



Foreign & Commonwealth Office

**Minister for Europe and the
Americas**
King Charles Street
London SW1A 2AH

01 October 2018

Sir William Cash MP
Chair
European Scrutiny Committee
House of Commons
London
SW1A 0AA

Dear Bill,

Proposal for a Regulation establishing the Neighbourhood, Development and International Cooperation Instrument (NDICI)

Thank you for your letter of 12 September, confirming that the EU Scrutiny Committee considered the above document. You requested further information on the legislative process for the Regulation, the 'budgetisation' of the European Development Fund and on future UK participation in and contributions to the NDIC instrument.

As for all discussions on external action instruments under the new Multi-Annual Financial Framework, we are using every opportunity to press for expansive provisions on 'third country' participation. On the NDICI proposal, discussions continue and are expected to do so beyond UK Exit in March 2019. However, our participation in ad hoc working groups on the new Regulation allow us to press for third country participation. We anticipate the next formal update on developments in legislative process to be the Commission's Progress Report in December 2018.

You asked whether the 'budgetisation' of the European Development Fund has the support of the necessary majority of Member States. It is too early in the MFF process to assess if there is sufficient majority for the EDF to remain as currently envisaged within the NDICI or to be taken outside of the future EU MFF. Since last year we have been clear that whether or not the EDF is on or off budget is a decision for the 27 Member States and the Commission, but that however structured we would like to ensure the ability for third parties to participate.

In previous MFF negotiations, the UK opposed 'budgetisation' of the EDF in the way now proposed unless assistance for the Least Developed Countries (LDCs), particularly in Africa, was ring-fenced from other areas of spending (such as EU assistance for middle-income countries in Eastern Europe). That precondition is not currently reflected in the Commission's proposal, but could be inserted by the Member States or the European Parliament as part of the legislative process.

The UK has used the NDICI Working Group meetings to highlight the importance of poverty reduction and the LDCs, especially in Africa. We have requested further details about the governance structures and resource allocation processes to ensure a focus on LDCs -

especially in poor, fragile and conflict affected states in Africa, on the specific aims for the Neighbourhood and the importance of regional cooperation.

We note your interest in the legal mechanism to establish a formal route for UK participation in, and contributions to, the NDICI. Specifically, you asked what being 'able to shape' EU development programmes in return for a financial contribution would mean in practical terms once the UK has become a third country. The UK White Paper on the Future Relationship with the EU proposes a cooperative accord between the UK and the EU on development assistance and international action to facilitate collaboration through EU programmes. In this context, we are seeking the greatest possible access for third countries in the NDICI Regulation, as we are for all external action instruments where the UK has an interest. We maintain that sufficient oversight arrangements are needed to enable a UK contribution to the NDICI after Exit. As a guide, we envisage that the UK would require:

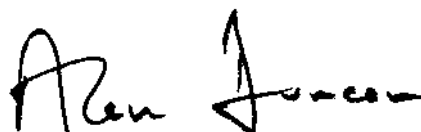
- Consultation over strategy and funding flows;
- Cooperation in programme approval;
- Agreed mechanisms for disbursement;
- Appropriate involvement in programme evaluations and reporting;
- The ability to manage jointly strategic and programme risks.

We also believe that, to guarantee maximum impact and effective delivery of development spend, UK entities should be eligible to bid for and receive funding where the UK contributes.

You asked whether the Government would make any contribution to the NDICI (or EU development instruments generally) conditional on having a vote on the multiannual and annual work programmes that will determine how this contribution would be spent. We are currently analysing the case for future collaboration with the EU and where continued contribution to EU external actions could offer the greatest value for money. Any UK financial contribution would require an appropriate level of UK participation and oversight, including a say over how UK funds are used, whether that is at the instrument level, programme level or windows. However, as you have noted, the specific details of our future partnership remain subject to negotiations with the EU.

You have highlighted that the question of the UK's participation in the NDICI will likely to be of interest to many Commonwealth countries and other territories with links to Britain who are in receipt of EU development assistance. The new 'Overseas Association Decision' (OAD), which establishes the scope of association between the EU and the Overseas Countries and Territories (OCTs) of EU Member States, will not apply to UKOCTs and they will receive no direct benefits under the OAD. Whilst British Overseas Territories currently in receipt of EU development assistance will no longer have a special 'association' with the Union, which was dependent on the UK's EU membership, the UK will be seeking specific arrangements for the Overseas Territories on areas of common interest with EU Member States, including their overseas countries and territories.

I am copying this letter to The Lord Boswell of Aynho, Chair of the House of Lords Select Committee on the European Union, to the Clerks of both Committees, Les Saunders at the Department for Exiting the European Union, Adam Nutley, FCO Scrutiny Coordinator, Nicole Mason, FCO Parliamentary Adviser, and Lynne Smith, FCO Select Committee Liaison Officer.



RT HON SIR ALAN DUNCAN MP