the industrial strategy is places. What consideration has been given to the level of intervention required for large towns, as opposed to cities, that have very low productivity rates, often because they have no university nearby? How local will the local industrial strategies be? I hope they will not simply be at the level of the local enterprise partnerships, which often cover a very large geographical area.

Lord Henley: My Lords, the noble Lord speaks with great knowledge of the north-east, I believe. I know the north-west—or rather, the north-north-west—pretty well, and I know the sort of problems he is talking about, not just in the cities but in the large towns. We see them in my part of the world in west Cumberland, in Workington and Whitehaven. We certainly need to look at what we can do. The noble Lord also spoke about LEPs and the role they can play, and on some occasions it is more than what the LEP can do. I hope that the noble Lord, in welcoming the White Paper, will accept that the important point is that one of the five ideas behind it is identifying the importance of place. That is why, particularly in relation to productivity, again, I wanted to re-emphasise the fact that there are regional imbalances and that they need to be addressed. LEPs can play a very valuable part, but there will be more that can be done, and I hope that the industrial strategy sets that out.

Lord Birt (CB): My Lords, the UK's poor record on productivity is not a new discovery. We have lagged behind our major industrial competitors for many decades. There are many reasons for that. Some have been mentioned already. One is skills, and another is infrastructure. We led the world in infrastructure in the 19th century, but in the 20th century we spent a smaller proportion of our GDP on infrastructure than any other major industrial country. We have overcongested roads; noble Lords should try going from Liverpool to Leeds on a slow train; and why is it taking us so long to sort out Heathrow? On that particular matter, has the Minister anything to tell us about when a decision on Heathrow will finally be made?

Lord Henley: My Lords, I will not be tempted on that final question to make an announcement on Heathrow. The noble Lord mentioned our poor record on productivity. I accept that we have a poor record on productivity, but against that one should remember that we have a good record on employment. If one looks at countries that sometimes have a better record than us on productivity but a worse record on employment, I think most people would prefer to be employed rather than unemployed in that respect. It is worth remembering that those who are not employed are not going to figure in productivity. So there are swings and balances in this respect. All I can say to the noble Lord at this stage is that we have recognised our poor record on productivity, and that is why the White Paper seeks to address it and puts it as one of the fundamental things we have got to do. We have a poor record not only on productivity but on the imbalance in productivity across the regions.

Lord Lea of Crondall (Lab): My Lords, the Minister has just made a very interesting point about the interaction between employment levels and productivity levels. In a static world, you could have more employment, very low levels of pay and very low levels of productivity. In a macroeconomic sense, the measure of productivity is simply the output of the economy divided by the number of people at work. Within the firm, how—unless I have missed something—are the Government proposing to engage workers' representatives in improving their world market share? There are targets—such an unfashionable word now, it is almost the same as saying Gosplan—but are we not missing out on some notion that we have to raise our sights in terms of targets for world market share and targets within the firm? The only targets there seem to be in the firm at the moment are to increase the share price and the distance between the board of directors and the average worker. Will the Minister say a little more about how he sees improved consultation and decision-making and joint work between the management, senior boards and shop-floor workers, whether in manufacturing, services or any other part of the economy?

Lord Henley: I am glad the noble Lord recognises the success of our policies in encouraging improved employment levels. That is very important. I was stressing the importance of improved employment levels only in relation to productivity. As the noble Lord will recognise, the simple fact is that we could have higher productivity but higher unemployment. One of the downsides of our growth in employment has been that weakening in productivity. We are seeking to address that. That is what the White Paper is all about. As regards relations between employers and management, that is a matter for companies themselves to look at in their own light.

Lord Elystan-Morgan (CB): My Lords, the Minister may be aware of a discussion between Her Majesty's Government and a Minister in the Welsh Government on the massive disparity between productivity in Wales and the United Kingdom average. I would like to probe a little on this matter. How meaningful a discussion

[LORD ELYSTAN-MORGAN]
was there? Was an agenda drawn up? Were minutes of that meeting kept? Was there a meeting of minds at all or was it something utterly cursory and cosmetic, as has happened so often in the relationship between Her Majesty's Government and the devolved Administrations?

Lord Henley: My Lords, I simply reject the noble Lord's allegation that discussions between Ministers of this Government and the devolved Administrations are in the manner that he described. I pointed out earlier in answer to another question from across the Floor that there have been discussions between my right honourable friend and Ministers in the Welsh Government because my right honourable friend mentioned that in another place only this afternoon. There will continue to be discussions between Ministers within the department, Ministers throughout government and Ministers in the devolved Administrations in relation to this White Paper.

Work: Lifelong Learning

Motion to Take Note

6.16 pm

Moved by Lord Watson of Invergowrie

To move that this House takes note of the case for a comprehensive strategy for life-long learning and adult re-skilling in response to the challenges of technology, productivity, and the changing nature of work.

Lord Watson of Invergowrie (Lab): My Lords, I am pleased to have this opportunity of initiating a debate on what I believe to be a very important aspect of the Government's legislative programme. That applies to any Government, no matter their colour, because without a coherent strategy to prepare for a strong and expanding economy at least for the decade ahead, no Government can deliver sustained prosperity for their people.

Last week the Chancellor announced that, his party's Governments since 2010 having consistently failed to meet their debt-reduction targets, and with current debt at 86.5% of GDP, he would react to projections for productivity growth in the economy being revised down to 1.5% by adopting what by any standards are Keynesian principles: increasing spending and borrowing substantially over the next two years. I would say, "Well, better late than never", to that.

Those projections came from the Office for Budget Responsibility, but several analysts argued that it actually overestimated the capacity of British businesses to invest in new equipment, processes and skills to drive up productivity. In the UK, productivity growth has flatlined since the financial crisis, leaving it behind all but two of the G7 leading industrial nations. Some industries are more productive than others. In the UK, manufacturing firms are among the most efficient, whereas the services sector operates at below-average productivity. So, what can be done to reverse that cycle of decline?

I believed—naively, no doubt—that it was no coincidence that the Government had responded to this debate by choosing today to publish their industrial strategy White Paper. What I had not anticipated was that they would respond with a double whammy, because just an hour before this debate began, I learned that the Government Office for Science has also clambered onto the stage. *Future of Skills & Lifelong Learning* is so hot off the presses that it is not yet available in the Printed Paper Office, but it was published today. It is a comprehensive evaluation of this country's human capital and identifies five key challenges. Unfortunately, I have barely had time to skim its executive summary, far less delve into its 112 pages, on top of the 250 pages of the White Paper that has just been discussed.

When offered the opportunity to choose a subject for debate this is what we at Labour identified as a priority, and that was before it was known that these two important documents would appear today. This debate really ought to have been scheduled by the Government, perhaps for next week, to enable noble Lords to scrutinise both weighty publications properly and make informed comment. With the less than heavy current legislative programme, the Chief Whip might have been asked by Ministers to make space, but apparently not. That is to be regretted.

The White Paper consists of a number of initiatives that appeared in last week's Budget speech, but it contains little that will help give businesses the certainty or incentives they need to invest in the face of the confusion surrounding the Government's negotiation of our departure from the EU. It has "five foundations", the second of which concerns people, which is the one most relevant to this debate. One of the certainly admirable aims under that heading is to:

"Establish a technical education system that rivals the best in the world to stand alongside our world-class higher education system".

I fully support that. But in order for that to be achieved, colleges need to be properly funded to allow them to deliver world-class education and training. That means facilities, funding for students and a reboot of capital money to help ensure that all college buildings are fit for a modern workforce. I fear that that is not currently the case.

What other detail there is in the White Paper concentrates, it seems to me, on a relatively few elite industries in which the UK already has an advantage. That will not necessarily help the millions of people who work in low-productivity and low-wage sectors, such as retail, hospitality and social care, or those based outside the golden triangle made up by London, Oxford and Cambridge. Although the White Paper contains some welcome measures, it does not measure up to what is required to return the UK to the position where it has a consistently healthy and growing economy. According to a report published by the Organisation for Economic Co-operation and Development this month, the UK is full of highly educated workers, with skills that unfortunately do not match the jobs available. The report maintains that as many as 40% of workers are either overskilled or underqualified for their jobs, while the same percentage are working in industries or jobs which are different from the sector in which they trained.

Too often, the OECD says, employers put too little effort into training workers in the right skills, and they should work more closely with the education system to ensure that school pupils and college and university students achieve the skills that are actually required by the economy. In particular, workers often lack verbal, cognitive reasoning, social and complex problem-solving skills. At an earlier age, rates of teenage literacy in England are lower than those of other OECD nations, and, indeed, it is the only nation in the OECD in which rates of literacy for 16 to 24 year-olds are lower than those of people aged 55 and over. In his Budget speech last week the Chancellor talked of creating an advanced skills economy. If they lack basic reading skills then people will be unable to gain the work skills that the economy so badly needs. School and college libraries help students to discover reading and to develop digital skills. As the economy braces itself for the chill winds of life outside the European Union, the decline of libraries as a result of the Government's austerity cuts has put such skills development at great risk. To describe that decline as a false economy hardly does it justice, and it must be halted.

A lack of engineering, science and maths skills is a particular issue. The OECD characterises this as a cultural problem in the UK, with little having changed over the past four decades. It highlights the good news—that a very large number of students gain high-level qualifications—but qualifies it by pointing out that more needs to be done to make those qualifications relevant to work, and to keep training people who are in work to make sure that their skills improve and do not become outdated. A Labour Government borrowing to invest in our infrastructure, tackling low productivity and thus growing our economy, will be able properly to address those economic factors.

Lifelong learning is, of course, the key. We heard it just last week from the Open University's vice-chancellor, Peter Horrocks, who said:

“The current generation of students will face the reality that lifelong and career learning will be an economic necessity. Rising automation and great strides in artificial intelligence will destroy jobs and create new skilled roles that will require some form of formal higher qualification, but not necessarily full degrees”.

That is why a prosperous learning and earning higher education sector is needed now more than ever. Not only does it increase productivity and regional skills, it promotes social mobility, enabling education to be for the many and not the few. Yet the market for part-time higher education in England is currently in crisis. Learning and earning is central to economic success and to delivering on the Government's oft-quoted aim of enabling social mobility. Part-time higher education and distance learning should be an essential part of the response to the two fundamental economic challenges that the UK now faces: low productivity and skills shortages.

These challenges cannot be met by relying on young people alone; the gaps are too wide and too urgent. All adults of working age, whatever their background or location, need regular opportunities to upskill or reskill throughout our lengthening working lives. Learning and earning will make the biggest and quickest difference for the individual, the employer, the regions and ultimately the country.

Report after report and organisations from various sectors all make these points. One of these was the government-commissioned *Made Smarter* review, published last month. It may have understated the case with its recommendation that 1 million workers in the next five years will need to be reskilled and upskilled.

Although there is some government action, it seems piecemeal. The March Budget announced a £40 million fund to pilot lifelong learning initiatives; and a few weeks ago, phase 1, a £10 million flexible learning fund to support projects that deliver learning to adults in ways that are flexible and easy to access, was put out to tender. There was some movement in the right direction in last week's Budget, such as the announcement of a national retraining scheme in partnership with the CBI and the TUC. It prioritised the delivery of high-quality digital skills courses to adults, and it is essential that more detail on this emerges quickly. It was pleasing to see recognition given to the role of trade unions, with additional resources for Unionlearn to continue to support workplace learning.

Apprenticeships have a vital place at the heart of the response to skills shortages, not least for small firms. The apprenticeship levy and the expansion of the Institute for Apprenticeships to encompass technical education in its title from April are both positive moves. But there is a danger that, with the Government clearly obsessed with the target of 3 million apprenticeships by 2020, quantity will triumph over quality, with not enough apprenticeships above level 2. There are worrying signs, with last week's announcement by the Department for Education that there has been a 59% drop in the number of apprenticeships in the last three months of the academic year, compared with the same time a year ago. The Federation of Small Businesses said that those figures confirmed its fears and that the apprenticeship levy was not solely to blame for the drop. Of course, very few small firms pay the levy and these businesses will be essential to the Government reaching their target of 3 million apprenticeships. The FSB reported that although many small firms are committed to apprenticeships, too many remain overwhelmed by the complexities of the system, calling for small firms to be involved in the design of the new apprenticeship standards. I really hope that the Government listen to these concerns from some of those involved at the sharp end of apprenticeship provision.

Part-time higher education—what I referred to earlier as earning and learning—is in crisis in England and real urgency is required in response by the Government, because part-time and mature students are the real casualties of the 2012 higher education funding changes in England. Overall, there are now fewer people from disadvantaged backgrounds going to university than ever before. That cannot be denied, because two weeks ago the Universities Minister, Jo Johnson MP, admitted in a Written Answer to a Question from Daniel Zeichner MP that the number of part-time English-domiciled undergraduate students from low-participation areas who entered English higher education institutions for 2015-16 represented a 47% decrease from the figure for 2011-12. Of course, that is directly related to the increase in loans.

[LORD WATSON OF INVERGOWRIE]

There is now recognition, it seems, in Tory circles of the extent of the problem. Last month the noble Lord, Lord Willetts, who I regret is unable to participate in this debate, because I valued his contributions to the Higher Education and Research Act, even though I often did not agree with him, gave evidence before the Economic Affairs Committee of your Lordships' House. He said it was "very regrettable" how the new system of loans had put part-time students off since 2012. With remarkable candour he said:

"I have to accept that it is one of my biggest regrets about my time as Minister ... I accept that the loan model has not delivered for them".

The question is what action the Government will take to address that problem, because part-time students are not a homogeneous group. They are people in work who want to gain a new skill, and have family responsibilities, mortgages and competing demands on their time; some have disabilities which mean they can study only through part-time distance learning. They are people living in towns and cities throughout the country as well as in rural areas. This is not a small student group: one in five first-year students in England study part-time. Higher education policies need to work for them too, not just for 18 year-olds studying full-time at university.

It is a fact that those who have been most deterred from study by the trebling of tuition fees are not those 18 year-olds, but older students, especially disadvantaged students. The Government have introduced maintenance loans for part-time students, although not all will qualify until 2019-20. Meanwhile, the downward trend continues, partly because part-time students are far more debt-averse and employer-sponsored degrees have declined. The steepest drop in part-time higher education in England has been among those aged 30 to 49—people of prime working age. This puts at risk the UK Government's efforts to ensure that we have the skills base to support the economy outside the EU. I will be interested to hear what the Minister has to say about that. Part-time higher education must play a key role in developing a strategy for lifelong learning and adult reskilling.

A further barrier to adult education and lifelong learning is that the alternatives to full-time residential higher education are underdeveloped. To deliver a dynamic adult skills system and establish a culture of lifelong learning, the single most significant barrier to learning throughout life must be addressed—finance. Young adults who opt for courses at level 4 or 5 have no access to maintenance support. There has been a serious decline in the number of mid-career adults taking higher education courses and there are low numbers taking higher education courses below degree level. This may be holding back not only the prospects for individuals but the skills available to employers and our public services.

Organisations such as the Association of Colleges, the Open University and the Institute for Public Policy Research have all advocated the use of personal learning accounts to encourage more adults to invest in learning and training. This requires long-term investment as well as a culture change at all age levels, and one means would be to develop learning accounts that

learners could use to finance their study. We believe that this option is very much worth investigating and I hope the Government will do so. But even with this shift, there will be a significant challenge to encourage people to invest in higher levels of learning, particularly at levels 3, 4 and 5, where many of the skills shortages are becoming increasingly worrying.

Further education colleges will play a key role in this. They already provide academic, technical and professional education for young people, adults and employers. Yet public investment in colleges has been hit harder than any other part of the education system in the past decade. Properly resourced by a Labour Government, they will build on their reputation as engines of social mobility, helping businesses improve productivity and thus driving economic growth, while being rooted in and committed to their communities.

At both local and regional levels there is a need to provide careers information, advice and guidance, making greater use of labour market intelligence and mid-life reviews. More employers need to offer opportunities to adults, particularly those who are older and keen to remain active in employment.

