HOUSE OF COMMONS

Foreign Affairs Committee

Oral evidence: The Future of the UK Overseas Territories, HC 1464

Tuesday 6 November 2018

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Watch the meeting

Members present: Tom Tugendhat (Chair); Mike Gapes; Stephen Gethins; Priti Patel; Mr Bob Seely.

Questions 87-161

Witnesses

I: Elise Donovan, British Virgin Islands Government representative in the UK, and Janice Panton, Montserrat Government representative in the UK.

II: Jonathan Hall, Head, UK Overseas Territories Unit, Royal Society for the Protection of Birds, and Dr Mike Pienkowski, Chair, UK Overseas Territories Conservation Forum.

Written evidence from witnesses:

British Virgin Islands Government

Office of the Premier of Montserrat

RSPB

UK Overseas Territories Conservation Forum

Examination of witnesses

Witnesses: Elise Donovan and Janice Panton.

Q87 **Chair:** Welcome to this afternoon's session of the Foreign Affairs Committee. Welcome, Ms Donovan, from the BVI, and Mrs Panton, from Montserrat. Mrs Panton, you have views about citizenship that you want to explain; about how changes to the law in the United Kingdom have not rolled through to the Overseas Territories. Would you like to explain, before we start?

Janice Panton: The matter relates to the offspring of BOTC—British Overseas Territories citizens—fathers not married to the offspring's mothers. Their offspring are not eligible to apply for registration as BOTCs. This is for the period between 1948 and 2006. The same had applied, in fact, to British citizens, and the law was changed in 2006 to allow the children of fathers not married to mothers to apply for citizenship. The law started in 2006, and it was realised then that those born between 1948 and 2006 were still not eligible.

In 2014 the law was amended, but the amendment related only to British citizens, so the children born of those BOTC fathers between 1948 and 2006 are, in fact, still not eligible for registration. It has caused a lot of anguish among some parents. Similarly, there is an issue with mothers who are not married to fathers who are not British citizens—British citizen mothers. Their children can claim citizenship, but with fathers, because they are not married, their children cannot. The discrimination lies there as well, with gender as well as the problem of British citizenship and British Overseas Territories citizenship. I hope that is clear.

Chair: Thank you. It is clear, and I am very grateful to you for raising it. The issue is of concern to many of us.

Q88 **Mike Gapes:** How many people do you think are affected by this?

Janice Panton: It is very difficult to tell, because I would be extrapolating for other Territories. For Montserrat, I know that there are at least three persons who keep the lamp burning on this issue, because it affects them and their families tremendously, and three is too many when it comes to discrimination.

Q89 **Mike Gapes:** But we are talking about a few hundred people, or a few dozen at most, not thousands.

Janice Panton: We are talking about a few hundred, and the longer it continues, of course, the number will diminish because people die.

Mike Gapes: I understand. Thank you.

Q90 **Priti Patel:** Good afternoon. I am going to start with a few questions to try to unpack the relationship between the Overseas Territories, the BVI, Montserrat and the British Government, and to look at some of the economic aspects of the relationship. How do you define the relationship with the UK Government—with the Foreign Office—and, specifically, how you do you see any support that is forthcoming for economic development in the Overseas Territories?

Janice Panton: If I may, I will take this question first. In terms of the relationship between the Government of Montserrat and the FCO—you mentioned the FCO, but I would probably say HMG, because that would be easier to define. It is a tenuous one for Montserrat, in that we are in budgetary aid. It is rather difficult for us, because the FCO should govern and DFID should provide aid, but what we see is that aid and governance come mainly from DFID, through the route of the aid that it gives. In my view, that makes it a very difficult relationship. It is difficult for the leader of a country to negotiate with technicians when in fact they should be talking to Ministers or policy makers within HMG and then coming to an agreement on what is needed, what should be fixed and how much money should be spent. That is when the aid comes in—once there is agreement on the issue, the challenge, and how it should be dealt with.

Q91 **Priti Patel:** Does that not exist? We can refer to HMG, the British Government, the Foreign Office and DFID, but are there practical links—people who act as a liaison—to really challenge, build and explore, and to work through some of the challenges that obviously exist on the ground in Montserrat?

Janice Panton: My observation is really that the relationship does not work as one would with a Territory that has self-determination. For me, it is a very difficult point where a governor is there, in situ, but the decisions are made by DFID on the practical basis of aid. Governance doesn't really come into it, except of course the governance of finances. But when it comes to how you govern a Territory, all the rules and regulations that go with that, and how you spend your money managing a country, which an elected Government has to do, that really doesn't fall within DFID's remit. That, for me, is an FCO remit.

Elise Donovan: The BVI has enjoyed a good constitutional relationship with the United Kingdom. We have been part of the British remit for a long while and we have felt that, progressively, the relationship should be built on mutual respect and accountability on both sides.

Recently, we have been a bit concerned when we have seen the UK make some overtures with respect to the British Virgin Islands and the other Overseas Territories. We feel that it is not in the spirit of the relationship that we negotiated—it was mutually negotiated—under our constitution. When we negotiated our constitution in 2007, the statement was that "the UK Government will, whenever practicable, seek the fullest consultation with the Government of the" British "Virgin Islands, and will at all times have special regard to the wishes of the BVI." We feel that certain recent moves are antithetical to that commitment, made in the entrustment letter and to the principles under which we negotiated our constitution.

Unlike other Overseas Territories, we have been very strong in our economic self-sufficiency; we have not been on British aid since 1978. Unfortunately, the triple whammy of devastating floods and two category-

5 hurricanes put us in an economically disadvantageous position, meaning we now have to look externally. However, we have been economically self-sufficient, and we intend to be so. We feel that our democratically elected representatives should be respected, and that the relationship should be modern and progressive and that it should respect us as modern and progressive Territories.

Q92 **Priti Patel:** Thank you. I have no doubt that you are referring to recent activities on beneficial ownership, which we will come to later. I have been to BVI and seen the devastation of last year's hurricane. However, I am very conscious that BVI and Montserrat have very different relationships with the British Government and institutions, such as Government Departments and so on. However, I know that BVI, with its economic self-sufficiency, is very different from Montserrat.

I come back to my original point about support for economic development. If I may, Ms Panton, I would like to pressure you on economic development in Montserrat, bearing in mind that there have been various investments to kick-start geothermal and other initiatives. What is your sense of how productive those investments have been? Do Her Majesty's Government have a holistic approach to the Overseas Territories? You will know that, outside your own geographies and across the Overseas Territories—from your networks and the discussions that you have with your near neighbours—the extent to which the British Government focus on economic development, whether after hurricanes or to help a territory stand on its own two feet in the long term.

Janice Panton: In respect of support, Montserrat's people are very much indebted to Her Majesty's Government for the aid and support they have given. However, in terms of a holistic approach to development, we still lack a hospital—this is 23 years after the volcanic eruption—and a safe port, which is detrimental to our tourism development, which was identified as the first thing to be done for any economic development. It would seem that we have been receiving funds, but we are ticking over; we are not really developing. Our infrastructure is badly lacking. There is an awful lot still to be done.

The support is there; from 2016 to 2019 we will be in receipt of approximately £65 million. However, apart from capital projects, Montserrat is in budgetary aid—some 60% of our budget support comes from the British Government. That is not sustainable. We have to move from living day to day—hand to mouth, as my grandmother would say—to actually investing in a way that would kick-start the economy.

Q93 **Priti Patel:** This is a supplementary question to build on that. In terms of the UK's relationship with Montserrat, do you see anything helping to facilitate business investment in Montserrat? That could obviously help to grow and expand the economy, bringing into Montserrat not only cash from British taxpayers but private sector initiatives and work in that space, whether for capital investment in infrastructure, job creation or looking at the wider economy.

