



Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence: International Development

Thursday 1 November 2018

10.30 am

Watch the meeting

Members present: Baroness Verma (The Chairman); Baroness Brown of Cambridge; Lord Dubs; Lord Horam; Lord Risby; Baroness Suttie.

Evidence Session No. 1

Heard in Public

Questions 1 - 13

Witnesses

I: Simon Maxwell, Chair, European Think Tanks Group; Claire Godfrey, Head of Policy and Campaigns, Bond; Rachel Turner, Director for Economic Development and Europe, Department for International Development; Juliette Prodhon, Head of EU Policy, Department for International Development.

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Examination of witnesses

Simon Maxwell, Claire Godfrey, Rachel Turner and Juliette Prodhon.

Q1 The Chairman: Good morning, everyone. Thank you very much for coming in today. I am quickly going to mention the witnesses who have joined us for this first round table of the Committee. Thank you to Rachel Turner, who is a director at the Department for International Development; Juliette Prodhon, head of EU policy at the Department for International Development; Simon Maxwell, former director of the Overseas Development Institute; and Claire Godfrey, head of policy and campaigns at Bond.

This session is being broadcast. You will all get transcripts at the end of the session, so if you think has been reported wrongly, please come back to us. The reason for having this round table today is to try to get as free-flowing a discussion as possible in which we can be as frank and candid as we are allowed to be in order to get a much more informed position of where we see the UK after Brexit in reference to the work that we do on development, aid and co-operation with the EU.

Rather than having opening statements or introductions from colleagues around the table, I thought it would be an easier structure if colleagues who have come from outside the House say who they are and a little about their roles when we open the discussion up. Then we can go into the opening question that we will put to you.

If witnesses have questions that they would like to put to colleagues here, just indicate so that we can do it through me as the Chair. That will be easier and, I hope, keep it free-flowing. If that is okay, and everyone agrees, we will make a start.

I am Chairman of the EU External Affairs Sub-Committee, and I am extremely pleased that we have this round table discussion. I hope it will be as informative for us as it will be for you to take away. For colleagues who have interests relevant to the round table, could you disclose them at the beginning of your opening remarks, as I am about to? I am chairman of a company that does green projects across the developing world and I am global chair of a blockchain company that is measuring the impact of SDGs.

I will start with our DfID colleagues first, if that is all right. Just say how you think the UK and EU should co-operate with each other after Brexit.

Rachel Turner: I am currently the director for economic development and Europe in DfID, so my portfolio includes our economic development work, our investment work, our stewardship of CDC¹, but also our engagement with Brexit. As well as the aid funding part of our relationship with the EU, I have some small engagement with the trade part. We have a team paid for by DfID that sits inside the Department for

¹ Development finance institution owned by the UK Government

International Trade and advises both Secretaries of State, trade and development, on trade and development issues, so I have some engagement in that.

The Chairman: I should imagine that you have quite a lot of engagement with that.

Rachel Turner: To your question about how we see the future relationship, we have been very clear, and the Prime Minister was clear in the White Paper, that we want to have a very strong relationship with the EU when we leave. We are clear that we share common values with the EU and the Commission in the area of development. We share the ambition to deliver the SDGs, we share ambitions in Africa, and we are like-minded in our ambitions for the reform of the multilateral system. We are very clear that we want to be able to work closely together, and there are various ways in which we would be able to do so. The purpose of the discussion is that we begin to unpack and talk about those different ways.

It is clear that we will continue to work closely with the EU as a partner at country level. There are countries where we already have close partnerships and we expect to sustain those. There are also thematic areas where we hope to continue to work closely with the EU, and there is no reason why we would not and should not. The development architecture is flexible and forms nimbly into groups to tackle specific problems. We will be there alongside the EU. I wanted to set that out first.

We have also been clear that we are open to pooling financing with the EU once we leave, if it is in our national interests and on a case-by-case basis, where we think it can deliver value for money. Our Secretary of State made a statement in front of the IDC² a few weeks ago where she set that out. She also set out her conditions for being willing to pool finance behind some common objectives with the EU.

I am happy to talk about that in more detail as we go on but would just underline our red lines around that form of collaboration. One is that we have sufficient oversight, stewardship and policy influence not just in relation to our own financing but in relation to the collective financing of whatever level we decide to fund. The other is for UK entities. Bond is here and can talk more about that, but we are very proud of what UK entities deliver in the development space. Any funding that we provide once we leave must be open to UK entities to deliver, so those are our two red lines.

The Chairman: Rachel, how would you see that develop? If you are not at the table when the other 27 are discussing these things, how would you see the UK being able to do it?

² International Development Committee of the House of Commons

Rachel Turner: There are two things happening. First, the instrument architecture for the EU is currently being reformed. At the moment, the architecture has the European Development Fund, the Neighbourhood Instrument and the Development Cooperation Instrument. Then there are separate funds, such as the migration trust fund. The Commission has proposed bringing all those instruments together into something that is known as NDICI in shorthand, the Neighbourhood, Development and International Cooperation Instrument. The governance of that pooled instrument is still very much up for debate. The Commission hopes to finalise the design of it by May.

There is an ongoing discussion, which we are part of while we are a member, about where the layers of governance will be. The Commission has set out a proposal for the instrument to have some specific separate thematic budgets. It is also proposing a set of governance arrangements, both thematic and regional, but that is still up for debate. Our hope is that by being clear that we have an ambition to join the instrument at some levels, the Commission would be willing to take that into account as it considers the future design.

There is a separate issue here about whether, more broadly, it is a healthy thing for the Commission to open itself up beyond member states, as other multilaterals do. That is slightly separate from what we think could be a way forward to give us the flexibility to join, with appropriate governance. These are very open questions that will need a lot of imagination and creativity to resolve.

Q2 **The Chairman:** Indeed. I want to know what you mean by “sufficient oversight”. What does that mean?

Rachel Turner: As the Secretary of State said to the IDC, we are very clear that we expect to have a voice. We would not be passive, but we would have a voice in the policies and strategies that shape different pools of funding. We understand that we will not have a vote in Council—that is clear—but at the next level down we think there are ways for us, as an active participant at a board, to have a voice, give our expert views on strategy and be at the table as key strategic decisions are taken.

