



Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence: International Development Co-operation after Brexit

Thursday 23 January 2020

10.05 am

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Members present: Baroness Verma (The Chair); Baroness Chalker of Wallasey; Lord Davies of Stamford; Baroness Finn; Lord Fraser of Corriegarth; Lord Oates; The Earl of Sandwich; Lord Wood of Anfield.

Evidence Session No. 3

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Questions 24 - 36

Witnesses

I: Mr Simon Maxwell, former Director of the Overseas Development Institute and Emeritus Fellow at the Institute of Development Studies; Ms Mikaela Gavas, Co-Director of Development Cooperation in Europe and Senior Policy Fellow at the Center for Global Development.

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Examination of witnesses

Simon Maxwell and Mikaela Gavas.

Q24 **The Chairman:** Good morning, Mr Maxwell and Ms Gavas. Welcome to this evidence session. We are extremely grateful for your time here today. We have enjoyed the evidence sessions that we have undertaken with you in the past. This session will be broadcast. We will, as always, give you the transcript after the session. If there are any corrections, please make sure that you put them forward to us.

Would you like to make any opening statements before we go into the questions, which you have had prior notice of? I always warn witnesses that Members may not always stick to the questions, so please be alerted to that. Ms Gavas, would you like to start with a short opening statement or should we go straight into questions?

Mikaela Gavas: Good morning. I am absolutely fine to go straight into the questions.

Simon Maxwell: Let us go that way.

Q25 **The Chair:** Right. I must apologise for my cough this morning. In your view, what will UK development policy lose when we leave the EU? Or do you think there will be an enhancement and, if so, how do we continue to make the impact that the UK has been making as a member of the European Union?

Mikaela Gavas: There are two areas where the added value of the EU really manifests itself as a development actor: first, as a multiplier of UK influence, and, secondly, as a channel for UK aid.

Thinking about the multiplier effect, there are very concrete examples of how that works. In international fora, the UK and the member states negotiate as part of a team. It is this 'team EU' approach that carries more heft. The UK has throughout been able to influence the negotiating position of the EU to very positive effect.

The second area is the networks and co-operation agreements that the EU has, in particular with its partner countries in Africa, the eastern Mediterranean and the western Balkan groups. The UK would not be able to replicate those networks and bring the leverage that working with the EU gives it.

As a channel for UK aid, the EU has offered its extensive reach and its presence in over 100 countries. Its geographical reach extends far beyond the UK's bilateral footprint with programmes in north and west Africa and with the Eastern Partnership where the UK has very limited presence.

It has also offered the UK a very wide array of its financial instruments, in particular for the provision of guarantees, blended finance and budget support to fragile states—the so-called state-building contracts—as well as its grant instruments.

Finally, the EU as a mechanism for pooling, co-ordinating and raising aid has been crucial, especially in influencing the policies of the other 27 member states but also in the sharing of experience and know-how in the co-ordination of aid.

Simon Maxwell: This is a really good question. The UK is a powerhouse in development, with a £15 billion budget, over 700 professional advisers in DfID spread around the world, and a very high-quality aid programme, recognised everywhere as the global leader in development. So you might ask why we need anybody—why we need the World Bank, why we need any of the regional development banks and so on.

There are quantitative and qualitative answers to that. The quantitative answer is that by participating, you get more: you get more money, more votes, more troops on the ground if you are doing security projects, more police missions and so on. That is a really important reason why we have been part of the EU enterprise.

Then there is the qualitative answer, which is the kind of thing that Mikaela was talking about. We do not know much about French-speaking West Africa, nor about the ring of friends around the Mediterranean, so we can definitely benefit from working with the EU there.

I want to add one thing: it is really important that you asked about development and not just about aid. One of the great features of British development policy is that it brings together aid, trade, security, climate policy and migration. If you look across all those, we multiply our effort if we work with other people.

Q26 The Chair: Thank you. I have a short follow-up question. What do we need to do now to strengthen those networks? Knowing that we are going to be leaving that institution and still have to work with those institutions, what are the key messages now that we should send out?

Simon Maxwell: First, we may be leaving the EU, but we will carry on paying into the budget for at least the next five years at the rate of £1.5 billion a year. We need to make sure that money is properly directed, spent well and accountable to the UK Parliament among others, so the role of this Committee and others will not, I trust, disappear on 1 February.