Janice Panton: There are things on the island that would attract investment, but there are barriers. The first barrier is our port, which for five months of the year is not a safe harbour. With regard to access generally, we have a small Islander that takes nine passengers if they are not carrying luggage. That is a limit. Anyone wanting to invest in Montserrat now has to overcome those barriers.

We think that investment in geothermal is vital, to reduce the cost of energy. Someone told me the other day that they had a monthly bill for electricity of $500—$187 was for usage and the balance was a surcharge, probably for transhipment and so on. Getting anything into Montserrat is very expensive. DFID contributes 60% of our grant in aid; the rest comes from the population, through customs duty. Those who pay are those who are lucky enough to be in employment, which is mainly civil servants who pay income tax. It is very difficult.

That is not to say that we don't get economic support, but we don't get the support that would enable us to kick-start the economy. At present, the growth rate in Montserrat is -2.58%. To lift yourself up from that needs massive investment.

Q94 **Priti Patel:** Do you sense that the British Government have a long-term plan to look at the long-term viability, not just of the UK Government's development finance that goes into Montserrat, but whether there is going to be a long-term return on that? If we look at geothermal, millions have been spent on looking at its viability. We know that plans are afoot locally to look at how that could be developed into the next stage, but that is only one initiative. To move from hand to mouth, to provide a hand up for greater sustainability, are you aware of any plans being looked at or worked up?

Janice Panton: There are plans being worked up. There is intent on both sides to move forward. As to how we come to that, and having an agreed plan, that is in the making. The Foreign Office is now making arrangements and having a look at investment initiatives in the Caribbean Territories in particular. I am hoping that that bears fruit for Montserrat.

Q95 **Priti Patel:** Is it possible for Montserrat to learn from the successes of other Overseas Territories, in terms of what has and hasn't worked?

Janice Panton: Yes, but you have to bear in mind that there were successes in Montserrat. We had Hurricane Hugo in 1989, but by 1994 we were close to being out of budgetary aid. Prior to that, in 1982, we elected to graduate out of budgetary aid. We have had successes, but there was the hurricane in 1989 and a volcano in 1995, and those were not our first disasters. We had volcanic eruptions—I should say earthquakes, because we now know they were linked to the volcano. We had destruction in 1934, 1928 and 1924, so this is not new to us; what is new to us is getting the will of others, but we don't really seem to be getting very far with that.

Q96 **Priti Patel:** It is timely to move on to BVI now, a year after the hurricanes and disasters there.

Elise Donovan: I can certainly appreciate how disasters can drastically change the economic output of a country, as it did for the British Virgin Islands. It decreased our GDP output by 40%, so what Janice has said certainly resonates with us.

You will appreciate that, before Hurricane Irma, BVI's economy was built on two pillars: financial services and tourism. Both pillars contributed to our moving from a fishing and farming community to self-sufficiency and economic surpluses with balanced budgets for many years. Financial services contribute 33% of BVI's economic output, which is similar to what obtains in other Overseas Territories. I think the figure for what financial services contributes in the Cayman Islands is 47%. For Bermuda, it is 38%. For Gibraltar, it is 21%.

Tourism is also significant, as it contributes one in four jobs. Our tourism industry was essentially almost wiped out, as you will have seen when you visited. Prior to Irma, we had 1.1 million tourists visiting the British Virgin Islands every year. Those tourists in 2015 contributed $484 million. That was equivalent to 48% of our GDP output, so it was a significant, drastic change. That is what disasters can do.

What we have been looking at in the recovery and development plan is how we can build on tourism. Financial services has certainly sustained us through this very challenging period. Some 60% of Government revenues comes from the financial services industry. We estimate that is much more now because the tourism industry has been so severely impacted. That is why you will hear the people of the British Virgin Islands and the British Virgin Islands Government so passionately and unequivocally strong in our support for the financial services industry. We do not want to see anything done that will undermine our financial services industry.

In terms of the recovery and the development plan, we have established a Recovery and Development Agency, which you know about. We want to build a BVI that is a model for building stronger, smarter, greener and better, fostering a vibrant and innovative economy, a cohesive and empowered society, a nurtured and sustainable environment, a resilient infrastructure, good governance and a high quality of life for all. Those are the principles and vision on which we are rebuilding the British Virgin Islands economically.

There are a number of plans afoot, including investment facilities and looking at diversifying our financial services industry and our tourism industry. We are working on investment opportunities, whether they are in FinTech or green tech. In terms of what the UK Government could do, we would like support in public arenas—in Parliament, in the UK Government and in the media—for our financial services industry, which we have built on a respectable platform. Often, the information that is promulgated about us is incorrect. *[Interruption.]*

Chair: I am sorry. The Division bell is not trying to silence you, but I am afraid it is having that effect.

Q97 **Priti Patel:** We are going to come on to financial services in a minute or two, if you don't mind. I would like to focus specifically on what happened last year. The mantra was to build back better. The British Government were very clear that we were going to give support not only to BVI, but to the Overseas Territories. With that, a private sector taskforce was set up, which I understand was completely dismantled or conveniently parked away.

My personal view was that that was a great initiative by the British Government to bring leading businesses from the private sector and economic development together as the key strands to help the Overseas Territories, perhaps in a way in which no arm of the Government can. Civil servants, quite frankly, do not have the business experience to help kick-start an economy and get revenues generated to help support tourism, which is obviously enormously important in helping get people back into work.

What was your sense—not on the financial services side—specifically on the economic recovery and all the work that was core to those principles on economic development? Back in the day, that was the sole purpose of this Government last year. Did you see much of that coming to BVI or neighbouring Overseas Territories that were affected?

Elise Donovan: When it comes to the recovery, of course it had to be in phases. The first phase was just getting the basic essential services up. Our roads were completely impassable and devastated, so priority had to be given to that. Electricity was down—we only got full restoration of our electricity in May this year.

As I said, our tourism was wiped out. There was a lot to be done, such as the schools. Some of the children were going to school in tents up until the school year ended this year. At our major secondary high school the students are still in a makeshift warehouse that has been turned into our high school. There are a number of things that had to be put in place; makeshift services, including for Government offices. The Government office itself is not fit for purpose. The Premier is sitting in an office that has the elements as air conditioning, with the wind blowing in.

We of course have to deal with a number of factors, so the recovery will have to be incremental. You have the immediate recovery, which is the short-term recovery, getting essential services up and running. Then we are looking at the medium term, so how are we going to incentivise the tourism industry to come back? That includes the property owners and the hotels who have gone and are going to take three or four years before they come back. Those are signature properties.

Q98 **Priti Patel:** Did the British Government help with that?

Elise Donovan: Well, what has been established is a partnership between the British Government and BVI, primarily led by the BVI Government, through the Recovery and Development Agency. The UK Government have committed $400 million in loan guarantees. That does not mean we are getting aid or finances; it is just that we are guaranteed.

As I come back to financial services, we have to be able to pay back those loans, since our tourism industry is down. We are looking at private sector partnerships and Government partnerships. The RDA has been established—the Bill bringing it into being has been passed through the House.

I spoke yesterday with the head of the Overseas Territories department, Ben Merrick, who is going down to BVI this week, to look at that partnership and the practicalities of working the relationship between BVI and the FCO, to ensure that we have the RDA fully functional, and at how the loan guarantees are going to work and the priorities within them.

Q99 **Priti Patel:** Do you have any sense, from other Overseas Territories that were affected, of how much help and support they have had? I don't just means in terms of financial aid—I know about the loan guarantee side. I mean in facilitating economic development, to get the OTs back on the road to economic recovery.

Elise Donovan: I think that BVI has always prided itself on self-sufficiency, sustainability, fiscal conservatism and responsibility as far as our economic affairs are concerned. We would say the same for many of the other Overseas Territories. Unfortunately, we have been faced with natural disasters that have put us in a disadvantageous position.

