

Select Committee on the European Union

External Affairs Sub-Committee

Uncorrected oral evidence: International Development Co-operation after Brexit

Thursday 30 January 2020

10.05 am

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Members present: Baroness Verma (The Chair); Baroness Chalker of Wallasey; Lord Faulkner of Worcester; Baroness Finn; The Earl of Sandwich.

Evidence Session No. 4

Heard in Public

Questions 37 - 48

Witnesses

I: Stephanie Draper, Chief Executive, Bond; Dr James Mackie, Head of Learning and Quality Support, European Centre for Development and Policy Management.

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Examination of witnesses

Stephanie Draper and Dr James Mackie.

Q37 **The Chair:** Thank you and good morning, Dr Mackie and Ms Draper. This is a public session of evidence. If you feel, when you get your transcripts, that something is incorrect, we would be happy for you to return them with your corrections. This session is part of the Committee's inquiry on international development co-operation with the EU after Brexit. You will have seen the questions beforehand. Colleagues may come in with supplementaries alongside the questions you have been given, and I cannot always promise that they even stick to the questions you have, so please be warned. Do you wish to start with an opening statement or would you like to go straight into questions?

Stephanie Draper: I am fine with going straight into questions.

Dr James Mackie: Is it useful to explain what ECDPM is, or do you all have that information?

The Chair: It is up to you, Dr Mackie.

Dr James Mackie: I just want to emphasise that ECDPM is an independent foundation and that the bulk of our funding comes from 10 members states of the European Union. We do a little contractual work for the European Commission, but we are not funded by it, as such. That often causes confusion. But we focus on EU relations with Africa particularly and the ACP more broadly.

Q38 **The Chair:** Thank you very much. I will start then with the first question, which you have sight of. Given that, as you know, only 10% of the UK development aid budget is spent through the EU, with the rest delivered bilaterally or multilaterally, why should the UK and the EU continue to collaborate on development policy after Brexit?

Stephanie Draper: That is still a very substantial budget. The EU is one of the most important development actors in the world and we have worked with it to set collective standards and norms, across the piece. We think continued co-operation is key because, without it, we will lose three crucial benefits. The first is mutual influence. We have worked with the EU to keep a leadership position, where development work is focused on eradicating poverty, the sustainable development goals and aligning with the purpose of aid. We have also been able jointly to influence things such as the shape of the sustainable development goals. It is critical that we stand with like-minded bodies to maintain those standards and resist the march towards linking aid to commercial interests and suchlike.

The second is exchange. Supporting development is highly complex, and we are making progress but need to make much more. We cannot afford to lose opportunities to share learning, to focus on value for money, to be efficient and to work together. Given the strength that the UK has in development and the amount it has contributed to Europe already, that

exchange is critical. It enables us to increase impact and make sure that we are getting value for taxpayers' money.

The final thing is collective strength and being able to work together on the ground. That enables us to get to scale through some of the key funds, but also increases the geographical reach beyond that we could achieve on our own.

The Chair: You are the umbrella organisation for a huge number of smaller organisations. How have you felt preparations within those groupings have gone during the debate on withdrawal?

Stephanie Draper: There has been an incredible amount of uncertainty, so it has been hard to understand what to prepare for. There has been a strong focus on funds. We have been a significant beneficiary of EU funds, the ECHO fund for example. The UK gets, or historically has got, the biggest amount of funding from the EU. Understanding how to replace those funds and engaging with DfID on that has been a crucial part of our activities.

A lot of the larger agencies have been able to refocus efforts with their sister organisations in EU countries. The anxiety is in the medium-sized and smaller organisations that do not have a federated model and are normally more reliant on restricted funds. They work on grants, but they also bring a lot of innovation and creativity to the sector. They are still dealing with that uncertainty and looking at how they can flex their funding models. There is a bit of waiting and seeing, too.

Dr James Mackie: I endorse a lot of what has been said, but I will start to answer the question from the point of view of aid effectiveness principles. From the point of view of the beneficiaries or development partners, one of the big, important principles is that fragmentation of aid should be avoided. Donors should work together, as much as possible, for many of the reasons that you gave—to increase the impact and so on. That is the point to emphasise first. It is not in the interests of African countries, say, to have to deal with yet another donor. That said, Britain's bilateral programmes were always alongside the EU one, but there are significant benefits from pooling aid wherever you can. That is the first point.