On where we go next, co-operation is a kind of ladder. On the first rung of the ladder, you just share information, swap mobile numbers (and hope they do not get hacked). As you move up the ladder, you end up doing more joint programmes and more things together. There is certainly a very strong case for swapping mobile phone numbers. There is a more difficult case as you move up the ladder.

Mikaela and I probably disagree on this question. My view is that we should be pretty careful about putting large amounts of money into EU programmes that are run by the Commission and Council, accountable to the European Parliament, audited by the Court of Auditors, run through European regulations and in the end subject to the European Court of

Justice, when we will not be members of any of those bodies. Co-operation is therefore really important for the future.

Mikaela Gavas: We need to ensure that as many doors as possible continue to be open to the UK to co-operate and to invest in the EU. There are a number of ways of doing that: at the very basic level, through information sharing and through participation in joint programming exercises, but all the way to more formal types of co-operation whereby the UK could contribute financially to the instruments. Of course, there would need to be a negotiation on reciprocity as well as value for money and ensuring UK accountability.

At the same time, as a third country, the UK will not have a seat at the table and therefore will not be able to be involved in strategic decision-making. However, again, there are layers below that where the UK could participate in working groups in the Council, in informal structures to ensure that accountability and scrutiny.

Q27 **Baroness Chalker of Wallasey:** You have almost answered the second question in your answers to the first, because there is no doubt that we have been successful in influencing EU policy. How do we avoid losing the influence? You say that we will not be in the decision-making process. How can we continue to make an impact? I believe that we still have a role to play despite having left the community, regrettably. I wonder how you see that playing out.

Mikaela Gavas: The reality is that in no circumstance will we be able to have the same level of influence as we have had. There are ways, in the margins, of continuing to have some level of influence, but I maintain that we will not be able to have that same level of influence. There are other sets of informal working groups of like-minded member states, such as the Nordic Plus, the former Utstein group and so on. These are fora where member states get together, share information and think about their own strategic positioning.

But we certainly will not be able to be at the table. The Commission has been absolutely clear that, no matter what level of financial contribution the UK wants to channel through the EU, we cannot be treated and have the same benefits as a member state.

Simon Maxwell: There is another question that could be asked. The EU could ask itself: "What do we have to do to collaborate better with the UK after Brexit?". This should not be a one-sided conversation, and one would hope that there is a certain nervousness in development circles in Brussels that they might be losing influence in the UK as well as the other way around.

But to stick to UK influence and participation in EU programme—Mikaela and I have spent a lot of time fossicking around in the fine print of the various regulations—the EU has a number of ways in which non-member states can participate in programmes, such as delegated co-operation,

trust funds, and an external assigned revenue facility, which Mikaela can probably explain better than me.

However, if you read the fine print, first, you see that there are eligibility concerns with all those. Some of them are open only by special exception to non-member states; others apply only to certain countries—recipients have to be a HIPC¹ country, for example - for there to be access to EU programmes. All of the options are subject to EU regulations and accountability procedures, as I said earlier.

My view has always been that we might need to buy a ticket for the cheapest possible seat at the back of the stalls to participate in EU programmes, because that would give us a voice. For example, we might want to participate in one of the trust funds, where non-member states can have a seat at both the strategic level and the operational level, although, I think, without a vote in most cases.

If we want to do serious work with the EU, the way to do it is to approach them as equals and say, "Let's do something together about fragile states". —I hope we might come on to climate change later; there is another big opportunity—"We're not going to give you money. We're not asking you to give us money, but let's actually do something together with shared objectives, shared vision and shared energy, and work side by side".

Of course, what developing countries do not want is two large elephants trampling around, treading on things and getting in each other's way. Developing countries need to be in control, with others falling behind and the donors collaborating.

Baroness Chalker of Wallasey: Have you seen any efforts so far—it is probably too early days—by the diplomatic side of the business to make the contacts that have been development side-business for a long while?

Simon Maxwell: There are deep contacts outside government in think tanks, universities and NGOs. My impression is that DfID and, I guess, the Foreign Office, too, have been pretty good at building networks in Europe and keeping people like us informed.

