

# Procedure file

Basic information		
DEC - Discharge procedure	<a href="#">2018/2177(DEC)</a>	Procedure completed
2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)		
Subject 8.70.03.02 2017 discharge		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Budgetary Control	Shadow rapporteur	
		 <a href="#">ZELLER Joachim</a>  <a href="#">HOFFMANN Iris</a>  <a href="#">CZARNECKI Ryszard</a>  <a href="#">GERBRANDY Gerben-Jan</a>  <a href="#">TARAND Indrek</a>  <a href="#">KAPPEL Barbara</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	 Development		28/11/2018
	 Budgets	The committee decided not to give an opinion.	
European Commission	Commission DG <a href="#">Budget</a>	Commissioner OETTINGER Günther	

Key events			
27/06/2018	Non-legislative basic document published	<a href="#">COM(2018)0519</a>	Summary
11/09/2018	Committee referral announced in Parliament		
20/02/2019	Vote in committee		

27/02/2019	Committee report tabled for plenary	<a href="#">A8-0107/2019</a>	Summary
26/03/2019	Results of vote in Parliament		
26/03/2019	Debate in Parliament		
26/03/2019	Decision by Parliament	<a href="#">T8-0244/2019</a>	Summary
26/03/2019	End of procedure in Parliament		
27/09/2019	Final act published in Official Journal		

### Technical information

Procedure reference	2018/2177(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/14268

### Documentation gateway

Non-legislative basic document		<a href="#">COM(2018)0519</a>	27/06/2018	EC	Summary
Court of Auditors: opinion, report		N8-0126/2018 <a href="#">OJ C 357 04.10.2018, p. 0315</a>	04/10/2018	CofA	Summary
Committee draft report		<a href="#">PE626.825</a>	20/12/2018	EP	
Committee opinion	<b>DEVE</b>	<a href="#">PE631.880</a>	30/01/2019	EP	
Supplementary non-legislative basic document		<a href="#">05368/2019</a>	05/02/2019	CSL	Summary
Supplementary non-legislative basic document		<a href="#">05369/2019</a>	05/02/2019	CSL	Summary
Supplementary non-legislative basic document		<a href="#">05370/2019</a>	05/02/2019	CSL	Summary
Supplementary non-legislative basic document		<a href="#">05371/2019</a>	05/02/2019	CSL	Summary
Amendments tabled in committee		<a href="#">PE634.541</a>	12/02/2019	EP	
Committee report tabled for plenary, single reading		<a href="#">A8-0107/2019</a>	27/02/2019	EP	Summary
Text adopted by Parliament, single reading		<a href="#">T8-0244/2019</a>	26/03/2019	EP	Summary

### Final act

Budget 2019/1434  
[OJ L 249 27.09.2019, p. 0135](#)

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

**PURPOSE:** presentation by the Commission of the annual accounts of the European Development Funds (EDF) for the financial year 2017.

**CONTENT:** this communication presents the final accounts of the EDFs 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).

**Objectives and financing of the EDF:** the EDF is the EU's main instrument for providing development cooperation assistance to African, Caribbean and Pacific ("ACP") States and Overseas Countries and Territories (OCTs).

The EDF is not financed by the EU budget. It is established by an internal agreement between the representatives of the Member States, sitting within the Council, and directed by a specific committee. Responsibility for the financial implementation of operations carried out with EDF resources lies with the European Commission, while the Investment Facility is managed by the European Investment Bank (EIB).

Unlike the EU budget, the EDF operates on a multi-annual basis. For each EDF, a global fund is established for the implementation of development cooperation for a period which is generally five years. The funds allocated may be used throughout the EDF period.

EDF resources are ad hoc contributions from EU Member States. At intervals of about five years, representatives of the Member States meet at intergovernmental level to decide on an overall amount allocated to the Fund and supervise its implementation. The Commission then manages the Fund in accordance with the Union's development cooperation policy.

**Audit and discharge:** the EDF annual accounts and resource management are overseen by its external auditor, the European Court of Auditors (hereinafter referred to as 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 European Parliament to decide whether to grant discharge to the Commission for the financial implementation of the EDF resources for a given financial year.

The annual accounts are presented as follows:

- Part I: Funds managed by the Commission, comprising: (i) EDF financial statements and notes thereto; (ii) financial statements of EU trust funds consolidated in the EDF; (iii) consolidated financial statements of the EDF and EU trust funds; (iv) the report on the financial implementation of the EDF.
- Part II: Annual Implementation Report - Funds managed by the European Investment Bank, including the financial statements of the Investment Facility.

**Trust Funds:** the document includes the financial statements of the two trust funds created under the EDF: (i) the Bêkou EU Trust Fund and (ii) the EU Trust Fund for Africa. The trust funds individual financial statements are prepared under the responsibility of the EC Accounting Officer and subject to external audit.