Secondly, the EU and the UK have a broad interest in keeping their respective policies in line. I say that, because it will make co-operation much easier down the road if you agree on the basic principles and what you are seeking to achieve: an emphasis on poverty focus, tackling fragility, the difficult relationship between migration and development issues—all these sorts of things. If you agree on some basic principles it will be that much easier. Initially, I would not expect too much divergence, but you never know. The way things stand at the moment, Britain has signed up to the European consensus on development, which was rewritten in 2016 following the SDGs coming out. Both Britain and the EU adhere to the SDGs, so there is a lot of commonality there on which they can build. Everything is unpredictable, of course, but I would

have thought that would reach forward for the next five to 10 years without too much difficulty.

You can take that further, because the EU is an important player in terms of aid volumes and the voice it has in multilateral fora. The UK, working alongside the EU, if they agree with each other, can get that much further in those sorts of fora. I am thinking of the UN, but it could be the OECD or work with development finance institutions. There are all sorts of levels. The EU is a norm-setter for its own members so, by keeping an eye on EU policy and engaging with it, the UK would still have some influence on the policy of all members of the EU. Some have a more developed sense of development co-operation than others. They do not always see eye to eye, but the consensus is the bottom line on which you can build. There are always new questions.

Finally, there are pragmatic reasons for aid management from DfID's point of view. Some 10% of UK aid goes through the EU, as you indicate, which is a lot of money to repurpose quickly. You could repurpose it to other multilaterals, which is probably the easiest solution if you want to take everything out of the EU and not administer it yourself. I am sure the World Bank and the UN would be welcoming recipients and could work with that, but I imagine that any repurposing of bilateral aid would bring with it heavy transaction costs: extra staff, et cetera. Those are my reasons.

Q39 The Earl of Sandwich: You both mentioned the importance of ECHO. Is there a risk that the Commission will simply close the door in 12 months, after the transition? Is there any feeling of nervousness about this, because there is so much integration between NGOs on the ECHO programme?

Stephanie Draper: My understanding is that they are closing that door. The sector has already lost £160 million in the UK from less access to ECHO and it will not be open to organisations from non-members, going forward. There is obviously a funding risk, but also a risk to the UK being a real powerhouse in humanitarian action. We are going to see more humanitarian crises to which we need to respond, and that collaboration on the ground is key, not to mention—"brain drain" is not quite the right term—the migration of humanitarian expertise out of the UK, simply because we are not able to fund it. Then there is the ability to influence and shape ECHO, so that it works effectively, based on DfID's expertise. There are lots of risks around ECHO. We do not think that co-operation in that fund will be possible, going forward.

Q40 Lord Faulkner of Worcester: Do you agree with the views expressed by a number of our witnesses that the influence of the UK on EU development policy has been positive, in concentrating on poverty reduction and providing value for money? That was the first part of the question. The second half is what happens next. What are the risks in the future for both the EU and development aid recipients, if the UK and the EU drift apart and do not collaborate?

Stephanie Draper: The UK is an international development powerhouse. We have a reputation for being an innovative donor and have had a big focus on value for money. We are always focused on the key objectives to reduce poverty and promote sustainable development. At the same time, our machinery for international development is leading. We have informed a lot of what the EU does through the high levels of scrutiny which the aid budget undergoes—it is the most scrutinised budget in government—and through the expertise and capacity that sit within an independent DfID, with the influential voice of the Secretary of State significantly represented in Cabinet and at the National Security Council. This is seen as a leading model globally, which has helped to shape EU priorities. That is a given, and the level of expertise and input that DfID is able to give are really appreciated. It puts us in a strong negotiating position, where there are potentially mutual benefits to continued collaboration.

The risks are that we lose focus on the poverty objectives of the ODA budget and that it is diversified in all sorts of different directions. There is a risk that the EU could start to focus more on tied aid and different sorts of objectives without the positive influence of the UK. The reverse could also be true when it comes to whether we diverge from the European consensus.

Dr James Mackie: I would take a slightly more nuanced view. Yes, I agree with the statement that the UK and DfID have had a positive effect on EU development policy and practice, but we are not alone. Other EU member states take a fairly similar line to the UK, independently, and I imagine would continue many of the lines that Britain has followed. I look particularly at some of the northern European countries. Britain used to collaborate with them extensively in the like-minded group, which you will probably remember from your days, Lady Chalker. The Nordic countries in particular, Sweden for instance, are strong advocates on issues such as poverty, rights and gender. They stand alongside Britain very strongly.