Labour is committed to investing in lifelong learning through the creation of a national education service for England. Like the National Health Service, this will be a cradle-to-grave provision, free at the point of use and built on the principle that every child and every adult matters. A Labour Government, borrowing to invest in our infrastructure, tackling low productivity and thus growing our economy, will be able properly to address those economic factors. We will enable a learning and earning higher education sector which will lead to increased productivity and regional skills, enabling education to be the vehicle for a secure, productive working life for the many and not just the few. I beg to move.

6.32 pm

Lord Bhattacharyya (Lab): My Lords, I congratulate my noble friend Lord Watson on securing this important debate. As chairman of the Warwick Manufacturing Group at the University of Warwick, I have worked on creating modular degrees and in-work education for many years. Workplace learning is at the very core of WMG's purpose, so I declare my interest. I know from WMG's work that many noble Lords speaking today deserve great credit for the issue of skills having moved to the top of the political agenda.

Both the Budget last week and today's *Industrial Strategy* White Paper underline the importance of skills and lifelong learning to British economic success. I expect I am not the only speaker who has been busy with a highlighter and the White Paper this afternoon. However, the White Paper's stress on the importance of adult skills and lifelong learning is not new. After all, we are nearing the centenary of the Ministry of Reconstruction's 1919 report on adult education, which led to local authorities being given responsibility for adult education. Indeed, as Winston Churchill said in 1954:

"There is perhaps no branch of our vast educational system which should more attract within its particular sphere the aid and encouragement of the State than adult education".

More recently, we have had the Moser report, which led to Skills for Life, and the Leitch report, which led to Train to Gain.

To deliver these strategies, we have had a dazzling array of bodies: the Manpower Services Commission, the training and enterprise councils, the Learning and Skills Council, the Skills Funding Agency, and the Learning and Skills Network. Yet despite the reports, the commissions, the councils, the agencies and the networks, the core issues remain. Work by the LSE's Centre for Vocational Education Research shows that the percentage of adult employees in learning or training has been falling since the millennium. Of those in learning or training, there is a rise in the numbers doing short courses and a fall in the share working towards a qualification.

The truth is that far too few adults at work are getting a good education or earning a widely recognised qualification that will strengthen their long-term career prospects. At the same time, technological change is transforming the world of work. No one wants their parents' autonomous car or their internet-enabled medical devices to be insecure or wrongly updated because of poor skills. In autonomous vehicles alone—we design a lot at WMG—the scale of reskilling needed is enormous, whether in car design, highway maintenance, manufacturing, dealers, commercial transport or regulators. Learning new skills and reskilling workers in sectors that are being transformed by new technologies is increasingly essential.

To be fair, recent Governments, whether Labour, coalition or Conservative, have followed Churchill's advice and recognised that adult skills are a priority. The White Paper on industrial strategy shows the beginnings of a non-partisan approach to the issue, although it might not look that way from the Front Bench. You can always tell when there is a cross-party consensus: the Opposition accuse the Government of recycling old ideas. The industrial strategy deserves a broad, if restrained, welcome for its approach to adult skills. One of the most pleasing signs of this in the White Paper is the recognition that the TUC and the CBI both need to be involved in the national retraining partnership. Similarly, I am happy that Unionlearn was extended. It is an excellent programme.

One of the issues we must face together is improving standards, whether in apprenticeships or technical qualifications. We have seen a 40% decline in the number of people studying for recognised standards such as HNCs, HNDs and foundation degrees. I would not mind if this were the result of limits on poor-quality courses. Sadly, we have seen falls in fields such as engineering and computing—precisely where we need growth. We must prioritise extending the number of higher and advanced apprenticeships. We need business to focus many more resources on adult education and skills at levels 4, 5, 6 and even 7. With a leaving age of 18, levels 2 and 3 are qualifications that pupils should really get before entering work. Similarly, colleges should be offering level 2 and 3 courses directly to those seeking to return to work.

At WMG we offer levels 1 to 3 only to students up to 18 at our Academy for Young Engineers, which we run under the auspices of the Baker Dearing Educational

Trust. The majority of these students either go to university or become apprentices. At WMG itself, we offer courses at levels 4, 5, 6 and above. By the end of the decade we will have more than 1,000 apprentices at any particular time. Skills programmes such as the ones we run today work well for larger employers which can afford to think for the long term—but what about the backbone of the economy, the small and medium-sized firms?

All our 1,000 apprentices are paid for, fully, by the companies. They also pay the university to get their degrees. Only one in 10 SMEs offers apprenticeships. The proportion offering higher and advanced apprenticeships is even lower. Business has to put its hand in its pocket to change this. Big business especially has to do more to help its suppliers and its sector. When I was an apprentice, more apprentices were trained by the company so that some of them could go to the suppliers and the smaller sectors. There is no point in businesses crying about the lack of proper technical education if they are not prepared to invest in their sector's success.

I am not too worried about the decline in apprentice starts that we saw last month. A shift in demand was always likely when the levy came in. After all, if there is a decline in the apprenticeships that employers are unwilling to pay for, the likelihood is that people were training for training's sake, or even having apprenticeships for the grant's sake. But to make a success of the levy, smaller businesses need support. To help them, we need to improve the skills provision of FE colleges and their reputation with local business.

I welcome the commitment in the Budget to put more funding into flexible learning and skills in areas such as construction. Our experience at WMG is that when we engage with small business on lifelong learning, there is a lot of untapped demand. Many SMEs want to develop their staff but want them to have only high-value qualifications, so that they know the skills their workforce is gaining are worth the cost in time. If they cannot afford to have many apprentices, they want to get value out of them. We need to help small companies deliver courses that employers value and which employees want to complete. We need skills to be employer-led, but also to offer smaller firms a helping hand.

With the apprenticeship levy, we are seeing the emergence of a pot of money that can be used by SMEs for that purpose—the levy unspent by large employers. This funding should be offered to small and medium-sized employers on a sectoral basis, to get them to provide quality apprenticeships. If we want to change vocational learning, we must all work together to give adult skills a higher status. To achieve the objectives of the industrial strategy it is essential that everyone, whether in a business, college, union or university, understands the importance of skills in the new technology economy and invests accordingly. Technology is now moving so fast that, if the Government said tomorrow, "By 2025, we want cars that are entirely unmanned", it would require skills, construction and road levies to achieve that, and it would have to involve dealers, suppliers and everybody working in

[LORD BHATTACHARYYA]
the area. That will not be easy. The only way we can do it is to have a proper strategy for new technology and the new economy.

6.42 pm

Baroness Wolf of Dulwich (CB): My Lords, I too congratulate the noble Lord, Lord Watson, on securing this debate and on his quite perfect timing. I do not know whether he had any idea that the industrial strategy would be published today but it has been, which makes this debate extremely pertinent. I declare an interest as a member of the independent review group led by the noble Lord, Lord Sainsbury, which recommended changes in technical education. Of course, I welcome strongly the Government's acceptance of that group's recommendations. I will not really concentrate on that issue but on the core issue of adults and lifelong learning.

Having had time to skim-read the strategy, particularly the section around page 116, I have to say that it is sadly thin. This is important because outside a number of key sectors, the whole developed world is facing something of a crisis and slowdown in productivity. We may be in particularly bad shape but this is not a UK-specific issue. No one quite understands why this is so or whether we have arrived at a period of slowing innovation, as the great economist Robert Gordon believes. However, it is clear that there is room for considerable, if not enormous, improvement in parts of the British economy: in particular, we have regional differences in our economic health and well-being that have been a national disgrace for many decades. For the regions in this situation, the reality is that if we cannot do something about adult education and lifelong learning there, we are not going to be able to do anything much at all.

I am conscious, standing here, that the conventional answer on productivity and economic growth is always to have skills and education. Clearly, this is part of the answer. We know that we have many shortages in a good many specific and high-level skills. We have too few engineers, too few technicians in biotech and too few of pretty much everything in construction. But we also need to be aware that increasing skill levels as the main way to drive productivity up has been the strategy of successive Governments in this country for several decades. It is largely in the name of productivity and growth that our whole higher education policy has been and continues to be framed. We need to learn from our past mistakes, as a precondition for thinking about how we might do it better in the decades to come.

As an example, the graduate premium, which has been taken as a sign of productivity, has driven higher education policy in this country and continues to do so—the premise being that if graduates earn more then the more graduates we have, the richer we will all become. We already have one of the highest participation and graduation rates in the OECD. We continue to make it easy for young people to take three-year degrees and rather hard for them to do anything else, since they get much less support for level 4 or 5 than they do for a degree. Yet as other noble Lords have

pointed out, we have not only a marked lack of the wonderful economic success that this was supposed to bring but a catastrophic fall in part-time and adult participation.

We have also come through a period when even clearer or harsher quantitative targets than that of 50% being in higher education, which Governments have committed to, have driven a great deal of our education and skills policy at pre-higher education levels, or below that level. The target culture reached its apogee in the Leitch report, which could be called a great success: almost half of adults in work acquired some form of formal certification in the years between the mid-1990s and about 2010. Again, it is not clear whether this was a hugely successful strategy for anybody or anything. There was not much reward for them in the labour market. To come back to our economic situation, it is not quite clear what happened but it was very bad for adult and community learning because if something was not qualification based, it was out in the cold.

Then we come to apprenticeships. As the noble Lord, Lord Bhattacharyya, said, we must see our future as lying with them but if we do not get that right, a lot else simply cannot work. After a period in which apprenticeships were deeply out of fashion, they came in from the cold in the 1990s and were then promptly distorted by quantitative targets and a system of funding which incentivised people to do the shortest, cheapest and easiest apprenticeships on offer. My heart rather sank when I saw the proposal for 3 million apprenticeship starts by 2020 blazing out from the *Industrial Strategy* paper. But as far as I could see, there was nothing more so I will hold my breath and hope that we can be slightly more sophisticated in our approach to it.

The point about all this is that your Lordships could, and indeed should, see many of our most recent failures as the result of something that was a comprehensive strategy—one which, as I said, was shared in a cross-party consensus. It was a strategy to pile up formal qualifications, and in the process we not only lost part-time and adult higher education students but have had the near-total disappearance of technical qualifications and the ongoing destruction of adult and community learning. So any comprehensive policy going forward must start at the level of the workplace and the individual, not from targets set by central government.

In this context, it is well worth reiterating that a downturn in apprenticeship numbers is not necessarily a bad thing. If it is the result of having people start level 3 or level 4 qualifications rather than level 2, that will automatically divide the numbers by two or three. What we have done is to move away, at least to some extent, from a system which gave people incentives to do very short apprenticeships irrelevant to much of the local economy.

That leads me back to the industrial strategy. Not only is it very thin on adults, but in so far as it says anything much about them, it is strangely unlinked to one of the curious but potentially beneficial aspects of modern British skills policy, which is adult apprenticeships. They started, in my view, for the worst of possible

reasons, which was basically to make it easier to meet the targets. However, in this country we encourage people to take apprenticeships at each and any age, whereas traditionally, and in most of the rest of the world, apprenticeships are very much a way of bringing young people into skilled employment and adulthood.

Adult apprenticeships are part of a national system which everybody recognises—everybody knows what an apprenticeship is about—so we have an opportunity to use adult apprenticeships and to take advantage, serendipitously, of something which was not intended for this and make them truly a part of a lifelong learning and skill-upgrading policy for adults in the workplace. One of the things that somewhat puzzled me is that this national retraining scheme, which may or may not come out of deliberations by the CBI and the TUC, does not link into apprenticeships at all. It seems to me there is a terrible danger that it will become yet another of these initiatives which five or 10 years from now we will not remember which one it was.

The point about adult apprenticeships is that, compared to what is happening in higher education, we have an encouraging profile. We have a large number of people over 25 doing not merely advanced but higher-level apprenticeships—170,000 doing advanced and 43,000 doing higher, which is really very good, especially at a time when other forms of level 4 and 5 are vanishing. Compared to the shrinking adult representation in higher education, the profile among higher-level and advanced apprentices—so not level 2 shelf stackers, as part of a way to get money to a training provider—is that 40% are aged between 25 and 59. This is a key demographic and the sort of people we really need to reach.

I would like to ask the Government to think very seriously about this. In the context of disappearing level 4 and 5 qualifications in higher and further education, of a funding system which has clearly had a devastating impact on the ability and willingness of part-time adult students to take higher education qualifications, and of an adult and community education system which is a shadow of its historic self, I urge them to put high-quality adult apprenticeships at the centre of everything in the industrial strategy, rather than feeling that they should invent some more, wonderful, short-lived initiatives to pile on top and get tomorrow's headline.

6.53 pm

The Lord Bishop of Worcester: My Lords, I echo the thanks expressed to the noble Lord, Lord Watson, for securing this debate. It is clearly essential for the prosperity of our nation that lifelong learning is made a priority. Following cuts in the recent past, the Budget offered some welcome additional funding, including new funding for training in digital skills and construction, and the announcement of a retraining scheme for adults. The industrial strategy published today is a welcome step forward.

The problem, however, is immense, as has been acknowledged in your Lordships' House today. There is still a great deal to be done as far as developing a proper long-term approach to improving adult skills is

concerned. The Government acknowledge the importance of the task: its own industrial strategy Green Paper spoke of the,

“growing challenge with lifelong learning”,

with people,

“living and working longer, but training across working life ... going down”.

It is also true to say that young people today can expect several careers, for which retraining will be necessary—ones for which they could never have planned in advance. I wish I had been reskilled to equip me to participate effectively in the House of Lords. That is a skill I never envisaged needing.

Longer-term support for the radical reform of professional and technical education—T-levels—is warmly to be welcomed, and it is good to see continued investment above that announced by the Education Secretary in the summer. Similarly, the emphasis on integrating high-quality and substantial work experience in these new programmes, along with the clause of the noble Lord, Lord Baker, requiring schools to open up careers education and the careers strategy announced in another place, are all needed, although they apply chiefly to younger students, not to adults who may be in low-skilled jobs or need retraining to meet new industries and new demands.

This task, as has been acknowledged, is both important and urgent. It is crucial to our economy and prosperity. However, any strategy should concentrate not just on particular skills. It is ironic, in my view, that we are concentrating more and more on the latter at a time when we know less and less about which skills will be needed in what the Motion refers to as,

“the changing nature of work”.

Over the last generation, we have seen an almost complete triumph of utilitarianism in education, wonderfully symbolised by the fact that higher education was for a while the responsibility of a department for “Business, Innovation and Skills”, not for education.

The irony is that such an approach is not as utilitarian as it seems. The Government Office for Science report *Future of Skills & Lifelong Learning* makes clear that employers are looking not just for relevant qualifications and/or discipline-related training but also for,

“more positive attitudes towards work as well as ‘character’ attributes”.

That word “character” is surely a very significant one. The idea of a university as a school of virtue seems to have disappeared, and training for virtue does not seem to happen much elsewhere, although it is one of the primary objectives of a Christian education. Virtue can be learned, and it is for the good of all that it should be.

The opportunity to engage in lifelong learning is of particular importance among those who have not flourished, for whatever reason, during their school career. I observed that at first hand during my time as a parish priest in the heart of industrial Tyneside. I am proud of the part that the Church was able to play in encouraging and enabling that, and the same is true in the Metropolitan Borough of Dudley in the Diocese of Worcester. Such learning enables people to secure better jobs but it also enhances their self-esteem

[THE LORD BISHOP OF WORCESTER]

immeasurably, which has a knock-on effect in wider society. Such benefits have been proven by research such as that recorded by the Government Office for Science. They include health, higher levels of interpersonal and social trust, social connections and social involvement, and crime reduction. It is a matter of grave concern that participation in part-time learning among adults has declined in the past few years.

I urge the Government to work harder and harder on developing a much-needed, bold and strategic approach to adult learning. Further, I submit that such an approach should acknowledge that lifelong learning needs to be about more than the acquisition of particular skills, important though that might be. The noble Baroness, Lady Wolf, referred to the failure of past comprehensive policies. Perhaps that is where they have gone wrong. Such a recognition would, it seems to me, have economic benefits, but much deeper and broader ones, not only for the individuals concerned but for society at large.

6.59 pm

Lord Touhig (Lab): My Lords, I join other colleagues in thanking my noble friend Lord Watson for securing this debate.

