

2015 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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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 2015.

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 EDF 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.

On 2 March 2015, the Council adopted the 11th EDF Financial Regulation and the Implementation Rules. They entered into force on 6 March 2015.

Investment facility: within the framework of the ACP-EU Partnership Agreement, the Investment Facility was established. This Facility is used to support private sector development in the ACP States.

As the Investment Facility is not managed by Commission, it is not consolidated in the first part of the annual accounts – the financial statements of the EDF and the related report on financial implementation.

EDF not budgeted: when the Multi-annual Financial Framework for 2014-2020 was adopted, 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.**

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2. Overall financial implementation of the EDFs in 2015: 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).

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

The document presents in particular major projects funded by the previous EDFs (whose amounts have all been committed but are gradually paid as and when the implementation of projects requires it).

Previous EDFs: as the Sixth EDF was closed in 2006 and the Seventh 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 Ninth 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 for an amount of EUR 22 682 million, of which:

- EUR 21 966 million 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 million is managed by the European Commission;
- EUR 286 million is allocated to the OCTs in accordance with Annex II Aa of the revised Council Decision on the association of the OCTs with the European Community, of which EUR 256 million is managed by the European Commission;
- EUR 430 million is for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources.

According to the "Sunset clause" of the 10th EDF, (articles 1(4) and 1(5) of the 10th EDF Internal Agreement) no funds could be committed after 31 December 2013. Uncommitted funds were transferred to the 11th EDF performance reserve.

By the entry into force of the 11th EDF, a total of EUR 1 630 million had been de-committed from former EDF's and were therefore potentially available to the **Bridging Facility**, of which EUR 1 595 million were allocated and are accounted for under the 11th EDF, and EUR 4 million remained unallocated on the Bridging Facility and returned to the original performance reserve.

11th EDF: the third period (2014-2020) of Community aid to the ACP States and OCTs is funded by the 11th EDF for an amount of EUR 30 506 million, of which:

- EUR 29 089 million is allocated to the ACP countries of which EUR 27 955 million is managed by the European Commission;
- EUR 364.5 million is allocated to the OCTs of which 359.5 million is managed by the European Commission;
- EUR 1 052.5 million is for the Commission to finance the costs arising from the programming and implementation of 11th EDF resources.

The report sets out a series of tables showing how these resources were used during the financial year 2015.

At 31.31.2015, **the net assets amount to EUR 980 million** (against EUR 932 million at 31.12.2014).