Sweden, the Netherlands and Finland are very strong, as is Germany, although perhaps to a less principled extent. Belgium is increasingly strong on civil society participation, rights and that sort of thing. We have this sort of north/south vision inside Europe, which is a shame, but countries further south, such as Portugal, are also very strong on some of these points.

I do not think EU development policy, with the UK absent, will change overnight. It will evolve, but those countries have tended to take a similar line to Britain, in the past. Other groups, particularly some of the eastern European countries, are taking rather different approaches, less traditional in development co-operation. No one actor, even the UK, is able to dictate EU development co-operation policy. It has always been a matter of coalitions forming, working together and seeking consensus. There are the very words: "European consensus on development". We

need not despair; the machine and the policy outputs emerging from it will continue similarly, but there may well be divergences over time.

Both the UK and the EU are strong members of a number of fora where such debates take place internationally, such as the OECD. More than half the members of the OECD Development Assistance Committee are EU members and they have a lot of weight there. There are a lot of norm-setting discussions and approaches to governance there, which are important. More widely, the UN also provides that sort of setting.

During this transition time, it is worth looking at the political declaration, because it contains some positive statements about good collaboration and is fairly reassuring. It depends a bit on how that is put into practice, which we have to watch closely. For instance, Articles 108 and 109 talk of good co-operation and working things out together, so there are also possibilities there.

Looked at from the continent, the future of development policy in the UK is perhaps less predictable than what is happening on the continent. You have a new Government with quite strong views on international relations, and there is a whole new agenda about global Britain, but nobody knows what that means yet. You could see shifts there, whereas the last cycle of debate on policy in the EU goes back a few years now. We are looking at the financial instruments and how to put the policy into practice. I do not expect major swings on development policy for the next few years at least. There will be improvements and new debates, but we are not going to see huge changes. Sitting on the continent, we are watching Britain and asking what it is going to do.

That is a general point about the EU versus a member state, as all member state policies, not just the UK's, change more rapidly because of political change, whereas in the EU it builds up slowly. One Government may shift, but all the others remain the same, and then another and another. These shifts take a bit of time before there is a dramatic change. From that point of view, I am more confident about the immediate future on the EU side than on the UK side.

The Chair: It is also about recipients changing their relationship with us outside the EU. Their ask may look different.

Dr James Mackie: Their ask may indeed look different. A big advantage for recipients is that it diversifies donors. Yes, there are transaction costs in dealing with more donors, but there is also the possibility of changing donors. If you do not like what the first said to you, go to another one. That is happening with China. The UK is now there, alongside Norway, Switzerland and Canada, as another possibility. Yes, the ask may change; you are quite right.

Q41 **Baroness Chalker of Wallasey:** A lot of what you have just said, Dr Mackie, underlines the thesis behind my question. In my view, our universities are foremost at giving good training on international development matters, so we have a large pool of development experts in

this country. I wonder whether the Union will be in favour of seconding UK development experts to EU institutions. I think that is critical and I do not know what can be done to advance it. For the sake of the developing world, from my observations and my work many moons ago, that is critical.

Dr James Mackie: Yes, indeed. The political declaration is reassuring on secondments, so we have a starting point from which to build. Another solid basis is that the Commission has a long tradition of seconded national experts, not just from EU member states but from other countries, for instance Norway and Switzerland. I expect that to continue. A lot will depend on the mood music and how the final discussion plays out. If Britain gives a sense of wanting to throw its weight around, there will probably be a bit of resistance but, if you can demonstrate win-wins from the sort of people you are putting in, where it is advantageous to you and us, it will go further. That is quite clear.

But we are talking small numbers. DG DEVCO has about 3,000 staff and the EEAS about the same. Less than 2% of these staff are seconded national experts, so you are not talking about a lot of people. Britain could try to push a lot in, but you would probably get a sense that we also need to give space to the seconded national experts from member states. Remember that some member states also have huge numbers of experts. A country such as Germany has huge numbers of people working in development, many of them well trained. There is a lot of exchange, where some have done degrees in Britain, gone back to Germany and suchlike. France does too, to a lesser extent. Germany in particular has a big weight of expertise.