Q3 **Lord Horam:** I am a Conservative Peer. Rachel, do you view this reorganisation as a major change, or is it just a bit of tidying-up? Does it make it more difficult for us to co-operate with Europe?

Rachel Turner: The Commission certainly feels that this is a significant change. As a donor standing back in the architecture, it will feel significant if the Commission brings the instruments together. It will give them much more flexibility to programme across borders, for example, so they will be able to think about how they programme between sub-Saharan Africa and elsewhere.

Lord Horam: It looks as though there will be more flexibility and you think that is true.

Rachel Turner: I think it is true. That is their ambition, but it has clearly not yet been agreed and finalised.

Lord Horam: But you think it will be. The odds are that it will be.

Rachel Turner: It continues to be debated. Can I ask Juliette?

Juliette Prodhan: I am the head of EU policy working in DfID. I work on our current co-operation with the EU on development policy, covering all the issues that we currently work on together, but I also work on the shape of our future relationship relating to development, sitting within Rachel's overall directorate. What was the question you asked me? Maybe I can speak on the governance point.

The Chairman: Come back to Lord Horam's question first, perhaps.

Rachel Turner: It was about whether we think the merged instrument will be agreed.

Juliette Prodhan: It is a major rethink. The EU is bringing together a number of different development co-operation instruments under one umbrella. That is the proposal on the table. These negotiations always take longer than one thinks. The EU's objective is to define the shape of the future instrument before the next Parliament comes in next year. In reality, it may be December next year or even December the year after before these things are bottomed out.

One reason is that it is not just about the EU's future development frameworks but about its overall budget process, which is like our spending review. What is spent on development has to be balanced against the overall EU budget, and a certain amount of wrangling will go on until it is all thought out. It is unlikely that it will be concluded in the spring, but before new politicians come into Parliament, this Parliament and Commission would like to secure their own objectives.

Lord Horam: Do you think that if this came about it would make it more difficult for us to co-operate with Europe?

Rachel Turner: Not necessarily. During the current MFF, the fiscal framework, the Commission has experimented with bringing in external partners through the trust funds. That was hotly debated some years ago when Norway and Switzerland were brought into the trust funds. The benefit of having vehicles that can bring in externals through core member states is something that member states continue to think about. It does not necessarily make it harder. Because there will be big thematic lines, it might actually be easier.

Q4 **Baroness Brown of Cambridge:** I would like to ask a question on something slightly different, so I hope that is all right.

I am interested in the areas of potential collaboration. Given that the rest of the EU and we are looking at the implications of the IPCC³ 1.5 degrees

report on our approach to decarbonising—the report suddenly takes it from a national to a much more international agenda—I wonder whether collaboration on development support in the area of decarbonisation, implementing sustainability standards for growing bioenergy crops in developing countries and those kinds of things are being thought about. Is that one of the things that we want to collaborate on? I should declare that I am vice-chair of the Committee on Climate Change and chair of the Adaptation Committee.

Juliette Prodhon: Under the new framework, the NDICI, the EU has set itself a climate change target of 25%, so 25% of all future programming should be coded to delivering climate change outcomes. There are two things.

First, within the current discussions on development, the EU 28 are speaking out very strongly in support of maintaining that climate target and ensuring that we have a means of measuring progress towards it. That means that when the future instruments are set up, any co-operation that we undertake with the EU will deliver against those targets.

Secondly, it is exactly the same point: we know that any future co-operation that we have will be specifically on climate. That is it for now.

Q5 Lord Risby: This will be helpful for my understanding, because two European countries, which you alluded to briefly, are generous. I wonder how the essential interface works—not being members of the EU but having similar aims and objectives. I know we are leaving, but is there a way in which they function within the umbrella of the EU or with similar objectives? How does it actually work? Does this give us any guidance on the way we will try to deal with this?

Secondly, obviously a substantial amount of money is involved. I would be interested in your view on the extent to which this is a part of the discussion, because it is a significant amount.

Rachel Turner: The Prime Minister has been clear that she wants a more ambitious partnership. The White Paper and the technical note on the external partnership explain the ambition to have a co-operative accord that would frame the parameters of our development partnership with the EU. That, I understand, would go further than what Norway or Switzerland has, so our ambition is to go somewhat further.

Alongside that, we are learning a lot from how Norway and Switzerland engage with the EU on a case-by-case basis, at both country and thematic level, and there are very active partnerships in development policy. I came yesterday from a meeting with the European development finance institutions, the EDFIs, hosted by Germany, where both Norway and Switzerland were very active participants alongside us.

The Chairman: The UK is of course seen as a leader. Therefore, even

³ Intergovernmental Panel on Climate Change

though Norway does some excellent work, we are seen out there in the world of development as leading on programmes and putting a lot of our budgets behind them. That is of concern to others. Simon, and then Claire, I would like to hear from you as well, because you are the delivery partners who have to try to fathom your way through.

Simon Maxwell: In addition to being the former director of the ODI, I am currently chair of the European Think Tanks Group, which has 350 researchers in five European countries, working on a range of issues, including aid, migration, climate change and security. I do not speak for them; nor do I speak for ODI.

There are three things to throw into the conversation.

First, the development agenda is not the same as it was 20 years ago, in two important ways. We used to think of development being about delivering primary healthcare to poor rural women in Tanzania. Today, there are only 30 low-income countries left and, of those 30, most are conflict affected. As countries graduate from aid, the development problem becomes one about how we deliver peacebuilding, peacemaking and peacekeeping, and manage post-conflict recovery, using all sorts of different instruments from the ones that we traditionally use.

The second big change in development is that we are more and more concerned with big global issues. Climate change is an obvious example; Paris delivered only 25% of what is needed to get to 2 degrees, never mind 1.5 degrees, and we are confronting big global issues such as migration.

Secondly, there is a consequence of those two big changes in development. Multilateralism becomes ever more important. None of these problems can be solved by one country acting on its own. Think about the Iran agreement, the Kurds in Turkey, what is happening in Syria, west Africa, Somalia or Yemen. Multilateralism is absolutely essential to these issues, and the UK has multiple engagements with multilaterals. As well as the EU, we have the UN, the Commonwealth, the Council of Europe and NATO. I always say that Ministers are making choices at the margin as to where to allocate their political capital and resources, and the EU is one of the options.

