

Speech: The future of UK aid post-Brexit

Good morning and welcome.

And can I start by just saying my thoughts and the thoughts of my department are with Indonesia, still recovering from the terrible earthquake and tsunami. Britain stands side by side with the Indonesian people, and we are doing all we can to help with the relief effort.

Thank you all for coming today.

So why have I brought you to CDC?

Because I have a message for our country, for our European Nation partners and to the European Commission as we enter a crucial stage of the Brexit negotiations.

I'm going to talk about the possibilities of our future development relationship, our common objectives and our respective offers.

And I have some specific announcements about our thinking at UK aid as we leave the EU: how we will close the resource gap to deliver the UN Global Goals and at the same time make our nation and its citizens stronger and more financially secure. What I have to say is based on our national values.

CDC – DFID's private sector investment arm – is a metaphor for those values and my message today.

It's a British success story, the oldest financial institution in the World founded at the same time as the Universal Declaration of Human rights, and our NHS, it's 70 years old this year. And it has a long running history of investing in growing businesses that transform economies across the developing world. And it has a bright and exciting future as it scales up investments across Africa and South Asia.

CDC is a clear example of the reciprocal beam engine of compassion and capital that is Britain:

Compassion and Capital.

Heart and mind.

Our nation is a powerhouse of commerce and wealth creation, and the unselfish values that have created both our public services and the third sector.

Last year, the UK financial services sector contributed £119 billion to the UK economy, 6.5% of our total economic output. There are 1.1 million financial services jobs in the UK, 3.2% of all jobs. And the city of London, 50% of our financial services sector, is consistently ranked as the most

important financial centre in the world.

At the other end of the British beam engine, we have the distribution engines of which overseas aid is one part. Britain's charitable sector alone comprises over 166,000 organisations with more than 15,000 being international or development focussed. With an annual income of £47 billion, it is highly professional and the oldest charitable sector in the world. The size of its workforce, 800,000, is roughly 3% of total UK jobs – a similar size to the financial services sector.

And the relationship between these two sectors is fundamental: compassion requires capital, and capital requires compassion.

One sector is drawing on the know-how of a thousand different professions. And the other creates a network of compassion that provides government services and support both at home and overseas.

One helps create the conditions of the other's success.

The 0.7 % – whether you agree with it or not – also makes that point.

To spend it we have to make it.

And to make it we have to spend it.

And our ambition for both capital and compassion is not limited to our shores.

As well as being the fifth largest economy in the world we have made the world a wealthier place.

Our economy is innately international because it was based on ancient routes of international trade. Our modern infrastructures have continued this tradition in shipping, airlines, roads, British law and even time itself.

Our reach and our technical expertise is central to our offer as a partner.

This trade and wealth creation combined with compassion has been largely responsible for global wealth.

And it is not just because of the technical things we know, it's the things we believe in, it's our values.

The UK is one of the most generous countries in the world, and leads Europe, not just in terms of how much we give, but also in terms of how many of us give, both in our time and in our money.

Every month 13 million people in the UK volunteer, one in three gives to charity, and purchase ethical products and produce. And one in every £8 donated to charity is for helping overseas.

This is people in all parts of the UK, from all social backgrounds and all ages.

The Disasters Emergency Committee last week launched an appeal to raise money for the survivors of the Indonesia earthquake and tsunami. Like their appeal for the Rohingya last year, I have no doubt that this one will raise millions in weeks from voluntary contributions from the public, wanting to help people on the other side of the world, who they will never meet and who they will never know. The predictability of the British public's response makes it no less impressive.

And we've always been this way, and that is why our charity sector is so old and so unique.

Our qualities, habits and institutions are the things that make us a great nation, as do the actions of individuals who believe that they can make a difference.

We value partnership, we bring technical knowledge of our professions, and we bring the values of a compassionate global nation.

And it's that collective action that defines us, our desire not to sit back and watch from the side lines, but to get stuck in, to help, to lead, to fight and to make the world a better place and to protect the weak. Look at the humanitarian crises around the world, and we, more often than not, are leading the response. Look at who have been the innovators and look at who have been the trail blazers.

Our contribution to the progress of humanity has been immense, and in the last few decades in particular. And the qualities that we stand for have made the world a better place: international cooperation, free trade, democracy, capitalism, international humanitarian law, property rights, scientific and medical discovery, and freedom.