The issues we are considering tonight are not new. More than 20 years ago, I remember reading some research which showed that in the United States, 80% of people in work had been back in a classroom-learning situation since leaving education. The figure was 56% in Germany and Japan, and barely 30% in the UK—that is the mountain we have to climb. I confess I do not know what the figure is now; perhaps the Minister might enlighten us when replying. However, my own experience of 27 years in newspapers and publishing before being elected to the other place taught me that whenever there was an economic downturn, it was training and upskilling that went first when budgets were cut, and when I became an MP and a Minister it was no different. Indeed, during my time in newspapers and publishing, which included two periods of recession, the one area of newspaper advertising that remained relatively buoyant was recruitment advertising. Why was that? Simply because many companies, having failed to train and upskill their own staff, sought to persuade better-skilled and better-trained staff employed by their competitors to jump ship and join them.

The truth is that we never stop learning. I want to highlight a particular issue today. We have heard much about the lack of a skilled workforce, but an unbelievable number of barriers are put in the way of our fellow citizens with learning difficulties—especially autism—who want to get a job in the first place, let alone improve their skills or retrain. Our economy, our country, is wasting the talents of so many people who simply need to be given a chance.

“I’m not unemployable, I’m autistic”—

that was the powerful message on the front page of a report published by the National Autistic Society into the autism employment gap. I declare an interest as a vice-president of the society. The Government had made a welcome pledge to halve the disability employment gap by getting 1 million more disabled people into

work, but for nearly a decade the full-time employment rate for autistic adults has stagnated. While work is not right for everyone on the autistic spectrum, the majority of autistic people want to work and have much to offer. However, efforts to help them into work and stay in work are failing. A survey carried out by the NAS, which interviewed 2,000 people, indicated that the full-time employment rate for autistic people remains stubbornly low at 16%, just 1% higher than in 2007. Combined with the part-time rate of 16%, this gives an overall employment rate of 32%, compared with 82% of non-disabled people and 47% of people with other disabilities.

The overwhelming majority of autistic people want to work, but the types of work that they want can vary greatly. The truth is that autistic people, like anyone else in society, want to work across all sectors in a huge variety of jobs. Given the low employment rate for autistic adults but the big mix of skills and interests, we need a government programme to develop and raise awareness of autism among employers, and to identify the skills gaps in the economy and how autistic adults could be supported to fill them. One of the key challenges that autistic people face in getting into work is preparing for work. Work experience, internships and apprenticeship programmes, alongside training, can be particularly beneficial for autistic people, helping them to build confidence.

However, too often autistic people have a negative experience at their jobcentre. Jobcentre Plus is often the “front door” to people’s first conversation about gaining work. When asked to rate their experience of Jobcentre Plus, over six in 10 of those who responded said it was poor or very poor. Fewer than one in seven said it was good or very good. Many say that staff do not treat them as individuals or consider the particular adjustments that the staff themselves need to make to meet the communication and other needs of autistic people. This is particularly important for people who may not qualify for formal employment but who increasingly will receive their support from work coaches at jobcentres. To do their jobs effectively and to ensure they are complying with the Equality Act, all staff at jobcentres should have the training in and knowledge of autism to support the people they are working with. Does the Minister agree?

The National Autistic Society survey of employers exposed some of the myths that employers may believe, which could cause bias against autistic people both in recruitment and in the workplace. For instance, 34% said they thought an autistic person would be unlikely to fit into their team and 28% said an autistic person would be unlikely to be a team player. Roughly half of the NAS respondents with experience in the workplace reported bullying or harassment due to their autism. These bad experiences have long-term consequences. Autistic people can be left with lower confidence than ever, leading to long-term unemployment, greater dependency or mental ill-health.

However, it is important to recognise that the vast majority of employers want to do the right thing but feel apprehensive about getting things wrong and often do not know where to go for advice. A growing number of employers are working with the National

Autistic Society and other organisations to offer work experience and internship programmes to young people on the autism spectrum. Research suggests that this type of stepping-stone job often translates directly into paid employment as it enables both participants and employers to test suitability.

It is helpful for young people to be exposed at an early age to a working environment and to begin to understand how workplaces operate and what is expected of them. A pilot project in Surrey called Employment Works for Autism combined training, work experience and ongoing support for autistic jobseekers. It cost £3,000 a head for a year, and at the end of the year 43% of the jobseekers were in paid work, filling businesses' and industry's skills gap, while half were in ongoing work experience or volunteering. As part of their Green Paper on supporting disabled people into work, published over a year ago, the Government committed to trialling supported work experience for young people with a disability. How is that trial going? What plans exist to make supported work experience opportunities like the one in Surrey more widely available?

I welcome the fact that maths and English minimum entry requirements for apprenticeships are now flexible, so that those with education, health and care plans can be considered. That opens things up for people who may be very capable on a practical level of taking on particular apprenticeships but who, because of a disability, might struggle academically. How many autistic people have been able to take up this opportunity? What impact is this having on autistic people's employment rates? More widely, it is more than a year since the Government published their Green Paper on disability employment. When do they plan to publish their next steps? To what extent will those steps look at skills development, apprenticeships and internships? These are the issues that we are debating today.

There are an amazing number of able and talented people out there who could make a contribution to our economy—people who, given the chance, could be part of the ambition stated in the Motion we are considering today, and who could help us to meet the challenges of technology, productivity and the changing nature of work. They are autistic; they are not unemployable.

7.07 pm

Lord Bichard (CB): My Lords, I join others in thanking the noble Lord, Lord Watson, for securing this debate, partly because it turned out to be so timely and partly because lifelong learning is something that I have been passionate about for more than 20 years, ever since I was Permanent Secretary of the then merged Department for Education and Employment. In many ways, lifelong learning was the very *raison d'être* of that merged department. In 1998 we published a Green Paper entitled *The Learning Age*. In the foreword the noble Lord, Lord Blunkett, who, regrettably, is not able to be at this debate today, said:

“We stand on the brink of a new age. Familiar certainties and old ways of doing things are disappearing. Jobs are changing and with them the skills needed for the world of tomorrow. In our hearts we know we have no choice but to prepare for this new age, in which the key to success will be the education, knowledge and skills of our people ... To cope with rapid change we must ensure that people can return to learning throughout their lives”.

Those words, which I may just have had a hand in crafting, are as relevant today as they were then.

In 1998 we would have wished that by now we could look back at two decades of progress, of transforming the culture of learning in this country. The sad reality is that we cannot do that. As recently as 2016, the OECD placed the UK in the bottom rank of European and OECD league tables for skills and work-based training. Open University recruitment dropped from 260,000 in 2010 to 187,000 by 2014. Following the introduction of fees, as we have heard, part-time student numbers in HE dropped dramatically, as did adult participation in further education. Part-time enrolments in HE have declined since 2011 from 240,000 to just 107,000.

The adult skills budget has been significantly reduced, and the annual surveys undertaken by what is now the Learning and Work Institute show the same pattern of declining participation in non-award-bearing part-time courses. We have also seen the development of powerful disincentives for adults to sign up for learning, not least by restricting the support available for students taking award-bearing courses below degree level if they cannot demonstrate progression in terms of qualifications. Even in the past year, as we have heard, despite the Government's ambitious target of having 3 million new apprenticeships by 2020, the actual numbers have reduced from 116,000 a year ago to 48,000—a reduction of nearly 60%.

This is a depressing story, the reality of which contrasts sharply with the optimistic words we heard in this Chamber just a few moments ago when the industrial strategy was launched. It is difficult not to link the lack of investment in skills development with the continuing failure to improve levels of productivity—which, let us remind ourselves, are 20% to 25% lower than in France, Germany and the US.

In economic terms, investment in lifelong learning is critical—perhaps never more so as we prepare for Brexit. As an aside, I find it disappointing that whereas this Chamber is usually full for debates on the process of Brexit, we have only eight speakers today on a subject which is critical to our success in a post-Brexit world.

Before I touch on what we might do to address what is a crisis, a catastrophe—a word that has already been used—of lifelong learning, let us remember, as the right reverend Prelate the Bishop of Worcester reminded us a few moments ago, that this is not just a narrow economic issue. Lifelong learning is equally important to improving the quality of people's lives. It is critical to social cohesion and well-being, not least in a digital age. It is a way to help people to stay independent, active and engaged as they grow older in an increasingly ageing society.

What could we do to give much-needed new life to lifelong learning? I have just a few thoughts. First, as the Motion suggests, we need a comprehensive strategy, not a collection of ill-fitting initiatives. Sadly, we no longer have a merged Department for Education and Employment, but I suggest that the DfE, BEIS and the DWP together revisit lifelong learning with the key stakeholders to consider whether the various policies and initiatives are coherent—the one reinforcing the

[LORD BICHARD]

other. They should look at the incentives and disincentives in the system and the priorities for action. Instead of producing ambitious targets for the long term, they should produce milestones for the next two to three years. They should find a way to bring employers, unions, providers and non-statutory organisations such as the Learning and Work Institute to the same table—but not just to talk. They should give them real power, resource and responsibility to deliver.

Secondly, we should revisit the issue of incentives for individual learners. Sadly, the individual learning accounts fell foul of fraud and abuse, but the concept is not fundamentally flawed, and it would be much more difficult now to perpetrate the kind of fraud and abuse that we saw at the time. In Singapore, the Deputy Prime Minister recently introduced a programme called Skillsfuture, under which every Singaporean aged 25 and above will receive an initial \$500 of credit, which can be used on a range of government-supported courses. It will be topped up at regular intervals, and it will not expire. In introducing that programme, the Deputy Prime Minister said:

“We must become a meritocracy of skill, not a hierarchy of grades earned early in life”.

I could not agree more.

We also need to look again with employers at how they can be enabled to invest more in the skills of their workforce. Surely we can find some way to address the practical problem of employers investing in training only to find workers leaving to join competitors. Perhaps we could consider learning sabbaticals, whereby employees earn learning opportunities after a period of employment. That may not be to everyone’s taste, but my point is that we need to think more creatively about how we tackle these issues. Perhaps we should again look to Singapore, where small and medium-sized enterprises that sponsor low-paid employees for training can recover up to 90% of the course fee, plus some absentee payroll support, and where training for the over-40s is a particular priority. In stark contrast, in Britain, the average amount of training received by workers almost halved between 1999 and 2009, and stood at less than one hour a week.

Finally, we need to look to the provider sector to redouble its efforts to engage people in lifelong learning. Universities have a vital role to play in that, as the briefing that many of us receive from Universities UK points out. I know that a number of universities are refreshing their approach to lifelong learning—Sheffield, Warwick, Leeds, Nottingham and York come to mind—but, as the University Alliance manifesto rightly suggests, we need to help at a national level by improving information, advice and guidance, by flexing the funding arrangements and by incentivising collaboration and co-investment between universities, colleges, the University of the Third Age, Citizens Advice and local learning exchange centres, incentivising collaboration locally.

As the vice-chancellor of York St John said earlier this year: “We”—the universities,

“must ensure we are creating a culture within our institutions in which lifelong learning can thrive”.

She asked the sector:

“Are we open and accessible enough? Are we giving back to our communities? Are we reaching out to connect with those who haven’t considered us before?”.

These are important questions for the sector to answer if it is to play a leading part in lifelong learning.

In conclusion, can the Minister commit to produce by next summer—perhaps I am being a touch optimistic—an action plan for lifelong learning as part of the industrial strategy, one that crosses government departments, addressing and incentivising individuals, employers and providers with stretching but realistic milestones? There is no time to lose if we are to tackle the current failures.

7.18 pm

Lord Young of Norwood Green (Lab): My Lords, I, too, congratulate my noble friend Lord Watson. Timing is everything—that applies to a whole range of activities—but he has certainly got that right, and I think he got the issue right as well.

I had to reflect as chair of my local primary school governing body that we are engaged in lifelong learning: we have safeguarding and e-security training courses, all my board of governors are involved in finance courses, and some of us are never going to see 21 again—so lifelong learning is taking place in a variety of circumstances. I also paused to reflect that when we talk about lifelong learning we tend to move to older age groups, but where does it start? Surely it starts with parental influence; it starts in nursery and primary schools. We know that children may not have the essential skills of literacy, numeracy—and these days, probably digital skills as well. Employers require things such as problem solving, team working and empathy, which are a platform for transferrable skills. The right reverend Prelate the Bishop of Worcester referred to the interesting idea of virtue. Perhaps I have encountered it under a different word: the concept of ethics in business. We know that when it is not applied, disastrous failures have taken place.

I pay tribute to the Library for the document supplied for this debate, in which there is a mass of information. I shall cherry-pick a few bits because they are worth looking at. On health services, it states:

“Lifelong learning can enhance an individual’s capability for self-management of health (enabling healthier behaviour). The effects of lifelong learning may be seen both directly (learning to self-manage a specific illness such as diabetes for example) ... Enabling people to maintain their independence for as long as possible is an intrinsic good with financial implications for society and the economy”.

However we cut it, it is a real added value and benefit to society.

Further on, page 12 has a heading:

“Social wellbeing and crime reduction”,

and refers to Unionlearn—a great activity of trade unions. It states:

“A Unionlearn/Prison Officers’ Association project promoted health capability in prisons by focusing upon healthy living, diet and nutrition with embedded literacy, language and numeracy skills. The project aimed to improve both the current health of prisoners and their post-release prospects ... Individuals engaged in learning stand a better chance of changing their career path away from crime ... Families, especially sons, can be given the chance to escape from the cycle of crime”.

We know how important that is. We have generations of unemployed youngsters, for whom we use the unfortunate term NEET. For one reason or another, we have failed to engage these people in positive activity. Again, it is important to remember that learning should be considered not just as something that takes place when people are in their formal school years.

The “Skills Demand” section on pages 16 and 17 of the Library document is really interesting. It states:

“39% of employees across the EU as a whole have skill levels higher than that needed to do their current job”.

That could be reflected in the UK as well.

My noble friend Lord Watson called for a comprehensive look at education as part of this debate, and he is absolutely right. I am not setting up further education against higher education, but I am seriously posing the question: is it right that we pour so much money into higher education? Look at the current debt. We are talking about billions, yet so many young people come out of university lacking the skills that employers say they need, or they cannot find employment with the skills they have. I do not think we have got this right. Of course, the original aim of encouraging young people to go into higher education was laudable; it did something about social mobility. But now it is time to see whether we are focusing our resources in the right direction.

I was interested to hear mentioned two or three times in the debate that it does not really matter if there is a drop in the number of apprenticeships and that anyway, the 3 million target is dangerous: it is quantity over quality. Those warnings should be heeded by the Government. We have had examples of very poor, short-term apprenticeships. But we are being a little bit too glib if we have had a 60% drop. I would like to see it disaggregated for a start. That would be the most important thing that could be done. There are too many worrying signals coming from employers about the apprenticeship levy—not the concept itself, but how it is applied. I have said it before. I do not expect the Minister to come up with all the answers now, but I hope that we will get a report on how the levy is operating and the concerns expressed by employers.

There is a real danger of what I call the law of unintended consequences. The levy itself is a good idea, but, as one or two people have said, if we do not get more SMEs involved in apprenticeships—the number is very low at the moment—surely we will have failed. When the Government look at the take-up of the levy and the impact on SMEs, they need to come up with some answers, or we will not solve the problem.

I always listen with great interest when the noble Baroness, Lady Wolf, gives us a bit of analysis, because she has often reminded me of the law of unintended consequences on some of our previous Labour Government policies. Her point about adult apprentices is a good one. They should be at the heart of lifelong learning and at the heart of what the Government are trying to achieve. I looked at the *Industrial Strategy* today and was interested in the foreword. The Prime Minister said:

“It is not ambitious enough to have record jobs growth, unless those jobs are secure and delivering real growth in wages”.

I am sure we all welcome that. It is quite a challenge with a gig economy, but nevertheless the aim is right. Further on, the Prime Minister says that,

“this Industrial Strategy ... will help young people develop the skills they need to do the high-paid, high-skilled jobs of the future”.

As we know from this debate, it is not just about young people—we want lifelong learning.

I turned the page and looked at what Greg Clark, the Secretary of State had to say. He referred to:

“These four Grand Challenges—in artificial intelligence and big data; clean growth; the future of mobility; and meeting the needs of an ageing society”.

