



HOUSE OF LORDS

European Union Committee

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The primary purpose of the House of Lords European Union Select Committee is to scrutinise EU law in draft before the Government take a position on it in the EU Council of Ministers. This scrutiny is frequently carried out through correspondence with Ministers. Such correspondence, including Ministerial replies and other materials, is published where appropriate.

This edition includes correspondence from 1 February - 23 April 2020

EU EXTERNAL AFFAIRS SUB-COMMITTEE

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PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU) NO 654/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING THE EXERCISE OF THE UNION'S RIGHTS FOR THE APPLICATION AND ENFORCEMENT OF INTERNATIONAL TRADE RULES (15088/19)

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL, REVIEW OF THE SCOPE OF THE REGULATION NO 654/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 (15090/19)

Letter from the Chair to Rt Hon Conor Burns MP, Minister of State for Trade Policy, Department for International Trade

Thank you for your letter of 31 January regarding the above documents. It was considered by the EU External Affairs Sub-Committee at its meeting on 13 February.

We are grateful for your comprehensive response. We agree that the immediate focus should be on finding a solution to the Appellate Body impasse. However, we note that if these efforts fail, the UK will need to consider how it will deal with the deficiencies in the WTO dispute settlement process. The Committee continues to take an active interest in this matter and we would therefore welcome being kept updated on developments related to the Enforcement Regulation, any multi-party interim appeal arrangements and the WTO's appeals process.

13 February 2020

COMMITTEE'S INQUIRY INTO POST-BREXIT INTERNATIONAL DEVELOPMENT COOPERATION WITH THE EUROPEAN UNION

Letter from the Baroness Verma to the Rt Hon Anne-Marie Trevelyan MP, Secretary of State, Department for International Development

House of Lords inquiry into post-Brexit international development cooperation

I am writing to you on behalf of the EU External Affairs Sub-Committee of the House of Lords. May I first welcome you to your new position and invite you to a private, introductory session with the Committee later this month. Our officials will be in touch with your officials shortly to discuss this in more detail.

As you may be aware, since November 2018 we have been taking oral and written evidence on whether the UK should cooperate with the EU on international development after Brexit. Please find below a summary of our findings, along with our recommendations, which we would urge you to consider and to which we would welcome your response.

I. Should the UK continue to cooperate with the EU on international development?

The UK is committed to spending 0.7% of GNI on overseas development aid (ODA) and, consequently, there are no 'savings' to be realised from the UK's exit from the EU. The key question is how the money previously channelled via the EU should best be spent: should the c.10% of ODA (i.e. c.£1.5 bn) the UK currently spends via the EU be spent on formal or informal cooperation with the EU, or should it be spent bilaterally or through multilateral fora, such as the UN or the World Bank—or a combination of the two?

Our witnesses universally agreed that there is a strong case for continuing to cooperate with the EU on international development.

The first reason is a question of impact. While there are, of course, a variety of bilateral and multilateral fora through which the UK could channel funding, witnesses told us that these do not carry the same political weight and are unable to replicate the EU's resources and comprehensive approach, i.e. being able to deploy trade, security and political levers. Peacebuilding NGO International Alert, for example, told us that "when it comes to delivering peacebuilding and conflict prevention at scale, there are no comparable institutions with the political latitude that the EU possesses".¹

Second, witnesses underlined the importance of co-ordination between major donors to avoid overlap and waste.² As one of them succinctly put it, "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."³

Third, not only do the EU and the UK share similar values, but they complement each other and the EU often acts as a multiplier for the UK. We heard that DFID's reach "has been fundamentally enhanced through the UK's membership within the EU development structures".⁴ The EU has a wide network of development partners and a presence in over 100 countries. It can therefore add particular value in areas and regions where the UK only has a small footprint, such as the Balkans, the Caucasus, Central Asia and francophone Africa.

Fourth, the UK has exerted a positive influence on EU development policy to the benefit of developing countries—and this is an influence which should be preserved. One of the criticisms levelled at EU ODA has been that Middle Income Countries have benefitted from it more than Low Income Countries.⁵ Many witnesses therefore positively commented on how the UK's influence has helped to shift the EU's focus towards poverty reduction, resulting in a positive impact on least developed countries and fragile states.⁶

Overall, given the EU's added-value to UK development policy as outlined above, we consider that it would be in the UK's interest to cooperate with the EU on international development. It seems to us that this would, at a minimum, necessitate a formal framework for consultation and regular dialogue.

We were therefore concerned that the Prime Minister's 3 February statement in the House of Commons about the future UK-EU relationship (HCWS86) and the Government's Command Paper (CP211) on the UK's approach to the negotiations did not specifically mention cooperation on international development matters. We hope this does not represent a scaling back of ambition.

