2014 discharge: 8th, 9th, 10th and 11th European Development Funds

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PURPOSE: to present the final accounts of the 8th, 9th, 10th and 11th European Development Funds (EDF) for the financial year 2014.

CONTENT: this communication presents the final accounts of the 8th, 9th, and 10th which have been prepared in accordance with Title IX of the Financial Regulation of the 11th European Development Fund and which must be presented 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 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.

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 in accordance with the Union policy on development cooperation. 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.

During the period 2014-2020, the geographic aid granted to ACP States and OCTs will continue to be mainly funded by the EDF. Each EDF is governed by its own Financial Regulation which requires 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 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 Commission is responsible.

11th EDF: the Internal Agreement establishing the 11th EDF was signed by the participating Member States, meeting within the Council, in June 2013. It came into force on 1 March 2015. In order to assure continuity between the end of the 10th EDF and the entry into force of the 11th EDF, the Commission proposed transitional measures.

At the same time the 10th EDF Financial Regulation was amended and the new Financial Regulation applicable to the transition period was adopted. They entered into force on 30 May 2014.

At the adoption of the Multi-annual Financial Framework for 2014-2020, it was decided that **geographical cooperation with the ACP States would not be integrated into the EU budget** (budgetised), but would continue to be funded through the existing intergovernmental EDF.

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) Overall financial implementation of the EDFs in 2014: the report concentrates on the implementation of the EDFs and presents:

- the financial statement – funds managed by the European Commission (financial statements and explanatory notes);

- the financial statement of the European Investment Bank (EIB) including the management of the Investment Facility;

- the presentation of the consolidated accounts of the **Bêkou Trust Fund** for external actions under an agreement concluded with other donors. These trust funds may be created for emergency, post-emergency and thematic actions.

The first multi-donor EU Trust Fund called Bêkou, which means "hope" in Sango, was established on 15 July 2014, by the European Union (represented by DGs DEVCO and ECHO, and the EEAS) and three of its Member States (Germany, France and the Netherlands), with the aim to promote the stabilisation and reconstruction of the Central African Republic. It has been established for a maximum duration of 60 months.

Financial statements of the EDF: the second part of the document presents statistical tables and figures of EDF implementation, including risk management.

The document presents in particular the main projects funded by the former EDFs (they show the amounts decided, contracted and paid as regards the 6th, 7th, 8th and 9th EDF).

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 11th EDF, the initial amount allocated to the 10th EDF has been supplemented by decommitments from previous EDF's and other related amounts.

In order to assure continuity between the end of the 10th EDF and the entry into force of the 11th EDF, the Commission proposed transitional measures, known as the "**Bridging Facility**".

A total of EUR 1.597 billion were made available on the Bridging Facility in 2014, of which EUR 1.488 billion were allocated and are accounted for under the 11th EDF, and EUR 109 million remained unallocated on the Bridging Facility.

The total amount available on the 11th EDF in 2014, including interests and Stabex, was EUR 1.616 billion.

The report sets out a series of tables showing how these resources were used during the financial year 2014.