- The European Bêkou multi-donor fund was created on 15 July 2014 by the EU, Germany, France and the Netherlands, with the aim of promoting the stabilisation and reconstruction of the Central African Republic. In 2017, the Bêkou EUTF has adopted actions for a total amount of EUR 52.3 million in the sectors of rural resilience and job creation, health, support to the return of internally displaced people (IDPs) and refugees, light infrastructure, water and sanitation.

Pledges by its contributors amounted to more than EUR 236 million by the end of 2017. This is an increase of EUR 63 million compared to year 2016. Furthermore, more than EUR 18 million was paid on top of payments made during previous years; total disbursements have reached over EUR 61 million since the creation of Bêkou EUTF.

- The EU Trust Fund for Africa was established on 12 November 2015. It is an emergency trust fund for stability and addressing the root causes of irregular migration and displaced persons in Africa. It operates in three main geographical areas, namely the Sahel and Lake Chad regions, the Horn of Africa and North Africa.

As of 31 December 2017, resources allocated to the EU Trust Fund for Africa amount to approximately EUR 3 330 million: over EUR 2 900 million from the European Development Fund (EDF) and EU financial instruments including DCI, ENI, HOME and ECHO funding, and EUR 378.8 million from EU Member States and other donors (Switzerland and Norway), of which EUR 340.9 million have been paid as of 31 December 2017.

In the course of 2017, resources from the EDF and the EU budget have increased by approximately EUR 525 million (EUR 245 million from EDF, EUR 230 million from DCI and EUR 50 million from DG HOME funding) which represents an increase of almost 22 %.

**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.

Under the Cotonou Agreement, (i) the second period (2008-2013) of Community aid to the ACP States and OCTs is to be funded by the 10th EDF for an amount of EUR 22 682 million; (ii) the third period (2014-2020) of Union aid to the ACP States and OCTs is to be funded by the 11th EDF for an amount of EUR 30 506 million.

The amounts decommitted from projects under the ninth and previous EDFs are transferred to the performance reserve of the 10th EDF, with the exception of Stabex funds. The decommitted funds from projects under the 10th EDF are transferred to the performance reserve of the 11th EDF.

As at 31.12.2017, the EDF's net assets amounted to EUR 1 389 million (compared with EUR 1 357 million as at 31.12.2016).

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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**PURPOSE:** presentation of the annual report from the Court of Auditors of the European Union on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) concerning the financial year 2017.

**CONTENT:** the European Development Funds (EDFs) provide EU assistance for development cooperation to the African, Caribbean and Pacific (ACP) countries and overseas countries and territories (OCTs). EDF spending and cooperation instruments aim to overcome poverty, and to promote sustainable development and the integration of the ACP countries and OCTs in the world economy.

The EDFs are funded by the EU Member States and are implemented either through individual projects or through budget support (a

contribution to a country's general or sector budget). Each EDF is governed by its own financial regulation.

The EDFs are managed outside the framework of the EU budget by the European Commission (which manages the biggest part) and the European Investment Bank.

For 2017, EUR 3.5 billion of expenditure was subject to audit in this area.

#### EDF discharge procedure

Due to the intergovernmental nature of the EDFs, the European Parliament exercises a more limited role in their functioning than it does for the development cooperation instruments financed by the EU general budget; notably, it is not involved in establishing and allocating EDF resources. However, the European Parliament is still the discharge authority, except for the Investment Facility, which is managed by the EIB and therefore outside the scope of the audit.

The main conclusions of the Court are included in a Statement of Assurance, the main elements of which may be summarised as follows:

#### Reliability of the EDF accounts

The Court concludes that the 2017 accounts present fairly the financial situation of the EDFs, the results of their operations, their cash flows, as well as the change in net assets.

Overall, the information collected indicates that for the year ended 31 December, 2017:

- EDF revenue transactions did not contain a material level of error;
- EDF payments were affected by a significant level of error estimated at 4.5 % (compared to 3.3 % in 2016). The Court therefore gave an adverse opinion on the legality and regularity of payments underlying the accounts.

Expenditure not incurred accounted for 42 % of the overall rate of error in the EDFs. Other significant types of error include missing essential supporting documents, and non-compliance with procurement rules.

#### DG International Cooperation and Development (DEVCO)'s efforts to improve the implementation of its control system

In 2017 DG DEVCO carried out its sixth RER study to estimate the level of error which had evaded all management checks to prevent, detect and correct errors across its entire area of responsibility. No substantive testing was carried out for 67 % of the transactions because full reliance was placed, incorrectly or without proper justification, on previous control work. Due to this, combined with the errors detected, it was concluded that the 2017 results cannot be compared to those from previous years. This has an impact on the residual error rate. The Commission did not properly monitor the work carried out by the RER contractor and therefore was unable to prevent the problems from occurring.