And be in no doubt, we will be crucial to the future progress of the world too. Without DFID, the best development department in the world, bar none, without our NGOs and our charities, many of them the best in their field, and without all our nation has to offer, its institutions, its financial sector, its creative law, its innovation, its entrepreneurs and its scientists, we won't deliver the Global Goals.

We are the margin of victory, we should be the partner of choice.

What we will finalise in the coming weeks will not just be the foundations of an economic partnership.

I know what we bring to the table.

Many nations are internationalist, Britain is truly global.

Brexit was never about withdrawing from the world, it was about engaging with it more and more directly.

And at the moment when humanity has so many new opportunities to advance its progress through technology, through scientific breakthroughs, we would be foolish to abandon those values that have helped lift billions out of poverty

and changed the course of so many lives.

But there is a danger so-called populism, rising nationalism, protectionism and a lack of trust in the international system are philosophies which seeking to get traction.

And many of those who would try to turn us away from those qualities that have secured humanity's progress have sought to claim victory in the success of the Leave campaign, and that great exercise in democracy which the EU referendum represented.

They have sought to explain why people voted to leave the EU, claiming to know the motivation of millions of Britons. And they have attributed the victory to base beliefs and desires which they know are contrary to the values and the feelings of the majority of the British people.

None of us can look into the souls of our fellow countrymen and women, but I can say that during the referendum campaign I spoke to huge numbers of people, about their views and their feelings. Many Leave voters were motivated by democracy, by accountable government, by sovereignty, by politics as the servant not the master of the people, by international co-operation and by wanting to reach out to the wider world as their nation. And yes a feeling that they had been left behind—that they, their ambitions for their family, were not the politicians' priorities.

They were motivated by hope and by optimism.

Just as remain voters were too.

Not surprising really. As only the optimistic vote.

The very fact that we had a referendum, that we had the debate, that we had the vote, that we have democracy is a sign of our strength and the qualities that we value.

I want us to recognise that our leaving the EU has been done in good faith: it was a noble and hopeful act,

Brexit was down to good British people, not bad boys.

And throughout the negotiations our nation's conduct has been one of fairness and generosity, most recently in providing reassurance to EU citizens who live in the UK.

But now we are at a critical time in the negotiations, and we must remember that Brexit is also about the head and the heart.

We must honour the result of the referendum. The public decided, and we must implement their views.

Last week the Prime Minister rightly outlined the outrage that would justifiably follow any attempt to derail or fudge the implementation of that decision. But I believe in honouring the result, we must also honour the

motives and ambition of that historic decision.

Over the last year there has been a mischaracterisation of the British people and their reasons for choosing to leave. You'd be wrong to interpret Brexit as protectionist, nationalist, or selfish.

Just as you'd be wrong to interpret the scepticism some of the public have about some aspects of UK aid to a lack of love or logic on their part.

Brexiters and aid sceptics are not uncaring selfish 'little Englanders'. Indeed it is often those who give the greatest percentage of their incomes to help others.

As I have evidenced the British people are pragmatic, outward looking, generous and kind. We know this to be true from their achievements and their actions in helping others.

It is just that they believe that it is not government that binds nations together, it is trade and our common humanity. It is not government that employs people it's business. It is not government that has all the power, it is the people. It is not governments that enable compassion, it is the people and their taxes. And if the people tell you what they want, they don't want a government that punishes them for it. They just want you to get on with it.

Governments are not the master. The people are.

So what does Brexit mean for my area of development?

As we have set out after we leave the EU we still want to help promote development in Europe and in the neighbourhood.

ODA will continue to support development and stability within the EU and around its immediate borders: in the Western Balkans, in Ukraine and in the refugee camps in Turkey and Greece. But also further afield in North Africa and Libya too.

CDC alone backed businesses that created over 1 million new direct and indirect jobs in Africa and South Asia last year, and those livelihoods are a fundamental and necessary condition to reduce and halt migrant flows.

We have contributed much, both in Europe and elsewhere to address the security and prosperity concerns the continent has beyond its borders. And we have invested in addressing some of the most fragile situations for example our peacekeeping and humanitarian work. And we have worked jointly on new kinds of development financing to attract more sustainable investments into some of the most fragile states.

And of course we contributed £1.5 billion per annum to the EU's own development pot.

And we want to still help – in the neighbourhood and beyond. It is in our interest to do so. Especially on migration, humanitarian, peace work and on security, but as I have stated only if we have control over the way that work

is managed, and British NGOs are not discriminated against.