As I said, we have not looked to the UK Government for aid and assistance since 1978. What we would like to see is continued support from the UK Government, whether it be by looking at our various industries and giving them full support or protecting our borders. The UK Government are responsible for national security and defence. We have very porous borders, and has the potential to impact negatively on our economy and our way of life. We certainly look to the UK Government to provide more assistance in securing those borders and to provide opportunities for us to be included in trade delegations so that we can promote and market our various services and industries, such as tourism. I implore all of you to go to the World Travel Market show this week and to look for Jeannie, who will convince you that BVI is the place to be and that you should go and charter a boat.

Those are the things that we feel the UK Government can facilitate and help us with in the international arena. With our porous borders, security is a major issue for us.

Q100 **Mike Gapes:** May I start where you left off, Ms Donovan? The BVI gets a large proportion of its income from the financial sector. That presumably is a more consistent income and is more viable in the long term than tourism, which is affected by the vagaries of hurricanes that destroy facilities or make it impossible for flights to come in and out. Do you agree?

Elise Donovan: We certainly see the financial services industry evolving and as part of the future of BVI's economic landscape. We also see tourism as part of the viable economic landscape. They have been the twin pillars of our economy. Tourism contributes one in four jobs, so it is quite significant in terms of GDP and is quite important to us. Financial services contributes one in 10 jobs. In terms of the balance of tourism versus financial services, both are critical to our economy.

Q101 **Mike Gapes:** You have 27,000 people. Your average GDP per capita is $35,000. That of course conceals many things. What proportion of your population are earning $35,000 or more?

Elise Donovan: In terms of income, the population is quite diverse. I am not sure what percentage of the population earns $35,000 or more, but I can get the exact position.

Q102 **Mike Gapes:** Give me a rough estimate. Are we talking about a very small percentage so that the bulk of the population—those working in the hotels or in the tourist industry generally—are lower than that?

Elise Donovan: As I said, one in four jobs come from the tourism industry. Tourism industry incomes are not as high as those in the financial services industry, which accounts for one in 10 jobs. Obviously, you would estimate that a higher percentage of people are not at the high end of income earners, because financial services accounts for fewer jobs than tourism.

Q103 **Mike Gapes:** The evidence we have received from Transparency International and Global Witness says there is a growing body of evidence of a pattern of abuse of financial secrecy in the UK's Overseas Territories. Transparency International says that it "has identified 176 properties worth £4.4 billion in the UK that have been bought with suspicious wealth." Of those that are "owned by companies with an identifiable jurisdiction of incorporation", 90% are owned by companies incorporated in the British Virgin Islands. Do you have a view on that?

Elise Donovan: Yes, I have a view on that. First, the perception that because a company is incorporated in the British Virgin Islands or any overseas jurisdiction means that it is doing something nefarious needs to be called into question. First of all, BVI is a reputable international financial services jurisdiction. Next year it will be 35 years since we established BVI business companies that are used internationally for cross-border trade and investment. We have a very diversified portfolio when it comes to BVI's global reach in terms of people, institutional investors and corporates that use BVI companies. Of the beneficial owners of BVI companies, 41% or 42% actually originate from China and the Asia-Pacific region. That is significant.

I came from Hong Kong, where I spent the last four and a half years working with service providers—over 200-plus legal and expert service providers who do BVI business. BVI is very much valued in the Asia-Pacific region. We are seen as the gold star. The reputation that we have in the Asia-Pacific region, where most of our business comes from, is that BVI is the best jurisdiction: the jurisdiction of choice. It is legitimate business. We specialise in cross-border trade business and investment. Companies like BVI because we offer jurisdictional neutrality. We provide services based on English common law. We have English courts as a commercial court. The highest court of appeal is the London Privy Council. Country risk mitigation is very important in the Asia market.

The belt and road initiative is the most massive macroeconomic undertaking in this century, and it includes 65-plus countries. I have been to forums where it was debated whether London or Hong Kong should be the financial hub of the belt and road initiative, and I said that, whether it was London or Hong Kong, at the end of the day BVI companies would be used because they are respected and we are valued. Contrary to what is put out by some of those organisations, the truth of the matter is that BVI is a respected international finance centre. As I said, 41% of our business comes from China and the Asia-Pacific region; 18% comes from Latin America and the Caribbean; and 10% comes from the UK. There is value that institutional investors find in the British Virgin Islands. That is contrary to what Transparency International says.

Q104 **Mike Gapes:** Let me put something else to you. We published a report earlier this year that expressed concerns. Other Select Committees in this House are looking at related issues and the way in which Russian dirty money has been used to influence organisations, politics and institutions in this country. It has been suggested that more than $100 billion of Russian money has gone through BVI-registered companies. How can we be certain that all of that money was clean? How can we be certain that that is not part of the major problem that our Committee and others have highlighted?

Elise Donovan: There are two things you have to understand. In terms of financial services, the BVI, as I said, grounds itself on a strong reputation. We comply with all the international regulatory standards as far as financial—

Q105 **Mike Gapes:** The existing standards. If I wanted to get money out of Russia without people knowing what I was doing, why would I give it to BVI?

Elise Donovan: We cannot verify that information.

Mike Gapes: Why would I give it to BVI?

Elise Donovan: We cannot verify that information that has been given. I gave you the outlay of the BVI's very diverse portfolio—41% from the Asia-Pacific region, only 3%—

Q106 **Mike Gapes:** But why would I as a Russian individual want to put my money through BVI?

Elise Donovan: For any business that BVI does, we have licensed and regulated corporate service providers. Any company that is incorporated in the British Virgin Islands registry of corporate affairs is required by law to go through customer due diligence and "know your customer". Any company incorporated in the British Virgin Islands, in compliance with the international standards set by the Financial Action Task Force, must conduct enhanced customer due diligence when it comes to politically exposed persons. We ensure—

Q107 **Mike Gapes:** Can I just go back a step? I am not questioning whether there is a register of beneficial ownership. My question is how effective has it been in combating money laundering, and why is there such resistance in BVI to a public register of beneficial ownership? Isn't the reality that there is a secrecy about these matters on the part of people putting money through BVI-registered companies and that, as a result, dirty money has gone from Russia and elsewhere through companies registered in BVI? That is the essence of the debate that we are having in this Parliament and internationally.

Elise Donovan: The premise of that assertion is categorically false and misinformed.

Q108 **Mike Gapes:** Why? Tell me why it is false.

Elise Donovan: It is false and misinformed because BVI complies with the international standards as established by the Financial Action Task Force, which is the standard-setting body for anti-money laundering, counter-terrorist financing and proliferation financing. When other organisations have examined BVI's compliance with the Financial Action Task Force with respect to money laundering and beneficial ownership, 95% of BVI's records were checked, compared with the UK, for example, where the figure was only 51%, and the US, where it was only 40-something per cent. So when you look at the records, and at the truth and the facts—not assertions or misinformation, and not by maligning us with pejorative information, but by looking at the truth and the facts, which suggest that—

Q109 **Mike Gapes:** I am not maligning anybody. Can I ask again—what is the problem with making this register public?

Elise Donovan: We have stated that we have no problem with going to a public registry once it becomes a global standard.

Q110 **Mike Gapes:** So in the meantime you are happy for the position to be that there is continued secrecy about money that comes from Russia and elsewhere through BVI, and that you do not want to follow best practice, which our Parliament has called for, but would rather resist that best practice and keep secrecy as long as possible.

Elise Donovan: We are in the best practice. Our information on our beneficial ownership, our registry, is verified.

Mike Gapes: It is not public.

Elise Donovan: Public registries are not the answer, or the solution, or the key, or the silver bullet—

Mike Gapes: This Parliament has legislated—

Elise Donovan—to deterring—

Chair: Can I ask you not to interrupt each other, please?

