2006 discharge: 6th, 7th, 8th and 9th European Development Funds (EDF)

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PURPOSE: to present the final accounts for the financial year 2006 of the 6th, 7th, 8th and 9th European Development Funds (EDF).

CONTENT: this communication presents the final accounts of the 6^{th}, 7^{th}, 8^{th} and 9^{th} EDFs, which, in accordance with the relevant provisions of the 4 EDFs, must be presented to the European Parliament, Council and Court of Auditors.

As was the case last year, these financial balance sheets apply the accounting principles used since 2005.

The annual accounts for 2006 are presented as follows:

1. part 1 - financial statements

2. part 2 - the financial implementation of the EDFs

3. part 3 - EIB projects.

1) Financial statements: as in previous years, the report details the main principles for the presentation of the accounts. The accounting system of the European Development Funds comprises general accounts and financial accounts. Both sets of accounts are kept in Euro on the basis of the calendar year. The **general accounts** allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December. The **financial accounts** give a detailed picture of the use of EDF resources. They are based on the cash accounting principle.

In addition, the financial regulation sets out the accounting principles to be applied in drawing up the financial statements, as follows:

- going concern basis;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;
- no netting;
- reality over appearance, and
- accrual-based accounting.

In addition to presenting the balance sheets and financial accounts of the EDFs, the document details the internal workings of the EDF, notably in terms of the **consolidation of funds**.

The 2006 consolidated balance sheet for the 4 EDFs at 31 December 2006 is as follows:

- total assets: EUR 3 318.15 million (compared to EUR 3 122.1 million at 31 December 2005)
- total liabilities: EUR 2 095.84 million (compared to EUR 1 485.75 million at 31 December 2005)
- **net asset**s: **EUR 1 222.31 million** (compared to EUR 1 636.35 million at 31 December 2005)
- funds and reserves: same as net assets.

Consolidated statement of changes in capital 2006 for the 4 EDFs:

- fund capital: closing balance 2004: EUR 42 250.15 million (of which EUR 25 040 million called-up capital)
- fund capital: closing balance 2005: EUR 42 877 million (of which EUR 27 390 million called-up capital)
- fund capital: closing balance 2006: **EUR 42 999.15 million** (of which EUR 29 900 million called-up capital)

The Fund Capital represents the total amount receivable from the Member States for the relevant EDF (in this case the cumulated 4 EDFs) as set out in the Cotonou Agreement.

The statement of changes in capital for each of the EDFs is established as follows:

- 6th EDF: closing balance 2006: EUR 7 560 million;
- 7th EDF: closing balance 2006: EUR 10 940 million;
- 8th EDF: closing balance 2006: EUR 12 840 million;
- 9th EDF: closing balance 2006: EUR 11 659.15 million.

Closure of 6th EDF: the document shows that, given the state of progress of the 6th EDF, the Authorising Officer decided to close this fund on 31st July 2006. In the absence of a legal basis for the closure of EDFs, the remaining balance was transferred to the 9th EDF which involved the transfer of the balances of ongoing projets, amounting to EUR 52.105 916 billion.

2) Financial Implementation: concerning the statement of expenditure, the document focuses on 2 main types of financial implementation: one on previous EDFs (6th – 8th EDF) and the other on the 9th EDF. For the 9th EDF in particular, the report shows that the total sum was set at EUR 13.8 billion, including EUR 13.5 billion allocated to the ACP States in accordance with the first Financial Protocol included in the Cotonou Agreement, EUR 175 million allocated to the OCT (provided for by the EU Council Decision on the association of the OCT) and EUR 125 million reserved for the European Commission to cover

expenses in connection with implementing the 9th EDF resources. The total sum of the first financial protocol, including the transferred balances of previous EDFs, covers the period 2000-2007.

The long-term development budget for ACP States has two components:

- the **A allocation** for macroeconomic support, sectoral policies, and programmes and projects supporting Community aid, which corresponds to the allocation for the NIPs and structural adjustment in previous EDFs;
- the **B allocation**, intended to cover unforeseen needs such as emergency aid, contributions to debt reduction initiatives and support to offset adverse fluctuations in export earnings, generally corresponds to the Stabex, Sysmin and emergency aid allocations in previous EDFs.

Of the total 9th EDF budget for the ACP States, **EUR 1 billion was released** in **2004** and **2005** after examination by the EU Council, on the basis of a proposal from the European Commission (see 2005 EDF discharge: DEC/2006/2169).

The breakdown of 9th EDF allocations for ACP States, including the "conditional billion" and allocations managed directly by the European Investment Bank (EIB), is as follows:

- long-term development budget: EUR 9 812 million
- regional budget: EUR 1 300 million
- investment facility: EUR 163 million (managed by the EIB)
- **Total: EUR 11 275.15 million**

As a guide, the document also presents a consolidated table of the financial implementation of the 4 EDFs at 31 December 2006 presented as follows:

Consolidated accounts of the 4 EDFs at 31 December 2006 – financial implementation:

- 6th EDF: 2006 closing balance: EUR 7 338.72 million (the remaining balance to be implemented was reported in the 9th EDF in July 2006 on the decision of the financial Authorising Officer: approximately EUR 52 million);
- 7th EDF: 2006 closing balance: EUR 10 654.92 million;
- 8th EDF: 2006 closing balance: EUR 11 050.29 million;
- 9th EDF: 2006 closing balance: EUR 15 565.6 million.

The consolidated sum implemented for all the EDFs is **EUR 44.608 billion**, of which EUR 41.445 billion were subject to a payment decision (93% of the total) and EUR 31.164 billion have, in fact, been paid (70% of the total amount).

3) Communicated financial statements linked to EIB projects: the main instrument financed by the EIB is the Investment Facility established within the framework of the Cotonou Agreement. This Facility is managed by the European Investment Bank for a sum of EUR 2.2 billion for the ACPs and EUR 20 million for the OCTs. Within the framework of the Agreement, the EIB also manages loans granted from its own resources. All other financial resources and instruments under the Agreement are administered by the European Commission.

The 2006 balance sheet of the Facility (ACP only) totals:

- Assets: EUR 709 977 000 (compared to EUR 515 339 000 at 31 December 2005)
- Liabilities: EUR 143 796 000 (compared to EUR 121 425 000 at 31 December 2005).