Mikaela Gavas: I am not entirely sure that I agree. Ever since the UK has withdrawn from the formal structures, so no longer participating in working groups in the Council, contact has waned—this is only from the development side and DfID. The discussions with the Commission have also been put on hold. DfID runs a risk of shutting itself out of discussions in Europe and Brussels.

Q28 **Lord Oates:** Mr Maxwell, you mentioned the figure of £1.5 billion, which the UK contributes to UK development programmes. Do you have a figure for what proportion that is of the total EU development budget?

¹ Heavily indebted poor country, as classified by the IMF and the World Bank.

Simon Maxwell: The figure that springs to mind is of the order of 10%. Mikaela may have it.

Mikaela Gavas: Yes, 10 to 12%.

Q29 **Baroness Finn:** You have answered the question about the benefits of co-operation and why the EU and the UK should co-operate on development after Brexit. Let us turn this slightly on its head and ask where the development objectives differ in practice. Are there areas where the UK could probably do a better job on its own than having to slavishly follow what the EU lays down as the law, particularly as we will not have the accountability mechanisms afterwards that we had before? It is another way of looking at the question.

Simon Maxwell: That is a very important point. The EU and the British Government are both sustainable development goal compliant. They both signed up to the sustainable development goals in 2015. The EU has put a lot of effort into producing what it calls a consensus on development that is consistent with being SDG compliant. By the way, the UK has played quite a big part in helping to shape that consensus against a number of countervailing forces about where money is spent, what it is spent on and how tied it is.

In principle, at that high level of what we think development is about, the EU and the UK have a lot to share. They both agree that development is not just about aid, they both see the problem of fragile states, they both see the issue of building a link between diplomacy, development and defence, and they are both interested in global public goods as well as in national development programmes.

The EU does some things and has historically done some things that we in the UK do not do very much any more. It probably has more infrastructure spending than we do, partly through the European Investment Bank, and it spends in places that we historically do not and might want to consider in a post-Brexit world. For example, we used to have an office in the Balkans and spend money there, and I think now we do not. Turkey has an enormously large share of EU funding. If we leave, we probably would not have very much spending in Turkey and it is debatable whether we should, and ditto around the Mediterranean. Latin America is another example.

If you compare at the level of detail what we spend money on and where we are active and where the EU spends its money and is active, it is not a perfect match. The question for British policymakers will be whether that is good news or bad news if we leave. Some people might think it is excellent that we do not spend 25% of our budget in Turkey. Some people might think that we need to carry on spending there for geopolitical reasons or because of humanitarian needs.

Baroness Finn: But essentially we will be making our own decisions on that, or not really.

Simon Maxwell: Of course, we already do. The UK aid programme is £15 billion or so, 60% of which is bilateral. The bilateral share will go up a little after we leave the EU.

On the multilateral share, we have a voice in the World Bank, the regional development banks and so on, and the bilateral share we decide ourselves, so we are bringing back into the decision-making matrix the £1.5 billion that we currently spend in Brussels.

Mikaela Gavas: I agree with Simon. Especially on development, the EU and the UK can achieve much more by acting in concert.

There is one area in which the UK could do better on its own terms, and that is trade. In particular, it could extend duty-free access to all developing countries, liberalise rules of origin and remove agricultural subsidies, and it could add cash-on-delivery aid-for-trade programmes.

The concern, though, is that, with the direction of travel on trade with developing countries at the moment, it seems as though the UK will just roll over the current EU trading arrangements and will not aim for a more ambitious trading arrangement, at least in the short term. But I believe there is potential on trade.

The Earl of Sandwich: This Committee looked a few years ago at water in sub-Saharan Africa through EU programmes and found that something like 50% were not functioning. The Audit Commission also looked at that. I think in your previous evidence you said that EU standards in that sort of technical area were coming up quite quickly. I think you said there had been a move nearer to DfID standards. Have I got that right?

Simon Maxwell: That is our impression, but there is also independent verification of that through evaluation work. There are also a number of aid quality indices. DfID has carried out its own bilateral/multilateral aid reviews a number of times in recent years. We used to worry a lot about the quality of EU aid spending and its inability to spend. There are plenty of things that keep me awake, but these days that is not one of them. I do not know whether Mikaela agrees.

Mikaela Gavas: I do.

