

International Development Committee

Oral evidence: UK-EU Development Co-operation, HC 1023

Tuesday 17 July 2018

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Members present: Stephen Twigg (Chair); Richard Burden; Mr Nigel Evans; Mrs Pauline Latham; Chris Law; Lloyd Russell Moyle; Henry Smith.

Questions 1 – 21

Witnesses

I: Rt Hon. Penny Mordaunt MP, Secretary of State for International Development, Nick Dyer, Director General, Economic Development and International, Department for International Development, and Paul Walters, Head of Trade Agreements with Developing Countries, Department for International Trade.

Examination of witnesses

Witnesses: Penny Mordaunt, Nick Dyer and Paul Walters.

Q1 Chair: Good afternoon, everyone. Welcome to this one-off evidence session on UK-EU development co-operation. Secretary of State and officials, thank you so much for joining us. We are slightly tight on time, because we are anticipating votes at 5.00, but we have identified four questions that we want to put to you over the next half an hour. Before that, can I give you an opportunity to make a short opening statement?

Penny Mordaunt: Thank you very much. We are tight on time, but I thought that, if I crack through some of the meat, it will help this session. Our relationship with the EU as a third country will be very different. It will be focused more on areas where it is most effective for us to work alongside the EU. The UK is open to contributing to the EU's development external programmes and instruments, where it is in our interest to do so. If we choose to fund EU development programmes in future, it will be because we think that working with the EU is the best way to achieve a particular UK priority, such as peace and security, migration or humanitarian aid.



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I have been very clear that any UK financial contribution would need to be underpinned by a shared framework that enables UK influence and oversight over UK funds at the strategic and programme levels, in line with any contribution. This is the way we work with all our multilateral partners. In addition, UK organisations must be eligible to implement any programmes we choose to fund. These two conditions are necessary. Our NGOs and businesses are among the best in the world at delivering life-saving support to the world's most vulnerable people. High-quality aid delivery would require, in some cases, UK delivery partners. Currently with the EU it is about 20% of their work.

The draft withdrawal agreement confirms the entitlement of UK entities to participate in current EU programmes. This means that UK-based organisations and individuals should be able to bid for funding, participate in and lead consortia, and otherwise implement as normal all EU development programmes that are approved before December 2020. However, this is clearly not being adhered to. The European Commission is using disclaimers that discriminate against UK organisations. We are clear that the European Commission must remove the disclaimers it is using to hinder British aid organisations from delivering the common goal of alleviating poverty, which would hit the world's poorest people hardest.

The European Commission is not only applying these disclaimers to the funding we channel through the EU budget, over which we do not yet have discretion; it is also applying them to funding that we have chosen to channel through the EU as our preferred delivery partner, such as trust funds and other joint programmes, so additional funds. We have raised these issues with the Commission multiple times and we are shocked and disappointed by their behaviour, which does not set a good precedent for any future partnership. I have been very clear that, if we are contributing to UK funds and EU projects, then UK NGOs must have access. We are now looking at how we can use the aid budget to protect UK organisations from this discriminatory practice.

On a more positive note, the UK's exit from the EU creates a major opportunity for the UK to send a positive signal that our markets are open and that we are determined to promote business with the developing world. The UK is in as strong a position as ever to forge new trade deals and relationships that maximise benefits for the UK and developing countries. The White Paper gives us sufficient scope to be able to seize these exciting opportunities. We will build on our track record as a champion of free trade and development by offering a fully integrated trade and development package, which strengthens and supports developing countries. As well as looking to enhance our market access for developing countries, our aid spending will continue to provide support and expert advice to help break down the barriers to trade and investment.

I know from my conversations with partner countries that they, too, are excited about the possibilities of a deeper relationship with the UK outside



the EU. We are poised to take advantage of the opportunities that Brexit offers and we are very well prepared for any eventuality.

- Q2 **Chair:** Thank you very much, Secretary of State, for that opening statement. We are going to explore in our questioning all of the issues you have covered. I will start where you finished: can you provide an assurance that the priority countries, particularly for DFID's bilateral work, will still be judged by levels of poverty in those countries, not by the trade requirements of our own country?

Penny Mordaunt: Absolutely, and you will know from previous evidence sessions that we have given evidence of the work that is going on across Government to get that coherence with all ODA spending. Just to give you an example, one of the exercises we have undertaken is to map where other Government Departments are against the aid allocation formula, so I can give you that reassurance.

- Q3 **Chair:** Let me take you to where you started, which is the red lines that you have set out, which are essentially about governance oversight, having a seat at the table and access to funding for UK aid organisations, which we will come back to a little later in the questioning. What is your assessment of the likelihood that member states and the Commission are going to agree to change the current set-up, so that a non-member state can still be one of the funding partners?