The Political Declaration provided the option for participation in Union Programmes and, at the very least, envisaged a structured dialogue "to enable strategies in the programming and delivery of development that are mutually reinforcing" (§106). In its July 2018 White Paper, *The Future Relationship between the United Kingdom and the European Union*, the Government under Theresa May explained that "there is a strong case for close collaboration in the areas of peace and security, humanitarian aid and migration. The UK is open to collaboration in other areas, and working closely with the EU to contribute to the EU's development and external programmes and instruments, where the EU and UK agree". We note, however, that the Prime Minister has moved away from the idea of a co-operative accord with the EU that would enable this. We would therefore be grateful if you could set

¹ INT0001 (International Alert); see also Q25 Gavas

² E.g. INT0014 (Dr Nadine Ansorg, Dr Toni Haastrup, Dr Katherine AM Wright, Prof Guerrina)

³ Q27 Maxwell

⁴ INT0008 (Global Europe Centre, University of Kent)

⁵ INT0006 (ONE Campaign); Q8 Maxwell

⁶ E.g. INT0015 (Bond); Q12 Maxwell

out in some detail the Government's position on future cooperation with the EU on international development.

2. What cooperation could look like

We believe that the UK should cooperate with the EU in areas of mutual interest, provided the UK retains a say over how funds are spent. Witnesses suggested several options for future UK-EU cooperation. We acknowledge that the draft regulations relating to the new MFF make no reference to opening the development instruments to non-Member States, so participation through these looks increasingly unlikely. We note that the Commission's draft negotiating mandate is offering the UK the option to cooperate "through the Union's instruments and mechanisms", subject to "full respect of the autonomy of the Union in the programming of development priorities"⁷. This suggests that the EU is ruling out the UK having any strategic influence should it choose to make contributions directly via the EU budget.

Formal cooperation may therefore have to be undertaken off-budget, e.g. through trust funds or new bespoke arrangements which, at their most ambitious, would include a partnership agreement.

EU trust funds, such as the Emergency Trust Fund for Africa, allow non-Member states to participate. Governance structures are more flexible, with donors generally allowed to sit on an Operational Committee and the Board. However, there are limits to the strategic influence that non-EU countries can exert as the Commission retains a veto over strategic decisions at Board level. It is also important to note that the use of trust funds is not without its detractors and some EU Member States would like to minimise the use of trust funds or abolish them altogether.⁸

A partnership agreement on foreign policy that would encompass development cooperation was also suggested⁹, as well as a UK-EU partnership on conflict prevention and peacebuilding¹⁰ and a UK-EU facility akin to the Facility for Refugees in Turkey¹¹—which would all offer the possibility for joint governance structures, providing the UK with strategic oversight over its contributions.

Short of formal arrangements, many witnesses raised joint programming as a tool for ensuring development coherence and avoiding duplication at country-level.¹² The UK could also attempt to create informal coalitions with other EU Member States or set up 'minilateral' groupings of like-minded countries working on development.¹³

There are therefore various options for formal and informal off-budget cooperation, which the UK Government should be exploring and articulating. At this stage it is not clear to us what options for future cooperation the Government is considering and we would be grateful for an update on this.

3. Impact of Brexit on UK International NGOs

UK NGOs are recognised and valued internationally for their competence and expertise. Consequently, they have historically been one of the largest recipients of EU development funds and grants¹⁴.

Due to EU aid being tied to certain conditions, such as being an NGO based in an EU Member State, we are concerned that many UK NGOs will no longer qualify for EU funding after the transition

⁷ European Commission, 'Recommendation for a Council Decision authorising the opening of negotiations for a new partnership with the United Kingdom of Great Britain and Northern Ireland' (3 February 2020), para 137

⁸ INT0005 (ECDPM); Q27 Maxwell

⁹ INT0005 (ECDPM); INT0007 (ODI)

¹⁰ INT0001 (International Alert)

¹¹ INT0010 (Gavas)

¹² E.g. Q46 Mackie, Draper

¹³ INT0005 (ECDPM); Q27 Gavas

¹⁴ INT0008 (Global Europe Centre, University of Kent); Q38 Draper

period. For many, EU funding makes up a significant proportion of their income¹⁵, so there is a real risk of UK NGOs experiencing a serious funding gap. Larger NGOs have been able to adapt, opening offices in EU Member States to ensure that they can continue to have access to the relevant funds. However, smaller and medium-sized NGOs are more exposed and could see job losses, which in turn could lead to a loss of expertise across the UK development sector.¹⁶

We would welcome an update on what steps the UK Government has already taken and intends to take in future to help UK international development NGOs deal with the Brexit-related funding shortfall.