The Chair: Coming back to what you said a moment ago about trade, Mikaela, a couple of days ago there was a very large conference here in London about trade between the UK and Africa. The Prime Minister was clear that he wanted to ensure that there would be a reduction in barriers to those countries, so that may be part of the wider thinking in the UK towards countries where we give aid, perhaps linking up better with how it will be spent to enable economic growth.

Mikaela Gavas: Yes, there is potential there, as I said. In the short term, however, the idea is just to continue with the existing arrangements, but I hope we aim to be more ambitious.

Simon Maxwell: May I comment on Africa more generally?

It was fascinating to see the summit. I read the Prime Minister's speech on Monday very carefully. I think we should be enthusiastic about the British Government's commitment to Africa. The EU has a similar commitment. The first overseas trip that Ursula von der Leyen made was to Addis Ababa to meet the President and Prime Minister of Ethiopia and the President of the African Union. There is a kind of collaborative competition in play between the EU and the UK.

There is definitely scope for increasing UK investment and economic activity in Africa. We have to be a bit careful not to forget the lessons we have learned about private-sector involvement in Africa. The Prime Minister was right to say that there are many investment opportunities, but there are many other aspects to British business overseas that are worth considering. Tax and how tax is managed should be on the agenda, as should business standards and ethics, linkages between business activity and local economies—job creation, for example—issues to do with the regulatory framework for business, health standards, environmental standards and green economy standards.

The message to British business is that, yes, there are opportunities in Africa, but do not expect lavish funding from the aid programme, because aid remains untied and mutual benefit needs to be argued for. As we invest in Africa let us not forget the range of other aspects of a socially and environmentally responsible, sustainable business endeavour.

The Chair: Indeed. Lord Oates, I think you wanted to follow up.

Lord Oates: On the trade point, I saw figures at the time of the trade conference suggesting that France and Germany have double the trade with Africa that the UK has. I am not sure whether you saw those figures. Do you have a view on why those countries have been more successful in their trade relationships with Africa?

Simon Maxwell: That is a good question, but I do not have a view, I am afraid. There is always a discussion about tying. I do not know the specifics of those two countries, but people say that countries that offer tied aid and are able to deliver large infrastructure projects quickly get more business than those that do not. That is one of the debates that underlies the commitment to mutual prosperity as a driving force of British development policy.

Q30 **Lord Fraser of Corriegarth:** Do you not think it is logical that we have a sphere of influence in Africa and other places? The Spaniards obviously have a big sphere of influence in South America and the French have a grip like a boa constrictor on francophone Africa. Do you not think it is logical that that should continue? Of course, we know the Germans have a vested interest in keeping Turkey happy. You said that some people argue that we might do better separate from the EU and some people think that we would do better in the EU. Which side are you on in that argument?

Simon Maxwell: First, on spheres of influence, which an economist might call comparative advantage, of course you are right, but these places all have spillover impacts on the UK. The migration crisis in Europe spills over to the UK and is driven by what is happening in the Sahel. If asked and in the right circumstances, the UK has a definite interest in helping to deal with terrorism in the Sahel, for example, and supporting the French in that way, and we might hope that the French would work with us. Somali piracy was one of the great successes of the previous Commission. Again, it is not necessarily our sphere of interest, but we benefit and work together.

On the specific question of Turkey and middle-income countries—it is a complicated question—I have always been surprised that the world gives so much aid to Turkey. That is because people want to help Turkey, but it is also because Turkey is still on the OECD list of aid-eligible countries. Attention needs to focus less on where we are giving money to and more on where we are giving aid money to and the construction of that list.

Lord Fraser of Corriegarth: Surely this is connected with Germany, because the Germans are terrified of more and more Turkish immigrants coming in. It may or may not be good for their football team, but they think it is too much.

Simon Maxwell: Yes, there is a migration issue, and of course there is now a big humanitarian case load in Turkey, which is a slightly separate question.

The problem is who is on the DAC list. That is not driven by political interests; it is mainly about per capita income. I always used to say to Committees like this that every time we send £1 to Brussels, we were taking money away from low-income countries and giving it to middle-income countries. That has usually been contrary to British policy.

Lord Davies of Stamford: First, on British exports, I do not think anyone should be surprised about French or German exports being higher, because they are higher in comparison with virtually every country of the world. The Germans have about twice our volume of exports.