Certainly in that last one, which is a fundamentally important area, lifelong learning is essential. Too often caring is seen as a low skill; it is referred to as such somewhere else in one of the reports. That is part of the problem. If we are talking seriously about involving more mature sections of our workforce in caring, we ought to be changing its image as being a low-skill activity.

A number of people referred to the question of people involvement. I congratulate the Government. Having heard policies introduced in this Chamber by not only this Government but the previous one that frankly had a smack of anti-trade unionism about them, it was good to see the Government, not only in the Budget but in their approach to retraining, refer to collaboration between the CBI and the TUC. They also gave a positive mention to Unionlearn, which I referred to previously. That has been one of the most significant contributions of the trade union movement.

Overall, I welcome the *Industrial Strategy*. Of course it is not a perfect document, but it will benefit by further analysis and debate. Again, my noble friend Lord Watson has made a significant contribution in setting the context in which any industrial strategy worth its name should apply. Lifelong learning has to be an integral part of that strategy.

7.29 pm

Lord Kirkwood of Kirkhope (LD): My Lords, it is a great pleasure to contribute to this debate, and I add my congratulations to the noble Lord, Lord Watson, who has been doing an enormous amount of work on this subject. I admire him because I am still stuck in a Scottish framework of further education and adult education. He seems to have mastered the English algorithms, which takes some doing, and he demonstrated that earlier in the debate.

I cannot but agree with the noble Lord, Lord Bichard, that having only eight speakers in a debate of this strategic, long-term significance to the nation is a little disappointing. I agree with the noble Lord, Lord Watson. I think that we should collectively lobby for a longer term look, once we have had a chance to reflect on both these important documents, which have come from government today. He made a very good suggestion that we should take time—maybe before Christmas or earlier in the New Year—to look at these documents. Taken together, they are a significant piece of public policy that the House would want to come back to. The opportunity costs of Brexit are costing us dear in all sorts of ways that are hidden and not obvious.

[LORD KIRKWOOD OF KIRKHOPE]

I declare an interest in that I am a non-executive director of the Wise Group, which does job creation schemes in the north-east of England. That is in the register of interests. My interest in adult education derives almost directly from the two ad hoc committees on which I have recently served in your Lordships' House. I first served on the ad hoc Digital Skills Committee, which was an eye-opener for me, in terms of the skill and transformation that the noble Lord, Lord Bhattacharyya, reflected on. I had no idea of the positive disruptive effect on economies that digital skills can have. That was followed up a year later when I had the privilege of joining colleagues on the Financial Inclusion Committee. The inability of the ordinary, average citizen to deal with digital skills and financial scrutiny of things like bank accounts was an eye-opener. I had no idea of the extent to which the primary and secondary education system was failing a lot of our citizens to enable them to engage and take part in society.

I have spent all my time pursuing social security and social policy areas, but I have now come to the conclusion that this is basically a question of inequality. If we cannot get our adult population into a position in which they can be active, independent and engaged, as the noble Lord, Lord Bichard, said—he captured it well—we are failing our citizens. Another instructive point that the noble Lord made was that, if his employment and education report in 1998 was setting out some of those points as priorities for the nation, it reminds us that it is not what Governments say, no matter how many documents they produce, but what they do that counts. For me, this is a question of inequality, and dealing with inequality.

From my social security perspective, I formerly believed that cash transfers would provide enough for families to be able to survive and flourish in a modern economy. I have changed my mind—we need to have literacy and numeracy and digital and financial skills, and we need to give our average citizens and households the ability to look after their own health and well-being. That is obviously failing just now, considering issues with obesity, diabetes and some of these other illnesses. This is a crucial part of dealing with inequality, along with the work that we have been doing in social security.

I remind noble Lords that universal credit—I am sure that they understand this point—introduces work progression into our social protection systems in a way that it has never done before. So we need the ability to support claimants who come into universal credit who are in work but are told that they cannot stand still in the occupations and the levels of income they are on at the moment. They are required, under threat of sanction, to make work progression through into better jobs and, eventually, into careers. My ambition, from a DWP point of view, is that every job coach in every Jobcentre Plus office rolling out universal credit could guarantee an option for a client involved in work progression to have a quality adult education place.

The real challenge is in the regional disparities, as the noble Baroness, Lady Wolf, said—and I think that she is right. If we do not do something in some of these regions, nothing will get done, and it is not just a

question of productivity but of drop-out towns and regions. I took the liberty of sending a couple of *Financial Times* clippings to the ministerial office, although they may not have reached the Minister's desk yet. There has been compelling evidence from Martin Sandbu and Sarah O'Connor recently in that newspaper about the level to which some of those communities are suffering. It is not the fault of the citizens who live there. What I did not understand—I really need to learn more about it—is the effect that flows from globalisation, whereby clusters and patterns of economic activity act as magnets in cities where there are hubs, clusters, catalysts and all those other clever things. It is sucking out from some of the more regional and peripheral communities and neighbourhoods all the best young talent, who now live in cities. I suppose that is to be expected—that did not come as a great surprise. What did surprise me was the evidence that those disadvantaged areas are acting as a magnet for people who are struggling healthwise or from an education or skills point of view. So there is a double whammy—regions are losing their young talent and having to absorb medically, economically, socially and, indeed, politically, people who are struggling. You can measure that by the level of anti-depressant use. I did a pharmacy degree, and I studied these things more than most. You can tell very clearly from the map and the league table of anti-depressant prescription dispensations where those problem areas are.

My plea to the department is that we cannot just concentrate on formal qualifications and the high end. I am not saying that that is not important. People like the noble Lord, Lord Bhattacharyya, are experts on this; he is part of a world-class institution, and the Government need to recognise that and concentrate on it. I understand that, but it is equally important to look after the people who are left behind. There is evidence that is clear as anything to me that the disillusion, lack of trust and lack of hope in some of these communities, of those left behind, are expanding and increasing just as we go into a withdrawal from the European Union. We heard in the industrial strategy Statement about productivity. As a country, we are likely to be facing 10 very lean years. If it is lean just now for some of the people struggling in those remote neighbourhoods across the United Kingdom—some are in cities, but some are more peripheral, in seaside towns and the like—they will really need help. I hope that this debate will help to spur the Government on to balance the amount of resource and energy that they devote to the clusters and the hubs, as well as to the disparate areas.

The noble Lord, Lord Bichard, has a very good idea. I would support having, by next summer, what I think he called an action plan for lifelong learning, across the DWP, BEIS and the Department for Education, and involving the devolved authorities as well. That is an excellent idea, which is entirely achievable if the departments put their minds to it. We can then look at how we play the lifelong learning pilots and the digital skills for adults. The idea of lifelong accounts, which, as the noble Lord, Lord Bichard, said, have been discredited recently, is used perfectly well in other countries. All of that could be part of the mix, with an action plan by next summer which did not just focus

on the winning, successful areas—they are important—but concentrated, on the basis of natural justice, on some of the communities which are really struggling in today's circumstances and are likely to get worse unless the Government do something more.

7.41 pm

Viscount Younger of Leckie (Con): My Lords, I am grateful to the noble Lord, Lord Watson of Invergowrie, for securing this timely and wide-ranging debate. It is not dissimilar to a recent debate, on which I wound up, led by the noble Lord, Lord Knight of Weymouth. As the House may know, that focused on the future of work in the context of new technologies. I declare an interest as my background is in human resources in industry and the City, so I understand very well the importance to people of opportunities for learning and retraining throughout their working lives. The quality of the debate and contributions today reflects the deep importance that this House sees in lifelong learning and I am grateful to all Peers for their contributions.

I will start by providing a backdrop to give some context for our policies. The UK is the fifth biggest economy in the world. In 2016, the World Economic Forum placed the UK third in the world for technological readiness. There are record numbers in employment. The employment rate is 75.3%, the highest since comparable records began in 1971. However, we know that one of our greatest challenges is productivity. I was in the Chamber earlier today for an interesting debate on the link between employment levels and productivity when my noble friend Lord Henley read the Statement on the industrial strategy. The noble Lord, Lord Watson, and the noble Baroness, Lady Wolf, raised the important question of productivity. The Government are implementing policies that will help to tackle our low productivity levels and optimise the opportunity automation provides. As announced in the industrial strategy White Paper, this includes our commitment to spending 2.4% of GDP on research and development, which could increase public and private investment by as much as £80 billion over the next 10 years. We are effecting changes to our labour market to enable new ways of working. We are improving our skills systems, including the development of a new national retraining scheme to encourage lifelong learning.

What do we mean by lifelong learning? First, it means providing opportunities for progression by upskilling and reskilling to adapt to a changing labour market. I was grateful to the noble Lord, Lord Bhattacharyya, who gave a realistic view from—if I may put it this way—the front line of the Warwick Manufacturing Group. He said that the scale of reskilling is enormous. I am always interested to hear about the progress of that group and I do not forget my most interesting visit to it several years ago. Secondly, as the right reverend Prelate the Bishop of Worcester said, lifelong learning ensures that those who have underachieved academically, for whatever reason, have the chance to update their skills and increase their earnings. He also highlighted the link with self-esteem and well-being. The noble Lord, Lord Bichard, spoke about the increased enrichment of people's lives through

upskilling; he is absolutely right. Thirdly, lifelong learning enables those who have been out of work to update their skills and re-enter employment. The noble Lord, Lord Young, made an interesting and important point about prisoners and the importance of their having opportunities to maximise their skills. Hopefully, this keeps them out of prison, but if they are in there it enables them to take on a meaningful role when they get out.

However, our approach must be flexible, relevant and appropriate to benefit all in society. There are two examples. One, which has not been mentioned today, is women returning to work. The female employment rate is now 70.8%, up 18 percentage points since 1971. Another is the increasing number of older workers who will be contributing to the economy. The number of people aged 50 and over is expected to reach 30 million by 2035. Thus we have set out an ambitious programme that includes a new national retraining scheme, informed by a series of career-learning pilots; a refreshed role for apprenticeships for adults in work; a review of higher-level technical qualifications; and £5 million to support people returning to work following a break caring for children or relatives.

In last week's Budget, my right honourable friend the Chancellor made an announcement in the other place on the national retraining scheme. This will be an ambitious, far-reaching programme to address adult learning and retraining. As the noble Lord, Lord Watson, alluded to, it will be driven by a new national retraining partnership—the coming together of Government, the CBI and the TUC to set a broad strategic direction for the scheme, and to oversee its implementation. I was pleased to have this endorsed by the noble Lord, Lord Young. The scheme includes a set of sector-focused and employer-driven initiatives. Starting next year, it will target immediate skills shortages in key sectors and will be fully implemented by the end of the Parliament. There will be £64 million for schemes in the digital and construction sectors. We will give individuals the best chance to gain the skills they need to progress in work, redirect their careers and secure the higher-paid, high-skilled jobs of the future.

The noble Lord, Lord Bichard, asked whether we had in mind a national career-learning action plan. The Budget set out a clear direction for our ambitious career-learning agenda through the announcement of the national retraining scheme, as I mentioned earlier. Our initial focus on construction and digital also demonstrates commitment to supporting adults to acquire the skills which are valuable to our economy now and in the future. The historic national retraining partnership will be essential in building a lifelong learning programme that really works for businesses and employees and it will be key in guiding our approach.

Underpinning the scheme, we made a commitment in the spring Budget of up to £40 million for pilots to robustly test both supply and demand-side interventions. The pilots are exploring the most efficient and effective ways to reduce the barriers for all adult learners. The first of the career-learning pilots—the Flexible Learning Fund—was launched on 31 October. Through this fund, the Government are making available up to

[VISCOUNT YOUNGER OF LECKIE]

£10 million to support projects which design and test flexible and accessible ways of delivering learning to working adults with low or intermediate skills. I look forward to returning to the House with further details of more of our pilot schemes in due course.

Alongside the national retraining scheme, we aim to ensure that technical qualifications—the new T-levels—are accessible to adults. I am pleased that there was, generally, a warm welcome for this in the House today. The right reverend Prelate the Bishop of Worcester mentioned it in his speech. We have worked through the Sainsbury review recommendations on technical education. I thank in particular the noble Baroness, Lady Wolf, for her significant and insightful contributions to the review panel. Her work on parity of esteem has been of considerable value in forming our policy in this area. Accordingly, we will develop the T-level programme offer for adults, so that they have access to the same high-quality content as 16 to 19 year-olds, while recognising that many adult learners face different barriers to learning and addressing that as part of the programme development. We will shortly launch a public consultation about the implementation of T-levels, which will include issues around how best to adapt them for adult learners.

Age and experience should not be barriers to higher academic achievement either. The CBI reports that more than 75% of businesses expect to have more job openings for people with higher-level skills over the coming years. We are committed to extending the reform of technical education up to higher levels and are undertaking a review at levels 4 and 5—above A-level but below a degree.

The review was launched on 31 October. It will focus on how technical qualifications can better address the needs of learners and employers. The Government will consult widely with employers, education providers, learners and others with expertise in this area. The review forms part of the Government's commitment to supporting routes to higher-earning technical roles and addressing the skills needs of the economy, as outlined in the Post-16 Skills Plan.

I would now like to touch on apprenticeships. There remains among some people the view that an apprentice is a teenager with a desire to learn a career for life, but I am sure noble Lords would agree that that view is out of date. Apprenticeships can be a means for everyone seeking work-based and career-enhancing learning. The noble Lord, Lord Young, asked about flexibility in the apprenticeship levy. We want to see the levy and reformed funding system bed in before considering any substantial changes, and are clear that stability in the market is key. We will continue to monitor the impact of the levy and remain open to feedback from employers and providers on how the system is working for them, but I note very strongly the points the noble Lord made.

We are committed to making sure that apprenticeships are as accessible as possible to people of all ages and backgrounds. It is now well known that we are working on achieving the 3 million apprenticeship starts in England by 2020. We have achieved over 1.1 million new starts since 2015. This includes over 500,000 starts

by adults over the age of 25. The noble Baroness, Lady Wolf, spoke passionately about the need to ensure that adults have the best possible opportunities to undertake apprenticeships. The noble Lord, Lord Watson, spoke about the importance of ensuring that all apprenticeships are high quality and he raised a concern about the recent numbers of apprenticeship starts. I completely agree with him about the importance of high-quality apprenticeships. We are clear that apprenticeships must be real jobs with 12 months' training and with 20% of training being off the job, as he will know. All providers delivering training must be on the ESFA register. This ensures that high-quality apprenticeship training is provided for all apprentices. The apprenticeship levy is new, as I said earlier, and employers are using the 24 months available to them to take a considered and strategic approach to hiring apprentices. However, as I said earlier, we remain committed to delivering the 3 million starts by 2020, and up to the necessary quality.

As was mentioned earlier, we have been working hard on encouraging and engendering a so-called parity of esteem between further education and higher education. The Government have maintained funding for the adult education budget in cash terms at £1.5 billion for this year. The AEB funds colleges and providers to help adult learners overcome barriers which prevent them taking part in learning. This includes support for adults with a specific financial hardship and meeting the additional needs of learners with learning difficulties and disabilities. I was very interested in the speech of the noble Lord, Lord Touhig, who spoke passionately about autism and cited an example from Surrey. There are a growing number of technical and digital companies that are better set up to take on those with autism. We want to continue to encourage more companies that can better employ them with the particular skills they have. We are committed to making a difference to the lives of all disabled people. People should be able to get the support they need, whatever their health condition or disability, and that includes those with more than one condition, with fluctuating conditions and with less common or more complex conditions. As mental health conditions and musculoskeletal disorders are the most common conditions that affect participation in progress, making sure of services for people with these conditions is a key part of our programme. We will shortly publish plans to achieve our ambition of 1 million more disabled people in employment in the UK by 2027. The noble Lord, Lord Touhig, also asked questions about pilots and updates on access by disabled students. If he will forgive me, I will write to him with an update. I think there were some questions on dates and timings.

Lastly, we need to ensure that no parts of the country are left behind. That is why the first six opportunity areas are receiving a share of £72 million to implement bespoke plans, covering everything from improving early education for two year-olds, launching new maths centres to help key stage 1 pupils excel, and supporting young people during the transition into adulthood through enhanced careers support. Talking of careers, too many adult learners have lost their way because they have been offered little or irrelevant guidance. I was interested in the views of the noble

Lord, Lord Kirkwood, on this subject. Much of his speech was focused on the important subject of social mobility. He spoke not necessarily just about adults but made some passionate points about those who are often seen to be left behind. I took note of everything that he said.

