

EXPLANATORY MEMORANDUM FOR THE

INTERNAL AGREEMENT BETWEEN THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN UNION. MEETING WITHIN THE COUNCIL, ON THE FINANCING OF EUROPEAN UNION AID UNDER THE MULTIANNUAL FINANCIAL FRAMEWORK FOR THE PERIOD 2014-2020, IN ACCORDANCE WITH THE ACP-EU PARTNERSHIP AGREEMENT, AND ON THE ALLOCATION OF FINANCIAL ASSISTANCE FOR THE OVERSEAS COUNTRIES AND TERRITORIES TO WHICH PART FOUR OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION APPLIES

Command Paper Number: 8818

TITLE OF TREATY

Internal Agreement between the Representatives of the Governments of the Member States of the European Union. Meeting within the Council, on the Financing of European Union Aid under the Multiannual Financial Framework for the period 2014-2020, in accordance with the ACP-EU Partnership Agreement, and on the Allocation of Financial Assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union Applies

SUBJECT MATTER

1. The European Development Fund (EDF) is the main funding instrument for EU development assistance to 78 African, Caribbean and Pacific countries (ACP) and to EU Overseas Countries and Territories (OCTs). It is an integral part of the EU's Partnership Agreement with ACP States (the Cotonou Agreement), which covers political, development and trade relations. The Cotonou Agreement was signed in 2000 and lasts until 2020, with a review every five years. Building on the fundamental principles of the Cotonou Agreement, the objectives of the 11th EDF are poverty eradication, sustainable development and the gradual integration of ACP States into the world economy.
2. The EDF Internal Agreement was signed on the 24 June 2013 in the Foreign Affairs Council and is the legal basis for the 11th European Development Fund (EDF).

3. The Internal Agreement confirms the overall amount of Union Aid available to the ACP Group of States and to the Overseas Countries and Territories for the period 2014-2020. It establishes the new financial framework for cooperation and sets out the role of the Member States, the Commission and the European Investment Bank (EIB). It also confirms:
 - a) contributions by Member States;
 - b) the broad allocation of funds between national, regional, intra-ACP and inter-regional programmes;
 - c) lending through the Investment Facility managed by the EIB, utilising funds from the 11th EDF and the EIB's own resources;
 - d) Commission administration and the operation of the EDF committee that will oversee the implementation of funds;
 - e) transition arrangements from the 10th EDF, and;
 - f) a performance review of 11th EDF, assessing the total amount of funds budgeted for projects compared to the total amount of funds spent, as well as the results and impact of the aid provided.
4. The 11th EDF Internal Agreement provides €30.5 billion (£25.43 billion) of development assistance for the period 2014–2020. The budget was agreed at the European Council, February 2013, in conjunction with negotiations on the EU's Multi-annual Financial Framework which sets out the size and the content of the overall EU budget.
5. This €30.5 billion (£25.43 billion) fund is broken down into high-level funding envelopes as follows:
 - a) €29.089 billion (£24.25 billion) allocated to the ACP States, which includes national and regional programmes (€24.365 billion (£20.31 billion)), intra-ACP and interregional cooperation (€3.59 billion (£2.99 billion)), and financing for the European Investment Bank's Investment Facility (€1.134 billion (£0.95 billion));

- b) €0.364 billion (£0.303 billion) allocated to OCTs;
 - c) €1.052 billion (£0.877 billion) allocated to the Commission for support expenditure, of which €76.3 million (£63.6 million) has been ear-marked for measures to improve the impact of EDF programmes.
6. In addition to the €30.5 billion (£25.43 billion) overall envelope, the EIB will manage lending through the Investment Facility providing €2.6 billion (£2.17 billion) of its own resources to the facility, supplementing 11th EDF resources.
 7. The UK contribution to the 11th EDF is €4.478 billion (£3.73 billion), equating to 14.68% of the total fund.
 8. The Internal Agreement is made between the Member States of the European Union only and is therefore outside the scope of the EU Treaties. It must be ratified by each of those Member States before it can come into force.

MINISTERIAL RESPONSIBILITY

9. The Secretary of State for International Development is responsible for UK policy on EU Development Affairs.
10. The Secretary of State for Foreign and Commonwealth Affairs also has a policy interest.