Of course, we expect to get a good deal, but as a responsible government we are prepared for every eventuality.

That is why I have said that in order to give British NGOs bidding for humanitarian projects reassurance, and EU procurement the confidence it needs to award contracts to British NGOs, I will use money which I would have paid to joint initiatives in the future, to fund these contracts in a no deal scenario.

Deal or no deal, Brexit gives us a huge opportunity to take our development work to a new level.

I have sought to reset how we do UK aid with the people's priorities at its heart.

Not isolationist, not protectionist or nationalistic as some would paint them, but generous, pragmatic, with pressing concerns about their own families and opportunities.

Where we go post-Brexit must have at its heart the people's priorities.

I have set a higher spending bar for the department: we must ensure that aid money is not just spent well but could not be spent better. And this includes looking at what countries could afford to do themselves.

We have tackled the dogma and culture that still exists in some parts of the aid sector, which not only sees organisations failing to put the beneficiaries first but also preventing the private sector from helping deliver those Global Goals.

We have carried out a reset of what the department does, both improving the quality of our work to alleviate poverty, but also getting our funding to work twice as hard by benefiting the national interest more explicitly. The win-win agenda.

And we have sought to improve the coherence of ODA across the UK government.

What we do now is smarter, it is more effective, it is more sustainable. It is a better way to make progress and it makes better use of the new opportunities we have to speed up our progress towards delivering the Global Goals.

But today I want to outline some radical next steps, including how my department will make the opportunity of Brexit deliver for Britain and help eradicate extreme poverty worldwide.

In one very obvious sense charity does begin at home because unless the UK is prosperous and its people financially secure, unless we have influence and power, we cannot help others.

Creating wealth for both our country and individual citizens is a necessary

part of being able to be generous to others.

We will use the opportunity of Brexit, our aid budget, our unique investment expertise and financial services sector to make the British people more financially secure and to end extreme poverty. We will harness the huge opportunities in Asia and Africa.

Global Britain wants mutual prosperity; based on British values.

And I want to use our development programmes to help build the foundation of a more inclusive global economy.

We have just over a decade left to deliver the Global Goals – and we are off track and face a financing gap of \$2.5 trillion per year.

Together, traditional donor governments gave around \$150 billion in aid last year. And that's significant, but it's a tiny fraction of the total sum needed.

So how do we close that gap? The private sector has to be part of the answer.

During her Africa trip the Prime Minister announced that Britain will host a UK-Africa Investment Summit in 2019. We want to be Africa's partner of choice for investment.

And the opportunities are huge.

The City of London manages over £8 trillion worth of assets but little is invested in the poorer countries. Even a small increase would have a huge impact on these economies. For example, if we could redirect just 1% of those assets to investment opportunities in Africa, that would generate additional investment of around \$110 billion. By contrast, global aid flows to Africa last year were worth just \$50 billion.

When British investors are struggling to find good returns, these markets also offer good opportunities and pension holders too. For example, CDC has achieved a 7% annual return in sterling over the last six years while investing in developing countries, including older investments in China and Latin America. If done well, the opportunity for British investors is significant.

And my department is already doing a lot to mobilise private investment for the poorest countries. CDC is doing good while making money. It uses its expertise and capital to build stronger businesses that create jobs, generate taxes and develop new products and services. Last year it made over £1bn of new investment commitments and backed businesses to directly employ 735,000 people.

This year we have established the Green Growth Equity Fund with the Indian government. A UK investment vehicle of £120m, matched by the Indian government's contribution, will mobilise up to £260m additional of private finance, including from the City of London. And this will be used to finance green infrastructure projects with a positive impact to the environment and

catalysing the green energy sector, and delivering a return to the UK.

And earlier this year, the UK played a leading role in encouraging the World Bank Group's International Finance Corporation to boost the share of its support going to the poorest countries in its planned capital increase. This will support a doubling of investment in sub-Saharan Africa to between \$10 and 12 billion a year by 2030. And earlier the World Bank Group's International Development Association launched its first bonds on the markets, raising \$1.5bn of additional finance to the world's poorest countries.

Over the past two years we have worked with our partners also to shift the dial on international aid rules, allowing our aid budget to help the private sector invest in sustainable development more than ever before. And I will continue to work with our partners at the Organisation For Economic Cooperation and Development to make sure the aid rules incentivise private sector investment where it's needed: this is the only way we are going to collectively deliver the financing necessary to meet the Global Goals.