Mike Gapes: I am trying to get to the fundament here. I am getting generalised statements; I want to be clear—

Elise Donovan: No, I've given a specific statement with facts and figures.

Q111 **Mike Gapes:** Are you opposing the decision of the UK Parliament that there will be a public register? We have legislated that by 2020 it will have to be public. What is the position of the BVI on this matter?

Elise Donovan: Are you finished? May I speak?

Mike Gapes: That is my question.

Elise Donovan: Okay. The position has been clearly stated publicly by the British Virgin Islands Premier, Dr D. Orlando Smith OBE, who has said that the BVI will explore all opportunities and positions to protect the interests of our financial services industry, which, as I have pointed out, accounts for 33% of our GDP and 60% of our Government revenues. We respect the UK Parliament, but we will explore the options, including legal options, as the Premier has said, unless it becomes a global standard so that we do not feel that we are being put in a disadvantageous position. We do not feel that public registries are the solution for detecting and deterring financial crime.

Q112 **Chair:** On that point, may I ask a question? Why is it disadvantageous to be public?

Elise Donovan: Even some of the critics—our own critics and those who have looked at Companies House, which is public—admit that the public register is unverified information—

Q113 **Chair:** Forgive me, Ms Donovan, but I am going to stop you there very briefly. I am not going to defend Companies House, which has unverified information, or argue in any way that it is a model; that is not the argument I am making. But there isn't a link between verification and being public; the two are disconnected. You can be verified in public, unverified in public, verified in private and unverified in private. I am just asking a very specific question: what is wrong with being public? In what way would you be disadvantaged by being public?

Elise Donovan: There is nothing wrong with being public, as long as it is a global standard.

Q114 **Chair:** So in what way is it a disadvantage?

Elise Donovan: It is a disadvantage when you create one standard for one set of jurisdictions, and you have another set of jurisdictions—

Q115 **Chair:** You are right; you are setting two different standards. I accept that. In which case, the two standards are attracting two different markets. Correct?

Elise Donovan: Not necessarily.

Q116 **Chair:** Okay. So the public standard and the private standard are attracting the same market, in which case there is no disadvantage to being public.

Elise Donovan: I beg to disagree.

Q117 **Chair:** In that case, please explain to me what the disadvantage is of being public. That is what I do not understand.

Elise Donovan: Unless a standard is global, there are going to be— As I have said, most of our market comes from China and the Asia-Pacific region. In our market, one of the primary concerns is risk, because there are a number of risks that need to be mitigated, whether political risk, the risk of kidnapping, the risk of bribery and so forth. People want to keep their information private and not expose it to the public because of all these risk factors. In addition, these clients—I have spent the past four and a half years in the Asia-Pacific region—are very keen to ensure that their information, for legitimate reasons, is—

Q118 **Chair:** Forgive me, but you have just explained it: the benefit of private registration is that you are able to attract clients who want secrecy, for various reasons.

Elise Donovan: There is a difference between secrecy and privacy. The EU and the UK Government have spent quite a lot of time and resources trying to protect the privacy of individuals. Privacy is afforded as a human right. It is a fundamental right that is afforded to individuals and to business. You certainly would not want your bank account information to be spread across the newspapers or accessible for everyone to see—

Chair: My earnings are public.

Elise Donovan: People want privacy in their financial and business affairs, and that is a right and a principle that is afforded to them, and mandated by law here in the European Union. Every time we visit an internet site we have to tick disclaimers to give permission before going ahead, because of the privacy rights that have been established. You are explaining a different situation, and I do not want you to conflate privacy and secrecy, because we are not a secrecy jurisdiction.

Q119 **Chair:** The reason why public accounts were introduced in the United Kingdom when companies were established, effectively, was that every time a company is created, the state—the community—agrees to the artificial concept of person in a group that isn't actually a person. In doing so, it limits the implications for any of the individuals connected to this person. Therefore, what it is doing is accepting a burden on the collective, the state, the nation, for failures of this imaginary person. That imaginary person is a company, right? The collective can do that only if they understand what risk they are taking and burden they are assuming.

That is why we insist that accounts must public. They cannot be public day to day, so we insist that they are public once a year and that there is an annual reporting period and you can check limited companies.

I now ask in reverse: given that in this case various jurisdictions are accepting a burden of these imaginary people, who are companies registered in the BVI and other places, they are accepting this risk and liability. Some of that liability is reputational and some of it is jurisdictional or financial. They are accepting the liability of this fictional person—this company. Surely they should have the ability to know what risk it is that they are accepting.

Elise Donovan: We mitigate risk. That is one of the reasons why—

Q120 **Chair:** Forgive me. I am sure you do that brilliantly, wonderfully, to a standard that not even St Peter could match. But, even assuming that you do, why should others, who are assuming that risk alongside you—the citizens of your jurisdiction and, in fact, ours, because some of that risk is underwritten by the United Kingdom—not have the ability to judge whether it is a risk we wish to assume?

Elise Donovan: We welcome you having that ability to judge, as well as the ability to judge all other jurisdictions on an equal and universal platform.

Q121 **Chair:** Forgive me, but I do not assume the same risk in Delaware as I do in the BVI.

Elise Donovan: We do not want you to put us in one category, and put the Crown Dependencies in other category, the Overseas Territories in another category and then other countries. What we are asking for is a level playing field.

Q122 **Chair:** Forgive me, Ms Donovan, you would accept a level playing field for all of the Crown Territories, whether Overseas Territories or Crown Dependencies, and the United Kingdom?

Elise Donovan: A level playing field, yes.

Q123 **Chair:** Among all of those?

Elise Donovan: Yes.

Q124 **Chair:** You wouldn't then say, "Well, Delaware does things differently," or "Brazil does things differently"?

Elise Donovan: That is why we are one of the first-mover's advantage when it comes to compliance with the global standards, set by the global standards setters. We have always called for a level playing field, where we all get the ability to operate on business principles.

Q125 **Chair:** I understand; you have been eminently clear on many areas. I would like a little moment of precision. You are talking about a level playing field within the English law jurisdictional areas; you are not talking about a global level playing field. You are talking about a level playing field within the United Kingdom, the Crown Territories and the Overseas Territories.

Elise Donovan: Both.

Q126 **Chair:** But I don't accept any shared responsibility for corporate structures in Brazil. I have no shared liability for corporate structures in Venezuela, or indeed in North Korea. So I am not at all sure why I should not demand openness in areas where I do accept some of that shared responsibility, such as the BVI or the United Kingdom.

Elise Donovan: You are a participant—not you personally, but the UK.

Q127 **Chair:** We all are; that's the point.

Elise Donovan: You are a participant and an active member of many of the global bodies that set the standards, so we would expect you, as a member of the global standards setting bodies, whether that be the OECD or the EU right now—that might change in a couple of months—to call for global standards. We would expect you to call for a level playing field, where all jurisdictions have the same opportunity to do reputable and respected financial business.

Q128 **Chair:** Again, I don't question that. You are absolutely right that we should—we do—and that we continue to do so, but that does not answer the same question.

Elise Donovan: I think we all have a responsibility to play. As a global player in the international financial arena, we take our responsibility very seriously.

Q129 **Chair:** I don't question that—you will have heard me say that I believe you are almost in line to St Peter in terms of your probity, so I am not questioning it. I will leave others to make those decisions, and others have made their accusations and I will leave them to stand. I am just highlighting the difference between the liability of the UK and the Overseas Territories and Crown Territories and the liability of other areas.

Elise Donovan: Your liability in the Overseas Territories, as I outlined earlier, is 33% in the BVI, 38% in Bermuda, 47% in the Cayman Islands and 21% in Gibraltar, so were you to put those economies, by putting us on an uneven playing field, in a disadvantageous economic situation, you would essentially be taking away our ability for self-sufficiency and our economic income, and increasing the dependency and reliance and the contingent liability on UK taxpayers. I am sure that that is not the intent.