4. The UK's voice during the transition period

As you are aware, during the transition period our influence over the EU's spending priorities is significantly reduced. Under the Withdrawal Agreement, we continue to pay into the 11th European Development Fund, which runs until the end of 2020, and are subject to any obligations imposed under previous, unclosed EDFs. Yet we now only have observer status on the relevant management committees without any voting rights. What is the Government's assessment of how this arrangement is working in practice and what actions is the Government taking to ensure that the UK's voice, where necessary, is being heard? For example, is the UK being represented at all the meetings it is entitled to be present at?

Last but not least, we are extremely grateful to everyone who contributed to our inquiry and provided their expert insight. Due to the volume of evidence received, we have been unable to quote or reference all our witnesses, but the full list of those we heard from can be found in the annex to this letter. We trust that you will give careful consideration to the issues they raised with us and which we have summarised in this letter. We look forward to your response in due course and would welcome an opportunity to discuss the matters raised in person.

Yours sincerely,

Baroness Sandip Verma

Chair of the EU External Affairs Sub-Committee
House of Lords

Annex – List of witnesses

All our evidence is published on the Parliament website at <https://tinyurl.com/up882bq>.

Evidence received by the Committee is listed below:

Oral evidence

- Stephanie Draper (Chief Executive, Bond)
- Claire Godfrey (Head of Policy and Campaigns, Bond)
- Mikaela Gavas (Co-Director of the Center for Global Development)
- Dr James Mackie (Head of Learning, European Centre for Development Policy Management)
- Simon Maxwell (Emeritus Fellow, Institute of Development Studies)
- His Excellency Mr Omar Al Nahar (Ambassador of The Hashemite Kingdom of Jordan)
- His Excellency Mr Said Tayeb Jawad (Ambassador of the Islamic Republic of Afghanistan)
- Rachel Turner (Director, Economic Development and Europe, DFID)
- Juliette Prodhan (Head of EU Policy, DFID)

¹⁵ INT0015 (Bond)

¹⁶ INT0015 (Bond)

Written evidence

- International Alert (INT0001)
- Mr James Flint (INT0003)
- Dr Sojin Lim (INT0004)
- European Centre for Development Policy Management (ECDPM) (INT0005)
- ONE Campaign (INT0006)
- Overseas Development Institute (INT0007)
- Global Europe Centre, University of Kent (INT0008)
- Mikaela Gavas / Center for Global Development (INT0009 and INT0010)
- Dr Nadine Ansorg, Dr Toni Haastrop, Dr Katherine AM Wright and Professor Roberta Guerrina (INT0014)
- Bond (INT0015)
- International Rescue Committee (INT0016)

6 March 2020

Letter to the Chair from Rt Hon Anne-Marie Trevelyan MP, Secretary of State, Department for International Development

Thank you for your letter of 6 March regarding the Committee's inquiry into post-Brexit international development cooperation with the European Union (EU).

As the Prime Minister has made clear, we want a relationship with the EU that is based on friendly cooperation between sovereign equals, centred on free trade, and inspired by our shared history and values. Among those values is our shared commitment to alleviate poverty and tackle global challenges, such as climate change or infectious diseases.

Historically, the UK put approximately 10 per cent of our Official Development Assistance (ODA) through the EU each year. In the future we will make our own decisions about where, when, and how that money is spent. We expect to cooperate with the EU where we have shared objectives as we do with other large development partners. We do not believe we require a formal institutional structure to do so and, therefore, we are not seeking to participate in EU external action programmes.

Future cooperation with the EU could still take place on a case-by-case basis where it is in our mutual interest and if it adds value to our other efforts. This could, for example, be through joint programming in country or via trust funds. In any such case we would of course want to ensure that the UK obtained an appropriate level of oversight over our funds, and that UK entities would be eligible to implement programmes where we contribute.

You mentioned the potential impact of leaving the EU on UK NGOs. I can assure you that over the last year DFID Ministers and officials have engaged frequently with the sector to ensure they were prepared to exit, and that we understand the impact on their operations. Our assessment is that leaving the EU will have only a moderate impact, though we will continue to work closely with the sector to ensure it remains a world leader.

During the Transition Period, UK organisations remain eligible to bid for EU development programmes and to implement them until closure. In the longer term, EU rules mean that UK organisations will still be eligible to bid for programmes delivered in Least Developed Countries and Highly Indebted Poor Countries.

Finally, you asked about the UK's residual ODA spend through the EU. Under the Withdrawal Agreement we will meet our commitments to all EU development programmes approved by 31 December 2020 until their closure. As these are multi-year programmes, this will result in a declining spending tail of ODA contributions that we expect to run until 2027. To ensure oversight of these funds, we are working to ensure we receive relevant documentation in a timely manner.

3 April 2020