



**Joint Committee on Foreign Affairs, Trade and Defence
06 April 2017**

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Article 50 has now been triggered, more than nine months after the Brexit referendum took place in the UK. The two-year process for negotiating the future relationship between the UK and the EU has now formally started and at this stage we have more questions than answers. It remains unclear what implications Brexit will have on EU development policy and on associated budgets. Brexit will also change the balance of power within the EU and could offer opportunities for Ireland to champion issues it considers to be a priority.

Question 1: How will Brexit impact EU development policy and budgets?

Brexit will have the greatest impact in three areas:

1. Geographical allocation. Within the EU, the UK has had a discernible influence on the allocation of funding. In terms of countries, the UK's former colonies and Commonwealth countries have benefitted – 42 of the 79 countries in the Africa, Caribbean and Pacific group are members of the Commonwealth. The EU may now decide to focus less of its reduced aid budget in these countries. With the UK gone, France will have a greater role and is expected to push for more aid to go toward francophone countries. Although, Germany, Denmark and Sweden will remain important players and countries like Poland and the Czech Republic are increasing their influence on the EU's development approach and have expanded their own programmes in sub-Saharan Africa and fragile states.

Related to this is the future relationship between the EU and the Africa, Caribbean and Pacific (ACP) group of countries post-Cotonou. The Cotonou Agreement is the framework for engagement between the EU and the ACP and expires in 2020. Negotiations on a successor agreement will start in the coming months. The ACP is a very heterogeneous group of countries with different needs and priorities therefore, keeping it as one bloc no longer makes sense and we should expect to see a different type of agreement after 2020. Without the UK's engagement in those talks, there are questions raised over how well the interests of Anglophone African countries and Caribbean states will be reflected in a future agreement.

2. Loss of the UK's influence in EU policy-making. With the UK leaving, the EU will lose an experienced and influential player in EU policy decisions. The UK's influence went beyond the EU level and led to changes in other member states' aid policies thanks to its strong reputation as a development actor. Some agendas the UK was most vocal on include: consistently pushing for all member states to meet the 0.7% aid to GNI target, gender equality, keeping the focus of aid on poverty eradication, having a strong results framework to measure the impact of EU aid and using cash transfers in humanitarian crises. They may lose traction if they are not taken up by other member states.

Brexit also opens up opportunities. For instance, without the UK's repeated opposition, the EU may be able to agree more joint programming which improves coordination and effectiveness by reducing the number of donors developing partners have to deal with.

3. The EU aid budget will most likely shrink. The UK's current contribution to the EU development budget was £1.3 billion in 2015, around 15% of the overall budget. Over a third of this was channelled via the European Development Fund, which currently sits outside of the EU's budget but is expected to move within it from 2020. Approximately £83m of DFID funds are channelled through EU trust funds to respond to the migration crisis, mainly for funding to Turkey. On the humanitarian side, the UK has contributed approximately a fifth of ECHO's budget. And as a member state, the UK is a shareholder of the European Investment Bank.

Impact of Brexit on EU development funding. There is potentially a 15% shortfall in the EU's aid budget from 2019. The EU could seek contributions from other members to fill the 15% funding gap or the UK's departure could reduce the pressure on other members to increase their ODA and lead to a substantial dip in the volume of EU development and humanitarian aid.

Funding transition. Some of the EU's development programmes will run past 2020. In order to ensure those programmes deliver, the UK may need to continue some funding even after 2019.

EU and UK collaboration after Brexit. The UK will still be able to participate in trust funds set up by EU institutions. The trust funds are open to all international donors. There have been announcements of a change in the EIB rules that would allow the UK to remain a shareholder. If the European Development Fund (covering aid going to the ACP) remains off budget, special arrangements could be agreed for the UK to continue contributing to the Fund. Having said that, the repeated attacks from the British press against aid and the EU will make it difficult for the UK government to continue spending money through EU channels, even if it is the best available option.

The British Government could decide to re-direct the whole £1.3bn aid through its bilateral aid programme although it is not clear it has the human resources to disburse this extra money at present. It could also redirect this money via other multilateral organisations such as the World Bank.

Question 2: Areas where Ireland could strengthen its involvement and impact at the EU level.

Channelling more aid through the EU to increase effectiveness and gain more influence. In the latest OECD DAC Peer Review of Ireland's aid programme (published in 2014), there was a recommendation for a more strategic allocation of multilateral aid as a significant share was going toward UN organisations which did not seem to reflect its priorities. Ireland could redirect some of these funds toward the EU aid budget which is closely aligned with Irish priorities. This would help make up for the lost UK contribution, encourage other donors to do the same, and potentially increase the Irish influence in decisions as its contribution would represent a larger share of the budget.

Geographic focus: Ireland could push for maintaining a focus on Anglophone developing countries that stand to lose out from Brexit and are among Ireland's priority partners. A number of processes underway present opportunities for the Irish to make sure the geographical allocation of aid includes those countries: i.e. the Multiannual Financial

Framework negotiations due to start later this year, discussions on the post-Cotonou agreement and the adoption of the new EU development consensus.

Thematic focus:

- **Ireland should build on its existing strengths combating hunger and under-nutrition and increasing resilience through aid.** During its EU Presidency, the Irish government was successful in pushing these issues forward in the EU context. With the situations of drought and famine unfolding in East Africa, this is clearly a topic on which Ireland can make a difference. Working together with member states who share similar interests such as Italy will enhance Ireland's influence. Moreover, the whole of government approach adopted by Ireland on hunger and resilience is seen as highly effective so sharing lessons on the steps that made this possible would be useful for the EU and other member states.

- **Ireland should carve out a niche for itself building on its own experience.** The priorities of the Irish aid programme include conflict prevention, peaceful resolution, gender equality and humanitarian aid. These themes are quite broad and many other donors are turning their attention to these issues as the majority of poor people and humanitarian crises are concentrated in conflict-affected countries. Ireland should focus on issues where it can bring something different to the EU table by drawing on its own experience. This could include:

- **Peaceful conflict resolution processes:** e.g. help design processes, provide advice along the way. Ireland is already active in this area and involved in the EU trust fund for Colombia which supports the peace process for example.
- **Migration:** it is interesting to note that the portfolios of diaspora and international development were put together under one minister. This can offer useful lessons for developing countries, for example around sending remittances, sharing knowledge and skills back home, contributing to the development of the country of origin, harnessing the global diaspora network, addressing barriers to return.
- **Fiscal consolidation and economic recovery in response to shocks:** many of Ireland's partner countries have economies that rely heavily on commodities and are therefore subject to external shocks and volatile markets. Ireland can share lessons from its experience responding to the financial and banking crisis which led to fiscal and institutional reforms and economic recovery.

Aid volume and the 0.7% aid to GNI target. Ireland was one of the few EU member states meeting the EU target of spending at least 0.51% aid to GNI in 2010 but it was back down to 0.32% in 2015. If this is an area where Ireland wants to be an influential actor, it will need to increase its aid budget to be a credible advocate for 0.7%.

Dublin could become a major civil society hub. London is currently a hub for many NGOs in the development and humanitarian sector but they are likely to want to relocate. The practical reasons behind this involve issues of visa for their staff and access to EU funding. The industry is looking toward Dublin as an alternative. Dublin offers a number of advantages: it is also English speaking, in the EU and less expensive than London or other major EU capitals.

Having such a hub will provide more expert knowledge for the Irish government to draw on for its own development policy but also to influence international decisions.