The impression that you have both given is that the costs of Brexit to our international aid effort are certainly not trivial; they are really quite serious. Ms Gavas said that however much money we handed to the Commission or were prepared to channel through its international aid effort we would not get any influence in decision-taking and over strategy, and we would not be given any contractual rights to exercise influence of that kind. That was very plain.

I imagine that the losses we incur by leaving in this way are partly loss of economic synergies—for example, obviously, in logistics and in management, both of which can be saved on quite substantially when you have several operations in one territory, and other services like medical services and computer services—but also loss of political

influence. If you want to influence the done—recipient—country, as one often tries to do in international development because one wants their policies to be rational and supportive of economic growth and so forth, you are likely to have much more opportunity to do that if you are the European Union than if you are just one former member state of the European Union.

Equally, just as the European Union, like USAID or the World Bank, can pretty much always have a conversation and schedule a review meeting with the recipient country, which is taken very seriously by local politicians, we will probably find ourselves in a less strong position in exercising that sort of influence.

Is that a fair summary of what you have been trying to put over? I noticed also that there was a cleavage between Ms Gavas and you, Mr Maxwell—you were a little more optimistic about the continuing influence we might be able to have with the EU if we embark on certain kinds of collaboration.

Mikaela Gavas: That was an absolutely accurate summary of the situation.

On spheres of influence, we should not forget China's influence in Africa. We will never be able to compete with China in scale and speed of investment. As a member of the EU, we stand a better chance of projecting our own distinctive type of investment in China, which has perhaps more of a human face to it, with the focus on human capital. As the UK alone, we stand no chance.

Q31 Lord Davies of Stamford: I think you are being very frank and very realistic. In life, before one plans any venture in any field, one wants to make sure that one has not fooled oneself and has taken into account all the difficulties and challenges as well as the wishful thinking that inevitably goes into any project.

In that context, I want to ask the question on the brief which I have not asked you yet, but it fits in naturally at this point in our proceedings. What will be the key challenges for future co-operation, and what should be the key principles and terms governing the UK's participation in EU development programmes? You have already said that there will be no participation in EU development programmes, but there might be some future co-operation or some other contact of various kinds. Is there any positive answer that you can give to that question, given all the problems that you have just enumerated? Do there nevertheless remain worthwhile things that might be done? What do you think would be the right priorities in putting them forward?

Simon Maxwell: I will begin by picking up your summary, which was concise and to the point—thank you for that.

Countries differ in their need for multilateral engagement. One point that Mikaela and I often make about this is that Ministers have objectives, and at the margin, make choices about how best to achieve them. For a

British Minister, sometimes the best way to achieve an objective has been through the EU, but sometimes it has been through the UN, the World Bank, the Commonwealth, the Council of Europe or NATO—a range of alternatives. If you are Latvia or Cyprus—Mikaela's own country—you do not have quite the same range of choices; you are not a Security Council member and so on.

So although, as you rightly say, it is of course damaging for the UK to lose one of its channels of influence, there are others. I hope we will come later to what the UK's future strategy should be, but it would be helpful to rethink how we deploy our resources in the multilateral world, given that we have less influence in the EU.

Will we be as influential in the EU? If it is simply a question of sending them papers and having lunch with people in Brussels, the answer is probably no, but we have other instruments in our locker, a big one being money. I think I have said to this Committee before that my recommendation would be to make a big, multibillion-pound offer to the EU on a topic like fragile states—I would like to bring in climate change before we finish this session—and say to them, "Okay, yes, we're going to collaborate, and we're not just going to ask you to listen to us over lunch, but we've brought something substantial to the table. If you match it, let's have a serious conversation". I think that would be transformative.

On your specific question about principles, Mikaela and I wrote a paper some years ago in which we talked about culture and calculus as the two driving forces of EU engagement. A lot of Europeans start with culture: "Post war, we're all together, we're one family, we believe in Europe". The UK has always been much more instrumental and calculating about its engagement with the EU. The calculus is: what are we trying to do, what is the best way to do it and is the EU the right format? There is nothing wrong with being self-interested in that way in a multilateral context.

