Mikaela Gavas – Written Evidence (INT0010)

International Development Cooperation After Brexit

Supplementary written evidence submitted to the House of Lords EU External Affairs Sub-Committee by Mikaela Gavas

This written evidence is submitted by Mikaela Gavas, Co-Director for Development Cooperation in Europe, Center for Global Development (CGD). CGD is an independent, non-partisan think tank with offices in Washington DC, USA; London, UK; and Brussels, Belgium. CGD works to reduce global poverty and improve lives through innovative economic research that drives better policy and practice by the world's top decision makers. For more information and fully transparent disclosure of CGD's sources of funding please see http://www.cgdev.org/page/about-cgd. This submission represents the views of the author alone who is responsible for any errors in fact or judgment.

As outlined in a previous submission to the Committee's inquiry, it is in the UK's interest to stay closely engaged with the European Union (EU) on international development post-Brexit. As two of the largest and most influential development donors in the world, the EU and the UK have been multipliers for each other's development policies. They share common concerns, interests, values and commitments on development and their development priorities are closely aligned. The reality, however, is that the broader negotiations and the UK Government's current rhetoric on a "no-deal" Brexit are impairing the UK's relationship with its EU partners, as well as its international reputation and credibility as a development superpower. On balance, the majority of EU Member States would like the UK to remain closely linked to the EU in international development, but they are unwilling to make special efforts to facilitate a close relationship.[1] Their priority is to ensure that the Brexit process does not damage the EU development programme and the funds that have been committed to development projects well into 2020 and beyond.

While there has been a sense of inevitability about continued UK-EU cooperation after Brexit, little analysis has been done on how the UK could work with, and benefit from, existing and planned EU structures, and what it could do beyond the confines of the EU structures. This supplementary submission addresses two key questions: (1) whether there is any scope for continued, bespoke British involvement in the EU development programme post-Brexit; and (2) whether the UK can maintain some of its policy and political influence over broader European development cooperation once it has exited the EU.

Bespoke British involvement in the EU development programme

[1] See also: https://www.cer.eu/insights/brussels-view-brexit

The first question relates to how the UK may continue to disburse Official Development Assistance (ODA) through EU channels while retaining a strong say in the allocation and programming of EU funds. There are multiple ways for the UK to contribute to the EU development programme which I have outlined in a previous submission, including through the External Assigned Revenue Facility, through the EU Trust Funds, through the investment platform–the European Fund for Sustainable Development Plus, through Delegated Cooperation Agreement projects, or through EU joint programming. The challenge the UK faces with all these avenues, however, is that it is highly unlikely to gain privileged access to the EU development programme beyond third country arrangements, and thus, it will not have its desired level of governance or oversight authority over EU spending. Furthermore, it is unlikely that there will be an agreement that allows the UK to participate in the governance of EU funds at a strategic level. This is a reserved privilege for Member States. To date, discussions in the Council have focused on streamlining and reducing the number of working groups that oversee the EU's budgetary instruments, rather than opening up membership to non-EU countries. The UK will, most likely, have to rely on the flexibility of the European Commission and the will of the EU Member States to play a meaningful role.

There is, however, an alternative that would allow the UK to both contribute financially to the EU development programme and, at the same time, retain influence and oversight over spending. Placing the EU and the UK on an equal footing on deciding and implementing development programmes would require establishing an off-budget joint facility. There is both a precedent for an off-budget instrument with a strong track record that provides for joint decision-making, joint programming and joint accountability, and a mechanism which offers the possibility for the European Commission to establish an off-budget structure.

Established in 1957 by the Treaty of Rome and first launched in 1959, the European Development Fund (EDF) is the EU's main instrument for delivering development aid to the African, Caribbean and Pacific countries. It is funded outside the EU budget by voluntary contributions from the EU Member States on the basis of specific contribution shares, or "contribution key", for a multi-annual period. EDF resources are channelled through two instruments: (1) the Grant Facility, which encompasses a wide range of long-term operations including sectoral policies and macro-economic support, managed by the European Commission (EC); and (2) the Investment Facility, administered by the European Investment Bank (EIB), which provides loans, risk capital, and guarantees, with a view to supporting development of the private sector and of a commercially run public sector, alongside its own resources. The EDF's overarching objective is the eradication of poverty consistent with sustainable development and the gradual integration of ACP countries into the world economy. It also includes provisions on humanitarian and emergency assistance that foresee "flexible mechanisms" for post-emergency action and transition to the development phase.[2]

The EDF is unique in the current development finance architecture in terms of its mutual accountability provisions. Although there are a number of existing mechanisms at the international level that incorporate some dimension of mutual accountability (e.g. the Paris Declaration on Aid Effectiveness), the EDF, established within the framework of the Cotonou Agreement, is the only one that is contractual by nature. It exemplifies a model of joint ownership and mutual accountability which does not apply to the EU budget, nor to the aid of other bilateral or multilateral donors.[3]

The European Commission could establish an off-budget joint EU/UK facility predicated on the same terms and principles as the EDF (i.e. joint decision-making and joint accountability based on a contractual model) between the two donors. The External Assigned Revenue, a procedure covered by Article 21 of the Financial Regulation offers the possibility for the European Commission to establish the off-budget structure.[4] An example of this was the creation of the Facility for Refugees in Turkey (FRIT) which was set up in response to the call for significant additional funding to support refugees in Turkey. It has a budget of €3 billion for 2016-2017 and €3 billion for 2018-2019 (of which €1 billion from the EU budget and €2 billion from EU Member States in the form of assigned revenue from their contributions).[5] Like the FRIT, the EU/UK facility would be jointly administered, with a Facility Steering Committee, composed of the European Commission and the UK, which would provide strategic guidance on the type of actions to be financed.