Baroness Chalker of Wallasey: Holland does too.

Dr James Mackie: The Netherlands does, but it is a smaller country, although indeed with some very good expertise. Individually, Denmark and Sweden do too, but their numbers are much smaller than the UK's. That is certainly true.

Baroness Chalker of Wallasey: Is there a particular area on which we should try to have an influence? On certain agricultural projects and so forth, some expertise comes better from the Mediterranean than from northern Europe.

Stephanie Draper: We should look for collaboration in a lot of areas. There is a big focus on fragile states. How to deal with and address crises, and work in least-developed countries, will be incredibly significant for all of us. Collaboration on areas such as resilience and responding to climate change will be an incredibly significant deal-breaker for development. We have real strengths in that area. Continued collaboration on gender, leaving no one behind and areas of disability have been a particular strength of the UK, which we want to continue, but it is in the round.

On how trust funds work and that sort of focus, you would expect us to pick off particular areas where we have bilateral collaborations. Those are a few examples, but it depends on what comes out of the UK integrated review and what our priorities will be, moving forward.

Baroness Chalker of Wallasey: You are both saying that the next year or two will almost be more important for international development than the hubbub of the last three years.

Stephanie Draper: In the decisions we make and how we come to agreements, we have to ensure that international development is reflected in the negotiations, and that we bring our strengths to that and involve civil society. We know how things work on the ground. Our members are very experienced and expert in a range of areas, understanding how you address these complex problems of water and sanitation, hunger and extreme poverty. What that looks like and how we bring that to the negotiation is a real question for us.

Q42 **Lord Faulkner of Worcester:** Could the recipients of development aid do better with Britain out of the European Union, given that we will presumably have more freedom to do our own thing, rather than be part of an EU regime?

Stephanie Draper: That is a really good question. It comes back to what a global Britain looks like. The exciting opportunity is that the UK becomes a real powerhouse in the rule of law, upholding really high standards, having a big focus on reducing poverty and inequality, and managing the climate emergency, but it can also bring a whole-government approach to that. It is not just about recipients of aid; it is about how we agree our trade agreements. Are they development-friendly? What will whatever comes after the common agricultural policy look like? Does it set higher standards? Can we look at setting higher standards for the use of medical research and making sure that pharmaceuticals are affordable? Can we take a new approach to investor protections and make sure that the bilateral investment treaties align to things such as the sustainable development goals? The UK has all the ingredients to be amazing, but it is about how we choose to do that and ensure that our engagement is one of true mutual benefit and partnership with recipient countries.

Lord Faulkner of Worcester: Based on your fantastic experience, do you think we are going to be better?

Stephanie Draper: There is a risk that we undermine our authority by undermining the expertise and capability of DfID. Having an independent Secretary of State and all those things is a precursor for bringing this sort of expertise into our global Britain agenda. There are rumblings around that, which we are concerned about. There are opportunities to bring more of a whole-government approach, but at the moment it is safe to say that our members are concerned. We need to do more to protect our leadership in international development, which is in no way a given, going forward.

The Earl of Sandwich: There used to be frustration, not least in the NGOs, about the slow bureaucracy of the EU and how things did not turn quickly enough. What is your impression now, in the context of leaving the EU? Will people feel freer to act and respond faster?

Dr James Mackie: We have to remember that development co-operation has always been a shared competence, in the EU jargon. The UK can, as any other member state can, run its own bilateral programme alongside the EU. Britain has always been a separate actor with as much freedom as it wants, really. Britain has not been known to do just what the European Commission does. In that sense, as long as the policies of the EU and the UK remain similar, new beneficiary countries will not have much to choose between the two. If the money that DfID previously had in the EU shifts and is spent bilaterally, it will have more to spend and will become a more important donor.

That answers the previous question a bit. Coming specifically to yours, yes, the EU is slower—that is undoubtedly true—but developing countries like that it is more predictable than the average member state. You can sign up to five-year agreements on funding, under the EDF or whatever, and they will stay in place. They will not change with changes in political considerations. Yes, if you want to move quickly, go to a bilateral and the UK is well placed. Germany and some other member states can be very fast, as well. But, if you want large volumes of money, in a predictable fashion with secure guarantees, the EU is often a better bet.

Stephanie Draper: The important thing in moving fast is that we do not then compromise on accountability and transparency, and that we ensure that we deliver value for money and align to our objectives on alleviating poverty and the SDGs.

