2007 discharge: 7th, 8th and 9th European Development Funds EDF

2008/2109(DEC) - 23/07/2008 - Non-legislative basic document

PURPOSE: to present the final accounts of the 7th, 8th and 9th European Development Funds for 2007.

CONTENT: this communication presents the final accounts of the 7th, 8th and 9th EDFs, which, in accordance with the relevant provisions of the 3 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 2007 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.

Details are also presented in the report on the accounting principles to be applied to establish the financial accounts, in accordance with the Financial Regulation.

In addition to the balance sheets and financial accounts of the EDFs, the document details the internal mechanism of the EDF in particular in terms of the consolidation of the funds.

The 2006 consolidated balance sheet for the EDFs at 31 December 2007 is as follows:

- total assets: **EUR 1 349.58 million** (compared to EUR 3 318.15 million at 31.12.2006)
- total liabilities: **EUR 703.98 million** (compared to EUR 2 095.84 million at 31.12.2006)
- net assets: **EUR 1 645.60 million** (compared to EUR 1 222.31 million at 31.12.2006)
- funds and reserves: EUR 1 292.89 million (compared to EUR 1 033.84 million at 31.12.2006).

The report gives details on the consolidated balance sheets of various funds capital for the EDFs (to recall, the **fund capital** represents the total amount receivable from the Member States for the relevant EDF fund as laid down in each of the Internal Agreement between the Member States and the beneficiary ACP States). At closure, the Funds capital amounted to **EUR 35 479.32 million** (net decrease compared to the previous years). Individual funds are as follows:

- 7th EDF : EUR 10 940 million; total net assets: EUR 300.11 million
- 8th EDF : EUR 12 840 million; total net assets: EUR 1 240.94 million

- 9th EDF : EUR 11 699.32 million; total net assests: EUR -895.45 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.

2) Financial Implementation: concerning the statement of expenditure, the document focuses on 2 main types of financial implementation: one on previous EDFs (7th – 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: i) 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; ii) 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.

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.

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 9 813.15 million
- regional budget: EUR 1 300 million
- investment facility: EUR 163 million (managed by the EIB)

Total: EUR 11 276.15 million

As a guide, the document also presents a consolidated table of the financial implementation of the EDFs at 31 December 2007 presented as follows:

Consolidated accounts of the 3 EDFs at 31 December 2007 – financial implementation:

- 7th EDF: 2007 closing balance: EUR 10 583.01 million;
- 8th EDF: 2007 closing balance: EUR 10 839.26 million;
- 9th EDF: 2007 closing balance: EUR 15 906.38 million.

The consolidated sum implemented for all the EDFs is **EUR 37.328 billion**, of which EUR 37.279 billion were subject to a payment decision and EUR 26.699 billion have, in fact, been paid (72% of the total amount).

Decision 1/2007 of the ACP-EC Council of Ministers of 25 May 2007 provides for reassigning part of the reserve of the 9th EDF envelope for long-term development to intra-ACP cooperation in the 9th EDF envelope for regional cooperation and integration. The funds transferred to the long-term development reserve on the basis of the end-of-term reviews of the national indicative programmes and the amounts available for intra-ACP cooperation have been mobilised in accordance with Decision 1/2007 as follows:

- one intra-ACP reserve of EUR 26.7 billion open to all ACP States for emergency assistance;
- five regionalised B-envelopes amounting to EUR 17.5 million for the Southern African region, EUR 48.9 million for the region of Eastern and Southern Africa and the Indian Ocean, EUR 31.9 million for the West African region, EUR 16.1 million for the Central African region and EUR 35.4 million for the Caribbean region, mobilised for contributions to internationally agreed debt relief initiatives and for humanitarian and emergency assistance in accordance with Articles 72 and 73 of the ACP-EC Partnership Agreement on the basis of regional solidarity;
- an intra-ACP FLEX programme of EUR 50 million for 2006 (application year 2005) and an intra-ACP FLEX programme of EUR 50 million for 2007 (application year 2006) in order to ensure minimum support to countries subject to the adverse effects of instability in export earnings;
- replenishment of the African Peace Facility with EUR 100 million for various peace support, training and capacity-building activities;
- institutional support to the ACP Secretariat in order to bridge the period until the entry into force of the 10th EDF and to contribute to the running costs of the ACP Secretariat for 2008 (EUR 1 million);
- addition of EUR 2.5 million to the intra-ACP technical cooperation facility;
- EUR 4 million as an urgent carry-over of the rinderpest eradication programme in Africa (PACE);
- additional contribution of EUR 5 million to the Caribbean Knowledge and Learning Network (CKLN);
- cover of EUR 14.87 million for new and unexpected needs that cannot be financed from the B envelopes (amount used for an additional contribution of EUR 3 million for the CTA and the financing of specific projects (African Outlook – EUR 1.3 million; Microfinances – EUR 2.8 million, Pesticides Programme – EUR 5 million; Investment Observatory – EUR 2.8 million);
- additional support of EUR 38 million for the Global Fund against HIV/AIDS, Tuberculosis and Malaria (GFATM);
- top-up of EUR 48.7 million for the EU-ACP Infrastructure Trust Fund as an advance on the allocations scheduled under the 10th EDF.

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 balance sheet of the investment facility (ACP only) amounts to

- Assets: **EUR 1 077 418 million** (compared to EUR 710 544 million at 31.12.2006).
- Liabilities : EUR 150 939 million (compared to EUR 144 363 million at 31.12.2006).