Q130 **Chair:** You are quite right; that is certainly not the intention. But nor is it the intention for the UK to carry a liability—I am certainly not accusing the BVI of this—when jurisdictions allow the passage of moneys that are then used to corrupt our allies in eastern Europe and to undermine our security, and to see not the raising of support for other Overseas Territories but the massive increase in defence spending that we will have to make should NATO collapse and various threats appear much closer.

There is a balance here. I understand what you are saying about the contingent liability, and there may indeed be a very strong case to be made that the UK will, for the reasons you highlight, have to think again about support for the Overseas Territories. I accept that that is a possibility, but none of it answers the question: why should I, who accept liability for these imaginary people—these companies in places such as the BVI—not have the ability to know who they are?

Elise Donovan: I think that the premise is wrong. The premise that anybody who incorporates in our jurisdiction is involved in nefarious activities is blatantly false.

Chair: I could not have been clearer. That is not what I said.

Elise Donovan: You are establishing that argument about contingent liability on that premise. Our business is legitimate business. Global corporations use the BVI: 18% of the companies on the FTSE 100, 14% on the FTSE 250, 13% on the S&P 500 and 75% on the Hang Seng Index in Hong Kong have links to the BVI. Those are globally respected, world-renowned, publicly listed companies that use the BVI.

Chair: I do not dispute any of that. All that speaks to your probity as a jurisdiction—all of it—but none of it answers the question on public knowledge. But I am going to hand over to Bob.

Q131 **Mr Seely:** Do you understand our concern? If you say that you want a similar set of standards throughout Crown Dependencies, that is very fair, because you do not want to be at a disadvantage compared with London, Bermuda or wherever. But you are also saying that you want a similar set of global standards, which we know, in practical terms, is never going to be achievable. So by saying, "We want a global set of standards," we are always going to have a race to the bottom, because there will always be somewhere, such as Panama or some little shelter somewhere, where people will go to hide money. So rather than be private for the very understandable reason of wanting privacy, which we all like to have, you are going to attract the wrong sort of money. Do you understand that there is a difference between having a similar set of standards across the Crown Dependencies and wanting a single set of global standards, which we are never going to reach? It seems to me that you are sort of hiding behind that a bit.

Elise Donovan: I am sorry. I respectfully hear what you say and I understand what you say, but I beg to disagree. I feel that global standards are achievable. The United States passed the Foreign Affairs Tax Compliance Act[1] and, although that was a unilateral action, that was a universally or globally applied standard, so every country in the world that has US persons must ensure that they account for US taxpayers. Every country in the world—that is a global standard. There was no un-level playing field with that.

Similarly, we have the common reporting standard, which, while it is not universal, is as close to global as we can get. What we have seen in the global financial services industry is not a flight to the bottom; we have seen a flight to quality. We have seen that as more and more standards increase. People and corporations look to work in jurisdictions where the standards are higher and that comply with the international standards set by the Financial Action Task Force or the OECD, so there is a flight to quality. What happens when you make global standards is that people avoid those jurisdictions that want to hide or create secrecy and that do

[1] Note from witness, should read as '…Foreign Accounts Tax Compliance Act…'

not want transparency, and they go to the quality jurisdictions. There is a flight to quality, and that is what we have seen when global standards have been established.

Q132 **Mr Seely:** So why are you defensive about raising standards in Crown Dependencies and the United Kingdom? You seem to be arguing against it.

Elise Donovan: I am not arguing about raising standards. We welcome the rise in standards. We comply with those standards. We are always one of the first adopters and first movers when it comes to compliance with international standards. As I said, we always move with the standards. Whenever the benchmarks have moved, we have moved with them. Wherever the hoops are, we jump over them to qualify, because we want to be seen as a globally respected international player. That is critically important to us in our financial services industry.

The reputation that we may have here in the United Kingdom or Europe is not the reputation that we have in Asia. We are a respected financial services jurisdiction, and they want to do business with us because they know we are a respected financial services jurisdiction. We would want you, as a part of our British family, to accept us and to defend us from some of this information that is being promulgated against us and some of the pejorative terms that are often used to describe our industry.

Q133 **Mr Seely:** Fair enough, but isn't the way to deal with those pejorative terms to prove that we have higher standards than the global set of standards? In many ways, the global set of standards, if we look at places such as Panama, are not terribly high, and those wanting to hide their money seem to be able to do so quite easily in the modern world. What the British Government, with our support, are trying to do is to raise those standards so that the UK, the City and also the Overseas Territories have an ever-improving reputation, rather than saying, "Well, we've got a global standard, which is sort of okay."

Elise Donovan: We agree with you 100% about raising the standards, and you have an avenue, as a participant in the Financial Action Task Force and the Financial Stability Board. We do not sit at those tables—we are often on the menu—but you are around the table, and you can make sure that those standards are set globally, rather than taking unilateral action. You are a participant in the global standard-setting bodies. You have the power and influence to make it happen, so we agree with you.

Q134 **Mr Seely:** That is true, but we are trying to raise our standards higher than the global average and the global norm, because we have seen dirty money and oligarchs using the UK to hide some of their cash and to launder money, which is a problem both in the City of London and, from what we hear from some of the witnesses we have seen, some Overseas Territories as well. Surely you would want to raise those standards and have something higher than an international standard?

Elise Donovan: We agree with you about raising the standards. As I said, we do not want to create an un-level playing field, so as far as the standards are concerned, we agree with you. The standards can continue to be raised, and as they evolve, BVI will evolve with them. What we are asking you, respectfully, is not to put us on an un-level playing field or in a disadvantageous situation, so that if you—

Chair: Forgive me, but I am going to stop there, because you have made your point admirably clear, Ms Donovan. You are a powerful advocate for your Government, so I am very grateful that you are here. There was one last question that Stephen wants to ask Ms Panton.

Q135 **Stephen Gethins:** Ms Panton, I want to build on some of your earlier answers to Ms Patel. She asked a question about trying to get support from the UK Government to help Montserrat get itself on its feet, so that the economy can thrive in the future. As a final point, I wonder whether you could expand a little on what kind of assistance you think the UK Government could or should supply, over and above what they already do.

Janice Panton: Essentially, we would like to see movement on capital projects. When we look at, say, tourism—an area that is identified as a priority—it is very much dependent on the port, on access. There are those of our nationals who are overseas for a very good health service—it is diabolical now. To put that into perspective, if someone is suffering from cancer, they cannot be treated in Montserrat. They have to get treatment in the region and, more often than not, if they are unable to afford to get diagnostics in Antigua they will find themselves here in the UK, where for six months to a year they are not entitled to benefits and not entitled to use the health service. That also means that some of them are separated from their families because they have to say they are resident here in the UK. That is not tenable, and it has been going on for far too long. So I put health service. One of the disadvantages of saying, "I want to retire in Montserrat" is saying, "Yes, but I'll have to come back here for health." It is not worth it.

Q136 **Priti Patel:** I have a brief follow-up question, if I may, which links to the wider discussion we have been having. We have obviously had plenty of written evidence from various individuals as part of this inquiry. Do you feel that the Montserrat Government, in the light of the money that is received from the British Government—from UK taxpayers—are spending the funding they receive in the right kind of way? You have articulated very clearly on a number of occasions the lack of healthcare and of basic public amenities. Is that not the responsibility of the Montserrat Government, bearing in mind the funding that is received from the British Government? What can you say about the efficacy of the Government in Montserrat when it comes to public finance and accountability, bearing in mind that approximately 60% of British taxpayers' funds go to service the deficit of the Montserrat Government?