Thirdly, there are people in Europe who think that, whatever the question, the right answer is more Europe, and there is a strong cultural basis for that: we are building a European Union. The British view, and certainly my view, is much more instrumental. This is a battle between culture and calculus. When Rachel says that we are going to look case by case at what we can do, it reflects not a cultural commitment to Europe but a very calculated one. Sometimes, Europe is not the right answer. Argentina has a currency crisis. That is not Europe's problem; it is the IMF's problem. But sometimes Europe is the right answer, and identifying exactly where that comparative advantage lies is something we might come back to later.

Fourthly and finally, you have asked a few questions about the budget. Frankly, I am demented by the fact that we are sitting here—in the world, not right here—discussing a budget for 2027. As Keynes said, in the long run we are all dead. Furthermore, the Commission would like to settle the budget before the European Parliament elections in May next year. That seems to be short-circuiting the democratic process. If this was the UK, the size of the state, the budget and what it is spent on would be what the election is about. It looks as though, if they get their way, we will have an election in which those issues are already settled, not for the life of the Parliament but right through to 2027.

To summarise, there are some big issues of principle about what development is about, where it is going and what kinds of alliances we need. There are some issues about the comparative advantage of the EU. Then we come down to the nitty-gritty of how we try to influence the new budget.

The Chairman: I may come back to ask you more about how we build those relationships up and make them stronger with the other delivery partners that we can see. First, I would love to hear from Claire, because they are the people who have to deliver. When things are still up in the air, it must be quite difficult for the organisations that are being represented by you, Claire, to adapt, develop and forecast where they are going to go.

Claire Godfrey: I will come back to the specifics relating to that question, but first I'll introduce myself. I would like to thank the Committee for holding this debate, because there is so little space for us to have a public debate around these issues. Overall, it is interesting that we do not diverge very much on the big issues and the direction from DfID. When we get down to the detail, we might a bit more.

I should say here that I am head of policy and campaigns at Bond. Bond has traditionally been the convening point for the sector on EU issues and has a long tradition of engaging with DfID and the European Commission, Parliament, et cetera. I have a long track record of working on European policy issues, economic partnership agreements, the post-Lomé—now Cotonou—agreement, bananas, sugar, CAP reform, previous budgets, et cetera, so I am wedded to these issues. I also sit on CONCORD, the platform of European platforms in Brussels.

As for the future partnership and what that will look like on development co-operation, our top line is that we want a better deal for developing countries. We want a better-quality development co-operation agreement. That means having poverty focus, and using all the instruments to achieve the SDGs. It also means attaining commitments to international standards for development for aid effectiveness, climate change, gender, et cetera. That is the criteria that we are looking at.

The bottom line is that countries are no worse off through future development partnership, so there is a need to look not just at aid but at trade, investment and services agreements across the board. I totally

agree with Rachel that the best or most effective way of doing that is working in as close co-operation as possible with like-minded countries. The architecture is there, so there does not need to be too much disruption, and there is a long history of building up good quality and practice. If you are all moving in the right and same direction, you will have greater impact.

Coming back to how it affects us, the key red line for the UK Government is having access for UK entities such as NGOs and is of topmost importance to us. If the UK is giving financial contributions, UK NGOs will want their fair share in that, and not face any discrimination. I can go into this later, but there are all kinds of reasons for that relating to the quality of our sector in development and others.

On the question of oversight, it is imperative that the UK Government has full oversight and, similarly, that UK civil society has the same level of oversight that we enjoy now, or the level of consultation open to our European partners organisations.

There are potential concerns about the level of flexibility. More flexibility to adapt to a changing world is important, but we have to be aware of what we will lose with flexibility. Red tape is there for a reason, so we need to be cautious about losses in quality, accountability and scrutiny when looking at flexibility.

The other area where flexibility may be problematic is in defining priorities. If there is too much flexibility, aid tends to follow short-term member-state priorities if the checks and balances are not in place, and we would be very concerned about that. Any shift from a policy focus towards short-term security or commercial interests is problematic. Having said that, I agree that we should also look at the opportunities for working differently, as Simon pointed out. This is an opportunity to improve the way we work with others and to think differently.

Q6 **Baroness Suttie:** I should declare an interest, as I have been an associate at Global Partners Governance for the last four years, where I have been working on DfID and FCO-funded projects in the parliaments of Kyrgyzstan, Ukraine and Jordan.

My question takes us back to first principles of complementarity and overlap. It is an observation of mine in some of the countries I have been working in that certain projects seem to be doing the same thing. There is a degree of overlap and a lack of co-ordination. If you think that is a problem, what is being done to improve it, and will our leaving the European Union help or hinder that?

On the reforms to EU development aid itself, given that money is scarce and there is understandable concern about how it is spent in many countries, I think people would like to know that there is no doubling up on projects and that it could be done more effectively with greater co-ordination.

The Chairman: That leads to the point about what added value you see

from us having worked within the EU. Coming out of it, where does that value go?

Rachel Turner: A good place to start, and which Simon spoke about, is the role of the IMF and areas where we would not ascribe a particular comparative advantage to the EU, and where it is less likely that we would want to form a pooled financial relationship with it. Particularly in the economic development space, we definitely share ambitions with the EU in its approach to economic development. The work in Africa has been very ambitious and there is some great innovation there, but equally we have a very strong offer in the economic development space. Our Secretary of State made a speech on 9 October to be clear about some of the things that she would like to do, which are new in that space, following the Prime Minister's visit to Africa over the summer, with a focus on investment mobilisation particularly for the SDGs.

We also have a range of other bilateral and multilateral partners, particularly the multilateral development banks. The MDBs have an ability to flex the terms of their offer as countries become better off. Grant financing is a precious and scarce resource, and putting financing through the multilateral development banks, for example, allows it to come out the other end on terms that allow some recycling of that financing for the benefit of future generations and development programmes.

In the economic space, although we expect to work closely and have lots of good examples—Juliette can talk about those in Ethiopia or Somalia—we would not go so far as to say, from where we are now, that there is a particular comparative advantage for the EU that would trip us into saying that we felt this was an area that we might want to finance.

However, there is one caveat to that. We are at this fundamental point, and flexibility is really important. We cannot forecast the future, as Simon said, so we do not want to rule anything out in perpetuity, but we have a view on the current comparative advantages. Juliette, you might want to say a bit more about migration, the humanitarian piece, and security.