I think we will all be guided by the desire to achieve the sustainable development goals. That is the core principle that underlies development work. We are all going to be guided by the use of DfID instruments—diplomacy, development and defence—and that provides the foundation for the conversation that we could be having in which we bring not just ideas to the table but serious money and, conceivably, military engagement.

Lord Davies of Stamford: I agree with you that we should be thinking along those lines, but they are not going to come to us, are they?

Simon Maxwell: If you are sitting in Brussels, why would you be interested in the UK? DfID has 700 professional advisers, but the EU has very close to zero. It does not have that cadre of people. We have 700 people who are specialists in governance, livelihoods, climate change and economics. That is a big advantage for it. We have big resources also in some of the countries in which it is interested.

Lord Davies of Stamford: Do you envisage the Commission taking on, either as consultants or staff, those 700 British officials?

Simon Maxwell: No, but I can imagine it ringing the Secretary of State and asking whether it can have some input. One other strength we have is a very rich ecosystem of NGOs. We should be working hard to preserve UK NGO access to EU funding, because the EU needs us.

The Chair: We will move on and if we have time we can come back to this, because it is obviously a very detailed area that we need to address.

Q32 **Lord Fraser of Corriegarth:** There have been some key developments in the UK and the EU since you last gave evidence to the Committee. Are there any that could significantly impact the UK's future co-operation with the EU? I think we have partly covered that.

Simon Maxwell: This is the nub of where this Committee can be phenomenally useful in the weeks ahead. Of course, on the UK side there are the new Government and Brexit, but there are also some new tendencies in the UK aid programme, such as the big emphasis on Africa, as evidenced on Monday, and the focus on business that was launched when Theresa May went to Cape Town.

The big one, certainly for the next year or two, will be climate change, because we have taken on responsibility for the COP in Glasgow. The new DfID single departmental plan, published last June, has five objectives, one of which is environmental, and talks about the climate catastrophe. This is the alpha and omega of development policy for the future.

We have also been promised—the Committee may know more about this than I do—a review of foreign and development policy, which could be the equivalent of a new White Paper that would shape development policy for the future.

So, the UK is not where it was when the Committee started its inquiry 18 months ago.

On the other side of the channel, there is a new Commission that has declared its intent to be more geopolitical. Ursula von der Leyen spoke in Davos yesterday about the need to build the military capability of the EU, for example. It has launched a big new initiative on climate change—the Green Deal, a €1 trillion package on climate change—and has committed to zero carbon by 2050, which has very important coherence with the UK. It is working on a multiannual financial framework and is also planning a conference on Europe that would give the opportunity to raise the same issues.

To conclude, this is not the same relationship, never mind Brexit, that we were talking about 18 months ago. There are big new opportunities here if we are ambitious and go out and take them.

You look a bit sceptical, Lord Fraser. Are you?

Lord Fraser of Corriegarth: I am not a climate alarmist and I find the concentration on climate change at the top of the priorities bizarre. There is poverty all round the world and all sorts of problems with access to fresh water and other matters that are incredibly important and climate change somehow sweeps everything else. That is just my personal opinion. I think it needs to be put back in its box slightly.

Lord Davies of Stamford: You said there are huge opportunities here. Do you mean huge opportunities for third countries, which we are now considered to be?

Simon Maxwell: There are huge opportunities for a new collaboration of the kind I described earlier, where we both bring all our tools to the table. For example, just before Christmas I was in India, which is a swing state on climate change because of its past dependence on coal. We could do something very serious to partner with India.

Not all countries are required to produce new climate plans for Glasgow, but many will, and those that do not have plans to 2030 are required to produce plans for 2030. In the previous round, developing countries produced conditional plans for 'nationally determined contributions', with the gap between the unconditional and conditional depending on developed country support.

My idea is that we should be encouraging developing countries to make much more ambitious conditional pledges in their NDCs and that we, as a developed community, including the EU and the UK, should be pledging to support them in bridging the gap between conditional and unconditional.

Lord Davies of Stamford: Do we have a lot of influence in developing countries in general and in India in particular?

Simon Maxwell: We certainly work hard at that. Our climate representative was in Delhi last week and we still have quite a lot of programmes in India. We have many friends in India.

Lord Davies of Stamford: You are an optimist.