Janice Panton: The money spent on Montserrat is micromanaged by DFID—DFID officials on the island and DFID officials here. It is not the Government of Montserrat who spend the money. The money is spent for specified activities, and that is micromanaged by DFID officials on the island.

Q137 **Priti Patel:** We have also had evidence that the Montserrat Government are completely incompetence and waste enormous amounts of money, which comes from the British taxpayer. Is that something you think is true?

Janice Panton: No. That is not something I think—

Q138 **Priti Patel:** So what do you think could be done to get DFID or the UK Government—HMG, as we described earlier—to support public services but also long-term economic development? We have also had evidence—actually from Government sources in Montserrat—basically saying that there is no real intention, that DFID is not focused enough on long-term economic development in Montserrat.

Janice Panton: One thing that can be done is to agree on identified priorities. From your point of view, it may well be what you want, and it may be much more—we talk about efficacy—to have a steering group that looks at the spending, that is made up of officials and is accountable. I say officials—Montserrat officials, FCO officials and DFID officials. It would steer through projects so that they were managed in a timely manner and funding was drawn down appropriately.

Q139 **Priti Patel:** Is this about projects or governance?

Janice Panton: It may be about both, but I see it from both sides. I put FCO in the frame and I am looking at the White Paper, "Security, Success and Sustainability". We cannot have sustainability or success without security. We cannot have any of those things unless there is governance, and governance comes through the White Paper—the FCO policy paper. I would like to see if that could be effective.

Q140 **Chair:** May I ask a grossly unfair question; one that you are very welcome to shoot down very quickly? Given that the population of Montserrat has fallen from 15,000 to 5,000, given what you quite understandably say about healthcare, and given that I am right, I think, in saying that Montserrat has access to four treatments on the NHS a year—is that correct?

Janice Panton: Yes, a quota of four.

Chair: Is Montserrat sustainable as an individual territory anymore?

Janice Panton: I think it could be. If you look at what Montserrat as a territory has to offer, we have the Centre Hills and beautiful biodiversity that is second to none. We also have a natural volcanic landscape that is awesome, and we are in a position to benefit from both, but it has to be high-end tourism. We do not have the sea, sun and sand, but we have a pristine natural park and, as I have said, a volcanic landscape. Together, they can help Montserrat to be sustainable.

Chair: Thank you very much, Ms Donovan and Ms Panton, for your evidence this afternoon. I am very grateful.

HOUSE OF COMMONS

Examination of witnesses

Witnesses: Jonathan Hall and Dr Mike Pienkowski.

Chair: I welcome Jonathan Hall and Dr Pienkowski to this afternoon's session.

Q141 **Stephen Gethins:** Can you both paint a picture for us to explain in environmental terms just how important the Overseas Territories are? I put that to both of you, just to scene-set for us.

Dr Pienkowski: In terms of biodiversity, the normal relationship is reversed. Britain is important, but it is a minor player compared with the Overseas Territories in world terms, and that is a point of some reflection. You were talking about Montserrat earlier, and as it happens I have just come back from Montserrat, having run some programmes there. To take that one example, which is tiny—it is 11 miles long—it has one unique bird species, another unique sub-species of bird, two unique reptile species, five unique sub-species of reptile, three unique plant species, and over 1,200 invertebrate species, of which 81 occur nowhere else in the world—they are endemics in our term—and that is just one of our territories. That richness is reflected in many others. There are some things in both our written submissions about this overall, but it is worth adding that, for example, large sections of "Blue Planet II" and "Planet Earth" were filmed in our Overseas Territories, although I do not think they said so on the commentary, so it is certainly worth noting that.

Q142 **Mr Seely:** Which ones?

Dr Pienkowski: There was some filming done in South Georgia and the British Antarctic Territory. I think some of the filming was also in the British Indian Ocean Territory.

Jonathan Hall: I echo that. Many of the global icons of the natural world that the British public love seeing on TV programmes such as "Blue Planet II" are present in the territories. There are more penguins than in any other country on Earth, a third of the world's albatrosses and tropical rainforests filled with parrots. On the marine side, there are some of the most pristine, deepest, cleanest parts of our oceans, which are going to become one of the most diverse networks of large-scale ocean sanctuaries in the world, present in every major ocean on Earth.

Q143 **Stephen Gethins:** How effective are the Governments of the Overseas Territories at managing their environments? How do they get the balance right between, as we heard in the previous panel, trying to promote tourism and other industries to make themselves economically sustainable, and being environmentally sustainable at the same time?

Dr Pienkowski: This is very close to our hearts, because much of the work that both our organisations do is on how to make sure not only that we protect the environment but that it has an economic benefit, which I think is probably the future for many of these territories.

I would like to differ on one part of the premise. I do not think it is always a question of balance. In rare cases it is about balancing the environment against development. More frequently, the developments themselves depend on good management of the environment, so I think that that balancing exercise is perhaps overplayed.

The territories are very variable in what they have managed to achieve, for very good reasons. I suspect that Gibraltar, for example, is ahead of us in terms of its environmental management. It has a rather small space so it looks after it rather well. It is also notable that under its planning regulations government representatives—both ministers and officials—are allowed publicly to disagree with each other in meetings. They still seem to work, so there might be something we can learn from them.

Elsewhere there are other challenges. As I mentioned, one thing we have tried to do is work with some of the territories to give them the chance to share responsibility for their environments. We have been doing some work in Montserrat to help them integrate planning and environment more closely because they have to build a new capital at some stage, but we do not want the environment to be damaged in the process. We are also encouraging the local people to enhance their environment so that it provides the basis for more sustainable tourism.

When the British Government has been in direct control of territories it has not done that brilliantly. There are some examples in our written evidence about problems with direct rule of Turks and Caicos. We fully support that happening, but the implementation was not great. I do not think I need to go into that, unless you want me to, because it is in the written evidence.

Jonathan Hall: I focus on the aspect that so many of these territories have natural resource-dependent economies. Several territories in the South Atlantic derive a vast proportion of their GDP from fisheries. Many more territories derive a very significant proportion from tourism or their natural assets. There is a great need to invest in those underlying assets, upon which those economies are based. There is a common issue of limited capacity to manage and make those investments and the funding to secure them. Across the board they face similar threats from climate change and invasive species, because as islands they are hotbeds of unique species and evolution. Uncontrolled development with limited planning frameworks is also a difficult area in many of the territories.

Q144 **Stephen Gethins:** Obviously, some of these areas cost money. How important has our membership of the European Union been in terms of funding? I know for instance that some birdlife projects have received funding. If the Overseas Territories are preparing for the UK leaving the European Union, where might there be shortfalls? Where can the Foreign Secretary make a case to the Chancellor that investment is needed to replace some of those funds?

Jonathan Hall: The UK Overseas Territories unfortunately fall between two stools, in that most domestic UK environmental funds are closed to them. For instance, the Heritage Lottery Fund, which is a major funder of environmental projects in the UK, is closed to the territories. Then you have the international funds, which are closed to the territories, the Global Environmental Facility being perhaps the biggest and most well known.

Within that space, there has been some dedicated UK Government funding and some very important funding from the European Union, in the shape of the targeted BEST fund for the Overseas Territories and an even bigger and more significant pot, the EU's main environmental funding instrument, which is called LIFE. The coalition Government had a major coup back in 2012, when they managed to get the LIFE regulation opened up to the Overseas Territories. Unfortunately, the Commission stymied the implementation of projects in the territories, but that is what really had the potential to be transformational, whereas the main UK Government fund for the environment, Darwin Plus, is limited to projects of about £300,000 in size. LIFE funding could do projects worth £1 million, £2 million, £3 million, £4 million, and this is what could restore natural World Heritage sites in the territories or, for instance, restore cloud forest and thereby increase water supply in a drought-prone territory.