The UK has been a pioneer in social impact investing – investing for positive impact as well as for financial return – over the last 15 years.

And in 2012, we launched Big Society Capital, to grow the domestic impact investment market.

And during its G8 presidency, the UK established a Social Impact Taskforce and National Advisory Board for impact investing – doing good while making money – to take the idea global.

Impact investing returns have proven comparable returns to commercial investments.

Investment opportunities in the developing world offer new opportunities for:

- DFID's own investment work.
- For funds in the UK financial sector, and for the individual – to get something back for their efforts to deliver the global goals.

As we leave the EU, in time we will have more flexibility to consider how we use our aid budget and the £1.5 billion we currently channel through the EU on an annual basis.

Taking back control over our development funds we have that opportunity. We want to use our aid to mobilise the private investment needed to fill the financing gap needed to deliver the Global Goals, tackling the barriers that prevent more investment flowing into developing countries.

Some other countries' approach to development depends heavily on state finance and sovereign loans. Our approach is different – to mobilise private investment to support development. This results in driving innovation, increased competition and sustainable growth, while meeting high social and environmental standards.

And we are developing a new partnership, with the City of London Corporation, in designing new financing mechanisms that will help mobilise more investment for poorer countries and support the creation of the 18 million new jobs a year which Africa needs.

This is in our national interest, allowing the City to expand its role as a financing hub for the developing world. 111 African companies have already listed on the London Stock Exchange, and as we saw from the Prime Minister's visit to Africa, many more are keen to join them.

This new approach will also help promote security and stability. It's a win for the developing world and it's a win for the UK.

But it will also deliver a more explicit win by helping address some of the priorities of the British people.

We want to give British savers a chance to make a financial return in exchange for their goodwill to change the world for the better.

I want people to have more information about how their savings are used and the opportunities available to them to invest in things that they care about.

Why can't British people go to their Bank and invest their savings and pension in products that will invest in the Global Goals? Or open an app on their phone, and select which Goals they'd most like to invest in?

And to give ordinary people the power to hold companies to account, they will need accurate information on how their money is used and the impact that it delivers.

After the Great Depression, common accounting standards were developed to ensure that, in future, businesses reported their financial performances consistently and accurately. And now, at the start of the 21st century we need common standards for reporting impact: compassion as well as compliance.

And that is why I helped to launch the World Benchmarking Alliance at the United Nations General Assembly last month, which will rank companies on their contributions to the Global Goals.

We want to make it easier for companies to embed eco-social considerations alongside financial ones, in order to drive inclusive and sustainable growth.

And we are working with experts and investors to standardise how the social and environmental impact of investment is measured and flagged to the public.

And I want to listen to ideas of the British public. So today I am announcing that we will launch a new national conversation to find out more about how the British people might want their savings and pension to be used to support the Global Goals and end poverty.

And we will use some of our aid budget working with banks, pension funds and other investors to give the British people the choices they want, and opportunities for good returns on their investments.

So what is the logical conclusion of all this?

Investing in developing countries in Africa and Asia helps to build the markets of the future and for UK businesses as we look to forge new trading partnerships. This is sustainable development.

The more we do, the more we can trade, the more we can trade the less demand there will be for aid.

What if we mobilised 1%?

What if every donor nation did?

Over £13 trillion of goods were traded globally last year. If we could work with developing countries to help them grow their share of global trade by the equivalent of that 1% that would equate to £130 billion extra to deliver the Global Goals.

And in future years as the amount of funding coming back into our own development financial instruments increases we should be open to using these profits to count towards the 0.7% and I'm exploring the scope to reinvest those funds with the DAC to maximise the value of our investments.

We remain committed to 0.7%. but as we do so we should ensure the British public get a triple return on their generosity and compassion.

- a personal return to them
- a stronger Britain
- and a more prosperous and stable world.

This is a once in a generation opportunity.

We hope others will also consider this agenda.

Indeed the EU might too.

If it does we are open to exploring doing this together –managing EU investments in the same way we do grants.

And we bring much to the table. We stand ready to forge that deep and special partnership.

It requires us all to be broad-minded, big-hearted and long-sighted.

And at this historic time as we near the end of the negotiations I want the EU to use its head and its heart.

Thank you.