Juliette Prodhon: There are a number of non-papers out in the public domain that talk about specific thematic areas where we want to co-operate with the EU. We have specifically named the themes of humanitarian work, migration, and peace and security. This answers some of the points you have put out there, Simon, about the current development challenges.

On maximising resources and not overlapping, we have said very clearly that where the EU is already a very effective actor in a particular programming space where we have no specific technical capabilities, we are not seeking to second-guess or to replicate like for like. Migration is a particularly good example. We have been instrumental in forming the EU's approach to migration programming, particularly what we call upstream migration programming, which is working with the drivers of migration in developing countries.

As a result, we think that the EU's offer on migration is very strong. It is an area on which we want to continue to co-operate with the EU in the future, but we do not want to overload our downstream partners. There are only a certain number of quality programme implementers in the migration programming space, and the EU, of which the UK is currently a part, has those partnerships, so why would we seek to replicate them and put additional burden on the downstream partners? It does not make sense. That is one area where we want to pool our resources and work together, subject to UK entities having access and there being sufficient governance oversight of our funds.

There are similar or related reasons for working on peace and security, and humanitarian work. Lastly, there are also areas where the EU is seeking the UK's technical expertise. It is not a one-way street. We have a lot to offer the EU as well.

Lord Horam: What can we offer?

Juliette Prodhon: One thing they often mention is private sector development. As Rachel mentioned, we are leading in that area and have a lot of expertise that we can share, but again subject to the right conditions. Private sector development means harnessing business expertise in implementing development programmes.

Lord Horam: Is that unique to the UK in the way the CDC operates, or do other countries have similar organisations?

Juliette Prodhon: No, it is related to what Rachel said. It is about how you work with a broader range of actors to deliver good development.

The Chairman: It is not just CDC.

Juliette Prodhon: No, it is not just CDC. It goes way beyond that.

Rachel Turner: Fintech regulation is an example. One of the Prime Minister's announcements during her visit to Africa was a partnership with the Financial Conduct Authority on the regulation of new financial technologies, strategies and companies in Africa. The approach that the UK Financial Conduct Authority will be taking in partnership with African countries is an example of where we see a particular demand for the UK's approach to good and nimble regulation.

Lord Horam: I am sorry to interrupt. Are you saying that this is something that we have that is not as evident in other European countries?

Rachel Turner: Over the last couple of years, we have been trying to bring the best of the UK technical offer from the financial sector to support the development of financial and capital markets.

Lord Horam: Is that because of our size in the financial sector?

Rachel Turner: It is because of our size, our historical connections with developing countries and particularly with Africa, and the fact that we have an appetite in some of our pools of expertise to engage and to support their peers in developing countries. This is increasingly being recognised in DfID, and my Secretary of State is particularly keen that we continue to offer it.

Simon Maxwell: Lady Suttie, you put your finger on one of the most discussed problems in the whole development world. There are so many stories about countries where there are 35 donors in the health sector, all trying to find projects and tripping over each other. If I were to channel Jean-Claude Juncker or Neven Mimica for a second, they would say, first: "We are going to have a consensus in Europe on how we do things. We have a European Consensus on Development, which all member states have signed up to, which sets out the big principles". We also signed it. "Then let us have reduced transaction costs and simplify accountability by doing it through us". There is a lot of discussion about delegated authority and different ways of working together in-country. I have always been a multilateralist; I think bilateral aid should be reduced to the minimum and that we should increase our work with the big multilaterals.

Lord Chairman, you asked earlier about the multilaterals. There are always choices. Humanitarian aid is one identified by DfID, but we also have the World Food Programme, UNHCR, the International Red Cross and all the NGOs. The whole point about comparative advantage is that Europe should demonstrate that it is not just good at something, but that it is better than anybody else or better than the alternatives for us.

The areas that DfID identified are interesting, because they require a combination of different instruments. You cannot deal with security, for example, without bringing in the military: the EU currently has six military missions and 10 civilian peace missions, mostly in Africa and the Middle East, so we can build on those. They have geographical expertise that we do not have. They know much more about Niger, Chad and Mali than we do, even though we are trying to increase our capacity in some of those west African countries.

But I do think there is a problem. This is to challenge the DfID line a bit, because it is true that we can find ways to contribute to EU programmes and we will get a seat at the table, but when the rubber hits the road these are EU programmes, run according to EU regulations, approved by the European Parliament in which we will have no seats, overseen by a Commission in which we will have no representation and no Commissioner, subject to the European Court of Auditors in which we will not have a voice, and with overarching authority by the European Court of Justice in which we will also not have a seat or voice after Brexit.

Compare that with the UN, where we have a Security Council seat and are on all the big boards. Compare it with the World Bank, where we are big donors and have a seat on the board.

The EU can be a good option, but it is worth pushing a bit to understand where the limits of our so-called oversight are going to be in this conversation.

We are talking about a lot of money. As Lord Risby said, we currently spend £1.5 billion per year through Europe. Over the course of the multiannual financial framework, we are talking about a £10 billion cheque. That is a serious amount of money. What else could we achieve with £10 billion in new partnerships with the multilaterals, the multilateral development banks, the UN and so on, and what oversight would we get there as a result?

I would propose a different model, which is to identify things that we want to get done, that we think are really important. Tackling globalisation and making it work for everybody, which is the trade agenda, would be one. Migration could be another. Fragile states a third. Let us set up a collaboration with the EU in which we put our £10 billion, bring in the Army, the City and everybody else, and they bring their resources, so we have a joint enterprise. We should try to collaborate with the EU, but we should also challenge them to make sure that we get what we want out of the relationship as well.

Q7 The Chairman: What do you see as your biggest fear while these conversations are still going and are in flux at the moment? Organisations within Bond—I will come to Claire in a moment—have to take some serious decisions, and settlements are going to happen.

Simon Maxwell: The big issue for the NGOs is that, despite proclamations to the contrary, European aid is quite tied, so if we are not members of the EU, there are areas from which we would be excluded. There are areas from which we would not be excluded, the NGOs in particular, but there are areas from which we would be excluded, and humanitarian aid is one of them. The EU should untie aid. We have untied aid. Progressive donors have untied aid. The OECD DAC strongly recommends the untying of aid. The EU has not done that.