Q43 **The Chair:** During the last three and a half years, has the NGO sector ensured that its voice at the table has been quite loud? It is going to be a difficult transition but, if there are to be informed choices, how much of that voice is present will be important.

Stephanie Draper: The sector is good at coming together and having a shared view. I have seen that in Bond. It depends what table you are talking about. We influence the EU through CONCORD and some of the joint agencies.

The Chair: It is basically the discussions that have been taking place here.

Stephanie Draper: Here, a lot of our voice and influence in government is through DfID, so it is not always where the key conversations are happening. There is always more that we can do.

The Chair: Could we have done more?

Stephanie Draper: Yes, I am sure there is more that we could have done. The key to that is uncertainty. We have limited resource, and are using taxpayers' money and money from the public. We need to focus on

making sure that we deliver our objectives on the ground, at the same time as influencing policy.

The Chair: This is what I am trying to get at. This debate has been going on for a long time, three and a half years or so. How has your sector been able to influence the outcomes of what relationship we have with the EU, post Brexit?

Stephanie Draper: We would like more access to that table and to work with the Cabinet Office and other government departments to achieve that.

The Chair: That may happen now, because we are working towards a global Britain.

Q44 **The Earl of Sandwich:** I have a specific question. Some hope is vested in the new Neighbourhood, Development and International Cooperation Instrument. How will it impact the UK's ability to collaborate with the EU? I noticed in your written evidence that you implied it may be too early to answer the question.

Dr James Mackie: It is not too early, but at the moment the NDICI regulation, the legal instrument behind the budget, is going through discussion between the Parliament, the Commission and the Council. Until that is completed, we will not know what compromises will come out. At the moment, we are working on the basis of the regulation proposal from the Commission, which makes clear that, in principle, there is an expectation on the Commission's side that the money will be spent in collaboration with other donors and third parties—not all of it, but that is one of the principles. The UK would fall into that category.

There is an opening in the lending finance, so the external fund for sustainable development, which is part of this and is supposed to look at the investment side. There is an external action guarantee fund within that, which they specifically say will welcome contributions from other parties. That is basically guaranteeing money which the Commission will put from the NDICI into projects, hoping to pull in private capital, but this needs to be guaranteed and needs large sums of money to do that. They will therefore welcome contributions from other players. I would have thought that would be a big opening for the UK.

You can also extend that to the principle of working with development banks. The European Investment Bank is the prime one in this case, but there is wording to indicate that they want to work with other banks and development finance institutions, possibly at the national level, such as Germany's KfW or France's AFD. Britain does not really have an equivalent. We have the CDC here, but it is not quite the same. Britain perhaps needs to look at whether it could play a greater role in this if it had a more prominent development finance institution, with large sums of capital and the ability to operate in this area of loans and grants.

I say this because, with the new instrument, the Commission wants an integrated approach to funding based on the ideas of the Addis Ababa

Action Agenda, from the UN financing for development conference in relation to the SDGs, with the loans and grants able to work together. They are willing to put in grants from the NDICI, but then they need to pull in quite high ratios—1:10—of private and development fund capital, largely on the investment side. The investments can be in the health sector—building hospitals and facilities or education—as well as roads. It is not just about dams and roads. We already have some experience of this. Private actors, such as the Bill and Melinda Gates Foundation, are putting quite large sums of money into guarantee funds. It is possible for other donors to play an active part, and I would have thought that was an interesting opening for the UK.

From reading the regulations, the legal text for the instrument, it is clear that the UK will not be able to put funds directly into the budget itself, because it is an EU budget, but it is possible for actors based in the UK to get money out of it. There are constraints on that, but it says that entities from OECD countries would be able to obtain funds, providing they are for spending in least-developed countries. It is a bit constrained; that is quite clear. There are possibilities, therefore, but the UK needs to look at it strategically, and I think they will be pushed towards the investment side.

Q45 **Baroness Chalker of Wallasey:** Thank you for spelling out the NDICI a little. It is something we should concentrate on more in this country, even if we are outside, because what you have just said is fundamental to the development of so many countries, particularly in Africa.

We have heard from several witnesses, and you alluded to this in your organisation's written submissions, about a variety of ways in which the UK and the EU might collaborate in using the existing off-budget mechanisms, through trust funds and so forth. Of those available, what off-budget mechanisms are best suited for UK-EU collaboration and where do you see the challenges in this collaboration coming?

