2010 discharge: 8th, 9th and 10th 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 2010.

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 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 Union aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). The 1957 Treaty of Rome made provision for its creation with a view to granting technical and financial assistance, initially limited to African countries which at that time were still colonised and with which some Member States had historical links.

The EDF is not funded by the European Union's budget. **It is funded by the Member States, subject to its own financial regulation and managed by a specific committee**. The European Commission is responsible for the financial implementation of the operations carried out with EDF resources and the European Investment Bank (EIB) manages the Investment Facility.

During the period 2008-2013, the geographic aid granted to ACP States and OCTs will continue to be mainly funded by the EDF. Each EDF is usually concluded for a period of around five years. Since the conclusion of the first partnership convention in 1964, the EDF programming cycles have generally followed the partnership agreement/convention cycles. Each EDF is governed by its own Financial Regulation which imposes the preparation of financial statements for each individual EDF. Accordingly, financial statements are prepared separately for each EDF in respect of the part that is managed by the European Commission. These financial statements are also presented in an aggregated way so as to provide a global view of the financial situation of the resources for which the European Commission is responsible.

Within the framework of the Cotonou agreement, the Investment Facility was established. This Investment Facility is managed by the European Investment Bank and is used to support private sector development in the ACP States by financing essentially – but not exclusively – private investments. The Facility is designed as a renewable fund, so that loan repayments can be reinvested in other operations, thus resulting in a self-renewing and financially independent Facility. As the Investment Facility is not managed by the European Commission, it is not consolidated in the first part of the annual accounts – the financial statements of the 8th, 9th and 10th EDFs and the related report on financial implementation. The financial statements of the Investment Facility are included as a separate part of the annual accounts to provide a full picture of the development aid of the EDF.

Implementing the EDF resources: the vast majority of financial resources awarded to ACP States and OCTs through the EDF are **grants**. At the beginning of each EDF, the European Union informs the ACP States and the OCTs about the level of grants which should be available to them over the period of the

fund. The beneficiary country develops a cooperation strategy while or after holding consultations with its development partners (donors). A National Indicative Programme (NIP) is then drawn up to implement the cooperation strategy.

Audit and discharge: the EDF annual accounts and resource management are overseen by its external auditor, the European Court of Auditors, which draws up an annual report for the Council and the European Parliament. The Court's main task is to conduct an external, independent audit of the EDF annual accounts. The final control is the discharge of the financial implementation of the EDF resources for a given financial year. The European Parliament is the discharge authority of the EDF. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the Parliament to decide whether to grant discharge to the Commission for the financial implementation of the EDF resources for the preceding financial year. This decision is based on a review of the accounts and the annual report of the Court of Auditors (which includes an official statement of assurance) and replies of the Commission, and also following questions and further information requests to the Commission.

The discharge represents the political aspect of the external control of financial implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission from its responsibility for management of the financial implementation of a given financial year. This discharge procedure may produce one of two outcomes: the granting or postponement of the discharge.

(2) Financial implementation of the EDF in 2010: in 2010, 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 received from Member States in 2010 for all EDF**s: EUR 23 879 million (the initial allocation for the 9th EDF was originally totalled at EUR 10 555 million);
- **Amount of the 10th EDF**: the 10th EDF covers the period 2008-2013 and has a total budget of **EUR 22 682 million**. Of this amount, **EUR 21.966 million** were allocated to ACP countries, EUR 286 million allocated to the OCT; EUR 430 million for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources.
- **RAL (outstanding commitments)**: the outstanding budgetary commitments correspond to the amount of open commitments for which payments have not yet been paid. At 31.12.2010, the outstanding budgetary commitments not yet paid amounted to EUR 5.991 billion.

The document contains a table showing the aggregated use of EDF resources at 31 December 2010, which are as follows:

EDF aggregated accounts at 31.12.2010:

- 8th: EUR 10 702 million;
- 9th: EUR 16 482 million;
- 10th: EUR 21 609 million.

This comes to a global amount for all the EDFs totalling **EUR 48 792 million**. The report details in a series of tables the way in which these amounts were spent throughout 2010.