Penny Mordaunt: In my conversations with the 27 member states, people are very interested and encouraging about having those open instruments. For us, though, our ability to take part in that depends on the oversight and the governance we have over what we are doing.

- Q4 **Chair:** Oversight means a seat at the table overseeing all of the spending, not just our own share of the spending.

Penny Mordaunt: Yes, we want to know that that is going to be the best use of the funds we have. We need not just to be a passive participant; we want to be able to shape programmes, and to have oversight as they are delivered. Again, in previous sessions we have given evidence as to why, in the light of recent events, that is so critical. That is what we would need to happen, and that is a necessary condition because of the obligations we have to all those organisations that audit us and that grade the quality of the aid that we do and our performance in that space.

Nick Dyer: To add to that, in some respects the European Commission has already set a precedent because, in the current financial framework, they have introduced the new instrument of trust funds. Trust funds are open to third countries to fully participate and be on the oversight board. Of course, we will not know until the instruments are designed, which will probably be May next year at the earliest.

- Q5 **Chair:** The EDF has generally been regarded as a positive channel. It has been well regarded by DFID itself, including in multilateral



development reviews. Could you see circumstances in which we might still fund or part-fund the EDF without having that full-blown seat at the table?

Penny Mordaunt: There is a difference. Clearly we are not going to have the existing arrangements but, whatever the future structure looks like, we have to be an active participant. That is what we require.

Q6 Henry Smith: Very briefly as a supplementary, my understanding is that non-EU European countries that choose to participate in the way that we might in the future are limited in how their spend is used through the EU institutions. I am principally thinking of Switzerland and Norway. You are saying that UK participation, should we choose it through the European mechanism, would need much greater decision-making ability in how that spending is directed.

Penny Mordaunt: We need to have confidence that the money we are spending in these instruments is the best use of that funding. To do that, we need to be able to shape the programme and to have a say in its performance. If we have any concerns about any aspect of it—safeguarding, for example, or the delivery partner—we need to be able to flag that, control it and have a say. Those countries you refer to are very keen that there are open instruments and that we can perhaps forge a way through to developing other ways that we can all co-operate together.

Q7 Lloyd Russell-Moyle: I understand that the UK Government have identified three areas, in particular, in which you want to see co-operation: migration; peace and security; and humanitarian aid. Why those three?

Penny Mordaunt: They flow, in part, from the UK's priorities and the priorities of the NSC. We are also looking at what is good about working with the EU and through those instruments. For example, it is one of our better performing multilateral partners, in terms of some of the humanitarian work we do. It works in places where we do not have a presence. For us to replicate that would be disproportionately costly. It all plays back to our national interest and where we think we need to make the most effort in delivering the global goals. Those three areas are where we think there is most overlap between their interests and ours.

Q8 Lloyd Russell-Moyle: To dig down a bit on that, were specific criteria used to measure whether EDF, the migration trust funds and so on were ones we wanted to buy into? You mentioned reaching countries. Was there a threshold or measurement for that? Where exactly was reducing poverty within that matrix, as opposed to just furthering British interests, which is a slightly different requirement?

Nick Dyer: This is all judgment in many respects, rather than a precise calculation of scoring against various criteria. Clearly, as the Secretary of State laid out, the criteria are pretty much the same across the piece.



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They are about reach, scale, convening power and a set of relationships that the UK Government do not necessarily hold. For those reasons, those things give the European Union a comparative advantage. They are also in line with our objectives and doing a good job. We think that is the basis for having a conversation about a further future relationship.

All those three issues—humanitarian aid, migration and peace, and security—as an organisation, over many years, we have repeatedly said are fundamental to poverty reduction. You cannot have poverty reduction unless you have peace and security. You cannot have poverty reduction if you do not address the challenges around migration. Poverty reduction is fundamental to those choices.

If you look at countries, the calculation is slightly different. The 15% of UK funding that goes through Europe, in many respects, is only about 1% to 2% of ODA that a country receives. That does not represent a cliff edge, not least because other donors and multilaterals are providing ODA to those countries. That is why we are looking at this more thematically, rather than on a country basis.

Q9 **Lloyd Russell-Moyle:** Is it that DFID is saying it agrees with the internal logic of the EU that aid spending can either reduce migration from country or help build bigger walls and fences around Europe? Do we agree with that, because that seems to be the internal logic of the EU migration funds?

Nick Dyer: I am not entirely sure that is how we would put it.

Chair: I am entirely sure that is not how you would put it.

Nick Dyer: We would view this as the whole-route approach. That is what we like about how Europe approaches migration. From building livelihoods in countries where people are coming from, to looking at serious and organised crime throughout the route and dealing with host countries and refugees in host countries, this is about re-integrating people who are returning. It is all of that throughout the whole route. It is upstream and downstream, and that is the same comprehensive approach that we would take to migration.