Lord Horam: How it is tied? How does that work?

Simon Maxwell: You have to pass certain tests in order to be able to bid for EU aid, and one of them is to be a member of the European Union or a restricted number of other bodies. There are different rules for different instruments. This is of great concern to research centres in the UK, to humanitarian NGOs and to development agencies. I have done a brief on this, which I would be happy to send you, which goes through the instruments one by one and identifies who is eligible and who is not.

The Chairman: That would be very helpful.

Claire Godfrey: I have a few points on what people have said. Going back to duplication, we need to remember that there are overburdened ministries in developing countries that also have to find time, now or in the future, to deal with another set of donors and relationships. Similarly,

civil society in those countries also has to find that capacity. That is an important point to make.

Getting down to the detail now, this is where we begin to depart from the UK Government on priorities. In the focus on migration and security, a lot of UK NGOs and sister organisations around Europe are concerned by the design of some migration programmes, the emphasis on border control and worrying links to respect for human rights.

Simon may know more about tackling the root causes of this. I know the think tanks have come out with evidence that the more developed a country becomes, the greater the migration is. There are some issues relating to that.

On security issues, I have talked about short-term interest, but there is also a top-down approach, through supporting police forces or training military personnel, which is more about public oppression and containment. Containment seems to be the approach, rather than support for judicial systems, developing civil society and that kind of bottom-up approach to peacebuilding.

Going on to economic development and investment, the UK needs to not go too fast on that whole agenda. At the moment, a lot of the approaches to private sector investment and trying to leverage finance through development are based on assumption rather than evidence, and I am not entirely sure that donors know exactly what the best approach is in order to have the greatest amount of development impact.

When can the private sector or finance bring development and finance additionality, for example? When is it being used to achieve sustainable development goal targets? This is very top level, but I do not think we have the information to know that. ICAI⁴ reports have identified this with the UK Government on private sector in development and with the Prosperity Fund.

Similarly, the external investment plan of the European Union has that kind of approach. They are also putting a lot more money into this area and leveraging the private sector without really knowing the best approach. It is not that there is not a very important role for bringing more finance or the private sector into development; it is about how to do it. The donors are moving a bit more quickly than the systems and knowledge that we have on that.

What was the last point you made about civil society, Simon?

Simon Maxwell: It was access to ECHO.

Claire Godfrey: There is externally assigned revenue, which is open to non-EU members, so there is some budget there already. Under the current Development Cooperation Instrument, aid for least developed and

⁴ Independent Commission for Aid Impact

heavily indebted countries is open to all OECD members, which the UK Government have clarified and which is very reassuring.

I also agree with Simon on the untying issue. NGOs being able to access money is not a self-interested perspective. Looking at the other end, it is about impact. UK NGOs are really big players in development. We can operate at scale, we are innovative, we are a big and complex sector. Overall, there will be a net loss without us having that presence, so as much as possible needs to be done to enable us to operate freely. It is not only at the programmatic level; one of the other losses in this is intelligence sharing on policy or programme issues between UK civil society, UK government, European institutions and Governments, and European civil society. That kind of communication will be reduced.

The Chairman: I get a sense from listening to you that you do not believe that enough will be done. Is it that the work is being done and you are seeing or hearing about it? We may have to come back to DfID on that, but I know Lord Dubs wanted to come in before you answer, Claire.

Q8 Lord Dubs: Although Simon has partly dealt with my question, I will ask it anyway.

At a very simple level, does the EU spend the £1.5 billion that it has better than if we spent it ourselves? In other words, post Brexit, can we demonstrate that we can do it better? Secondly, what will the nature of our future influence be on European development assistance overall? Will we have any, should we have any, or should we detach ourselves a bit? Finally, when we go to Nigeria, Pakistan or wherever it is, is there an issue about money on the ground and the co-operation there? I should declare an interest, as I have worked with a lot of NGOs on refugee issues.

Simon Maxwell: The performance of UK aid is wonderful, but there is a spectrum, as we learn from ICAI. There is also a spectrum if you look at the performance of EU aid. Last night, I looked up the quality of ODA results from the Center for Global Development—I will pass them across in a second—and there is not much in it between the EU and DfID these days in the quality of the aid. That was not true a decade ago, and there has been a long hard fight to improve the quality of European aid. I do not know whether Rachel would agree, but I would say that it is not bad on the whole. Actually, a lot of it is pretty good these days.

Lord Horam: They were the laggards 10 years ago, but they have improved.

Simon Maxwell: Yes, we have always been very good in this sector.

I wanted to bring to your attention one of the interesting questions about where the money goes, as 10% of all EU aid goes to Turkey. Some of that is refugee and humanitarian-related, but most of it is not. It is pre-accession or neighbourhood investment. Turkey gets something like €1.6 billion per year from Europe. This has often been debated. Before the

Syria crisis, we used to say, because we were more poverty focused than they were, that every time we sent £1 to Brussels we were taking 20p away from poor countries and giving it to middle-income countries.

That is not quite so true anymore, because the categories have changed a bit, but it is still a lot of money to Turkey. Why does Turkey qualify for aid? It is because it is an upper middle-income country. The OECD has categories of countries that are eligible for aid, and you fall off the cliff when you stop being an upper middle-income country.

I looked up the figures last night because I thought they might be interesting for you. The threshold this year for dropping off the aid list is \$12,055. Turkey's current per capita income on the same metric is \$11,230. I do not know whether DfID has done any work on this, but it looks to me as though if Turkey recovers from its current crisis in three or four years, it could drop off the aid recipient list. Suddenly we would be faced with a major decision. We are giving 0.7% to aid-recipient countries, but we cannot use that money to give ODA to Turkey any longer. It would be interesting for the Committee to look at that.

Lord Dubs: A lot of it is to do with refugees, is it not? We have between 3 million and 5 million refugees in Turkey.

Simon Maxwell: Yes, but we have also been building a high-speed rail link between Ankara and Istanbul, for example. There is a lot of standard neighbourhood aid that goes into development in Turkey, and people who defend that say there are very good reasons for helping Turkey to stabilise and develop, especially given the volatility in the region.