Dr James Mackie: The principal one that everybody talks about is the EU Emergency Trust Fund for Africa, which was set up following the Valletta summit supposedly to tackle the root causes of migration. There is a lot of academic debate about how solid that argument is, which we need not go into, but it funds regular development projects, often in social development, jobs, et cetera. It also funds restrictive measures, such as building up border security, but the development side is interesting. There is a bit of debate about that and I am not sure how it will survive, because it is a temporary fund that is not part of the budget. Money from the budget is then put into this fund, the advantage being that you can then attach a specific regulation, which is easier to administer for management purposes.

From talking to some of the other contributors, they have mixed views. On the one hand, it is easier for a country such as Finland to obtain money from it, run some of the projects and implement things. Finland puts in enough money to have a seat on the board. If you put in a sizable contribution, you will be on the board. On the other hand, the control is

very much in the Commission's hands. Yes, you can get a seat on the board and get money out, but the Commission manages it quite tightly. Many member states are fairly ambivalent about whether this should continue. I imagine some trust funds will be set up, but I do not know how big or how many.

The other one to draw to your attention is the EPF, the proposed peace facility. That is on the military side, but it inherits the African Peace Facility, which has always been funded from development funds, out of the EDF, and has a strong development ethos because of that. Britain has always taken a strong interest in that and it will be off-budget, so contributions will be possible there. I am 95% sure that EU member states will be delighted if Britain contributes to that, gets stuck in and starts working with it, but these are early days in terms of what the governance structure will be like and that sort of thing.

The proposals indicate that they will create regional platforms inside it, so you will be able to distinguish between money that is supposed to be spent in Africa on African security and that which is supposed to be spent in other parts of the world, which will probably be a preoccupation. Given Britain's interest and expertise in the security side, across Africa, I am pretty sure that most member states would be very pleased if Britain continued to take a deep interest in it. At the moment, in the big areas of the Sahel and Somalia, Britain is the leader member state following the Horn security issues, whereas the French are the lead following the Sahel issues. They talk to and have a lot of respect for each other. That will shift, and France will become more important in this, but I am sure Britain will have a place if it puts money on the table and brings in expertise.

Baroness Chalker of Wallasey: Have you had any discussion with DfID, at official level, about the continuing role that Britain should play?

Dr James Mackie: Yes, staff in DfID are pretty open and we regularly get non-papers that they have put out, floating ideas, which we have reacted to. We have had meetings with them in Brussels and London, from time to time, but it has been guesswork until now. We are dealing with a lot of possibles. We can all see the disadvantages.

To your earlier question, a lot has been said about this on the continent, too. There has been a bit of debate in the last three years. We have done briefings ourselves in different capitals across Europe about exactly what this could mean. Member states are concerned, and some are very concerned and quite dismayed about what it will mean for development co-operation. The European Parliament has been interested in hearing about the impact on development co-operation, so there has been a lot of discussion about how this would work and the Commission is aware of that. They see that material too and hear from both the Council and the Parliament, so they have it, but development is not their top priority. Much of the debate on where we are going is at a high political level, where development is a minor consideration, I am afraid.

The Chair: You can link it to climate change, security, terrorism and everything else. It comes back to Ms Draper's point about it being across government, rather than just sitting in one department.

Q46 **Baroness Finn:** My first question is basically about the key lessons. You have talked a lot about how we will have to reset relationships, but what key lessons can we take away from the experience of other third countries that collaborate with the EU on international development, for example Norway and Switzerland? What are we learning from those relationships, which we can put in place for ourselves now?

Stephanie Draper: There are a couple of things. We have seen that joint programming on the ground can work. There is an EU-plus co-operation agreement with the Ethiopian Government, with Norway and Switzerland also involved, which seeks to align the programmes working so they are more than the sum of their parts. That works. Key for us is that, if we are paying into funds, we need to be able to make decisions to inform the strategy and direction of those funds. As James was alluding to, that is more difficult. We are hearing from our Norwegian counterparts that the NGOs are able to influence the Norwegian Government but, if we are taking a position in an international negotiation, quite often they have to take on the EU position in order to align, because they do not have that influence. There are challenges there for sure.