Q145 **Stephen Gethins:** So does that mean that, as well as the financial gaps, if the UK Government made some administrative changes, in terms of who can apply for certain funds, that would go some way to helping out with that gap?

Jonathan Hall: There is the funding that needs to be replaced post Brexit, but there is also an opportunity to make sure that those funds are targeted, have appropriate levels of bureaucracy and are able to be accessed by in-Territory actors and not dominated by UK institutions.

Dr Pienkowski: That is a very important point, because one of the changes that we have seen over the years has been the change in balance in spend of fund. We think we are quite good value for money, because whenever we get some support from the British Government, we can multiply it by pulling in volunteers—in many cases expert volunteers who work pro bono. But the proportion of British Government funding to the territories that has been spent through NGOs, going back to the first period of the Darwin fund, for example, was 77%. In the period 2005 to 2012, that fell to 55%, and in the period 2013 to 2017, it fell to 43%. We think this represents a potential loss of value for money. We are certainly not critical of the quality of research done by Government institutions, but we think it does tend to squeeze out the very good value for money from NGOs.

Q146 **Priti Patel:** Just on the money question, do you think the Government are paying lip service to their environmental credentials on conservation? We have all touched on "Blue Planet", and there is no doubt that the environmental offer across the Overseas Territories is first class and second to none. We all like to lecture other countries around the world about conservation and doing more, but should we not be stepping up, and should DFID not be doing more in this area too?

Dr Pienkowski: I would not say that the British Government were paying lip service to this, but it would certainly be unnatural not to make the best of what money is spent. There are squeezes that are problematic. DFID used to be very happily engaged in the environment, but—I am trying to watch my words carefully, of course—in squeezing the amount of money it was trying to spend, it did squeeze out some of its officials. For example, the Overseas Territories environment official, which was previously a DFID post, has been abolished. That makes liaison very difficult, and liaison between the NGO bodies, which have had a long involvement in the territories—in our case for 30 years—and the governmental bodies is not as good as it should be. In fact, a leading conservationist in one of the territories I was in recently pointed out to me that some of the work done by a British Government institute paid for by British Government money was duplicating work that had been done by an NGO just three or four years earlier. Now, this can be cured; we just need to ensure that people talk to each other to put things together. The last thing I want to say is that we have wasted lots of money, but at the margins that money can be useful.

Q147 **Priti Patel:** Obviously, I have not just been in DFID but I saw the impact of the hurricanes last year across key Overseas Territories. There is a big mantra and a big focus on "building back better", to become much more climate resilient but also to look at how to develop an economic way forward in terms of self-sufficiency, based on environmental concerns, considerations and factors. Do you think that the British Government has been active in that space in terms of providing the necessary support? How do you see some of the key Overseas Territories—I don't need to list them; you know them—that have been affected embracing the opportunity to do things differently, bearing in mind that they are constantly affected by endless environmental factors?

Dr Pienkowski: Two approaches seem very important to us. One was certainly touched upon by our predecessors giving evidence, in that you need to be able to reinvest properly after devastation, whether it be a hurricane, a volcano or whatever. The pressure is to get something working, but unless you can do things such as invest in moving power cables underground rather than their being on poles, it is crucial. It is a big splurge of money in a short period, but with a long pay-off.

From the point of view of the natural environment, as I said, that is key to the future economy of many Territories, and we need to invest seriously in that as well—in its protection. We put in quite a lot of infrastructure in combination with our local partners, about how tourists would use those sites, but we do not have the sort of money to be able to build the other infrastructure. A more organised plan, built on consultation between the British Government and the experienced British NGOs and, of course, taking fully into partnership the local civil society and Government, is the way forward on this. I do not think we have got that act together yet.

Q148 **Priti Patel:** Has there been any evidence of any of that work taking place, since the hurricanes last year? I just use the hurricanes as last year's one example; there have been so many other events that have led to economic and environmental consequences.

Dr Pienkowski: I think there is some, but I do not think I am the best person to answer that question. I am stepping on the toes of my Territory Government colleagues, I think.

Jonathan Hall: Stepping back to that hurricane and climate change challenge, I think, very sadly, that the projections are such that the Caribbean is going to effectively be something like a bowling alley for ever stronger, ever more frequent, hurricanes coming through from Sahara, West Africa. That is a really existential threat to these Territories, which are going to have to rebuild, sadly, ever more frequently and really rethink how their societies can be made resilient and functional.

A lot of the focus has had to be on immediate clear-up and getting work going, but what I think is lacking, certainly on the UK Government side, is a longer-term adaptation plan. The FCO says to us that it is DFID that is responsible for climate change adaptation in the Caribbean. DFID really feels responsible only for Montserrat, because the other Territories are not ODA-eligible. DEFRA published this summer the UK national adaptation plan from 2018 to 2023, with one passing mention of marine reserves in the Overseas Territories but no presence there[2]. This is going to be a huge area of shared financial liability. Every time a mangrove forest is developed for a tourism development without an environmental impact assessment you are effectively reducing that island's resilience to storm surges. Every time a wetland is developed, flooding and water retention capabilities are reduced.

I do not think I have seen a joined-up approach to what 21st-century resilience looks like in the Caribbean islands, what a joined adaptation plan, properly funded with DFID support, between the UK Government and the Caribbean Governments looks like, in particular. There is an opportunity. There are small island developing states all over the world that have these existential threats coming up, and the UK, with the Territories, should be leading the way in supporting those islands for climate resilience.

Q149 **Priti Patel:** I am really interested to hear your view, Mr Hall, because that was exactly the outline when I left DFID. We were looking at the way forward, at hurricanes and at other small island states equally affected by climate change, particularly in the Pacific. Do you think that this is an issue of governance and leadership, or is there disinterest in key aspects of Government Departments because not one of them is willing to say "I am going to take charge of this, sort this out and work with regional financial institutions to put the cash in and work with the Government to deliver the long-term resilience"? It is about environmental resilience as well as all the economic benefits that come with it in the long term.

Jonathan Hall: As ever, I think it is a mixture of those aspects. The immediate pressing need to rebuild something that works perhaps takes

[2] Note from witness, should read as: '…but no other Territory presence there.'

the eye off the ball when it comes to how to do it better in the longer term.

Priti Patel: We had quite a clear focus back then, though.

Dr Pienkowski: May I pick up that point?

Chair: I think we have largely covered it, unless there is any vital element to add.

Q150 **Mike Gapes:** May I take it a step further? What you are really saying is that the UK Government is not doing enough to help the Overseas Territories collectively to deal with climate change, and that we need it to be more joined up. Mr Hall, your written submission refers to "one British realm". Is that what you mean by what you have just said, or is it more than that?

Jonathan Hall: Yes, and the idea that this is a shared responsibility. "One British family" is often used as another way of describing the territories. British environments and British wildlife are writ large in the RSPB's interest, so we try to take a "one realm" approach. It is always difficult to think of useful terminology for something that does not have an established name, but it is about that join-up.

The context in which we proposed that was the idea of a more organised multi-year two-way secondment scheme between Territory Governments and UK Government Departments and vice versa, and between Territory and UK civil society. We think that that would have big benefits on both sides. On a UK level, it would increase understanding of the territories through learning from direct experience in small island states and small Governments. On the other hand, it would place UK civil society and Government members in the territories to help to deliver capacity building on the ground.

Dr Pienkowski: For our sins, the UK Overseas Territories Conservation Forum sometimes acts as a secretariat for the Environment Ministers of the Overseas Territories and Crown Dependencies. One of the difficulties they mention repeatedly is what the contact point is—'how do we relate?' That shows me that things are not joined up in that way.

The last thing we want to do is cut out the expertise of different UK Government Departments, but if there were a better way of linking together, it would address some of these points as well. The only thing I would say is that, whether it sits in the Foreign Office or the Cabinet Office, I could not advocate it going to the Home Office.