The Secretary of State has confirmed that we will publish a careers strategy later this year, with a clear focus on social mobility. We are reviewing the current careers offer for people of all ages, and the proposals in the strategy will build on the best international evidence to improve the quality and coverage of careers guidance. We are investing over £70 million this year to support young people and adults to get high-quality careers provision.

The noble Lord, Lord Watson, and the noble Baroness, Lady Wolf, raised a point about the decline in part-time students at university. The Office for Fair Access has asked universities to consider the different barriers mature learners may face in accessing, succeeding in and progressing from higher education, and to consider what more can be done to attract and support part-time learners across the whole student life cycle as part of their access agreements. In response to a question from the noble Lord, Lord Watson, we acknowledge that there has been a drop in the number of part-time students, including part-time disadvantaged students, but I reassure him that the number of full-time disadvantaged students has increased overall.

I thank noble Lords once again for their expertise and contributions to this short debate. The Government have put in place a comprehensive programme of work to ensure that learners have access to inclusive—

Lord Young of Norwood Green: I apologise for disrupting the flow, but I raised the issue of the importance of apprenticeships in the care industry. It is often described as low skilled, and my point was that we need to raise the skills. I am not expecting the noble Viscount to have all the answers now but I hope he will recognise the importance of that issue.

Viscount Younger of Leckie: The noble Lord is correct and makes a very important point about carers. In fact, the subject of carers is often raised in this House. I reassure him that it is very much on our agenda. It is very important that we give the right level of support to carers and give them every opportunity to get the skills they need for their roles; I totally agree that if they need particular or extra skills, they must be given that support. I will reflect on *Hansard* afterwards and if there is a need to write to the noble Lord to give him more details about carers, I will certainly do so.

I am pleased that on the day we published the industrial strategy White Paper, we have had the opportunity to debate this important topic, for which I again thank the noble Lord, Lord Watson. We now need to provide all adults with the opportunity for a lifetime of learning to meet the challenges and seize the opportunities before us.

7.58 pm

Lord Watson of Invergowrie: My Lords, I thank all noble Lords who have contributed to this fine debate. There is an old saying that we go for quality, not

quantity. The quantity has not been great but the quality certainly has been of all the contributions in this debate.

I reinforce a point I made in my opening remarks that was picked up by the noble Lord, Lord Kirkwood—namely, I think we will need to come back to these issues fairly soon. I suggest that we bracket both the industrial strategy and the other paper, *Future of Skills & Lifelong Learning*, published today by the Government Office of Science, because they clearly have a lot in common. We could do with an opportunity to have a longer debate with more noble Lords being given longer than just a few days' notice, as happened with this debate, as was inevitably the case because of the way in which it developed. I again thank all noble Lords.

My noble friend Lord Bhattacharyya, whose experience is remarkable and who certainly brings a great deal of weight to this debate, says that the scale of reskilling is enormous, and I think that that sets the parameters for the debate—and, indeed, it is. The noble Baroness, Lady Wolf, was quite right to highlight the fact, as did some other noble Lords, that apprenticeships are key. I throw her quote back at her—I hope I have got it right—“If we do not get apprenticeships right, we will not have success in improving skills”. I fundamentally agree with that. She also said that the high quality of adult apprenticeships should be at the centre of the industrial strategy, and I am very much behind that as well.

The right reverend Prelate the Bishop of Worcester made an important point when he said that young people will need several careers, as they face a much longer working life than their parents or grandparents had. It seems that not all employers are yet fully aware of that; to some, age is still a disincentive to employment. Reskilling and retraining more than once in any working life will become second nature—it will certainly need to be. He also made a point about the access of adults to T-levels, which, as the Minister just said, is widely accepted and necessary.

I pay tribute to my noble friend Lord Touhig for the work he does and the comments he made about those on the autism spectrum. Earlier this month I met with the National Autistic Society to talk about a broad range of issues; what an impressive organisation it is in the work it does and its ability to spread knowledge and awareness of the needs of people on the autism spectrum. Of course, the same applies to many with other conditions as well. My noble friend's point about stepping stones into a job is important. I will certainly do what I can to advance that in terms of my remit, as it is important that people have the opportunity. The figures he quoted on the percentage of those on the autism spectrum who are in employment are quite worrying and surely can be increased.

I bow to the noble Lord, Lord Bichard, in relation to his experience in helping to deliver lifelong learning. I was struck by the point that he made—that lifelong learning is not just about employability, it is about the quality of life. Of course it is. He also regretted the decoupling of education and employment, if I picked him up correctly. I can see what he means, although I do not think it is unlikely to be reversed any time soon.

[LORD WATSON OF INVERGOWRIE]

However, I noted that immediately prior to this debate, the noble Lord, Lord Henley, speaking on the Statement on the industrial strategy, talked about ending the silo mentality in seeking to deliver that strategy. I very much hope the Government will follow through on that. However, as the noble Lord, Lord Bichard, will know from experience, that is often easier to talk about than to deliver—there are often even departmental rivalries. But I hope that given the comments made by the noble Lord, Lord Henley, the Government will work to overcome that. I may have missed this in the Minister's remarks—I apologise to him if I did—but the noble Lord, Lord Bichard, suggested that an action plan should be produced on lifelong learning, partly in response to the industrial strategy. I am not sure whether the Minister responded to that but, if he did not, I think that such a plan would be a very good idea and I urge him to consider one.

My noble friend Lord Young has a great deal of experience in skills and employability. He highlighted an interesting point on the disparity in funding between higher and further education. I think that that is a problem and has been for many years. As I said in my earlier comments, funding for further education colleges has been hit harder than funding for any other sector of education over the past 10 years. I hope there will be some refocusing of resources to fit the Government's stated intention of ensuring that people get qualifications and skills that are relevant to the needs of the economy. As many have stated, that is often not the case now. To simply get a university degree—I would never disparage that in any sense; there is always something positive in it—may not necessarily tailor people for the needs of the economy now and in the immediate future.

The noble Lord, Lord Kirkwood, commented on the fact that all my education was gained in Scotland, while now I have responsibility for education in England. I can tell him that after more than two years in the job I am still very much on a learning curve. However, I am now domiciled in London and have the benefit of having a son in school in London, so I am getting day-to-day updates on the English education system, which, as the noble Lord will know, is in many ways quite different from that in Scotland. The noble Lord talked of inequality, which is an important issue, and we talk about social mobility. The question of inequality is in many ways the thread that runs through what we have been discussing for the past hour and half. In allocating resources for training and retraining for employment opportunities, it is very much the case that a good education will almost always be the gateway to employment, and those who do not have that—perhaps from disadvantaged communities—do not have the chance to get into the workforce in the first place, far less retrain and refocus their employability. We need to bear that in mind. I therefore very much welcome the Minister's comment that the Government are to publish a careers strategy early next year—or sometime next year; there is not much time left in this one—with an emphasis on social mobility. That is to be welcomed.

Finally, to some extent repeating a point I made earlier, a prosperous learning and earning higher education sector is needed now more than ever, not only because it increases productivity and regional skills but because

it promotes social mobility. The Government should facilitate a system for adults that encourages that lifelong learning and tackles the basic skills, because the economic success of our country in the years ahead undoubtedly depends upon it.

Motion agreed.

Exports: Africa and the Commonwealth

Question for Short Debate

8.06 pm

Asked by Lord Popat

To ask Her Majesty's Government what progress they are making in increasing the export of goods and services to Africa and the Commonwealth.

Lord Popat (Con): My Lords, it is a privilege to open today's debate on what is my biggest political passion and a subject of great importance. I am grateful to all noble Lords who are bringing their expertise and opinions to today's debate, and on behalf of all of us I welcome my noble friend Lady Fairhead to the Front Bench. She brings with her decades of private sector experience, as well as a background as a business ambassador for the then UKTI and her time at the BBC. She is a very welcome addition to our ministerial team, and I have no doubt that she will rise to the challenge of making her maiden speech today while responding for the first time to a debate as a Minister.

Before I delve into the economic potential of Africa and the Commonwealth, I will briefly explain why this debate is so important. Britain has run a balance of payments deficit for decades. Quite simply, we do not export enough to pay for our imports. This is neither desirable nor sustainable, yet it receives very little attention or coverage outside of your Lordships' House. Last year, Britain voted to leave the European Union. While I supported remaining at the time, I have come to see that decision as an invaluable moment for our country; it has, I hope, allowed us to wake up and reassess many aspects of our economic set-up, including how pitiful we have become at exporting, especially exporting outside the European Union. Our EU membership has resulted in a form of paralysis; far from making us free-trading global entrepreneurs, it has—with a few exceptions—made our businesses insular, complacent and risk-averse.

Possibly the greatest victim of our insular approach has been the great continent of Africa. Only a few decades ago, Britain could boast of having 25% of total trade with Africa; now it is barely 4%. It continues even now, as we sit idly by, as our leading brands like British Airways and Barclays Bank depart Africa to focus elsewhere. We often speak of emerging markets in this House, and given that I was born in Uganda I may be biased, but I believe that Africa is the emerging continent. Democracy is becoming more firmly established across the continent; six of the 10 fastest-growing economies in the world are there; it has some of the most innovative and largest cities, 52 of which now have a population of over 1 million; and Africa is home to a third of the world's natural resources.

Africa is a continent with a wonderfully bright future, yet we hear so little of that in Britain. Perhaps we have some form of post-colonial guilt that prevents us seeing the rising success in Africa, or perhaps the images of Band Aid are still too prevalent in our minds. Whatever the reason, not only are we failing to recognise the amazing improvements that have helped Africa develop, but we are also failing to wake up to the commercial opportunities that are there for British firms.

Last week, I led a delegation of 16 businesses in the oil and gas sector to Uganda. Two of the British companies, Fluor and CB&I, have been shortlisted to build a major oil pipeline to the value of just over \$2 billion. This week, the Ugandan Parliament will approve a loan of £315 million for a British company, Colas Ltd, to build an international airport in Uganda. This is the largest UK Export Finance loan to Africa. Those examples show the tremendous opportunities there are in Africa if only we spread our wings.

I should now like to touch briefly on the Commonwealth. Again, it is clear to me in hindsight that our membership of the European Union was detrimental to the Commonwealth. This amazing group of nations that has been so brilliantly led and held together by Her Majesty the Queen has not been a central part of our foreign policy for decades. Similarly, the Commonwealth itself has lacked a real purpose. Perhaps it is difficult for those born in this country to understand quite how powerful the Commonwealth is. The sense of identity that it gives those of us born in other member nations and the strength of the ties that bind us together are things that perhaps only others can appreciate. However, the Commonwealth remains a vital part of Britain's soft power. As my noble friend Lord Howell has often said, the Commonwealth is our family.

These unique nations are getting together in London next year for a Commonwealth Heads of Government Meeting. Our Prime Minister has spoken of Britain becoming a leading advocate for free trade, and I urge the Government and the Commonwealth Secretariat to take their lead from her comments and to put trade at the heart of next year's proceedings. It is the one subject in which all the nations have an interest and a desire to see improvements. Another summit that revolves around human rights or the Commonwealth charter will, predictably, end up in disagreement, so let us try a different approach and make the Commonwealth of the 21st century the champion of trade. I am pleased to say that my noble friend Lord Marland made a great start earlier this year by leading a brilliant initiative—the Commonwealth Trade Ministers' meeting. I hope that he will continue that momentum during the CHOGM meeting.

I will come in a moment to a few suggestions on what we need to do to increase our exports to Africa and the Commonwealth, but I want to make one additional Brexit-related comment. As I intimated earlier, I believe that Brexit is an opportunity to remould our economic make-up into something more global, export orientated and, ultimately, more prosperous. Making a success of Brexit is as much about realising where we have been going wrong for the past 30 years and acting on those realisations as it is about maintaining

the bits of EU membership that we liked. However, there is an additional reason why I think that today's debate is timely and it is a factor that I do not think has previously been present—namely, the political will to make Britain a nation of global entrepreneurs again. We need to put more energy into making this happen.

Previous Governments have been happy to let our global ties slip in favour of a more European and domestic-focused economy, yet this current Government seem to grasp the argument that I, and many others, have been making—that the real economic prosperity is elsewhere. The creation of the Department for International Trade is perhaps the best political decision taken in this country in decades. It is a clarion call that demands action and an acknowledgement that we need to be better at creating the right conditions and relationships to foster trade. Similarly, the appointment of trade envoys to a diverse range of markets is very welcome. Those things, together with the huge increase in support for UK Export Finance that the Chancellor set out last year, all point towards a Government who realise that we need to get back in the game.

In the brief time that I have remaining, I would like to set out a few areas where I feel that the Government need to act to improve our competitive strengths in the world market. First, we need a national mission to encourage more businesses, particularly our SMEs, to export more. We cannot rely on those companies that already export to send more abroad; we need new exporters and lots of them.

Secondly, we need to build the infrastructure so that we can deliver our goods to foreign markets. Our aviation policy is the first place to start. It is a national embarrassment that we still have no additional runways at Heathrow or Gatwick. How can we build links with emerging markets in Africa if we cannot even arrange direct flights from our capital city?

Thirdly, to help us meet this huge appetite for new infrastructure investment in the Commonwealth, I would like to propose what I have mentioned in your Lordships' House before: the introduction of a Commonwealth bank that would demonstrate our commitment to our family, showing that Britain is still an outward-looking trading nation. We already have a World Bank and a European bank, so why not a Commonwealth bank—something like the Asian Infrastructure Investment Bank, of which Britain is a founding member? Will the Minister commit to exploring the idea before next year's Commonwealth Heads of Government Meeting?

Finally, we need a commitment from all the main political parties to make exporting a central part of their time in government. At the moment, we are lucky to have an outstanding Secretary of State for International Trade, Dr Liam Fox, in post, who has an evangelical belief in the power and importance of trade, but too few politicians share his zeal and we cannot risk the good work of one Government or Minister being undermined by their replacements.

I end by saying that this debate speaks to the greatest challenge of our age and to what kind of country post-Brexit Britain will be. I look forward to hearing noble Lords' contributions and, of course, the Minister's maiden speech.

8.17 pm

Lord Howell of Guildford (Con): My Lords, I thank my noble friend Lord Popat for promoting this debate and for his excellent opening speech. I look forward to the maiden speech of my noble friend Lady Fairhead. She will not only be making her maiden speech but speaking for the Government, and no doubt will tell us all the things the Government will be doing in this area—which is quite a lot.

It is a lot more than in the past because, as my noble friend Lord Popat, has reminded us, next spring, in the middle of April, Her Majesty's Government will be holding an enormous conference of the 52 nations of the Commonwealth—there may be more by then—and arranging a gathering, to which the Queen will give her welcome at Buckingham Palace and Windsor Castle, on a scale that has not been replicated for many years. There has been a vast change in the emphasis and interest of Whitehall, the Government and policy-making circles about the Commonwealth recently. To give a statistic: the Foreign and Commonwealth Office used to have a brave unit of about six to seven people looking after the Commonwealth, struggling over the years and not getting much interest, and now there are more than 60 officials working in the Cabinet Office and a special unit directly under the Prime Minister, in preparation not only for the summit but for a vast expansion of bilateral links with the Commonwealth network throughout the world.

This has all taken a long time. Twenty-two years ago some of us put forward a report in the House of Commons saying that the Commonwealth was going to be the new thing; that the general view that it was of the past was wrong; that it was full of potential; that the great new markets of the world would link up with the Commonwealth; and that we should put it at forefront of our thinking. No one took the slightest notice in those days—it fell on completely fallow ground—and the media were deeply uninterested. The late 1990s was a low point in interest in the Commonwealth.

Why has it changed, as it has, in the past year or two? Obviously the Brexit story has wakened a lot of minds to the potential of the Commonwealth and the realisation that it is where the great new markets will lie. Also, the simple fact is that trade with the Commonwealth over the past 20 or 30 years, particularly with Africa, has been rather small. It was falling from the much higher levels of the post-war years to very low levels—and small trade means small interest. The statistics are rather minimal: 9% or 10% of our total trade was with the Commonwealth, and considerably less with Africa.