#### Conclusions

Currently, there is an inconsistency between the budgetary process (EP is not involved) and the accountability process (EP is partly involved in the discharge). The possible future integration of the EDFs within the EU general budget could mitigate the risks associated with this inconsistency (artificial annual budgetary discharge and absence of budgetary power of the EP).

#### Recommendations of the Court

In order to address the shortcomings noted above, the Court recommends that the Commission:

- closely monitor the implementation of the residual error rate study, in particular to ensure that, where full reliance is placed on previous control work, this is in line with the applicable methodology and properly justified;
- again disclose in the annual activity report the limitations of the residual error rate study, which assumes that the untested population is free from error;
- take decisive steps to enforce the guidance on accepting expenditure to avoid excess clearings;
- adopt measures to ensure that only incurred costs are certified as expenditure for Africa Infrastructure Trust Fund transactions;
- add an indicator to monitor the age of advance contributions to trust funds;
- propose a relevant solution to the EDFs budgetary and accountability inconsistencies as part of the current post-Cotonou studies.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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#### Council Recommendation : 10th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the tenth EDF as at 31 December 2017 and the annual report of the Court of Auditors on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) for the financial year 2017, together with the Commission's replies contained in that annual report, the Council recommended that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the tenth EDF for the financial year 2017.

As a reminder, pursuant to the internal agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union, the discharge for the financial management of the tenth EDF must be given to the Commission by the European Parliament on a recommendation from the Council.

The Council's recommendation is not accompanied by any particular comments, as the Council considers that the implementation of the operations of the 10th EDF by the Commission has been satisfactory.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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Council Recommendation : 9th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the ninth EDF as at 31 December 2017 and the annual report of the Court of Auditors on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) for the financial year 2017, together with the Commission's replies contained in that annual report, the Council recommended that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the ninth EDF for the financial year 2017.

As a reminder, pursuant to the internal agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union, the discharge for the financial management of the ninth EDF must be given to the Commission by the European Parliament on a recommendation from the Council.

The Council's recommendation is not accompanied by any particular comments, as the Council considers that the implementation of the operations of the 9th EDF by the Commission has been satisfactory.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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Council Recommendation : 8th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the eighth EDF as at 31 December 2017 and the annual report of the Court of Auditors on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) for the financial year 2017, together with the Commission's replies contained in that annual report, the Council recommended that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the eighth EDF for the financial year 2017.

As a reminder, pursuant to the internal agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union, the discharge for the financial management of the eighth EDF must be given to the Commission by the European Parliament on a recommendation from the Council.

The Council's recommendation is not accompanied by any particular comments, as the Council considers that the implementation of the operations of the 8th EDF by the Commission has been satisfactory.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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Council Recommendation : 11th EDF

Having examined the revenue and expenditure account and the balance sheet relating to the operations of the eleventh EDF as at 31 December 2017 and the annual report of the Court of Auditors on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) for the financial year 2017, together with the Commission's replies contained in that annual report, the Council recommended that the European Parliament give the Commission a discharge in respect of the implementation of the operations of the eleventh EDF for the financial year 2017.

As a reminder, pursuant to the internal agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union, the discharge for the financial management of the eleventh EDF must be given to the Commission by the European Parliament on a recommendation from the Council.

The Council's recommendation is not accompanied by any particular comments, as the Council considers that the implementation of the operations of the 11<sup>th</sup> EDF by the Commission has been satisfactory.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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The Committee on Budgetary Control adopted the report by Marco VALLI (EFDD, IT) on discharge in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2017.

On the basis of the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors, the committee called on the European Parliament to grant the Commission discharge in respect of implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2017.

Members made a series of observations which form an integral part of the discharge decision:

Statement of Assurance

They noted that EDF commitments reached EUR 6 218 million by end 2017, representing 95 % of the annual target. Payments amounted to EUR 4 256 million on 31 December 2017, corresponding to an execution rate of 98.89 %. In addition to the aforementioned EDF commitments

and payments, that the total European Investment Bank (EIB) commitments reached EUR 667 million and EUR 456 million in payments for 2017.

Members noted that the share of the United Kingdom represents 14.82 % of the tenth EDF and 14.68 % of the eleventh EDF. They stressed the importance of keeping close ties between the European Union and the United Kingdom after its withdrawal from the European Union in relation to the EDF and development aid.

They also took note of the Commission proposal to increase heading VI (covering former heading IV and EDF) by 26 % for the upcoming programming period.

#### Reliability of the accounts

Members welcomed the Courts opinion that the final annual accounts of the EDFs for the year 2017 present fairly, in all material respects, the financial position of the EDF as of 31 December 2017, and that the results of their operations, their cash flows and the changes in net assets for the year-end, are in accordance with the provisions of the EDF Financial Regulation and with internationally accepted accounting standards for the public sector.