Mikaela Gavas: Going back to Brexit, any friction on trade or economic arrangements between the UK and the EU are going to contaminate future negotiations on development—and foreign policy, for that matter. I just want to add that. For example, acrimonious negotiations on EU citizens' rights will spill over into the development discussions.

The Chair: We will move on. Lady Chalker has a question.

Q33 **Baroness Chalker of Wallasey:** I find it difficult to envisage how the formal co-operation will bed down. When I cannot see a way through in the formal route, I look for informal linkages that we might be able to develop in order to get the best for the very needy developing world. Can you see what formal co-operation might look like in practice? Can you put your finger on any informal routes that would help to supplement formal

co-operation?

Mikaela Gavas: There are a number of formal routes that we could go down. There are the financial instruments to which we could contribute. We could make a financial contribution to heading 6, which is the neighbourhood and the developing world spending category of the EU budget. We can do that through the External Assigned Revenue Facility, which Simon mentioned. A number of countries, such as Norway and Switzerland, do that already.

We could contribute to some of the EU trust funds, again as Simon said. That would give us a seat on the strategic board and oversight of the spending of the trust funds. However, the Commission has a final veto on all decisions with the trust funds. We could contribute to, for example, the European Peace Facility. It is now being proposed that it be taken off the EU budget. It is the former Africa peace facility of which the UK was a big supporter. DfID has just become eligible for EU guarantees as part of the European Fund for Sustainable Development investment platform. We could access EU funding through that, the EU guarantees in particular.

There are other ways. Simon mentioned delegated co-operation. We have quite a substantive delegated co-operation agreement with the EU, which could continue, and there is joint programming at country level. There are a number of options in a formal space.

Informally, as I mentioned previously, we can continue to be part of groups of like-minded member states. Unfortunately, DfID has withdrawn from the EU like-minded group of states, which I found to be a great pity. It is an informal group of countries such as Germany, the Scandinavians and so on, including Poland. It is an interesting forum where like-minded states meet regularly and discuss positions. DfID has now withdrawn from that group.

Baroness Chalker of Wallasey: Is that recoverable? I understand that one reason why it withdrew was a clash of certain individuals.

Mikaela Gavas: I think it is recoverable. I heard from a number of member states on that group that they were genuinely surprised.

Baroness Chalker of Wallasey: I think those of us who are slightly connected, like me, hear these tales all the time. Do you have any advice about whether this Committee could help to restore the former relationship, which was valuable?

Mikaela Gavas: Perhaps. The thing with the like-minded groups is that, although they are important fora, there are quite technical discussions, so the discussions do not occur at a high level. It was below director-general level. The more valuable groups perhaps are the director-general groups, the EU DGs meetings. Again, there is no reason why the UK could not participate in those meetings, as an observer even.

The Chair: I think your key point was that the informal relationships need to be kept somehow or other, whether through committees or

individuals.

Baroness Chalker of Wallasey: They need to be enhanced.

Mikaela Gavas: Yes, exactly. We also have the possibility of continuing our secondment programme. We could have seconded national experts in the Commission and the External Action Service, which would be very valuable.

The Chair: Let us move on, because we are running short of time.

Q34 **The Earl of Sandwich:** My question is about NGOs and also about if everything else fails. If there is only a high-level agreement on the future relationship that does not address overseas development co-operation specifically, how will this affect the UK's ability to co-operate, and what impact will it have on UK NGOs? I know you have just been speaking with enthusiasm about NGOs, but they are an assorted lot. The European ones and, of course, the indigenous ones should be included in that.

Simon Maxwell: The issue—it is a great pity it has not been resolved—is the extent to which quite a bit of EU aid is tied. A lot of the issues about future partnership and the role of NGOs are related to that, because if EU aid were completely untied, not just in projects overseas but in the research programmes, there would be many opportunities for informal collaboration between the EU and the UK.

When it comes to NGOs, there are different rules governing the development and humanitarian sides and different geographical limitations on what can be done. The one that has been most worrying to the NGO community is the humanitarian side, because it has been ruled so far—I think this is right, Mikaela—that you can have a partnership framework agreement with the EU, but you have to have your main headquarters based in an EU country. There has been some moving of headquarters. There are some large NGO alliances, such as SAVE International, which are using their European headquarters as the channel, the conduit, for proposals to the EU.