My message this evening is simply: do not look at the trade statistics, look at the trends. The trends are moving very fast indeed and unless we keep up with them, we will find ourselves badly wrong-footed. The trends point strongly all the way to the Government's correctness in being more interested by the day in the Commonwealth network and in seeing the Commonwealth as part of our UK policy in the future rather than as a sideshow.

Why? There are six reasons. First, the Commonwealth turns out to be, in this age of connectivity, a gigantic transmission engine of our soft power—which is

considerable, which we have not applied nearly effectively enough and which we can now deploy much more effectively.

Secondly, there is the Commonwealth network—and it is a network. It is not a matter of bilateral links between Britain and 52 countries but a network between 52 countries, which adds up to about 1,376 different network connections. It is a gateway to the new markets of Asia and Africa and to the supply chains that have now developed in the digital age. These are completely different from the trade patterns of even 20 years ago. They wind through Africa, Latin America and Asia; we are a part of them and Africa is increasingly becoming a part.

Thirdly, the trend is towards services. We live in a gigantic service economy. Knowledge and data transmission products dominate world trade, earning, according to McKinsey, more resources and returns than physical trade by containers, railways and so on. There is a huge change there. What is the best transmission mechanism for services? The English language is a wonderful incentive and a fertile ground for expansion of services, and that is what we will see not only in Africa but in other parts of the Commonwealth as well. That is where our service trade will prosper most.

Fourthly, there is its connectivity. Contrary to the mythology of Africa—that it is backward, moving slowly and so on—it is alive with developments in mobile technology. Kenya is one of the most advanced countries in the world in that, as is South Africa. The mobile telephone, the iPad and the world wide web have brought about a total transformation of the African economies. Our supplies of equipment, knowledge, communication and technology are very important and growing more so in that area. We will do increasingly well the more we concentrate on it.

Fifthly, there is the China factor. This does not much feature in a lot of the briefing I have seen for this debate, but everyone is interested in trade with China. China is deeply involved in almost every economy in Africa and we have to work alongside China and, in many cases, have a triangular relationship with it when developing joint projects in a way that we would never have dreamed of doing in the past. This is the new pattern of the future. China and to some extent India are both deeply involved in Africa, so we have to be involved with China and India to be effectively involved in Africa.

Sixthly, the simple fact is that Africa is expanding. It is heading for a population of 400 million people by 2025 or 2030, so it is a colossal new market and one in which we would be very foolish to be running behind; we have to run ahead. We have this marvellous instrument of the Commonwealth network, which, although neglected for years, we can now pick up and use to connect with the 19 African countries that are members of the Commonwealth and, of course, their neighbours, two or three of which are looking over the wall into Rwanda and other successful economies and saying, "Why can we not join the club as well?"

I shall say a final word in my eight minutes on the scene in Zimbabwe. It is a gigantic country that is miserably run down and has been misruled over the years. Nevertheless, the nation has maintained real

educational excellence. How the Zimbabweans have done it amid all that deprivation I do not know, but it is an amazing achievement. The Zimbabweans are the best educated people in Africa, and that is where we can help. In due course, when things settle down, and if they go the right way with democracy developing in the country, I should like to see Zimbabwe apply to rejoin the Commonwealth, of which it was once a member. I hope that it does so when the time is ripe. In the meantime, if we really want to help—not to interfere but to help—it will be through educational support, technology, research and the soft power developments, on which we can do an enormous amount. In that way we can help this great country to return to the prosperity it deserves and which it can certainly achieve. This is a fascinating scene and it is one more area where we need to be ahead of the curve, rather than behind it. We should not look at the statistics of the past, which are miserable, but at the trends of the future, which are extremely exciting.

8.25 pm

Viscount Waverley (CB): My Lords, I offer a warm welcome to the Minister and should let her know that we are here to help—although on occasion it might not seem so. I congratulate, too, the noble Lord, Lord Popat, on securing this debate. One of the great joys in life is waking up to an African dawn.

Notwithstanding the continued march of globalism, cross-border global trade remains plagued by multiple barriers. These impede economic development in emerging economies, and particularly in small and medium-sized enterprises which take disproportionately little in world trade. The challenge has to be to address the factors that inhibit or prevent SMEs from exporting. A number of overarching principles ought to be considered central to increasing cross-border trade. These include targeting policy, especially towards SMEs and emerging markets, constructing policies in consultation with key stakeholders, growing an export culture, and raising international ambition, particularly through government briefings, school education, the improved teaching of modern languages and advisory services. I would encourage the Minister to have her team examine, if it is not already doing so, the range of existing policies and best practices from around the world, particularly on the challenge of removing informational asymmetries between market participants.

Trade is a multidimensional process that is based on four primary pillars: logistics, commerce, finance and insurance. But there is little linking within global value chains. More importantly, while the world is digitising many of its processes, this is being done in piecemeal fashion. Much of the progress to date has been between business and consumers, with relatively little from business to business. The core element, logistics, is the weakest link. The logistics industry as a whole is generally fragmented and inefficient. While some individual companies' logistics are digitised—for example, the likes of FedEx and DHL—this has generally been done only vertically within each large company or has been limited to specific tiers within a supply chain. A horizontally integrated world trade digital economy platform would bring considerable benefits.

The digitisation and integration of these four elements, underpinned by a multidimensional platform, would bring efficiency gains, substantial reductions in the cost of trade and an expansion in the volume of world trade. The economic, social and developmental benefits globally, in particular for SMEs in emerging economies, would be significant. Such a platform would also include the de-risking of the business process, the improved provision of trade finance and insurance, the creation of new jobs, increased cargo security, reduced fraud and tax evasion, including VAT, expedited disaster relief responses and increased post-harvest yield and strengthened contaminated food containment. This would offer increased buying power in middle and lower-income countries, which could then buy our high-value goods and services.

I have been briefed on the technology of the public/private partnership Global Coalition of Efficient Logistics, GCEL, which has already been proved in practice. The first pilot test involving complex supply chains was across the US/Canada border, one of the world's busiest land borders. The first benchmark trade lane is in the process of being deployed between China, Japan and Indonesia, at the request of their Governments. In addition, Asia-Pacific Economic Cooperation leaders have recently signed a memorandum of understanding for GCEL to digitise the operation of ports throughout the APEC region.

This trade digital economy platform technology could be an additional way to cement relationships within the Commonwealth and pan-Africa. The upcoming CHOGM, which we all look forward to—we wish the Government the best and welcome all our friends from around the world—could afford an opportunity for the UK to introduce a pioneering initiative of substance as a partner nation. I have no doubt that many small nations would take an interest.

Being innovative and achieving more with less is key to strengthening the UK's position in tomorrow's world. The UK is enviably well placed to spearhead and pioneer global development of the new digital economy, with our core skills and qualities of IT, innovation, finance, insurance, an educated workforce, a stable population, and the rule of law. However, we need to get a move on in readiness for the challenges and opportunities that will shortly be upon us.

8.31 pm

Lord Risby (Con): My Lords, I thank my noble friend Lord Popat for so effectively introducing the debate this evening. It is so timely. As we leave the EU, it is absolutely necessary that we forge new relationships with countries abroad. My noble friend is, like me, one of the Prime Minister's trade envoys. He brings immense experience of the real world of business that is so valued in his role.

It is also a profound pleasure to welcome my noble friend the Minister to the Front Bench. She brings to your Lordships' House immense professional experience. We greatly look forward to her contributions to our debates and discussions, born of her considerable professional experience, and, of course, to her maiden speech this evening.

[LORD RISBY]

There are 28 Prime Minister's trade envoys across the party divides and in both Houses of Parliament. Indeed, it is an honour and privilege to be one of them, in my case in Africa, specifically Algeria. In the five years I have undertaken this role I have seen a much greater drive to make our exports more coherent and efficient, but, as my noble friend Lord Popt observed, we continue to run a trade imbalance.

In trying to remedy this, and simply as an example of real life, I will touch on our commercial activities in Algeria. Very well-known energy-related companies have been operating there for years, such as BP and Petrofac. Of BP's five major international projects, two are in Algeria. In addition, there is at hand and on offer British experience on renewables and our unique experience in the North Sea. But the dramatic fall in the price of petrol and oil was a wake-up call for Algeria. This is now a reason for it to want to diversify its economy. Indeed, that is exactly the advice the IMF gave it: to increase fiscal revenues from non-hydrocarbon sources.

There is one area of our national life where we are simply the world's best. No country—this applies to a number of African countries—can fully realise its potential without a fully functioning financial sector. In October, the Lord Mayor of London generously threw open Mansion House to welcome the Algerian Minister of Finance and his highly professional team to a conference identifying key areas for financial innovation and reform. Specific visits were made to the London Stock Exchange, with its excellent outreach programme, Lloyd's and Tech City. As a result, three weeks later, we together in Algiers identified key areas such as stock exchange development, Islamic finance, which is of growing importance, and regulatory reform proposals. That was a very important moment in our exemplary bilateral relationship. No other country in Europe can offer what we do in this key area for any country that wishes to develop and have a more sophisticated economic base.

Another area where we can offer the highest-quality guidance and state-of-the-art technology is the defence sector. I thank the DSO for its drive and skill, which I saw in action recently when 20 British companies engaged with their Algerian counterparts. So many countries, not least in Africa, realistically face threats from terrorism and cyberwarfare, and they often have porous borders. I see all the time outstanding companies, such as Rolls-Royce and BAE Systems, offering the highest-quality solutions to those challenges, as do so many smaller, specialised companies. The expansion of UK Export Finance is welcome and has enhanced our capacity to provide financial support. I applaud the Secretary of State for advancing so dynamically the interests of small and medium-sized companies. Our start-up rate, particularly in digital and communications technology, is outstanding. In this country, we have developed fiscal and employment incentives and know-how we can readily share with business partners abroad. Tech City is a shining example to the world; it is open and welcoming.

However, it is worth making some other observations. In our efforts to promote British goods and services, we need to reflect on the additional pressure that it is

putting on our embassies abroad. As the Prime Minister's trade envoy, I see what it adds to the embassies' workload. There is a debate to be had about the size and scope of our overseas aid budget, but I point out the disproportionality of our commitment to foreign aid relative to the funding and proper staffing of our embassies, which respond magnificently in my experience, despite the far more comprehensive funding of embassies and trade personnel by our trade rivals.

In addition, over the years our visa-granting system has become centralised. For Africa, it is in Johannesburg, with much reduced flexibility being given to our ambassadors. This has led to excruciating and sometimes embarrassing delays in granting visas, if at all, to key individuals who are important to us in promoting trade and in political partnerships. This issue needs to be revisited.

Penultimately, I pay fulsome tribute to my noble friend Lord Howell, who has unrivalled understanding of the world at large and who so effectively champions the cause of the Commonwealth and its potential. There are many countries, such as Algeria, that would like to have associate status—something I have raised with the Secretary-General of the Commonwealth—which would add to the force and influence of the Commonwealth, which is a compelling international asset for all its members.

I also applaud the significant energy and efforts of my noble friend Lord Marland. All African countries have enormous young populations who easily grasp modern technologies. We can and should do more to assist in training programmes and in encouraging the right fiscal framework to stimulate new business activity. We have the major asset of the English language—the language of modern-day expression and communication.

With the excellent back-up I have received from DIT and the Foreign Office, the brilliance of UK goods and services is now becoming much more recognised. The opportunities for us in Africa are enormous, and I am proud that we are increasingly seizing the opportunity to engage and encourage British businesses to exploit the considerable market opportunities there.

8.39 pm

Lord Taylor of Warwick (Non-Aff): My Lords, I too thank the noble Lord, Lord Popt, for securing this timely debate. I warmly welcome the Minister to her post and I am confident that the House will benefit greatly from her skills.

In 1974 a choir of schoolchildren sang a song called "Join Together" at the Commonwealth Games. The song became popular all over the world for its powerful lyrics. Noble Lords may be relieved to hear that I will not attempt to sing the song—I can sing it if you wish. No, perhaps not, but the chorus went:

And people, black and white, will come
from all parts of the world ...
We'll get to know them well
And hope that in the future
Our relationships will tell

This 1970s song was full of excitement and expectation that the bond expressed by the Commonwealth Games would be not only in sports but in other relationships, such as trade. Nearly 45 years later, the sad truth

is that that has not happened. We as a nation have been distracted by the dazzling headlights of the European Union. Leaving the EU through Brexit gives us a real opportunity to expand our trading policy and rekindle our relationships with other nations of the Commonwealth. This is essential because there are compelling facts about the Commonwealth that are worth emphasising. Trade in goods within the Commonwealth is now worth about £250 billion each year to its members and is projected to be worth nearly £1 trillion by 2020. However, according to the latest available figures, only 9% of total UK exports go to the Commonwealth, compared to 44% to the EU. The EU also accounts for 53% of UK imports, compared to a miserly 8% from the Commonwealth. More than a third of Commonwealth members are African nations, including giant economies such as South Africa and Nigeria, yet UK exports to Africa remain extremely low compared with EU trading. Exports to Germany are more than five times that of UK exports to all 18 African Commonwealth nations.

However, more than the facts, the Commonwealth is a family. It shares a number of benefits, such as the English language, the rule of law, education, parliamentary democracy and Queen Elizabeth as sovereign. With such poor trading figures, is this how we treat family? Surely not. My father came to Britain in the late 1940s after serving as a sergeant in the British Eighth Army in the Second World War. As a Jamaican, he was a member of the Commonwealth and in coming to England he did not see himself as travelling to foreign parts but coming home to the motherland. From the Caribbean, his first stop was LA. That sounds glamorous, but LA was in fact lower Acton in west London. Eventually, he found his paradise: a bedsit room off the Paradise ring road near the gasworks in Birmingham. His big break came when he was signed to play professional cricket for Warwickshire. He was used to tropical rainstorms interrupting play, but on his debut for the county he had the experience of playing cricket during snowfall, which he had never seen before. Despite the shock of his hypothermia and mild frostbite this was the beginning of a very happy 20-year career with the club. His story, and that of many immigrants to Britain from the rest of the Commonwealth, builds upon that concept of family, which we have to keep emphasising.

In Britain, as in other Commonwealth countries, Christian and other faith communities are networks of leadership and expertise. I have been involved with several of them for some decades, but I have yet to see a true partnership between government and the Commonwealth faith groups in addressing the vital issue of trade. In Britain alone there are more than 5,000 black-majority churches. Black churches attract thousands of people to each service, week by week. Those who go to these churches are mainly from Africa and the Caribbean. I have had the honour of being a keynote speaker at many of these churches, including at a major congress in Lagos, Nigeria. The audience present was more than one million people and many more watching on cable television. The vice-president of Nigeria is a member of that Church, so just imagine the leadership potential. Just over a year ago it made me an elder of its worldwide network. Some of the young leaders of that Church have been

trained through the Warwick Leadership Academy, which I started some years ago. Many of the members of these faith groups are highly skilled professionals. They are part of a wider Commonwealth diaspora, living and working in Britain, and have been waiting in the wings for too long to help with issues such as trade. Will the Minister please indicate whether the Government have a strategy to embrace the untapped contribution of Commonwealth faith groups?

The issue of identity and belonging to the Commonwealth family is vital but it needs a fresh vision. There are opportunities. I certainly agree with the noble Lord, Lord Popat, that there should be a Commonwealth bank. We have a World Bank and a European bank, so why not a Commonwealth bank? Why not a Commonwealth university to further promote education across a region where almost half of the people are under 25? This is especially relevant on the day that the Government launched their industrial strategy, which will require a highly skilled workforce, including those travelling here from abroad. In this context, why not a Commonwealth passport? The Government's news release today was somewhat overshadowed by the announcement of an engagement between a young couple I believe named Harry and Meghan from Kensington. I am delighted that Prince Harry is following my example in marrying a beautiful and brilliant American lady, as I did with Lady Taylor. Having worked for the BBC for some years, I have seen from the inside the role that the media play. The European Union has its own newspaper and the Euronews TV channel, so why not a Commonwealth newspaper and a Commonwealth TV channel? Those outlets would be powerful tools to strengthen the ties within the Commonwealth.

