2005 discharge: 6th, 7th, 8th and 9th European Development Funds EDF

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PURPOSE: presentation of the annual accounts for the financial year 2005 of the 6th, 7th, 8th and 9th European Development Funds (EDFs).

CONTENT: the balance sheets and income and expenditure accounts were drawn up in accordance with the Financial Regulations applicable to the 6th, 7th, 8th and 9th European Development Funds (EDFs) which states that the relevant documents must be presented to the European Parliament, the Council and the Court of Auditors. This year was the first year that the new accounting system has been

New accrual based accounts: in accordance with the provisions of articles 99 and 135.3 of the 9th EDF Financial Regulation, full accrual based accounts have to be prepared for the first time for the 2005 financial year. To ensure the comparability of the information, the EDF Accounting Officer has restated the opening financial statements for the financial year 2005, on a full accrual accounting basis. The accounting information provided by the present IT accounting system (OLAS) has been adjusted, where necessary, in order to provide figures which comply with accrual accounting principles. Additional information in respect of income and expenditure items has also been provided by the Authorising Officer.

These financial statements have been drafted in conformity with a new set of accounting rules and methods for the EDF.

The annual accounts for 2005 are presented as follows:

- the financial statements;

- the reports on financial implementation;

- the financial statements and information supplied by the European Investment Bank (EIB).

It should be noted that the financial statements for 2005 have been prepared on a different basis to that of 2004, i.e. on accrual accounting rather than cash accounting principles. Therefore adjustments were made to the balance sheet as of 31 December 2004 so as to arrive at the opening, accrual compliant, balance sheet as at 1 January 2005 (for example, the inclusion of pre-financing amounts).

1) Consolidated accounts: the EDF consolidated accounts at 31.12.2005 amount to EUR **44.455 billion compared to EUR** 28.614 billion at the end of 2004.

The financial statements of the different Funds are as follows :

- 6th EDF: total at 31.12.2005 : EUR 7.415 billion
- 7th EDF : total at 31.12.2005 : EUR 10.782 billion
- 8th EDF : total at 31.12.2005 : EUR 11.316 billion
- 9th EDF : total at 31.12.2005 : EUR 14.943 billion.

2) Accounting principles: as with previous years, the report respects the main accounting principles and standards. The accounting system of the European Development Funds comprises general accounts and financial accounts. Both sets of accounts are kept in euro on the basis of the calendar year. The **general accounts** allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December. The **financial accounts** give a detailed picture of the use of EDF resources. They are based on the cash accounting principle. In addition, the Financial Regulation sets out the accounting rinciples to be applied in drawing up the financial statements, as follows:

– going concern basis;

– prudence;

– consistent accounting methods;

– comparability of information;

– materiality;

– no netting;

– reality over appearance;

– accrual-based accounting.

These financial statements are also presented in a consolidated way so as to provide a global view of the financial situation of the resources for which the European Commission is responsible.

As regards expenditure, the document concentrates on 2 main types of financial implementation : one concerns the previous EDFs (6th to 8th) and the other concerns the 9th EDF.

Concerning in particular the **9th EDF**, the report states that it was set at EUR 13.8 billion, including EUR 13.5 billion allocated to the ACP States in accordance with the first Financial Protocol included in the Cotonou Agreement, EUR 175 million allocated to the OCT (provided for by the EU Council Decision on the association of the OCT) and EUR 125 million reserved for the European Commission to cover expenses in connection with implementing the 9th EDF resources (provided for in the internal agreement for the 9th EDF). The total amount of the first Financial Protocol, supplemented by the balances transferred from the previous EDFs, covers the period 2000-2007.

Of the total budget of EUR 13.5 billion for the ACP States, EUR 1 billion was released in 2004 and 2005 after examination by the EU Council, on the basis of a proposal from the European Commission:

- EUR 250 million was released in accordance with Joint ACP-EU Council Decision 01/2004 of 7 May 2004 and allocated to the Intra-ACP Fund (natural resources) to finance the Water Facility operation.
- EUR 18 million was released in accordance with Council Decision 10752/05 of 19 July 2005 and allocated to the envelope for long-term development support to cover the financing of the National Indicative Programme of Timor-Leste for the period 2006-2007.
- EUR 482 million was released in accordance with ACP-EC Council of Ministers Decision No 6 /2005 of 22 November 2005 and allocated to the envelope for long-term development support (EUR 352 million), the envelope for regional cooperation and integration (EUR 48 million) and the Investment Facility (EUR 82 million), in order to contribute to financing of the EU Energy Initiative (EUR 220 million), the International Commodity Risk Management Financing Facility (EUR 25 million), adaptation to the new EU feed and food sanitary and phytosanitary rules (EUR 30 million), strengthening the African Union (EUR 50 million), the "Education for All" Fast Track Initiative

(EUR 63 million), tackling HIV/AIDS, tuberculosis and malaria (EUR 62 million), and the operating costs of the CDE/CTA (EUR 32 million).

- EUR 250 million was released in accordance with ACP-EC Council of Ministers Decision No 7 /2005 of 22 November 2005 and allocated to the envelope for long-term development support (EUR 185 million), the envelope for regional cooperation and integration (EUR 24 million) and the Investment Facility (EUR 41 million), also to finance the Water Facility operation.

3) Financial information from the EIB : ongoing EIB projects which did not entail payments during the reference period or for which the contract has not yet been signed amount to a total of EUR 98.1 million for the 6th, 7th and 8th EDF.