If there is anything that can be done in the very short term to untie EU aid, that would be good, but we also need to make sure that the arrangements that the EU has in place for collaboration with third-country organisations make it possible for UK NGOs to participate.

The Earl of Sandwich: The UK NGOs have almost no future in the EU tie-ups at the moment. It is a very uncertain time for them. Are they not suffering continuously?

Simon Maxwell: I am told that the ones we should be worrying about are the small ones. The larger ones are mostly part of large international alliances—Oxfam International, SAVE International and so on—so they are able to access money through other offices, but if you are a small NGO you do not have that luxury.

Q35 **Lord Oates:** Ms Gavas, in the written evidence you gave to the

Committee you raised the possibility of the establishment of a UK-EU joint off-budget facility. Will you tell us a little bit about how that would work in practice, what its advantages are over other third-country co-operation models and whether you see any disadvantages?

Mikaela Gavas: The idea behind this proposal was to overcome some of the challenges around governance and oversight in ensuring value-for-money spending and mutual accountability. The idea is that the UK and the EU could establish an off-budget facility built around the foundations that have governed the European Development Fund.

Essentially, we are talking about joint decision-making and joint accountability but crucially based on a contractual model. There is a mechanism that already exists to enable this to happen. It is similar to the Facility for Refugees in Turkey—the FRIT. You would have at the principal level contractual joint decision-making based around mutual interests, shared values and so on, and the mechanism is the facility, a sort of trust fund that would be jointly administered.

A geographical focus for this facility could be a set number of countries that are of strategic interest to the UK, in particular in sub-Saharan Africa, and are already supported through the EU development programme. The UK would then decide which EU programmes it would want to contribute to in those countries, play a role in designing the programmes with the Commission, and take the process through the whole cycle all the way down to country level, including the joint programming of funds.

In terms of accountability, my proposal would essentially be to have a joint parliamentary committee that would bring together delegates from the European Parliament’s development committee and the House of Commons International Development Committee, as well as involvement from this Committee.

Looking at the advantages, this would give the UK direct discretion and control over development spending and its funding through the EU. It would also indirectly shape the EU programme, certainly within those countries. It would enable the UK to choose the countries to which it wanted to allocate its funds. This is crucial because, with the absence of the UK, we are now seeing a shift in EU aid allocation towards francophone Africa. France has taken over the lead in the Council on development.

From the EU’s perspective, the EU, and the Commission in particular, has said time and again that it wants to keep the UK as close as possible. This proposal would enable it to do that; it would increase its firepower, and it would do so without compromising the existing structures and mechanisms.

As for the disadvantages, it is going to take a lot of time and it will be very resource intensive—we are talking about people, money, sustained engagement and dialogue—at both the political and technical levels. That

the facility would be binding and contractual might restrict the UK. If the UK deemed spending to be poor value for money, it would nevertheless be bound to continue to contribute. Of course, there are ways around that, with written clauses that could allow the UK to withdraw funding at any point.

Q36 Lord Wood of Anfield: What is your view of how Governments talk to NGOs and you all about the transition ahead? Is it your sense that there has been good stakeholder engagement and wide consultation? We have heard in other parts of the Brexit preparation world that some businesses feel that they have just been told to get ready without so much guidance. Has there been better stakeholder engagement in the past few months?

Simon Maxwell: My view is that DfID has been great. It has come to us to do workshops, it has been available on the phone, it has shared documents at the right time. That is focused very much on aid.

On whether the Government have been quite so good on some other aspects, they have been pretty good on trade—we have had good links with the Foreign Office. There have certainly been conversations on migration. I am not so sure about security or research, but I can certainly give high praise to DfID for what it has done.

Mikaela Gavas: I concur. DfID has been put in a very difficult position as well—development is not a priority, or certainly has not been, in the negotiations. It has been forthcoming with the information that it has, and it has consistently scenario-planned throughout.

The Chair: Thank you. That has neatly summed up our session. Once again, thank you very much for coming in and taking time out of your incredibly busy diaries, particularly at this time of the year. We have been given a lot of food for thought and I am sure that there will be more questions after you leave than we have managed to get on to the question paper today, but thank you for coming in. I hope to have another session with you in the coming months to see where we are. If there are any corrections to be made to the transcript, please let us know.