We all recognise the visionary leadership of Nelson Mandela. When Mr Mandela was President of South Africa, he came to London and I was privileged to have lunch with him. We discussed at length the concept of the united states of Africa. There are 18 African nations in the Commonwealth but the UK does not have trade envoys for 10 of them; nor are there any for the entire Caribbean Commonwealth region. This is not right, in my view, bearing in mind the UK's strong ties with the Caribbean. I had the honour some years ago of being invited to open the Jamaican expo at Olympia with the Jamaican high commissioner. My theme that day was that Jamaica is open for business, and it still is.

We are all children of the Commonwealth. We may have come over in different ships but we are all in the same boat now. For too long trade with Africa and the Commonwealth has been overshadowed by our focus on the European Union. Brexit will not end but mend our trading links, by strengthening them around the world. Our trade with Africa and the Commonwealth has to be turned from lacklustre to robust. We are a great trading nation but we can be even greater. It is not too late to be what we might have been.

8.47 pm

Lord Sheikh (Con): My Lords, I congratulate my noble friend Lord Popat on securing this debate and on his excellent speech. I also welcome my noble friend the Minister to her new role on the Front Bench.

[LORD SHEIKH]

I was born and brought up in east Africa. I am a strong supporter of the Commonwealth and the African countries. I have visited a number of countries overseas and know their ambassadors and high commissioners in London. I have also met members of their diaspora in the United Kingdom.

I have spoken in your Lordships' House several times previously on various aspects of trade with the Commonwealth and the African countries. Today, I will talk specifically about the Islamic finance market in the United Kingdom and the opportunities to promote this in the Commonwealth and the African countries.

I declare an interest as the co-chair of the All-Party Parliamentary Group on Islamic Finance. My background is in financial services and I have a long and strong connection with the City of London. In fact, my full title is Baron Sheikh, of Cornhill in the City of London. The APPG is a robust body and enjoys strong cross-party support in both Houses of Parliament.

The UK has the largest Islamic finance industry outside the Muslim world. We have five fully sharia-compliant licensed banks and 20 banks offering Islamic finance services. We were the first western nation to secure a sovereign sukuk. The net assets of Islamic funds in the UK are \$728 million, and 65 sukuks issued at \$48 billion have been listed on the London Stock Exchange.

The global market for Islamic financial assets grew by 7% last year and it stood at \$2.3 trillion at the end of December 2016. With global Muslim population numbers expected to rise from 1.6 billion in 2010 to 2.8 billion in 2050, the demand for Islamic finance products and instruments will indeed continue to grow.

Islamic finance is also an attractive proposition for non-Muslim consumers who wish to have a more ethical form of finance. Although penetration of the industry as a whole is low, the levels of public awareness and understanding of Islamic financial products and services are increasing. I believe that there are still considerable opportunities to develop and grow Islamic finance in Muslim and non-Muslim countries, particularly across Africa and the Commonwealth.

The APPG on Islamic Finance aims to promote the understanding and development of Islamic finance in the UK as well as in overseas countries. The UK has been providing Islamic financial services for more than 40 years, while government policy over the last decade has created a fiscal and regulatory framework that encourages the growth of Islamic finance.

Services in the UK are offered by financial intermediaries, asset managers, insurance providers and more than 30 international law, accountancy and consultancy firms. A number of them attended the stakeholders meeting that I will refer to later. The UK is the leading centre of Islamic finance education training, with four professional institutions and nearly 70 universities and business schools offering Islamic finance courses and degrees.

The APPG believes that, by harnessing our status as the leading western hub, Islamic finance can offer a great way to build new relationships and access new overseas markets. This is particularly important post Brexit. As the global market for Islamic finance expands,

UK organisations and institutions are well placed to help develop, support and optimise Islamic finance frameworks within the emerging sectoral markets where there is growing domestic demand.

This very point was made at the dinner that the APPG recently hosted in London for 30 guests. They represented around 16 countries and were visiting London for the Global Islamic Finance and Investment Group, which is an important platform to discuss the global opportunities and barriers facing Islamic finance. We can certainly play a role in this regard.

Last week, the APPG held its inaugural stakeholders meeting, which was attended by 30 Islamic finance practitioners. The discussion addressed the very matter of exporting our Islamic finance capability, and there was a desire among the stakeholders to be more involved in overseas activities. I believe the time is now right to better understand the global demand and develop a UK proposition that meets this need.

DfID can play a greater role in achieving this objective. I had a meeting with DfID about three weeks ago to discuss the matter, and we were pleased that DfID attended last week's stakeholders meeting. It has a growing interest in Islamic finance from a financial inclusion and development perspective. We welcomed DfID's suggestion of working with the APPG and the stakeholders to develop export opportunities for the UK Islamic finance sector.

In conclusion, I believe that our domestic capabilities, coupled with the growing demand for Islamic finance in Africa and Commonwealth countries, present a great opportunity for the UK to export its expertise in this area. I request that the Government, regulators and our Islamic finance industry work together to showcase our capability in Islamic finance at a global level.

What are my noble friend's views on the export of Islamic finance activities, and would she would be willing to work with the APPG and the stakeholders to promote these activities?

8.56 pm

Lord Bilimoria (CB): My Lords, the EU as a bloc is the UK's largest trading partner by far. In 2016, it accounted for 43% of UK exports of goods and services and 54% of imports. Among individual countries, the United States is of course by far the biggest trading partner, with 18% of the total, and Germany comes second, with £49 billion. Ten of the UK's top 25 export markets in 2016 were European Union member states, as were 13 of the top 25 countries from which the UK imports. Trade with China is growing, as it is with India, while the Commonwealth accounts for just 10% of the UK's trade.

The elephant in the room in this whole debate is Brexit, which causes huge uncertainty. There is absolutely no expectation that there will be ready-to-sign deals on the table by March 2019. The devil is in the detail, and we are in dreamland if we think that it is going to happen. I thank the noble Lord, Lord Popat, for initiating the debate and congratulate him on the wonderful work that he does as our envoy. Look at what he has achieved in Uganda, leading the delegation

just now and securing \$2 billion-worth of deals and \$350 million for the new airport. I also welcome the noble Baroness, Lady Fairhead, whom I have known for many years, and wish her all the very best in her extremely important role for our country.

Comments have been made that we have ignored the Commonwealth in the past and will now be able to go and trade with it in the future. Well, the only Commonwealth country to enjoy a free trade agreement with the EU so far is South Africa. However, there are other free trade agreements between the EU and 32 Commonwealth countries waiting to be adopted. Various claims have been made about partners in the Commonwealth. The continent of Africa is home to the largest number of Commonwealth members, so the noble Lord, Lord Papat, is right to initiate this debate. There are all sorts of deals and special relationships between the EU and the African, Caribbean and Pacific group of states, the ACP. There are deals known as economic partnership agreements, or EPAs, while there are others that make use of unilateral duty-free access to the EU market under a scheme called Everything but Arms.

All this is the reality, as opposed to any British allegiance to Commonwealth countries. On leaving the EU, the UK will cease to be party to EU trade agreements, and third countries will lose this access to the UK. Trade with the UK accounts for only a small proportion of total African goods exports. Let us guess the figure—3.6%. We have negotiations coming up that will require 500 to 750 experienced negotiators. Could the Minister tell me how many negotiators have been employed so far?

What is certain is that, following Brexit—this is a point that is missed—we will lose our influence in the world, and that will be important. The weakening of the pound affects countries that export to us. Everyone says that it is great for British exports, but what about African countries exporting to us? India is the most effective Commonwealth country, and it is potentially forgoing close to \$1.4 billion out of its exports and remittances received from the UK. The UK is the fifth-largest economy in the world, so this could have a huge impact on us.

Most Commonwealth nations are also members of several trading blocs involving non-Commonwealth countries, and they are all looking for greater deals with the big countries: the USA, Japan and the big bloc, the EU. If you were to ask India what is more important to it, the EU/India free trade agreement or a potential free-trade agreement with the UK—let us get real, the EU is far more important to India. Commonwealth countries include existing European Union countries, so that makes the situation even more complicated. As we have heard, the Commonwealth makes up a very small part of UK trade: 9% of total UK exports go to Commonwealth countries compared with 44% to EU countries, while 53% of the UK's imports come from the EU but only 8% from the Commonwealth.

So we have to put all this in context. Some of the major trading partners in the Commonwealth, specifically Australia, Canada and India, are among the largest economies in the world, while a number of Asian and African countries are fast growing—so there is potential.

India is of course a great country, but then the UK exported much more to Germany alone—£48.5 billion-worth in 2015—than to Australia, Canada, India, Malaysia, New Zealand and Singapore combined. South Africa is the UK's biggest trading partner among the African Commonwealth countries but overall exports to Africa remain strikingly low. This is the reality of it all. Africa accounted for 5.1% of global GDP compared with 2.4% for the UK—UK GDP is half that of the whole continent.

Looking ahead, the export potential for Commonwealth countries is there and we could increase it. UK trade is heavily focused on these few countries—Australia, Canada, India, Singapore and South Africa—which accounted for 70% of UK exports to Commonwealth countries. With regard to trade, as I said, two Commonwealth countries being members of the EU further complicates the whole issue.

I turn to our great Trade Minister, the noble Baroness's boss, Liam Fox. Last year he caused an absolute furore when he said:

"This country is not the free-trading nation that it once was. We have become too lazy and too fat on our successes in previous generations. What is the point of us reshaping global trade, what is the point of us going out and looking for new markets for the United Kingdom, if we don't have the exporters to fill those markets? ... We've got to change the culture in our country. People have got to stop thinking about exporting as an opportunity and start thinking about it as a duty—companies who could be contributing to our national prosperity but choose not to because it might be too difficult or too time-consuming, or because they can't play golf on a Friday afternoon".

My friend Richard Reed, a co-founder of Innocent Drinks and one of the most successful entrepreneurs in this country, said:

"It's absolutely disgusting ... He's a representative of this country and he turns around and slags us off, calls us fat and lazy. He's never done a day's business in his life ... How dare you talk down the country that you damaged?"

Reed added:

"He's a terrible, terrible voice for British business".

Even Nicholas Soames, of his own party, said Fox needed to "keep quiet". Chuka Umunna described the comments as a "complete disgrace", while Vince Cable said that business was, "handicapped by Brexit not golf clubs".

The British Government have repeatedly promised to get immigration down to the tens of thousands, and recently the Indian high commissioner, Mr Sinha, said that a free-trade deal between the UK and India might be possible by 2030 because we need to talk about the movement of people. He said:

"I'm not talking about unfettered access or unrestricted travel, I'm talking about movement of professionals, movement of doctors, technicians, engineers. I think both sides will benefit".

This is the key. Boris Johnson was told in no uncertain terms when he went to India that the UK would have to change its immigration rules and its attitude to students, who are still categorised as immigrants, and to their not being allowed to work after they study.

Last week Liam Fox repeated himself by saying he cannot do these free trade deals because British businesses do not want to export. How dare he insult us as businesses? Does he realise how hard it is to start and build a business and raise finance for it? I have exported for 25 years, and it is tough—but I want to export more. Who is he to say I am not exporting enough?

[LORD BILIMORIA]

I conclude by saying that the UK has amazing soft power, but that is no good without the hard power. If we have defence cuts coming along, that will hamper our ability to export and trade. The work of DfID is so important. The GREAT campaign has been great: it has been a wonderful benefit to our country.

I sum up with this. Liam Fox and the Brexiteers say, “Let’s go out and go global”. The Canada-EU free trade deal has just taken eight years. What proportion is EU to Canada trade? Ten per cent. What proportion is the EU’s trade to us? Fifty per cent. If you add to that 17% for the 50 countries who have free trade agreements with the EU, and Japan, which is just signing a free trade agreement with the EU, you have 70% of our trade with and through the EU. Would you want to jeopardise that by leaving the EU to go after 30%? India has nine free trade agreements, not one with a western country.

It is madness. We have a partner in this world. This is a debate about Africa, and I conclude with the famous African saying, If you want to go fast, go alone; if you want to go far, go together.

9.05 pm

Lord Chidzey (LD): My Lords, I, too, congratulate the noble Lord, Lord Popat, on securing this debate and giving us the opportunity to show our experiences in trade in goods and services in Africa. The noble Lord, Lord Bilimoria, has just given us a fine example of his take on it. But it is not just about Africa; it is also about the Commonwealth. I also congratulate the House of Lords Library on the excellent briefing paper for this debate, which I note that the noble Lord dipped into readily and frequently. It provides enough facts, figures and forecasts to support a full-scale debate in the Chamber in prime time on another day.

I also congratulate the Minister, the noble Baroness, Lady Fairhead, on joining us and bringing all her knowledge and experience from her illustrious career. I think I am right in saying that as well as her work in business and finance, she is also a qualified pilot and scuba diver. That is an ideal background for the ups and downs of high office.

The continent of Africa and the Commonwealth of Nations each contain more than 50 nation states. Africa as a continent offers massive potential to develop trade across a huge spectrum of activity. In southern and northern Africa, incomes are rising, the middle classes are developing and demand for consumer-durable goods and high-quality packaged food is escalating, along with demand for efficient and reliable public services. As the noble Lord, Lord Popat, noted, the Uganda airport project is a reminder that UK construction expertise is still sought after in Africa.

We know that the total export value of Commonwealth countries’ goods and services was \$3.4 trillion in 2013, that intra-Commonwealth trade is forecast to be \$1 trillion by 2020 and that Commonwealth countries’ share of total exports to developing countries is 46%. The eye-catching figure is that it is 19% cheaper for Commonwealth countries to trade between each other than with other country pairs.

According to the 2015 *Commonwealth Trade Review*, the growing significance of developing countries in the world economy presents vast trading opportunities for all Commonwealth members. Some 25% of Commonwealth developed countries’ merchandise exports goes to developing countries, up from over 16% a decade ago. UK goods exports to the Commonwealth rose from £13 billion in 1999 to £30 billion in 2013, but fell back to £25 billion in 2015, although UK services exports to the Commonwealth almost tripled to £22 billion in 2015.

Looking further at trade between the UK and Africa, apart from between 2009 and 2011, the UK has been in trade deficit with Africa since 2004, as the noble Lord, Lord Popat, pointed out. However, the noble Lord, Lord Howell, said, “Don’t look at the figures, look at the trends”. That is very important. Services exports are tripling. The noble Lord, Lord Risby, made the point that our network of trade envoys is beginning to prove its worth.

Anyone with a decade or more of experience in project management in Africa and at board level with a leading international engineering SME practice will be pretty familiar with the realities of winning trade in goods or services from contracts overseas, as the noble Lord, Lord Bilimoria, pointed out. Ministers can agree as many trade deals as they like, but that is just the start of the process. There is a high risk at the end of the ministerial international cocktail round that too many speculative export deals will never bear fruit.

Our SMEs are now expected to be in the vanguard of securing new exports and, as the noble Baroness will know only too well, SMEs do not have the comfort of multinationals’ capacity and resources—essential cushions to the costs of export business development. As I know, they need collective, committed, sustained and expert support from government agencies to break into the highly competitive export markets that we seek. SMEs do not need accusers’ unfounded accusations that they are growing fat and lazy, presumably in readiness for deflecting blame upon them, should policies prove ill-judged.

There are specific areas that the Government have to consider, which I would be grateful if the noble Baroness could address, either tonight or perhaps in writing. The Government have been a strong advocate of the economic partnership agreements—EPAs—developed by the EU with a number of regions in the developing world. Of course, the intention to work in partnership to strengthen developing economies, improving the quality of goods and services and broadening the access to EU products in a free trade regime, is admirable. However, field studies by the Africa All-Party Parliamentary Group in the Southern African Development Community, and the discussions I held as co-chair of that group with African Finance Ministers at the African Union in Addis Ababa, revealed some worrying experiences.

Apparently, EPA deals had been struck behind closed doors by professional and highly skilled negotiators from the EU, which the best efforts of their African counterparts just could not match. There was little or no input from the Parliaments they were dealing with, and no public debate. Apparently, the conditions imposed

in the EPAs were not scrutinised, and there was no analysis of the long-term impact that their restrictions would have on the economies of the countries they were dealing with.