Rachel Turner: If I could respond to a few things that people have said, to be absolutely clear we are taking back control of our aid budget and the decisions taken will be driven by value-for-money considerations on a case-by-case basis about whether working with or potentially through the EU is in our interests. We and the Secretary of State are clear about that. We are not talking about continuing to provide €10 billion to the EU through to 2027.

In relation to the points on governance that Simon rightly made, it is going to be very difficult to get a degree of governance that will give us sufficient oversight and strategic engagement. We understand that and have been very clear that that is a red line. We have made that very clear to other member states and to the Commission, through the non-papers that Juliette spoke about. Those are real red lines, so I wanted to emphasise that point as well.

On the points about Turkey, we are aware that Turkey is moving towards graduation. There are various views from the OECD on which year that will be, and there is also a bit of a grace period, which is the way the OECD works as countries move towards graduation. This is exactly why we emphasise that this money is coming back to us in order for us to make decisions about where best to place it geographically and where best to invest it thematically. At no point are we saying that we are

making a specific commitment to replicate the funding to Turkey that goes through the EU. We clearly understand the pressures that Turkey faces in hosting refugees and we have agreed to continue to fund the Turkey trust fund, which is a specific fund to help Turkey bear the cost of the Syrian refugees. I just wanted to be clear on that point.

Q9 The Chairman: What is the reaction of the EU to your red lines?

Rachel Turner: At the moment, there are two places where these issues are being considered. One is in the overall design of the NDICI. While we are a member state, there are discussions about the extent to which the instrument might be more broadly opened up. The other place is within the withdrawal negotiations, and as you know we have not yet moved towards the phase 2 negotiations on the detail of the security partnership.

The Chairman: I understand that. I will come back to you on that one if we have time.

Q10 Lord Risby: This is a potential downside, not a functional downside. If you are repatriating control—"repatriating" is probably the wrong word, but you know what I mean—and using criteria you alluded to, you will be under much greater political scrutiny. That is understandable. Turkey is so fascinating, because the criteria are somewhat blurred for political reasons or whatever.

I wonder what the essence is. You have mentioned the 30 countries in poverty, but to what extent are values deployed in looking at the situation? For example, money is going to African countries that do not have the same values. That is absolutely right. Why should they? It is very unlikely that they will. Equally, I would mention Pakistan, a country that, while it has big problems, has some laws that are quite offensive to a lot of people. I would like to have a flavour, if it is possible without demanding too much of your time, of how you make these judgments. Having raised Turkey, my curiosity is now enhanced.

Rachel Turner: Yes, I can say a bit about that. We have not mentioned the UK aid strategy. It is worth reminding you of the 2015 UK aid strategy, which set out the framing ambitions for the use of development assistance, both by DfID and by other government departments. It set out the objectives to eradicate poverty, but also to deliver prosperity, security and stability, which sets the frame for all our decision-making.

Our Secretary of State has made several speeches over the last 12 months in which she has clearly set out her ambition to continue using the development budget to deliver poverty reduction, but also in the national interest to improve the security and stability of the UK, by effectively tackling threats abroad through development assistance. That overall framing influences how we decide where to work and which partners we work with.

The Chairman: Rachel, are you able to explain the strategy to the Committee, because I do not think we are all aware of it, where part of

the budget from DfID goes and how that is deployed across government? It would be interesting for us to know.

Rachel Turner: The ODA budget is not just spent by DfID; it is spent by a number of government departments, as well as the DfID budget. There are two pooled funds. You mentioned one of them, the Prosperity Fund, which is available for other government departments and DfID to implement economic reform programmes in slightly better-off countries where DfID has not traditionally worked—as Simon said, middle-income countries towards the upper end.

The Chairman: What is the size of that fund?

Rachel Turner: It is £1.2 billion over its life, which is slightly longer than the spending review, peak annual spend is forecast to be about £340 million.

The Chairman: Is that separate from the DfID 0.7%?

Rachel Turner: The 0.7% is across government, so, out of that, 0.7% is the money that DfID spends and money that other government departments spend. One of those big blocks is the Prosperity Fund. There is another big block called the Conflict, Stability and Security Fund, which is drawn on by the Foreign Office, the Ministry of Defence and others. Then there are other blocks, such as the Global Challenges Research Fund for BEIS and the climate financing.

The Chairman: It would be useful if the Committee could have sight of some of those funds for our own information and the report.

Q11 **Baroness Suttie:** I want to come back to Brexit. Obviously none of us knows exactly what is going to happen, but what we are discussing today forms part of the future relationship, which will be negotiated only after we leave the European Union.

First, do you expect a reference in the political declaration on red lines and the future relationship on development aid? Secondly, particularly for the NGOs—perhaps Bond could respond to this—what will the future relationship be in relation to NGOs being able to apply for EU security funds after we have left next March/April? There have been several discussions about this, but I am not sure whether we have had clarity on what the position will be for NGOs after Brexit.

The Chairman: Claire, how do you view that?

Claire Godfrey: It is not entirely clear yet. In the event of no deal, there has been a recent and welcome commitment by the UK Government to underwrite applications from August, when the technical notices came out, until 29 March. There is that kind of confidence-giver. After that, I am not entirely sure what the arrangements will be. It would be good to know, because for funding in our sector Brexit is going to throw up all kinds of things. There is the availability of funds from the EU to us. There are exchange rate differences, which will affect the amount of cash that

we have to spread, and there will potentially be a contraction in the economy, so our cash availability will go down. All that potential disruption, which is happening quite soon, is a concern for us. Like any business, state programme or anything, you need predictability over the long term to plan in order to put down resources, infrastructure, staff and that kind of thing. More importantly, disruption might come for the people we work with, so there are big concerns for us in that area.

The Chairman: Have your discussions with government given you comfort that there will be something in the political statement which Lady Suttie mentioned that, even if only for short-term planning, takes you over the line?

Claire Godfrey: No, we have not had those discussions. Some of that is understandable, to be fair to the Government, because of the state of the negotiation. It is getting quite close to the stage at which we will need those kinds of answers.

Q12 **Lord Dubs:** Taking this a step further, there are some issues where our aims and those of the EU are not too far apart, such as on poverty—I think that is right—but there are other areas where our aims are quite different. If we look at migration, for example, I imagine the Italian and Greek interests are quite different from ours in what they want to do.

