2011 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 2011.

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

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 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.

The Investment Facility was established within the framework of the Cotonou agreement. 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. As the Investment Facility is not managed by the European Commission, it is not consolidated in the Commission document. 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.

Funding of the EDF: unlike the European Union budget, **the EDF is a fund operating on the basis of multiannuality during a period of usually five years**. The EDF resources are "*ad hoc*" contributions from the EU Member States. Approximately every five years, Member State representatives meet at intergovernmental level to decide on an overall amount that will be allocated to the Fund and to oversee

its implementation. The Commission then manages the fund. Since Member States have their own development and aid policies in addition to the Union wide policies, they must coordinate their policies with the EU to ensure they are complementary.

Until 2010, contributions were called from the 15 participating Member States. In 2011, the first contributions under the 10th EDF, in which the 27 Member States participate, were called.

While some funds of the 10th EDF have been set aside for unforeseen needs, most are being programmed in indicative multi-annual frameworks, mainly geographic but also thematic, currently set for the years 2008-2013.

In this regard, the Commission communication gives details on how the EDF is managed technically by the Commission with respect to management which is centralised, decentralised or joint management with international organisations, and discusses the different financial actors involved in the financial and accounting processes.

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 that 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. This contains the procedure for granting funds, for monitoring and accounting, which is detailed in the communication (expenditure, payments and, in certain cases, recovering undue payments).

Audit and discharge: the process of audit and discharge is detailed in the communication. **It is the Accounting Officer's responsibility to prepare the annual accounts and ensure that they present a true and fair view of the financial position of the EDF.**

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. 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 8^{th}, 9^{th} and 10^{th} EDFs were implemented simultaneously. Although funds for each EDF are committed over a period of five years, payments can be made over a longer period.

The document contains a table showing the aggregated use of EDF resources at 31 December 2011, which are as follows:

Capital called as at 31 December 2011 for each EDF:

- 8^{th} EDF: EUR 12.840 billion,

- 9th EDF: EUR 11.699 billion

- 10th EDF: EUR 2.44 billion

Total capital called as at 31.12.2011: EUR 26.979 billion.

The fund capital represents the total amount of contributions from the Member States for the relevant EDF fund as laid down in each of the internal agreements. Called fund capital represents the amount of the initial allocations which has been called up for transfer to the treasury accounts by Member States. The capital of the 8th and the 9th EDF has been called up and received in its entirety. The 10th EDF entered into force in 2008 with a fund capital amounting to EUR 21 152 million, according to the internal agreement applicable to the 10th EDF.

Funding of the EDF at 31 December 2011:

- 8th EDF: EUR 10 663 billion

- 9th EDF: EUR 16 552 billion

- 10th EDF: EUR 21 639 billion.

Total allocations EUR 10 663 billion.

The report sets out a series of tables showing how these resources were used during the financial year 2011, (by project, country and type of action).

It also sets out certain precise figures:

- **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 31.12.2011, the outstanding budgetary commitments not yet paid amounted to EUR 5.594 billion.