

## 2008 discharge: 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> European Development Funds EDF

2009/2077(DEC) - 20/07/2009 - Non-legislative basic document

**PURPOSE:** to present the final accounts of the 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> European Development Funds for 2008.

**CONTENT:** this communication presents the final accounts of the 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> EDFs, which, in accordance with the relevant provisions of the EDFs, must be presented to the European Parliament, Council and Court of Auditors.

As was the case last year, these financial balance sheets apply the accounting principles used since 2005.

The annual accounts for 2008 are presented as follows:

1. part 1 - financial statements
2. part 2 - the financial implementation of the EDFs
3. part 3 - EIB projects.

**1) Financial statements:** the report details the main principles for the presentation of the accounts. 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. Details are also presented in the report on the accounting principles to be applied to establish the financial accounts, in accordance with the Financial Regulation.

In addition to the balance sheets and financial accounts of the EDFs, the document details the internal mechanism of the EDF in particular in terms of the consolidation of the funds.

The 2008 consolidated balance sheet for the EDFs at 31 December 2008 is as follows:

- total assets: EUR 1 219.45 million (compared to EUR 1 349.58 million at 31.12.2007)
- total liabilities: EUR 709.29 million (compared to EUR 703.98 million at 31.12.2007)
- net assets: EUR 517.15 million (compared to EUR 645.60 million at 31.12.2007).

The report gives details on the consolidated balance sheets of various funds capital for the 2008 EDFs (to recall, the fund capital represents the total amount receivable from the Member States for the relevant EDF fund as laid down in each of the Internal Agreement between the Member States and the beneficiary ACP States). At closure, the Funds capital amounted to EUR 45 693.72 million (compared to EUR 35 479.32 million in 2007). Individual funds are as follows:

- 7<sup>th</sup> EDF : EUR 0 due to the transfer to the 9<sup>th</sup> EDF (closing of 7<sup>th</sup> EDF ? see below)
- 8<sup>th</sup> EDF : EUR 12 840 million; total net assets: EUR 862.31 million
- 9<sup>th</sup> EDF : EUR 11 699.32 million; total net assets: EUR -423.57 million
- 10<sup>th</sup> EDF : EUR 21 154.40 million; total net assets: EUR 78.41 million.

**2) Financial Implementation:** concerning the statement of expenditure, the document focuses on 2 main types of financial implementation: one on previous EDFs (7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> EDF) and the other on the 10<sup>th</sup> EDF. With regard to the former EDFs, the report states that pursuant to Article 4 of Annex 1b of the ACP-EC Partnership Agreement concerning the Multiannual Financial Framework for the period 2008-2013, the remaining balance as well as the amounts disengaged under these funds from the 31.12.2007 until the entry into force of the 10<sup>th</sup> EDF, were transferred to the 9<sup>th</sup> EDF in order to ensure the operation of the administration of the European Union and to cover the running expenses related to the projects in progress until the entry into force of the 10<sup>th</sup> EDF. From the entry into force of the 10<sup>th</sup> EDF (1 July, 2008), the remaining balance as well as the amounts disengaged of the aforesaid funds were transferred towards the performance reserve from the 10<sup>th</sup> EDF. This reserve may only be mobilised under specific conditions.

The 9<sup>th</sup> EDF expired on the entry into force of the 10<sup>th</sup> EDF on 1 July 2008.

The 6<sup>th</sup> EDF was closed in 2006. The annual accounts do not contain any implementing tables relating to this EDF. On the other hand, the implementation of the transferred balances may be found in the 9<sup>th</sup> EDF.

**Closure of the 7<sup>th</sup> EDF:** the document notes that the Commission closed the 7<sup>th</sup> EDF on 31/08/2008. At this date, all amounts committed, contracted and paid, relating to contracts which were still open, were transferred to the 9<sup>th</sup> EDF accounts, and not only remaining balances as was the case for the 6<sup>th</sup> EDF. Therefore, amounts transferred in the framework of the closing of the 7<sup>th</sup> EDF are much more important than the ones transferred to close the 6<sup>th</sup> EDF. The RAL, transferred to the 9<sup>th</sup> EDF, was of EUR 177 577 860.57.

In addition, taking into account the transfer of the remaining balance of the 7<sup>th</sup> EDF, the updated amount of the 9<sup>th</sup> EDF rises from EUR 15 907 435 336,39 to EUR 16 648 415 862,66.

With regard to the 10<sup>th</sup> EDF, the report indicates that the total amount of the latter has been set at EUR 22 682 million of which:

- EUR 21 966 million allocated to ACP States, the multiannual financial framework included in Annex I b of the revised Cotonou Agreement;
- EUR 286 million allocated to the OCTs, in accordance with Annex II A(a) of the amended Council Decision on the association of the OCT to the European Community;

- EUR 430 million assigned to the Commission to finance the associated spending linked to the programming and the implementation of the resources of the 10<sup>th</sup> EDF.

From the entry into force of the 10<sup>th</sup> EDF, these amounts were supplemented by the remaining amounts and other funds released thereafter of the system aiming to guarantee the stabilisation of export earnings of agricultural based products (STABEX) under the former EDFs to the 9<sup>th</sup> EDF. The remaining amounts and funds must be used and managed in accordance with the provisions of the revised Cotonou Agreement.

The breakdown of the indicative amounts in favour of the ACP States and regions at the entry into force of the 10<sup>th</sup> EDF can be presented in the following manner:

- EUR 15 300 million available for the national indicative programs of which: a) EUR 13 500 million for the envelopes A (envelopes intended to cover the macroeconomic support and the support for programs and projects) and b) EUR 1 800 million for the envelopes B (intended to meet unforeseen needs such as emergency aid, debt reduction initiatives and the support intended to mitigate the harmful effects of the instability of export earnings);
- EUR 1 783 million available for the regional indicative programmes;
- EUR 683 million as a reserve to allocate to the national and regional indicative programmes following mid-term and final reviews.

As a guide, the document also presents a consolidated table of the financial implementation of the EDFs at 31 December 2008 presented as follows:

Consolidated accounts of the EDFs at 31 December 2008 ? financial implementation:

- 7<sup>th</sup> EDF: 2008 closing balance: EUR 9 817.98 million, paid to the amount of 100%;
- 8<sup>th</sup> EDF: 2008 closing balance: EUR 10 785.85 million, paid to the amount of 94%;
- 9<sup>th</sup> EDF: 2008 closing balance: EUR 16 631.82 million, paid to the amount of 70%;
- 10<sup>th</sup> EDF: 2008 closing balance: EUR 21 260.07 million, paid to the amount of 69%.

The consolidated sum implemented for all the EDFs is EUR 58.495,72 billion, of which EUR 42.002,04 billion were subject to a payment decision and EUR 29.843,03 billion have, in fact, been paid (72% of the total amount).

The report outlines the state of expenditure by type of project financed and by ACP country concerned throughout 2008.

3) Communicated financial statements linked to EIB projects: the main instrument financed by the EIB is the Investment Facility established within the framework of the Cotonou Agreement. This Facility is managed by the European Investment Bank for a sum of EUR 2.2 billion for the ACPs and EUR 20 million for the OCTs. Within the framework of the Agreement, the EIB also manages loans granted from its own resources. All other financial resources and instruments under the Agreement are administered by the European Commission.

The balance sheet of the investment facility (ACP only) amounts to

- Assets: EUR 1 144 922 million (compared to EUR 1 077 418 million at 31.12.2007).
- Liabilities: EUR 233 942 million (compared to EUR 150 939 million at 31.12.2007).