If we take it a step further, I would imagine that the Italians would like more money spent in Libya and west Africa to stem the flow of people across the Mediterranean. That is of some importance to us, but not such a high priority. How do we deal with those big differences, or do we simply say to the EU, “You do what you want to do and we will do what we want to do”?

Claire Godfrey: I was going to come back to that in response to your earlier question on where to spend, and whether you get better value for money and effectiveness from the EU or the UK.

As Simon has pointed out, the EU is now a very effective donor. This is important, because the question is about priorities for the future. The UK has traditionally always been very interested in sub-Saharan Africa, for example, where the poorest countries are—the countries which are usually part of the ACP. It has been a big champion of those countries. Looking at the multiannual financial framework, without the UK’s voice and those interests being part of the debate anymore, there could be a concern that the money will go towards the interests of other member states.

Already, while the NDICI fund has more money geographically allotted to the neighbourhood and Africa, it is all under discussion and there is no guarantee that the poorest countries in Africa, the sub-Saharan countries, will get more money at the end of the negotiation or do better out of it, which is a real concern. Countries such as Haiti and the Pacific islands are all concerns for the future, as more money is allocated towards the strategic interests of other member states.

Simon Maxwell: One of the consequences of recognising that many development problems are now multilateral in nature is that the intellectual boundary between developed and developing countries erodes. In our think tank group, we are very concerned with climate change policy and migration policy inside Europe. I am not a specialist on migration, but in my personal view the issue of irregular migration needs to be tackled by opening better legal routes for people to come to Europe, maybe short or long term.

That is a development discussion, because irregular migration is the cause of all the problems that we are facing.

If we are not there, the European programme will be less poverty focused than it is likely to be if we are. We have been a force for the argument for poverty reduction, so what a pity that we will not be there. Maybe we can fix some of it before we leave.

The Chairman: Norway has been mentioned a couple of times this morning and the way it contributes to EU development aid programmes. How do you see that working in the UK context?

Simon Maxwell: Rachel set out the options pretty clearly. Norway's contributions are relatively small. The contributions to EU development programmes by non-member states are slightly more than trivial, but a lot less than important or significant. They are hundreds of millions of euros in total, out of a budget of nearly €15 billion. Rachel and Juliette may have better figures than I do, but they are relatively trivial.

The issue for us, with a £10 billion cheque over seven years, is of a different order of magnitude. We would be entitled, as Rachel has set out, to demand a very different role in European development co-operation. On trade, people say that the offers made are "pay, obey and no say", and I always add "no way" to that. The offer on aid is a bit better than "pay, obey and no say"; it is "pay, obey and a bit of a say". We probably want to do better than that, and if we do not get it, because we are driven not by culture but by calculus we will find other ways to do the same thing. That is a handle, but it is also an offer to the EU: "Here's a cheque for £10 billion. What have you got for us?" We should be relatively robust about that conversation with Brussels.

Lord Dubs: What have they got for us? We could argue that we want a chair at the table.

The Chairman: Those are discussions that we hope to get through the political statement.

Q13 **Lord Horam:** You were saying, Claire and Simon, that our traditional emphasis has been more on poverty and that we have been the drivers of an interest in poverty in Europe. If we come out, how would you expect the balance to go inside the European Union? Which interests will gain? You say that sub-Saharan Africa will lose. I do not know who will gain.

Simon Maxwell: Our DfID colleagues are probably closer to this. The EU is committed to the sustainable development goals, but there are strong voices in Europe. Traditionally, there have been strong voices from Spain and Portugal for Latin America, for example, and as a result the EU spends more in Latin America than we do.

Lord Horam: That will be a geographical gain.

Simon Maxwell: There is a very strong focus on the neighbourhood and the ring of friends. If you look at the top 10 recipients of EU aid, eight are in the Middle East and the neighbourhood.

Lord Horam: You mean Morocco and Algeria.

Simon Maxwell: Yes, but round to Kosovo, the former Yugoslavian states and Turkey, as we have discussed. Those are two obvious tendencies.

It is interesting that we have not had a conversation today along the following lines: "The EU is really good at infrastructure and we are not"; "The EU is really good at gender projects in Africa and we are not". Historically, the UK Government looked to the EU to build the roads, power stations and ports, because we stopped doing that under the Labour Government from 1997 onwards, but the EU was doing it for us. Now, they have moved quite a way out of infrastructure in their grant programme, although they have various investment programmes. The main change if we were not there would be a focus on middle-income countries, rather than poor countries, but that is a bit of a guess really.

Juliette Prophan: I wanted to pick up on your point about what the future partnership would be like. We would not be looking for a Norway or Switzerland model. Norway and Switzerland have a lot less oversight of their funds and they spend the majority of their development assistance bilaterally, with just a small amount through the EU.

Equally, we would not be giving them a £10 billion pay cheque. That is not going to happen. As Rachel said, we are going to focus on areas where we have interests in common and where the EU is the best partner for us. It is good that we have those choices to make, but I would not want that £10 billion figure to become embedded in people's consciousness. That is not where we are heading.

Having said that, we have outlined the specific areas on which we want to focus when we move away from the EU. We should also be clear that a number of other EU member states will continue to push some of the things in which we are most interested. France and Germany, for example, are firmly focused on delivering aid and spending ODA in the least developed countries. They are firmly focused on Africa. That is not going to change. Yes, there is this pull towards middle-income countries, so we do not need to focus there, but if we are to co-operate with the EU in areas where we have interests in common it will be because the EU is moving in a direction that matches our ambition.

Q14 The Chairman: Juliette, can you try to unthread for me how UK NGOs, which are being represented here by Bond, will continue to get EU funding, or find themselves eligible or not to access it for the programmes that they fund and support? How will that work?

Rachel Turner: First, the Government are still ambitious to secure a deal. In the withdrawal agreement, which was made public in March, there is a commitment for UK entities, including NGOs, to continue to access EU programmes for the life of the implementation period, i.e. programmes that are committed before the end of 2020 and then subsequently continue to be implemented. Access for UK NGOs is clearly set out in the withdrawal agreement. Beyond the withdrawal agreement, we are discussing the future relationship and partnership, so we are back to the points that we discussed earlier.