They expressed concern on the adverse opinion stated by the Court on the legality and regularity of payments wherein payments underlying the accounts are materially affected by error. They regretted that in every annual activity report since 2012, DG DEVCO had to issue a reservation on the regularity of underlying transactions which points to serious internal management deficiencies.

Errors concerned, as in previous years, programme estimates, grants, contributions agreements managed both with international organisations and Member States cooperation agencies.

#### Evaluation and reporting component

DG DEVCO is invited to improve significantly its monitoring, evaluation and performance reporting arrangements to ensure that key indicators established in the different performance systems are systematically monitored and that reliable and comprehensive information is provided to policy makers on a timely basis.

Members called for a long-term evaluation including data gathering, researches and analysis in order to improve the key indicators. Undermining performance monitoring and results evaluation is detrimental to public accountability. They stressed the indispensability of providing Parliament and the budgetary control authority with a clear view of the real extent to which the Unions main development objectives have been achieved.

#### Implementation of the EDF development aid

DG DEVCO is called on to consider the following points for EDF management to ensure its effectiveness, efficiency and added value:

- illustrate better the complementarity of EDF funding, the coherence of the Union toolbox and synergies with other external aid instruments;
- ensure the highest level of regularity and accountability for results for actions funded by the EDF;
- invites the Commission in that context to better explain the logical framework underlying its interventions, especially to get a better visibility of the expected long term impacts or sustainability of EDF-financed operations;
- include in the next annual activity report a structured assessment of the impact of the activities of the eleventh EDF, with a particular focus on human rights and environmental results achieved;
- considers there is still a need for a more systematic approach to the communication of Union's grant-funded activities to enhance Union's visibility, and to strengthen transparency and accountability along the chain of funding;
- improve the spirit of partnership through the establishment of democratic ownership of the programme and its implementation while ensuring respect for the fundamental values and principles of the EDF.

#### The EDF and the management of new nexus

Members acknowledged that the EDF is facing great pressure to respond to a growing number of political demands, such as security, migration and borders management, which are difficult to align with the EDFs core values and the principles of the Unions development and cooperation policy, namely poverty eradication as set out in Article 208 TFEU. They observed that the management of new nexus put at risk the overall balance of the development policy.

#### Trust funds

The total pledges under the Union trust funds amounted so far to EUR 4.09 billion, the main contribution originating from the EDF with EUR 3 billion and EUR 442.7 million from Member States and other donors. Members took note of pledges of nearly EUR 240 million for the Bekou trust fund in 2017 with EUR 113 million from the EDF and EUR 65.9 million from Member States and other donors.

#### Budget support to partner countries

Members observed that budget support financed by the EDF in 2017 corresponded to EUR 860.2 million of which EUR 703.1 million were new commitments (covering 54 countries and representing 102 budget support contracts).

For the OCTs, EDF disbursements in 2017 amounted to EUR 57.7 million (for 11 countries and 15 budget support contracts). DG DEVCO stopped budget support in two ACP countries respectively due to a lack of progress in the implementation of public finance management and lack of stability-oriented macroeconomic policy and transparency.

## 2017 discharge: 8th, 9th, 10th and 11th European Development Funds (EDFs)

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The European Parliament decided by 504 votes to 119, with 14 abstentions, to grant discharge to the Commission in respect of the implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2017.

On the basis of the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors, Members called on the European Parliament to grant the Commission discharge in respect of implementation of the budget of the eighth, ninth, tenth and eleventh European Development Funds for the financial year 2017.

Parliament made a series of observations which form an integral part of the discharge decision:

#### Statement of Assurance

It noted that EDF commitments reached EUR 6 218 million by end 2017, representing 95 % of the annual target. Payments amounted to EUR 4 256 million on 31 December 2017, corresponding to an execution rate of 98.89 %. In addition to the aforementioned EDF commitments and payments, that the total European Investment Bank (EIB) commitments reached EUR 667 million and EUR 456 million in payments for 2017.

Members noted that the share of the United Kingdom represents 14.82 % of the tenth EDF and 14.68 % of the eleventh EDF. They stressed the importance of keeping close ties between the European Union and the United Kingdom after its withdrawal from the European Union in relation to the EDF and development aid.

They also took note of the Commission proposal to increase heading VI (covering former heading IV and EDF) by 26 % for the upcoming programming period.

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Errors concerned, as in previous years, programme estimates, grants, contributions agreements managed both with international organisations and Member States cooperation agencies.

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Members called for a long-term evaluation including data gathering, researches and analysis in order to improve the key indicators. Undermining performance monitoring and results evaluation is detrimental to public accountability. They stressed the indispensability of providing Parliament and the budgetary control authority with a clear view of the real extent to which the Unions main development objectives have been achieved.

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DG DEVCO is called on to consider the following points for EDF management to ensure its effectiveness, efficiency and added value:

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