Penny Mordaunt: I would add that wider than our European partners is an international dialogue and push going on, with a greater focus on migration and other related matters. This means that we will have to make more effort on all of those aspects, but also come up with better answers to some of these problems. That is something we want to continue talking to our European partners about. We are currently involved with them in the entire pathway that you describe, because we will have to develop that in future years. It would be quite right for us to continue that dialogue and continue working together on it.

Q10 **Lloyd Russell-Moyle:** I am a bit concerned, because the UN human rights chief, when he visited EU-funded projects based on the migration



trust fund, described what he saw as “thousands of emaciated and traumatised men, women and children piled on top of each other, locked up in hangars with no access to the most basic necessities, and stripped of their human dignity”. These are EU funds. I am interested that we have decided on those ones that are targeting just trying to stop migration by building hangars and walls, rather than an EDF that was more about actual development in country. I do not know whether there is anything more you want to say about why you decided that, with such critical reports from UN staff.

Penny Mordaunt: As a slight aside, we have been doing a tremendous amount of work to understand some of the things that are going on, both in those refugee facilities and in the Med, with the links with organised crime and what is happening to individuals. That is very well reported in the places you mention, but also in Libya. We have done a tremendous amount of work on this since last autumn, across Government, and I have taken a personal interest in what has been happening there.

I mention this as an aside because I am very aware of the problems you mention, but I would argue that they are a reason for us to be there. We have an interest in ensuring that these things are done well. It is why our oversight is so critical to us, but this session is about a slice of what we do. Clearly we are doing more bilateral work with our European partners in Africa, for example, to increase stability and security there, but also economic development. You need to look at both aspects of what we are doing.

Q11 **Lloyd Russell-Moyle:** I realise that. The difficulty is that economic development in low-income countries increases migration, does it not? It does not reduce migration. You have a contradiction there, which is a beautiful contradiction but one that exists in reality. Would you not agree?

Penny Mordaunt: I would argue that it is more complex than that. You have issues relating to food security and all sorts of other issues that cause people to move. I know that this argument is often put forward by all sorts of people; that creating jobs and livelihoods in a country of origin does not help on migration. It does, but it is long-term and you need to do other things. Agriculture and food security matter too. I am preaching to the choir, I can see. We are going to continue doing that.

Q12 **Lloyd Russell-Moyle:** I am sure we will look at that more in our inquiry. I have two quick questions. Will you ask ICAI—the Independent Commission for Aid Impact—to have an oversight role for the EU funds?

Nick Dyer: The choices about what ICAI does are up to ICAI and to the Committee. It is not in our gift to ask ICAI.

Q13 **Lloyd Russell-Moyle:** Is that something you would ask the EU to co-operate with ICAI on, if it wants to look at the effectiveness of the funds that we contribute to?



Penny Mordaunt: It is more about ICAI holding us to account. What I would want to be able to say to any external organisation that scrutinises what we do is that we have not just written a cheque, waved it off and kept our fingers crossed, but that we have the oversight that we are seeking. Those red lines about that oversight, governance, accountability and the fact that these programmes must be open to UK NGOs are our red lines. We will not be doing things that do not adhere to them.

Q14 Lloyd Russell-Moyle: Finally, is there a risk that the UK's contribution to ODA here—and you have touched on it a bit when you talked about the national interest, trade and aid—focuses more on a potential sweetener for a bigger package than on spending that is focused on poverty reduction?

Penny Mordaunt: In terms of the overall negotiations, no, that is not the case. Again, we are talking about our red lines and a choice that we make about what we do with our money in future. We are focused on that quality, which is captured in all the documents, the non-papers as well as the White Paper, so that should provide people with some reassurance.

Q15 Richard Burden: I have two questions. First, let us assume for a moment that you are able to get your red lines—the oversight and the seat at the table that you are after. In order to fulfil what you want to do on those three areas—migration, peace and security, and humanitarian aid—you suggested that you would like to continue having an involvement with the trust funds. Are there any other mechanisms that, ideally, you would like the UK to participate in?

Penny Mordaunt: This is driven by what we want to do. I note the way you phrase your question. Our red lines are not red lines to be negotiated. Unless we can be certain that we have these things in place, we cannot spend our money with those particular instruments. In our review of our multilateral partners, the work we do with the EU has come out very well. We are looking at the most effective way of us achieving the impact and the support that we want. If it is with EU instruments, we will choose to do that. That, for us, is the basis on which we will make future decisions.

Q16 Richard Burden: Are there any particular EU instruments that you have your eye on?