Can the noble Baroness provide an update on the Government's assessment of the impact of the EPAs now in place in Africa and in the Commonwealth, and how this could affect the UK's trading position post-Brexit, now and in the long term? Reflecting on trade policy with Africa and the Commonwealth, can the Minister respond to the following major issues, or write later, as appropriate?

What are the prospects for using the alignment of certain Commonwealth countries to spur on a number of global initiatives—for example, the roles of Australia, New Zealand, Canada and the UK in promoting services liberalisation in the WTO built-in agenda? If an independent trade policy can lead to more openness to the agricultural products of developing countries, what role should the Commonwealth developing countries play in helping their developing country colleagues to overcome preference erosion and transition to new trade terms?

The Commonwealth of Nations, as a multi-tiered networks, has the potential to greatly increase trade, investment and entrepreneurial opportunity among its citizens. The modern Commonwealth network operates on three levels: a collection of member states; a set of intergovernmental institutions; and 2.3 billion Commonwealth citizens capable of building on Commonwealth strands of identity, commonalities of language, legal systems and democracy—making connections at all three levels easier between them and, if I may say so, a natural home for the United Kingdom.

9.14 pm

Lord Mendelsohn (Lab): My Lords, I declare an interest as the president of the Commonwealth Jewish Council, with commercial interests in Africa and the Commonwealth in gaming, natural resources, agriculture and technology. I thank the noble Lord, Lord Popat, for his excellent tour d'horizon at the start of this debate and for initiating it. He is a great advocate of the expansion of UK trade and a doughty campaigner on issues relating to Uganda. This has been an excellent debate and at one point I even thought we were going to hear the noble Lord, Lord Taylor, break into song to add melody to the words.

This debate is also notable for the Minister's maiden speech. The noble Baroness is the first woman to hold the post of Minister in the Department for International Trade. This is a singular honour for someone with such a distinguished business career as a consultant in aerospace and in some of the UK's great industrial champions, ICI and Pearson. Like the noble Lord, Lord Chidgey, I was interested to find that the noble Baroness is a qualified pilot and scuba diver. It came as some comfort to me to realise that her interest in "Blue Planet" owes more to David Attenborough than to travelling the world on behalf of the Conservative Party. We wish the noble Baroness very well in her task. As the noble Viscount, Lord Waverley, said, there are many here who wish only to help.

We have a new reality and are looking to significantly boost trade relations between the UK, Africa and the Commonwealth in the long term. We have to recognise that, in the short to medium term, there are as many problems as opportunities. The UK is held in high esteem across Africa and the Commonwealth for the British model of doing business: an open and dynamic method, underpinned by UK law. However, the Brexit process will take its toll and create obstacles to trade deals. The noble Lord, Lord Bilimoria, made very careful note of many of the challenges that we face. Africa is very close to us; there is an advantage in its location. For example, our country is still responsible for 40% of exports to Botswana and the Seychelles and for 20% to Gambia, Equatorial Guinea, Mauritius, Kenya and South Africa. However, our overall trade performance has not been excellent. Among the seven Commonwealth countries which the UK exports most to, we are the largest EU exporter to none. Germany exports more goods than the UK to Australia, Canada, Singapore, India, South Africa and Malaysia. Switzerland, Germany and Belgium all export more goods to India.

We have many great opportunities here. The noble Lord, Lord Risby, raised a number that were available in Algeria, not just in hydrocarbons but in financial services—a matter also raised by the noble Lord, Lord Sheikh, with the opportunities in Islamic finance. We have drifted behind and the UK's export of goods to the Commonwealth has fallen by 16%—or £4.8 billion—compared to falls in exports to the EU of 11%. Since 2012, UK exports to African countries have fallen by 24%. Our services to the Commonwealth have plateaued since 2010. It is very important that we use this as an opportunity to redouble our efforts, because things have changed.

As the noble Lord, Lord Howell, said, the issue of China looms large. The EU in general has declined in significance as a trading partner because of the interest of China in Africa as well as much greater intra-African trade. We face remarkable competition with China's belt and road approach. African development relies on the right infrastructure—electricity and transport—and on expansion of the internet, as penetration in Africa is quite low. Nigeria's internet penetration is 97%, but Egypt's is the next largest at 48% and Kenya's is under 35%. Feature phones are common across Africa and we face a huge challenge with the Chinese devotion to getting their equipment and platforms—Alibaba, Baidu, Weibo and the others—there, as well as the China Bank. The noble Lord, Lord Howell, might be better directed to creating a triangular partnership with India into Africa than with China.

It is very important that we do what we can. SME trade is extremely important—a point also made by the noble Viscount, Lord Waverley, and the noble Lord, Lord Chidgey. We have to use the advantages that we have. This is why it has been so enormously tragic that our relationship with the Commonwealth has, in many ways, been allowed to go to rack and ruin when we had such a great opportunity. I pay tribute to the vision of the noble Lord, Lord Taylor, to the doughty campaigning on this by the noble Lord, Lord Howell, and even to the vision of the noble Lord, Lord Risby, who said that Algeria will be seeking to gain some status with the Commonwealth. It should

[LORD MENDELSON]

be understood that there are many countries seeking to join the Commonwealth, because it is a different beast from what it was before. It is a free association of nations, very different from the way many people in this country conceive of it, as something to which the UK has certain rights. We do not. We have to deal with it in a very modern way. In fact, that relationship has been pioneered by the noble Lord, Lord Marland. I think that we will see some very positive developments at the Commonwealth summit as it has been approached on a reasonably surefooted basis. There are massive benefits to be gained from working with the Commonwealth, such as that of language. There is also an economically measurable advantage as there is a boost to trade and FDI for countries in the Commonwealth. However, a Commonwealth-wide agreement might be difficult. Malta and Cyprus are still in the EU and we have to handle this extremely well.

A huge number of complexities is involved in trading with Africa. The noble Lord, Lord Chidgey, raised some of those in regard to the EPA and some of the experiences which the all-party group has had, whose report I read with great interest. There is much that we can do to try to find new ways to establish our relationships there. We can look to build on our existing strengths rather than reinvent the wheel. We should take advantage of aspects of trade agreements that we are working on which are working well for African countries and their partners. A particular opportunity for us arises from the generalised system of preferences. We should try to keep this to enable African products to compete with UK and EU goods.

We should look more at how we can harmonise standards as part of our general approach to harmonising standards with the EU and the US. We should look at how we can project our soft power, how we can add to the voices developing rather interesting and useful regional trade models, and at how we can make sure that we maintain a real sense of understanding development priorities and regional integration. We should also look at other areas in which we have not been particularly successful in trade agreements, such as rules of origin and issues around transfer pricing to ensure support for regional supply chains, given that the velocity of increasing trade creates its own virtuous circle. Indeed, we should also make sure that future trade agreements are subject to democratic debate and consultation with civil society. That is important not just for development but because many of these people have a lot of valuable experience that can be of great advantage to us.

I ask the Minister to give us a sense of how we will look at these trade agreements in important priority markets. I would be very interested to hear her comments on the approach that we plan to take when dealing with South Africa. Are we looking to modify slightly the recently signed economic partnership agreement to cover a transitional period or are we going to accept the existing EPA agreement in full? Have we taken the view that the EU negotiators have properly taken into account the interests of the UK or are we looking to negotiate a new South African/UK agreement? Would this not lead to another round of protracted

negotiations which may be more complex and difficult, but does that present the greatest opportunity? Are we looking to accept the EPA but try to renegotiate agricultural access to the UK market because we might move out of the CAP regime?

It will be essential for us to understand all these things in comprehending how we are going to approach this opportunity. I would be very grateful if the Minister could give us her thoughts on that. We on these Benches feel that there is so much for us to try to achieve in a short period of time. We hope that we have the necessary resources and expertise to do so. We certainly have the good will but perhaps much more resource should be applied to our export opportunities not just around the world but in our areas of priority opportunities—namely, Africa and the Commonwealth.

9.23 pm

The Minister of State, Department for International Trade (Baroness Fairhead) (Con) (Maiden Speech): My Lords, it is an extraordinary honour and privilege to address your Lordships' House. As a tomboy growing up in the north-east, I defy anyone to have predicted that I would be standing here today, and I do so with humility.

I congratulate my noble friend Lord Popat on calling this important debate and on being such a great champion of international trade. I look forward to addressing some of the challenges raised.

While spending most of my life outside politics, I have never doubted the significance and seriousness of this place. About 20 years ago, I spent a day visiting this Chamber and the committee rooms as part of the Industry and Parliament Trust. I was impressed by the quality of debate, the rigour of the analysis and the sage advice from these Benches, and that respect has never wavered.

But over the past few weeks, I confess also to being bowled over by the generosity, warmth and exceptional levels of patience shown from right across this House. I particularly thank my noble friends Lady Evans of Bowes Park, the Chief Whip, Lord Courtown, Lord Younger, Lady Sugg and Lady Neville-Rolfe, who have been a source of immense support. So too have the doorkeepers, police officers, the Clerk of the Parliaments and Black Rod, who have guided me through the mass of corridors, procedures and protocols with unfailing accuracy—and welcome smiles. Finally, I offer my special thanks to my supporters, my noble friend Lord Sherbourne and the noble Lord, Lord Burns, whose wise counsel both now and through the years has been utterly invaluable.

So why, after three decades in the private sector, do I now feel drawn to public service, and to international trade in particular? It is because I think it matters, and no more so than now. I believe that business should and can be a force for good. I have seen companies large and small bring jobs, opportunity and hope to families up and down the country. I have seen the private sector rise to the challenges on national issues, whether to support universities or to support the peace process in Northern Ireland, and I am proud to

have played a small part in the Northern Ireland Challenge, a private sector initiative aimed at building economic wealth.

However, business can only succeed if government responds to its needs, provides the right environment and gives the right support. Nowhere is that more critical than in the area of international trade, and here I hope to be of some help. International trade has been one of the three defining elements in my life, alongside family and education. My parents grew up in the tenement buildings of Leith in Edinburgh; none of their predecessors had been to university, but, supported by their families, their lives were transformed by university and actuarial education and the opportunities of international business. For my part, that support of a loving family and education at Yarm grammar school, Cambridge and Harvard opened up a world of opportunities, allowing me to work for global companies in sectors as diverse as chemicals and education, financial services and aerospace.

Family remains at the heart of my life, and it certainly keeps me grounded. I remember an occasion, just after I had been promoted, when my children left a screensaver on my computer. It was a picture of a tractor on top of a telegraph pole and it read: “Just because you’re at the top doesn’t mean you’re useful!”. Such darlings. But they made an important point; we all need to stay useful.

I believe that the most successful businesses are those that focus on clear, inspiring goals with everyone working towards that end. This requires genuine collaboration, where challenge is embraced and addressed, not shied away from. This is true for government too. Our ability to drive real change depends upon collaboration—across departments, across countries, across parties—towards a shared goal, and I think that we have some today that we do share.

I turn first to Africa, a glorious, dynamic region whose workforce is predicted to exceed that of China and India by 2034, and where business spending and household consumption is growing. Yet, as many noble Lords pointed out, the UK is not taking full advantage of these huge trading opportunities. Indeed, although UK trade with Africa has doubled since 1999, trade with this great continent has decreased since its peak in 2012. There must be no shying away; we need to act.

The good news is that by focusing on Africa there are some signs of building momentum. Over the last year, UK goods exports to sub-Saharan Africa have grown. A key goal for the Department for International Trade, established just over a year ago, is to help businesses increase exports and investment. This involves firing up, galvanising and supporting the ambitions of UK companies to export more by removing barriers to trade, giving tailored support, promoting the UK’s capabilities and opening up new markets. I hope that noble Lords will be pleased to hear that those things will form the backbone of an export strategy on which I will be leading and will be asking for input from noble Lords in the new year.

The noble Viscount, Lord Waverley, called for an improvement in information and asymmetric access to information. He also talked about a multidimensional

logistics platform. I want to engage with noble Lords on such areas to see how we can build that into our programme.

A number of noble Lords—notably the noble Lord, Lord Chidgey, and my noble friend Lord Popat—talked about the need to focus on SMEs. I absolutely agree. This is a national asset that we should galvanise and we are starting to do that. Seventy-nine per cent of £3 billion of UK finance has gone on SMEs. They are supported by a network of ITAs and by the GREAT.gov.uk website, where they can identify opportunities. But there is more that we can do and I look forward to working with your Lordships on that.

However, this debate is about Africa and the Commonwealth, so what does that mean in practice for Africa? I shall give your Lordships a flavour. We are being clearer about our priority sectors and markets, focusing on opportunities where UK companies have both the appetite and the capacity to compete. As my noble friend Lord Howell said, we need to look at the trend, not the statistics, and that is very important in Africa. We have doubled the funding available in most African countries through UK Export Finance to over £20 billion, and we now provide financial support in six African currencies for projects that involve UK suppliers. In Uganda, for example, UKEF has supported the construction of an international airport at Kabaale, pulling through £100 million of exports for UK businesses. Here, I pay testament to my noble friend Lord Popat, who has been utterly instrumental in championing that region.

We are also trying to improve co-ordination. One of the nine newly announced regional trade commissioners will be based in Africa, and next month we will launch the Trade Services Unit with a data hub platform as a one-stop shop for business leads and information. We have established an innovative, consortia-led approach to infrastructure projects with the Africa Infrastructure Board. It was established by the DIT Africa team and had its inaugural meeting in Johannesburg in September. Through this approach, we hope that the board will help land the biggest infrastructure deals where we have real experience on the continent, pulling through the UK supply chain.

We are also investing in critical Government-to-Government relationships, with eight ministerial visits in the last year, including those by the Secretary of State to Uganda, Ethiopia, South Africa and Mozambique. I have visited Africa many times. It is a truly great continent and I look forward with relish to making my first visit there as a Minister early next year.

These visits are augmented by the excellent work of our superb embassy staff. I noted the concern expressed by my noble friend Lord Risby about the embassy staff and their disconnection in terms of their locations. I am advised by my officials that we have over 300 visa application centres around the world and that the average processing time is less than eight days. My officials are working closely with Home Office colleagues and I will ensure that my noble friend’s comments are passed on. My noble friend Lord Risby has been an excellent trade ambassador and I commend him for what he has done in Algeria.

[BARONESS FAIRHEAD]

I shall be working closely with DfID and the FCO to help developing communities across Africa. That is why I come on to the important point about EPAs and unilateral trade preference schemes. The noble Lords, Lord Mendelsohn and Lord Chidgey, asked about this policy. We will try to roll over in the first instance all the existing ones with the intention of going further. The noble Lord, Lord Chidgey, asked some specific questions and I will write to him on those points.

The noble Lord, Lord Bilimoria, asked probing questions about the trade deals. We have working groups set up to establish these. We cannot enter into negotiations until we have left the EU but these groups will be working to build more business.

There is much more to do. At the G20 this year, my right honourable friend the Prime Minister signalled a new long-term approach to Africa. We are taking on this challenge and I expect to come back with progress at a later date.

Noble Lords also mentioned the importance of Britain harnessing the ties of the Commonwealth. As a seven year-old I remember attending the Commonwealth Games in Edinburgh. It is a true family of nations, as the noble Lord, Lord Taylor, so eloquently described. The Government hope to rekindle that shared spirit when

hosting next year's Commonwealth Heads of Government Meeting and welcoming 52 Heads of Government. I pay significant tribute to my noble friend Lord Price for his immense contribution. CHOGM is a spectacular opportunity. The first time we host the event it will have four areas of focus: trade and prosperity, sustainability, new security challenges and fairness. A Cabinet Office team is working on the actions to feed into that agenda and I would like a number of tonight's points to be fed into it.

My remit is clear: I want to make a difference—or, to use my children's words, to remain useful. The prosperity and stability of Africa and Commonwealth trading partners is inextricably linked to our own. We have started to see the green shoots of improvement but there is a lot to do. Now is the time to grab the initiative. We will need to work across government with businesses and trading partners. I want to harness the considerable experience and expertise in this House and would like to hold a meeting in early January to share these views with noble Lords and to take further views and suggestions. I conclude simply by saying that I very much look forward to working with you and to building on this incredibly important agenda for this country.

House adjourned at 9.37 pm.