13579/17 European Development Fund (EDF): forecasts of commitments, payments and contributions from Member States for 2017, 2018 and 2019 and non-binding forecast for the years 2020-2021.

Thank you for your letter, dated 7 December, relating to the scrutiny of the above document, I am pleased to respond to your questions and provide further information on the European Development Fund.

Each European Development Fund is established via an Internal Agreement between the EU Member States, to support the development finance provisions of the Cotonou Partnership Agreement between the EU and African, Caribbean and Pacific States. Internal Agreements establish the overall amounts for each EDF, and each Member State’s respective contribution. Beneath these overarching Internal Agreements, details of the financial provisions are established in a Council Regulation for each EDF. As set out in the financial regulation applicable to the 11th European Development Fund (Doc 2015/323 in the Official Journal of the European Union) Member States are required to make payments to the EDF treasury three times a year, by January, July and November. In advance of this, the Commission set out their forthcoming projections, in the form of a Communication, biannually in October and June. An Explanatory Memorandum is routinely deposited on these as part of the parliamentary scrutiny process. Commission proposals are discussed in Council Working Groups, with instalment amounts then agreed to by Council Decision, triggering the payment process.

In Council Working Groups the UK has pushed back against any proposals that would mean the Commission-managed EDF treasury holds balances in excess of their forecasted spending, or which would entail Member States paying into the EDF Treasury at a quicker rate than Funds are being disbursed. The shortage payment credit of €90m (£80m), anticipated at the end of 2017, provides this reassurance that Member States are not paying in advance of need. Although EDF 11 funding must be committed between 2014 and 2020, programmes may run for a number
With regards to the ongoing EU Exit negotiations, the recently published Joint report on progress during phase 1 of negotiations\(^1\) makes clear that the UK will honour commitments to the EU Budget made during the period of our membership. This will include our commitments to the current European Development Fund (EDF 11) until its closure as well as outstanding commitments made under previous European Development Funds. Payments will continue to form part of the UK’s overall 0.7% ODA/GNI commitment.

As we leave the EU, an important part of the UK’s future international development strategy will be to continue working closely with our European partners. We have expressed our desire for a partnership with the EU on development that goes beyond existing third country arrangements, and which builds on the breadth and depth of our shared interests and values. This includes seeking to achieve flexibility to participate in programmes across the EU’s external action instruments, on a case by case basis, where it is in our mutual interest to do so. The government looks forward to discussing the future relationship with the EU as part of Phase II of the exit negotiations.

Finally, you asked about the auditing process of the European Development Fund. The European Court of Auditors (ECA) report annually on the implementation of the European Development Funds (EDF) and assess the financial activities and expenditure. The most recent being the Annual Report on the Activities Funded by the 8th, 9th, 10th and 11th EDF for the year 2016 which accompanies the Annual Report on the Implementation of the Budget, and on which an Explanatory Memorandum was deposited on 1 November 2017. The ECA Report concludes that the EDF’s accounts show a fair picture in terms of the fund’s financial position, its cash flows, net assets and results and that these meet the provisions of the Financial Regulation and the accounting rules. Drawing from the report, the UK notes that overall progress is in the right direction but we also take note of the recommended improvements. As part of the UK Government’s ongoing drive for sound financial management, budget discipline and a focus on performance, officials from DFID are engaging directly with Commission officials on the implementation of the ECA’s recommendations.

I am copying this letter to Sir William Cash, Chair of the European Scrutiny Committee, House of Commons; Foeke Noppe, Clerk to the House of Commons European Scrutiny Committee; Eva George, Clerk to the House of Lords Select Committee on the European Union; Les Saunders, Parliamentary Team, Department for Exiting the EU; and Grace Beaumont, DFID’s EU Parliamentary Scrutiny Co-ordinator.

With very best wishes,

Michael

**LORD BATES**  
MINISTER OF STATE  
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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\(^1\) Joint report from the negotiations of the European Union and the United Kingdom Government on progress during Phase 1 of negotiations under Article 50 TEU on the United Kingdom’s orderly withdrawal from the European Union.