POLICY CONSIDERATIONS

GENERAL

11. The 11th EDF Internal Agreement is an important tool in the fight for poverty reduction in ACP countries. The Department for International Development's Multilateral Aid Review (MAR) Update of December 2013 confirmed that the EDF continues to be very good value for money due to its close alignment with UK development objectives and its critical role in meeting international

development objectives. The MAR also highlights that the 11th EDF has progressed from the 10th EDF in establishing a results framework and a better focus on the poorest and most fragile states. We are satisfied that poverty reduction remains the central objective: its size and strong poverty focus make it critical for progress on the Millennium Development Goals and any future development framework after 2015.

12. Approximately 85% of EDF funds go to low-income countries including the provision of significant support to Commonwealth countries and crucial grant funding for UK Overseas Territories. The EDF additionally supports the delivery of wider UK objectives on climate change, trade and economic development, and social development. It has a strong framework for support to fragile states where basic state functions are weak or absent. Furthermore, it provides a means of engagement in a number of countries that the Department for International Development does not currently operate in directly, but which are nonetheless countries with high levels of poverty.
13. The UK sees the EDF budget of €30.5 billion (£25.43 billion) for 2014-2020 (equivalent to €26.984 billion (£22.5 billion) in 2011 prices) as a good financial agreement in order to meet the objectives of the fund. This compares to 10th EDF which had a budget of €22.682 billion (£20.12 billion) for the shorter period 2008-2013.
14. The significant majority of the fund, €29.453 billion (£24.56 billion), will be spent for the direct benefit of the poorest in ACP states and OCTs. The remainder will be used by the Commission for costs to support these programmes. 11th EDF support expenditure represents a freeze at 3.2% of the overall fund when compared to actual support expenditure incurred under the 10th EDF, plus an additional 0.25% ring-fenced specifically for reforms on results, monitoring and evaluation. The Commission has agreed to reassess the support costs budget throughout the 11th EDF and identify efficiency savings where possible.

15. The UK pushed for greater focus to be given to the impact of the Commission's programmes funded under the 11th EDF. The 0.25% ring-fenced support funds will enable more effective monitoring of results and impact. Measures include implementing a comprehensive results framework and enhanced monitoring and evaluation of 11th EDF programmes from 2014 onwards. The framework will be used to assess the efficacy and impact of programmes and reform them accordingly. These measures will also support improvements to financial management and forecasting of EDF budgets.

16. Impact on UK law: None

17. Application to Gibraltar: None in this context.

18. Application to the European Economic Area: None.

19. Subsidiarity: No issues of subsidiarity arise.

20. Fundamental Rights Analysis: Not applicable.

FINANCIAL IMPLICATIONS

21. The Internal Agreement sets out the UK's agreed contribution to the 11th EDF as €4.478 billion (£3.73 billion) for the period 2014-2020, constituting 14.68% of the total EDF budget. This figure was agreed as part of the EU Multi-annual Financial Framework negotiations in the February 2013 European Council.

RESERVATIONS AND DECLARATIONS

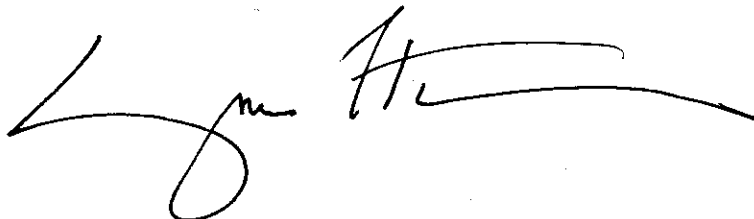
[None]

IMPLEMENTATION

22. Entry into force of the Agreement shall take place on the first day of the second month following the notification of approval of this Agreement by the last Member State to the Secretariat of the Council of the European Union.
23. This Agreement shall remain in effect over the same period as the Multiannual Financial Framework of the European Union (MFF). Final commitments of 11th EDF funds shall be 31 December 2020.
24. With regards to the One-in, One-out (OIOO) Rule, the EDF Internal Agreement signed on 24 June 2013 will replace the EDF Internal Agreement adopted in the Council on 17 July 2006 for the period of 2008-2013.
25. Legal basis: The legal basis for the ratification of the Internal Agreement consists of Member States' inherent national competence. In entering into this decision the 28 Member States are acting outside of the scope of the EU Treaties because they are entering into it as Member States meeting within the Council (but not acting as the Council).

CONSULTATIONS

None

A handwritten signature in black ink, appearing to read 'Lynne Featherstone', with a long horizontal flourish extending to the right.

LYNNE FEATHERSTONE
PARLIAMENTARY UNDER-SECRETARY OF STATE
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT