2013 discharge: 8th, 9th and 10th European Development Funds

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PURPOSE: to present the final accounts of the 8th, 9th and 10th European Development Funds (EDF) for the financial year 2013.

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 established by an internal agreement of the Representatives of the Member States, sitting within the Council, 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 ACP-EU Partnership Agreement, the Investment Facility was established. This Investment Facility is managed by the EIB 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 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.

How is the EDF funded: unlike the EU, the EDF is a fund operating on the basis of **multiannuality**. Each EDF establishes an overall fund to implement development cooperation 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 parallel to the Union policy, the Member States must coordinate their policies with the EU to ensure they are complementary.

Discharge procedure: the EDF annual accounts and resource management are overseen by its external auditor, the ECA, which draws up an annual report for the European Parliament and the Council. 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 ECA (which includes an official statement of assurance) and replies of the Commission, and also following questions and further information requests to the Commission.

2. Financial implementation of the EDF in 2013: the report concentrates on the implementation of the EDFs (including previous EDFs).

Previous EDFs

- as the 6th EDF was closed in 2006 and the 7th EDF was closed in 2008, the annual accounts no longer contain implementation tables for these EDFs. However, implementation of the transferred balances can be found in the 9th EDF;
- as in past years, to ensure transparency in the presentation of the accounts for 2013, the tables set out separately for the 8th EDF the part used for Lomé Convention programming and the part used for programming under the Cotonou Agreement;
- in accordance with article 1(2)(b) of the Internal Agreement of the 9th EDF, balances of the EDFs previous to the 9th EDF have been transferred to the 9th EDF, and, during the life of the 9th EDF, has been committed as 9th funds.

10th EDF

The ACP-EC Partnership Agreement signed on 23 June 2000 in Cotonou by the Member States of the European Community and the States of Africa, the Caribbean and the Pacific (ACP States) entered into force on 1 April 2003. The Cotonou Agreement was amended twice, firstly by the agreement signed in Luxembourg on 25 June 2005, secondly by the agreement signed in Ouagadougou on 22 June 2010.

The Internal Agreement on the financing of Community aid under the multiannual financial framework for the period 2008-2013 in accordance with the revised Cotonou Agreement, adopted by the Representatives of the Governments of the Member States of the European Community on 17 July 2006, entered into force on 1 July 2008.

Under the Cotonou Agreement, the second period (2008-2013) of Community aid to the ACP States and OCTs is funded by the 10th EDF to the tune of EUR 22.682 billion, of which:

- EUR 21.966 billion is allocated to the ACP countries in accordance with the multiannual financial framework set out in Annex Ib to the revised Cotonou Agreement, of which EUR 20.466 billion is managed by the Commission;
- EUR 286 million is allocated to the OCTs in accordance with Annex IIAa of the revised Council Decision on the association of the OCTs with the European Community, of which EUR 256 million is managed by the Commission;
- EUR 430 million is for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources, in accordance with Article 6 of the Internal Agreement.

Since the date of entry into force of the 10th EDF, the initial amount allocated to the 10th EDF has been supplemented by decommitments from previous EDF's, interest income and unused cash balances resulting from the system to guarantee the stabilisation of export earnings from primary agricultural products (STABEX) under the Funds prior to the 9th EDF. All funds are managed in accordance with their specific rules as foreseen in the revised Cotonou Agreement and the Internal Agreement.

31 December 2013 was an important target, the "**Sunset clause**" of the 10th EDF. This clause sets a clear cut-off date for commitments under the 10th EDF. During the whole year, every effort has been made in order to commit the maximum of the funds available from the 10th EDF.

Total 10th EDF uncommitted funds at 31.12.2013 amounted to **EUR 74.6 million**.

Called Fund capital and EDF allocations: the document includes a consolidated overview of EDF allocations at 31.12.2013 in the form of called capital.

Called fund capital at 31.12.2013 amounted to EUR 32.529 billion.

The called fund capital represents the amount of the initial allocations which has been called up for transfer to the treasury accounts by the Member States for the 10th EDF. The capital of the 8th and the 9th EDF has been called up and received in its entirety.

Funding of the EDF at 31 December 2013:

- 8th EDF: EUR 10.481 billion;
- 9th EDF: EUR 16.114 billion;
- 10th EDF: EUR 22.433 billion.

Total allocations EUR 49.028 billion.

The report sets out a series of tables showing how these resources were used during the financial year 2013, (by project, country and type of action).