Dr James Mackie: Switzerland is one of ECDPM's funders, because it wants to keep on top of what the EU does on development co-operation. It has been a consistent partner of ours for a decade now and really follows it closely—Norway less so; it has its own personnel. From our experience of Switzerland, we have found that high-level dialogues, at director-general level, on specific policy areas have been initiated by the Swiss. For instance, they were concerned at a certain moment about the position the EU was taking on migration and development, and they set up a whole process of discussion with DG DEVCO about that, which the EU responded to warmly, sending people to Bern and so on. In the last couple of years that has become more difficult for them, because the Commission is playing tougher and does not want to be seen to give concessions to others that it might have to give to Britain afterwards. Brexit has actually made it more difficult, and they recognise that.

The Swiss also participate as observers in a number of the informal groups around development co-operation. I work a lot on policy coherence, and there is an informal expert group on that, to which Switzerland goes as an observer. Norway does not, but Switzerland does and I would think the UK could, if it wanted to. There is collaboration in these areas, which the UK could build on and work with.

Britain has always been seen as a reluctant partner on joint programming. We are starting the next cycle now. The MFF is going to be agreed this year, I hope, which means that the Commission is already getting into gear to programme the new funds and is setting up a joint programming exercise. The statistics I found were that Britain is involved

in 50% to 60% of cases where joint programming is taking place in countries, whereas countries such as Germany and France have much higher percentages. It is not worth comparing to the smaller countries, because they are not as present in all places. Britain could do more on joint programming.

When I say "joint programming", the basic idea is to do your programming at the same time; you have to synchronise your planning cycles. That is the first big step. You then agree, together with the partner country, the main priority areas, who is going to cover what, what sort of sums need to be put in, whether several donors need to work in one sector, which will take the lead and that sort of thing. But you administer the funds yourself so, if DfID played ball or worked on that, it would go on using its own money and administering it according to its own norms. It may even be able to administer the funds of EU member states and the Commission, because the Commission can delegate powers to spend money, channelling money through, say, a group of three countries with Britain as the lead.

Baroness Finn: Has that happened with Switzerland?

Dr James Mackie: That has happened and does happen. More like that could happen.

Baroness Finn: Have they influenced good outcomes? Has Switzerland had warm words from the EU or has changed the direction by making a point?

Dr James Mackie: I am an evaluator in a lot of my work and I find it difficult to answer such questions because, when you have multiple donors affecting a particular project, it is difficult to attribute it to one particular voice and impact. The Swiss are reasonably happy with the way they are listened to, which is some indication that they are not just brushed under the carpet and pushed aside. That may be a way of answering it.

Q47 **Baroness Finn:** This question is for Ms Draper. It is about the impact of Brexit on UK-based NGOs. I see from your written evidence that you have had some success in ensuring that the UK Government give support to these NGOs, but there are still concerns. How much are the Government listening to those concerns? Are they engaging adequately with the development sector and what support will UK NGOs need from the Government?

Stephanie Draper: We appreciate the underwriting of loss of funds in the event of a no-deal Brexit. Now that has gone, there is and still will be a loss of funding. There are three levels to this, for us. We are worried about the loss of capacity and opportunity to influence. UK INGOs are strong on policy and advocacy. We have had a positive influence on the EU and have informed big campaigns that have been significant to development, such as Jubilee 2000 and Make Poverty History. Some of the funding to support that has come from the EU, but it is also about

how we maintain that voice. Having access to the table and being able to talk about what happens next is really important for our members.

Then we have the loss of capacity and leadership in the humanitarian area, which we talked about in referring to ECHO. I have covered that. The wider loss of funding and things such as currency fluctuations have been real problems for our members. We might receive grants in pounds, but we are obviously not spending them in the UK, so our ability to deliver a certain amount of programming has been restricted. The funding risk for contracts from the EU is around £300 million, which will be particularly problematic for smaller members, but we do not know what is going to happen to the 10% that we currently give to the EU budget. Some of it is baked in and we will want to use it to get co-operation, but how can we have some sort of fund to support smaller NGOs in the transition away from EU funds? Diversifying their funding sources would be helpful.

The final piece is about engagement and access. How can we engage on Brexit decisions around development outcomes and inform some of those new collaborations, so that they benefit the world's poorest countries on which they are targeted? What more specific mechanisms of support can we give, particularly to medium-sized NGOs? The sector is a big employer in the UK, of thousands of people, and a lot of the core resource resides in the UK, but it is often underpinned by EU funding. Making sure that the funding agreements we get from DfID enable enough core funding to have that resilience moving forward is key.

