# 2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

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PURPOSE: to present the final accounts of the 8th, 9th and 10th European Development Funds (EDF) for the financial year 2009.

CONTENT: this Communication presents the final accounts of the 8th, 9th and 10th EDF which, in accordance with the relevant provisions of the EDF, must be submitted to the European Parliament, the Council, and the Court of Auditors.

The annual accounts for 2009 are comprised of :

1. an introduction recalling the main objectives of the EDF;
2. the 1st section discussing the funds managed by the Commission in the framework of the EDF;
3. the 2nd section discussing the Funds managed by the European Investment Bank.

The document also includes a note accompanying the accounts in which the accounting officer in charge of the EFD audit certifies that the accounts present a true and fair view of the financial position of the European Development Funds in all material aspects (**signed declaration of assurance**).

**1. EDF objectives and implementation:** the Communication recalls that the EDF is the main instrument for providing European Union aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). It was created in 1957 under the Treaty of Rome. The EDFs are governed by their own financial regulation and managed by a specific committee. The Commission is responsible for the financial implementation of operations funded with resources of the EDFs. Within the Commission, almost all the EDF programmes are managed by the EuropeAid Cooperation Office (EuropeAid) which is also responsible for the management of most of the External Relations and Development expenditure financed by the General Budget of the EU. A small proportion of the EDF projects relates to humanitarian aid and is managed by the Directorate-General for Humanitarian Aid (DG ECHO). The European Investment bank (EIB) manages the Investment Facility, which is not covered by the Court's Statement of Assurance or the European Parliament's discharge procedure.

The EDFs are managed under three main arrangements: (i) centralised, (ii) joint and (iii) decentralised management. Under centralised management (40% of payments in 2009), the Commission implements the aid activities directly; this relates mainly to budget support. Under joint management (14% of payments in 2009), international organisations are responsible for implementing Community funded actions, provided that the accounting, audit, control and procurement procedures of the organisations offer guarantees equivalent to internationally accepted standards. EuropeAid's main partners are the United Nations' agencies and the World Bank. Under decentralised management (46% of payments in 2009), the Commission entrusts the management of certain tasks to the authorities of the beneficiary countries.

**2. Financial implementation of the EDF in 2009:** in 2009, the 8th, 9th and 10th EDFs were implemented simultaneously. Each EDF agreement is usually concluded for a period of around 5 years, whereby the programming cycles generally follow the partnership agreement/convention cycles. Although funds for each EDF are committed over a period of five years, payments can be made over a longer period.

- Total contributions from Member States: EUR 3 296 million received in 2009. Contributions are still being called up from the 9th EDF;
- Amounts for 10th EDF: the 10th EDF covers the period from 2008 to 2013. It provides for Community aid worth EUR 22 682 million and entered into force on 1 July 2008. Of this amount, EUR 21 966 million is allocated to the ACP countries and EUR 286 million to the OCTs. These amounts include EUR 1 500 million and EUR 30 million for the Investment Facility managed by the EIB for the ACP and OCT countries respectively. Lastly, EUR 430 million is earmarked for the Commission's expenditure for programming and implementation of the EDF.

In 2009, the financial implementation forecasts set by the Commission for global commitments, and individual commitments were exceeded, reaching EUR 3 406 million for global commitments and **a record level of EUR 4 140 million for individual commitments**.

**Net payments amounted to EUR 3 069 million** which represented 92% of the initial forecast. This shortfall is explained by the lower than forecast payments in countries subject to the consultation procedure laid down in article 96 of the Cotonou Agreement or other dialogue measures, countries that had not yet ratified the Cotonou Agreement and countries where budget support payments were not made due to the fact that no confirmation had been provided as to the fulfilment of general or specific conditions.

**Outstanding payments increased by 3%**, which is reasonable, given the gap between the level of global commitments and the net payments reached during the year. At the same time, old and dormant outstanding payments increased by 23%, which is explained by the high level of global commitments made in 2007 so as to use up the remaining resources of the ninth EDF, but which did not lead to the same level of individual commitments.

The document contains a table showing the cumulative use of EDF resources at 31 December 2009, which are as follows :

**Cumulative use of EDF resources at 31 December 2009:**

- 8th EDF: EUR 10 786.7 million;
- 9th EDF: EUR 16 632.8 million;
- 10th EDF: EUR 21 326.7 million.

This comes to a global amount for all the EFS totalling EUR 48 746.1 million of which EUR 35 590.7 millions (73%) were financial commitments and EUR 23 100.4 million were payments (47.4% of the total amount).

The report also gives details, in a series of tables, of the way in which these amounts were spent during the year 2009 (project, country, type of action).

**3. Investment Facility:** the 3rd part of the report recalls that the Investment Facility ("the Facility") has been established within the framework of the Cotonou Agreement on co-operation and development assistance negotiated between the ACP States and the EU and its Member States on 23 June 2000 and revised on 25 June 2005. Financing under the Agreement is provided from EU Member States' budgets and is disbursed according to financial protocols defined for successive five- to six-year periods. Within the framework of the Agreement and following the entry into force of a 2nd financial protocol on 1st July 2008 (covering the period 2008-2013), referred to as the 10th EDF, the European Investment Bank ("EIB") is entrusted with the management of:

- the Facility, a EUR 3 137 million risk-bearing revolving fund geared to fostering private sector investment in ACP countries;
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- grants for the financing of interest rate subsidies worth EUR 400 million, of which up to EUR 40 million can be used to fund project-related technical assistance.

The financial statements in the document present, through a series of tables, the situation of the Facility as at 31.12.2009 and of the utilisation of the grants.