Nick Dyer: The reality is that we do not know. We know what the current suite of instruments is. We know that the European Commission has put forward a proposal on what the future instruments should be, and it is proposing to combine many of the instruments into one. We think there will probably be a separate humanitarian instrument and possibly a separate peace and security instrument. We think the European Parliament and member states will ask for a separate neighbourhood instrument, but we just do not know. Until we know, we do not know whether we can do what we want to do and whether there is



sufficient scope to earmark or ring-fence any particular theme of spending within that instrument suite, plus what the regulations that go alongside those instruments allow third countries to do or not to do. It is still a work in progress. Our two non-papers are all about saying to the Commission, "It is in our mutual interests to work on a case-by-case basis together; here are some themes that we think you are good at," but we will not know until we see the actual proposal.

- Q17 **Richard Burden:** I have one last question, which is just testing out exactly what the red line on oversight means, because third countries can participate in the trust funds now, as you have said. They can have a role in oversight, but the strategic direction above that still rests with the Commission. Do you see that continuing, or are your red lines different from that?

Penny Mordaunt: Again, this has to be seen in the context of what other options we might have in future. As you know, we are scoping our own instruments and potentially institutions as well. Oversight is not just passive, so we can stick our hand up if we think there is a problem. We are looking for a true partnership and we will be judging and putting our money into EU instruments compared to all the other options we have, bilateral or working through other multilateral organisations, and indeed new instruments or institutions that we may create in the future. It is an active relationship that we are looking for.

- Q18 **Chris Law:** Given that we are soon to leave the EU partnership, I wondered what the plans are for the UK with its £1.5 billion of aid currently channelled through the EU and where we are planning to spend it.

Penny Mordaunt: We have set out what we think the areas of greatest common overlap are with the EU and where we think the greatest value for money is, but we had a reset of our priorities and focus, as I announced earlier this year. We have a greater shift to where the heavy lifting is still to be done on the global goals, which is Africa. We are looking at increasing our footprint around the world, with a new relationship and offer for middle-income countries to help them grow their economies and provide stability. I have set out all of those and many other things that I have spoken to you about—and that you have no doubt listened to my dull speeches about.

We are also looking to promote other ways that we can build resilience with nations. We are moving towards more trade and economic development, but also new things such as pushing insurance. There is a huge push against combating illicit money flows and all of those things. Again, we have a lot of common ground with our European partners on that, not least those in the G7.

- Q19 **Chris Law:** I will keep pursuing this if you do not mind. Give us an idea of what percentage you hope to continue to channel through the EU, if your red lines are met. What is the maximum amount that you would be



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prepared to channel under these new arrangements?

Penny Mordaunt: I am afraid that it is impossible to tell you that at the moment.

Chris Law: There are no figures at all.

Penny Mordaunt: We will stop funding in the way we currently do in 2020. There will be a tail of funding that runs on from that, because programmes will be running down. For the EDF that is about £2.9 billion. Again, it is very hard to give you an exact figure because of the way the budget works, but it is potentially between £3 billion and £4 billion running forward. I have just described the tail of funding that will be running out from now up until that point in 2020. For any new funding we will be taking decisions in the future. We do not know the answers to the basis of that yet. We do not know what these instruments are going to look like or what those freedoms are going to look like.

How we divide our budget between multilateral partners and how much we do bilaterally with our European partners, as opposed to through the EU instruments, is to be determined. The critical thing is that we will be able to decide that. We will have those new freedoms. We will have a greater choice, because we will hopefully have some really good EU instruments that we will have oversight of, as well as other things in our own toolkit. The interest that this has created with some of the partners that Mr Smith referred to, which are outside of the EU, also provides new opportunities.

Q20 **Chris Law:** Are you finding these other partners knocking at your door just now? Are other Government Departments coming to you looking to see if they can access this Brexit dividend?

Penny Mordaunt: Other Government Departments spend ODA funding. We are working to get greater coherence. The push that we have had over the last few months on these co-founded, co-designed, greater collaborations, yes, plays things back into the UK national interest, but it also enables other Departments to better deliver the global goals. That is really getting traction. What we want in future is the best outcome for taxpayers' money.

Q21 **Mr Evans:** Are you saying that we are being punished by the European Commission simply because we are leaving the European Union, and that they are taking our money and basically telling our NGOs that they can get lost?

Penny Mordaunt: We know that 20% of the humanitarian work that we do in the EU now is delivered by British NGOs. That is because some of the things they do are world-leading. It will be very odd if that does not continue. At the moment, we have clear evidence that we could share with the Committee.

Chair: That would be very helpful.



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Penny Mordaunt: It shows where British NGOs and companies are being blatantly discriminated against. That cannot continue. It is not in good faith. We want to have a good partnership, in good faith. We are looking at mitigating any threats of consequences if there is no deal. We want to protect not just British businesses and NGOs; we want to protect the people who are recipients of the aid that they are delivering. I would urge everyone at the Commission to desist from these disclaimers and the discrimination that is going on.

Chair: In 25 minutes we have covered a hell of a lot of ground, so thank you very much indeed.