The EU/UK facility could focus on a set number of countries of strategic interest to the UK that are supported through the EU development programme and currently receive little UK bilateral aid. The UK would decide which EU programmes it would want to contribute to in those countries and play a prominent role in designing the programmes at the strategic level through a joint ministerial structure and at the country level through joint programming of funds. Accountability and scrutiny could be ensured through a joint parliamentary committee bringing together delegates from the European Parliament's Development Committee and the House of Commons International Development Committee. From the UK's perspective, this would allow it to have direct discretion and control over development spending whilst indirectly shaping the broader EU development programme. From the EU's perspective, it would keep the UK closely linked and increase its firepower, without compromising existing structures and mechanisms.

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[2] Consolidated Version of the ACP-EC Partnership Agreement. Cotonou, June 2000, p. 18 - http://ec.europa.eu/europeaid/where/acp/overview/documents/cotonou-consolidated-fin-ap-2012_en.pdf

[3] Gavas, M (2012). Reviewing the evidence: how well does the European Development Fund perform, Overseas Development Institute, London.

[4] Official Journal of the European Union, (2018). EU Regulation on the on the financial rules applicable to the general budget of the Union, Article 21, paragraph 6: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1046&from=EN

[5] The EU Facility for Refugees in Turkey: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/frit_factsheet.pdf

Policy and political influence over broader European development cooperation

Building coalitions beyond the confines of the EU structures may increasingly appear to be a necessary option for the UK. Doing this without shutting itself off from potential future participation in new and existing EU structures will not be an easy tightrope to walk, not least with the wider economic ramifications of Brexit likely to spill over into other aspects of UK/EU relations. Nevertheless, there are precedents of coalitions of European states working more closely on long-term development strategies to stabilise regions. For example, the Sahel Alliance, a French initiative which aims to address security and development challenges in the Sahel, comprises a grand coalition of donor countries and institutions (France, Germany, EU, Italy, Spain, the UK, Luxembourg, Denmark, Netherlands, World Bank, African Development Bank, Canada and the US) focused the G5 Sahel countries (Mali, Niger, Chad, Burkina Faso, Mauritania), plus Senegal and Nigeria.[6] As the struggle continues to stabilise regions stretching from Sub-Saharan Africa through North Africa, into the Middle East, the Balkans and the Caucasus, and South and Central Asia, European donors will have strong incentives to pool their resources and knowledge.

The UK has previously been part of various "development like-minded" formal and informal configurations, such as the Utstein Group. Formed in 1999, the Utstein Group, founded by four female Development Ministers–the former Dutch Minister for Development Co-operation, Eveline Herfkens, the former British Secretary of State for International Development, Clare Short, the former German Minister of Economic Co-operation and Development, Heidemarie Wieczorek-Zeul, and the former Norwegian Minister of International Development, Hilde Johnson, was a driving force in focusing attention on poverty and inequality in developing countries and in challenging the norms of the development establishment at the time. The group demonstrated how common goals could be achieved by informal, practical cooperation. At a more technical level, the Nordic Plus group of donors, consisting of four Nordics (Denmark, Sweden, Finland and Norway) plus Canada, Ireland, Germany, the Netherlands and the UK, has coordinated on development issues, in particular on aid harmonisation and on improvements in aid delivery. Similarly, the UK is a key representative of the "like-minded" group of donors, comprising Denmark, Sweden, Finland, Germany, Ireland, the Netherlands and Poland. They meet periodically to share information and coordinate activities. These coalitions of ideologically similar countries have tended to lobby for more progressive development policies within the international aid architecture, but at the same time, they have also attempted to influence the EU's development policies. They often act in tandem by arguing for an EU development policy which prioritises the least developed countries, promotes gender mainstreaming and supports increased ownership by aid recipients. They have been instrumental in the "soft values" evident in EU discourse and development policy.[7]

[6] https://www.alliance-sahel.org/en/sahel-alliance/

DFID’s Europe Department currently has 20 staff covering policy, delivery and results, with a team of three in Brussels who engage with EU institutions and forums, as part of the wider UK representation in Brussels. Any future partnership structure with the EU, or coalition with like-minded countries will require people, money and platforms for influencing and engagement. Engagement will need to be backed up by extensive informal contact and networking, as well as targeted secondments of staff to the European Commission and the European External Action Service (EEAS). Above all, DFID will need to have a mandate to invest its resources, time and thinking towards influencing EU policymaking on development and engaging with other countries to do this, at both the political and technical levels.

8 August 2019

[7] Elgström, O (2014). An end to Nordic exceptionalism? Europeanization of Nordic development policy, Lund University.