Dr James Mackie: A supplementary point is that the Commission is under a lot of pressure from NGOs from all EU member states. Coming back to your earlier point about ECHO, the history behind it is that, when ECHO was established, the European NGOs were saying to the Commission that they did not want the American NGOs to have access to this money: "This is European money". There was a big push for that from the British and French NGOs in particular, and now that is coming back. The same may happen in this case. The French, German and some eastern European NGOs are very vocal on this issue: "We have put money in; we expect something back. Britain is no longer putting money in; maybe it should not have access". That is the sort of argument that they will develop.

I do not know how much your members are looking at this, but one way around it is to work in federations. Oxfam, for instance, has an international office in Brussels and it has members in other EU member states. They can access and then the federation as a whole can implement. A number of UK NGOs are starting to do that. Many, such as Save the Children, already have those sorts of structures.

Stephanie Draper: Absolutely, but a lot of our members do not have federations.

Dr James Mackie: The small ones will suffer particularly, which is the point you made earlier.

The Chair: They could come together in common cause. We are on our final question and I am very mindful of time.

- Q48 **The Earl of Sandwich:** I remember that Bond was the new voice of Europe, because the NGOs in the UK simply did not have the contacts. That was a very important change. From what you have said before, I get the impression that Oxfam, WaterAid and larger agencies will be secure, but I am wondering particularly about the EU NGO connection. Some of them have niche markets in, let us say, the Sahel in water management, or whatever the field is. Your network is so wide that I wonder about the impact of Brexit on relationships through Brussels to Africa through all those EU NGOs that are related to the local NGOs. It is almost too wide a question to answer.

Stephanie Draper: Our members work in partnership with recipients on the ground, local partners and other EU agencies. That is a *modus operandi*. Whether that goes through Brussels is a question that we can look at and come back to you on, because I do not have the details, but the desire to work together remains. There will be an impact across all the INGOs, regardless of size. Large ones are also feeling the pain, but they have more opportunities to do things differently.

The Earl of Sandwich: In response, it will be necessary for the smaller ones to hitch up to an existing system in Brussels, if they still want access to funding.

Stephanie Draper: Yes, and that is then about whether they have the investment available to make that sort of decision. A number of our members are saying that they are not signing up to the ECHO framework agreement, because it is so bureaucratic and takes so much time, and you need specified staff in order to respond. That sort of investment is not available to a lot of our members.

Dr James Mackie: Over the years, we have seen how the Commission has wanted to work more and more with NGOs, both in Europe and in African or other countries, but it does not have the personnel to do that directly, particularly in countries in Africa. It wants direct access and to work directly with NGOs, but that is heavy in manpower and it does not work very well. There is a continuing role for European NGOs, including British ones, to support local NGOs in applying for the funds themselves. They often need experience in how to put a proposal together and handle the accounts, so that they will satisfy auditors to European standards, and that sort of thing. I imagine that that sort of work will still be very important. It will change the role a bit; rather than funds coming through the European or UK NGO, they will go from the EU directly to the local NGO, but with back-up support. That in itself is quite a positive development action, as you would be creating capacity locally.

Already 10 or 15 years ago, we saw in the work involved in getting an EU grant directly from Brussels, even here in Europe, that the transaction costs were quite high. Small NGOs were saying, "This just is not worth it for us". With specialised personnel, the big NGOs can afford that, but

smaller ones are better off working with DfID or foundations here—there are all sorts of foundations—to get that sort of funding, where the relationship is more personal and less distant. That sort of specialism has been happening for some time and the Commission needs to do that. It needs to work at a higher level and it should not be trying to deal with every small NGO. It is in neither's interests and they do not have the capacity for it, in my view.

The Chair: That is a good note on which to end. Thank you both for coming in this morning. It has been an extremely good session and I think colleagues around the table agree. We are a little thin today, because a number of colleagues are abroad, but thank you very much for coming in. It has been useful for us to put that into our report, which we will deliver at the end of these evidence sessions. Once again, we will send you the transcripts. Please see if there are any corrections to be made, but thank you for taking the time out. We hope to see you when the dialogue has developed slightly more, post Brexit. Thank you very much.