Some parts of EU architecture are open to all and are, to use Simon's word, untied. Programmes that spend in least developed countries or previously heavily indebted countries are open, and we expect UK entities will be open to apply to those. But these issues about procurement are live in relation to the new instrument, the NDICI. They are still being discussed and are not locked down yet. It is a good time to be making Simon's point about untying this. It is excellent timing. It is easiest to think in terms of no deal, which Claire has spoken about, then there is a deal and the implementation period, and then the future relationship. It will be different depending on which block we are in. It is probably easier to think in those blocks.

The Chairman: I am glad you said the words "no deal". Claire, what is your biggest fear about no deal?

Claire Godfrey: Rachel is right about the commitment in the withdrawal agreement to future access for UK entities, including NGOs, but we are in November now. We have until March and the withdrawal agreement is still very shaky. No deal is being talked about as a real thing in the media, so it gives us all kinds of signals. It gives financial markets signals on what kind of predictable access we are going to get post March. There is a concern that we will not have that backstop, if there is no deal, and we go into chaos, because we will not have the reassurance of the withdrawal agreement. We have the blocks that Rachel points out, but the unknown is what happens.

The Chairman: Maybe Rachel will be able to give you some comfort in a moment.

Rachel Turner: We have issued a guarantee for NGOs in relation to ECHO funding. We have been very clear that in the event of no deal we would stand behind any contracts that UK NGOs had secured from ECHO. We have offered that guarantee.

Claire Godfrey: That is just underwriting applications from last August to March, so is not ongoing for all of them.

The Chairman: Where do we see DEVCO funding?

Rachel Turner: About half of DEVCO funding goes to LDCs and HIPC, which is open to UK entities anyway. We have not issued a guarantee for the other half. We decided not to do that but to focus on the humanitarian piece, as we strongly feel that UK NGOs should not be put off bidding for ECHO humanitarian aid contracts. I can talk some more about the guarantee if you want.

Q15 **The Chairman:** Rachel, what happens to the NGOs that do not specialise in humanitarian aid and are completely focused on poverty reduction is the concern that Bond and others are looking at now, especially if there is no guarantee post 29 March.

The session is drawing to a close, so I will give Simon and Claire a couple of minutes each to put what they would like to see, summing up the issues that they would like addressed which they see coming up over the next few weeks. Then perhaps Rachel and Juliette could summarise in a couple or three sentences, which I know is very difficult, what DfID and the Government will be doing. If my own colleagues have any closing remarks, it would be very good to hear from them.

Simon Maxwell: I was in Brussels the week before last for a large meeting with Bill Gates and Federica Mogherini in the European Parliament, the European think tanks and Linda McAvan, the British MEP who chairs the Committee on Development and who is excellent.

Our priority is to make sure that global issues remain front and centre in all the discussion about Europe's future, and that we have a poverty-focused programme but also one that is focused on global collective goods such as climate change. There are elections coming up, and it is very important that political parties state their commitment to international issues, the SDGs and poverty reduction.

Beyond that, we will start to work on the financial instruments and policies, so we are able to deliver that. We are still there until May, so the real short-term priority is to make sure that as much of that is embedded as possible before the UK leaves the European Union, and then to build bridges so we can continue to engage with them afterwards. That is a rather general response.

The Chairman: Do you feel confident that that sort of outcome can be achieved?

Simon Maxwell: Usually, development slips off the bottom of the agenda, because there are so many other things that they want to argue about. At this particular moment in Europe, there are burning bridges everywhere you look. It is wonderful that you are having this inquiry, because it helps to raise the profile of the issue. That is why the development community continues to make the case for development, for multilateral development and for the EU to play to its strengths.

Claire Godfrey: I am not going to repeat what Simon has said, because I totally agree with it. On the specifics that relate to it, while the UK is in the European Union it needs to fight hard to ensure that the multiannual

financial framework respects the treaty articles on development co-operation, which clearly state that aid should be linked to fight poverty. That is not coming out clearly now in the policy shape or allocation of the budget. I also think that the UK should fight to ensure that the poorest countries—sub-Saharan Africa, Haiti, Pacific, et cetera—get the right share of that money.

From the civil society perspective, in the draft papers related to the multiannual financial framework there are no clear or satisfactory references to the role of civil society participation, which is a space that we have traditionally enjoyed.

On the Brexit front, there are global issues generally, but across all sectors, as civil society and the development sector, we need a far bigger voice in these negotiations. We are not the greatest interest at the moment, and if our interests are not taken into account we will find out to our detriment afterwards.

Very specifically to go back to your point—and thank you for raising it—what happens, in the case of no deal, to ensure that our sector is supported is really important. The Government need to think about that urgently.

Rachel Turner: You have made points related to us while we are still a member and points related to Brexit. I agree that while we are still a member we have an opportunity to shape the new instruments. I assure you that we will use that opportunity.

Your point about taking great care to shape a new EU instrument that is the best instrument it can be for the development system is one that we will pursue with rigour. Whether we are funding it or not, it will be there. It matters to us as a development player that it is a good instrument that tackles the global issues that we share. We can assure you of that, and that we will continue to talk. We have good conversations with the NGOs and have had a good conversation about the first piece of no-deal planning together. We continue to be open to those conversations.

I am aware that I did not answer your question about the political agreement. I think I should and will just point you to the Prime Minister's White Paper, where there is a section on development co-operation. That is the best place to see what ambitions we want locked down in the framework.

Juliette Prodhan: I agree with all the above and have two points to add. First, we are alive to the point about ensuring that the EU is spending ODA on poverty reduction, focusing on the very poorest and delivering SDGs. We are at the heart of that debate within the EU at the moment and will continue to hold them to account going forward. Finally, it has been helpful and we would like to continue to engage with civil society. We meet regularly and are happy to meet more regularly, so please continue to share. It helps us.

The Chairman: Are there any closing remarks from colleagues? I have to draw the session to a close. Thank you very much indeed. It has been really interesting. I hope you will continue to engage with the Committee too, because it is a really important issue for us and we want to make sure that we have the best informed report that we can manage.

I think the round table format has been helpful for us, and I hope that you have all found it useful, too. Thank you very much for coming this morning. One and a half hours have flown very quickly. Just to let you know, we will send you transcripts before they are formalised. Thank you very much indeed.