Q151 **Mike Gapes:** We are looking at that issue as part of our inquiry, but may I carry on? I have a question that relates to what you said earlier.

You referred in passing to the Chagos Islands. Of the 6 million-plus sq km of the planet covered by the British Overseas Territories, 640,000 sq km—10%—are in what was unilaterally declared by the UK Government in April 2010 as the Chagos marine protected area. That was perceived as a great initiative to help the environment, sustainability, protection and all the rest of it, but as you know, it was struck down by the court of arbitration as contrary to the UN Convention on the Law of the Sea. Mauritius has been pushing very hard in the UN General Assembly, and we have this dispute. Where, from your perception, are we on that part, which is a huge expanse? Where are we now in terms of protection within that area, given that there is an international dispute about jurisdiction and that Mauritius has unexpectedly got support in the UN General Assembly against the British Government in the last two years—

Dr Pienkowski: I am not a lawyer, so I do not want to comment on the legal position. I gather there are some issues which were just struck down and some issues where competence has not been accepted. In terms of the position we have with that site, of course, we, of course, we support the idea that a marine protected area should be protected, whatever the outcome, without presumption as to a particular position, but we had serious reservations about the way it was not consulted on properly and implemented.

Q152 **Mike Gapes:** In 2010?

Dr Pienkowski: Yes. In terms of the position now, clearly—not commenting on the legal position—we see a great advantage in having that protected area for whatever future of that area. If you do not manage the thing, no one will benefit from it. Jonathan had a closer link to some of these points.

Jonathan Hall: Certainly at the moment there is very proactive management going on with blue belt funding. The Foreign Office has put money towards two DEFRA agencies that are doing patrolling, monitoring, surveillance and scientific research. A lot of activity is currently under way. It is not a paper park in the sense that it has been left to intrusions by illegal pirate vessels or anything like that.

Q153 **Mike Gapes:** But the question of Mauritius having the legal right to fish within that area, for example, could potentially disrupt the idea of the preservation of the environment there. Do you have any perception of whether the international community is prepared to adopt something equivalent to what the British Government tried to get in 2010?

Jonathan Hall: What is interesting is that there is such a large-scale multimillion-pound science programme happening in the Indian Ocean Territory that it is really demonstrating its central place in the Indian ocean as a nursery and restocking ground for a wide range of species—fished and unfished—for the region. That holds a lot of potential to have this area as a sort of reserve area for that ocean basin on which so many mouths depend in the countries that ring the Indian ocean.

Q154 **Mike Gapes:** How can you effectively keep people out of the area to protect the species that are there?

Jonathan Hall: In the current legal arrangements—not predicting what the various UN processes may eventually come to—there is a patrol vessel that goes around the zone, there has been aerial drone work, there is satellite surveillance and follow-up, and two people are now placed in the National Maritime Information Centre—

Q155 **Mike Gapes:** Are they based in Diego Garcia and flying out?

Jonathan Hall: There is both. There are two people based in the National Maritime Information Centre doing monitoring, surveillance and enforcement for all the blue belt marine sites, and there is the patrol vessel based on the ground and capacity within the archipelago as well.

Q156 **Mike Gapes:** Using the American base in Diego Garcia, presumably, to—

Jonathan Hall: That is sort of the same island. My understanding is that it is mostly UK resources going into it, rather than American resources.

Dr Pienkowski: I think it is technically a British base and the Americans use it.

Mike Gapes: A British base used by the Americans with one resident person. I know the legal position—I was using shorthand.

Q157 **Chair:** You have spoken about a lot of areas there, Mr Hall. Given that we answer to the British people here, why should the UK care about the Overseas Territories?

Jonathan Hall: As I said, the UK public is almost a David Attenborough nation. They absolutely adored "Blue Planet II" and they are so interested in the wildlife and the environment writ large. The territories have so many of those environments: the penguins, the tropical rainforests and the largest coral atoll on Earth. The RSPB perhaps is a slight demonstration, in that we have 1.2 million members. There are multiple other very large conservation membership organisations. There is passion for the environment in the Overseas Territories. Every time we put something in our membership magazine or interact with our members on the UK Overseas Territories, the feedback is enormously positive. These are places that people often do not know about but find fascinating and intriguing the more they learn about them.

Dr Pienkowski: Also, for the most part, their core citizenship is British people. Britain, as well as leading on the international aspect of these things, has signed up to various commitments. We do not normally go back on what we sign up to, so there is a strong moral compunction as well as the aspect of looking after our people.

Q158 **Mr Seely:** The way you phrase it, the Overseas Territories should be a showcase for Britain's commitment to global conservation. Do you think that is happening?

Dr Pienkowski: It is happening in some places. It could happen more, and we try to encourage it. As I said to a previous Minister—not of this Administration—these are good news stories. We should use good news stories, because occasionally we have more difficult stories. When you are a small Administration, it is quite easy to take initiatives. We can take world-leading initiatives and lead by example, which may be at least as effective as trying to argue our position in big global negotiations.

Jonathan Hall: The best example is probably where the UK and Overseas Territory Governments are working together on the blue belt initiative. By 2020, we will have 4 million sq km of protected ocean and be global leaders in every ocean on the planet.

Q159 **Mr Seely:** I just want to check those facts. You said 4 million sq km?

Jonathan Hall: Yes. That is the commitment by 2020.

Q160 **Mr Seely:** You said a third of the world's albatrosses?

Jonathan Hall: Yes, more penguins than any other nation, a third of the world's albatrosses, the largest coral atoll on earth—there are lots of good stats.

Dr Pienkowski: But we probably need a blue belt equivalent for the terrestrial environment. That is where the unique species are. I do not want to argue against the marine—it is very important—but equally, we do not want the terrestrial to be squeezed by a focus on the marine.

Stephen Gethins: I was interested in your remarks, Mr Hall, about the British realm. Obviously, I hope you consult your colleagues in RSPB Scotland about any policy developments, given the relevant—

Chair: I think you are still hoping to keep our sovereign lady, Elizabeth, as your queen, aren't you?

Q161 **Stephen Gethins:** No, no, we are, but the Scottish Parliament obviously has responsibility for a large number of these areas. How does the UK's track record on managing the environment compare with France, the Netherlands and other countries with Overseas Territories, and what can we learn from our colleagues there?

Jonathan Hall: The French Government places civil servants from metropolitan France out in different Overseas Territories, with an express department and an express strategy. There is a very good chapter in the last Overseas Territories White Paper on the environment. There is neither that mainstream capacity—there is very little awareness within wider DEFRA about the Overseas Territories—nor an environment strategy that works with the territories to achieve concrete positive outcomes. I hope we can improve funding, as was mentioned, put in place a clear strategy and then do the sort of capacity building we suggest via an exchange mechanism. Those three key things would go a long way to improving the situation.

Dr Pienkowski: There is an overall cultural thing that we need to address. I do not want to set any other country up as better than ours, because I do not think they are, but there are different approaches we can learn from. France has this feeling, "Isn't it wonderful that everyone wants to be French? Let's cherish them." In fact, we have a running joke with our French colleagues when we try to get things out of the EC—why are two countries with different imperial histories so different in attitude?[3] The Dutch have a sharing attitude to their territories. One classic example is that their national lottery funding is open to all their overseas entities. I wish we could get the same here. There are these things we can learn by comparison. There is that basic point about cultural difference and the point Jonathan alluded to about finance—there is a fundamental difference in those things—but perhaps a bit of friendly rivalry would help in addressing them.

Chair: Gentlemen, thank you very much indeed. You have been very fluent witnesses and I am extremely grateful to you for your insights.

[3] Note from witness, should read as 'why are two countries with similar imperial histories so different in attitude?'