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REPORT FROM THE COMMISSION TO THE COUNCIL
**on the implementation of the financial assistance provided to the Overseas Countries
and Territories under the 11th European Development Fund**

Introduction

The Overseas Association Decision¹ (OAD) establishes the legal framework for the relations between the Overseas Countries and Territories² (OCTs), the Member States to which they are linked, and the European Union. On the basis of the Treaty on the Functioning of the European Union³ (TFEU), the purpose of the Overseas Association Decision is to support the sustainable development of the OCTs and promote the values of the Union in the wider world.

The Union provides financial support to the OCTs in the context of the association mainly through the European Development Fund, with an amount of EUR 364.5 million allocated under the 11th EDF-OCT for the 2014-2020 programming period⁴.

The goal of this report is to present the progress achieved in the implementation of 11th EDF resources for OCTs, in compliance of Article 91 of the OAD. At this stage of implementation the focus remains upon programme orientation and design. As operational implementation accelerates and data become available, future reports will progressively address the outcomes and impacts of the assistance, as specified in the Decision.

Financial Resources under the 11th EDF-OCT

The 11th EDF-OCT resources available to the OCTs split into the following allocations, based on Annex 2 of the Overseas Association Decision:

- EUR 229.5 million for the territorial (bilateral) allocations;
- EUR 100 million for regional cooperation and integration;
- EUR 21.5 million to finance humanitarian and emergency assistance, or assistance for fluctuations in export earnings;
- EUR 5 million to finance interest subsidies and technical assistance through the EIB's OCT Investment Facility;
- EUR 8.5 million for studies and technical assistance in accordance with Article 81 of the OAD;

In accordance with the criteria established in the OAD, **sixteen OCTs are considered eligible for a territorial allocation under the 11th EDF-OCT⁵**. It should be noted that Greenland is funded directly by the EU general budget on the basis of the "Greenland Decision."⁶

¹ Council Decision [2013/755/EU](#) on the Association of the Overseas Countries and Territories with the European Union

² The EU's Overseas Countries and Territories are Greenland, New Caledonia and Dependencies, French Polynesia, French Southern and Antarctic Territories, Wallis and Futuna Islands, Saint Pierre and Miquelon, Saint-Barthélemy, Aruba, Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten, Anguilla, Cayman Islands, Falkland Islands, South Georgia and the South Sandwich Islands, Montserrat, Pitcairn, Saint Helena and Dependencies, British Antarctic Territory, British Indian Ocean Territory, Turks and Caicos Islands, British Virgin Islands, Bermuda.

³ Part Four of the Treaty on the Functioning of the European Union, (C 326/47 of 26.10.2012)

⁴ 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 applies (L210/1 of 6.8.2013)

⁵ Annex 1 to this report includes the list of indicative individual territorial and regional allocations.

⁶ Council Decision [2014/137/EU](#) on relations between the EU on the one hand and Greenland and the Kingdom of Denmark on the other, allocates EUR 217.8 million for the period 2014-2020 to cooperation between the Union and Greenland in an area of mutual interest.

Regional programmes seek to foster cooperation among OCTs of the same region and sharing a similar set of challenges and priorities. Actions financed under the regional allocation support the elaboration and implementation of comprehensive regional programmes and projects for addressing these challenges. Partnerships with other funding sources, including other Union financial instruments, through cooperation with the neighbouring ACP and/or third countries, as well as the EU's outermost regions, are actively encouraged.

Programming process for the 11th EDF-OCT

The OAD⁷ establishes a **programming process which is specific to OCTs**. Unlike countries of the African Caribbean Pacific group (ACP), programming is not based on National Indicative Programmes but organised around **a one-step process, the elaboration of a Programming Document, which has two components: a) the EU response strategy and, b) the Action Document(s)**.

Only **one formal Commission decision** is taken to approve OCT Programming Documents, covering both the strategic orientations as well as the detailed programme design. This means that a Programming Document cannot be adopted before the strategy and an Action Document have been elaborated and formally agreed upon. **Budget support** continues (as was the case under the 10th EDF) to be the preferred implementation modality in the OCTs.

OCTs maintain the primary responsibility for the establishment of Programming Documents, including the priorities upon which their strategies are based and ensuring the necessary local consultation.

Specific guidance has been provided to the OCTs in support of various aspects of the programming process for the 2014-2020 period:

- Detailed **programming instructions** specifically addressed to the OCTs have been drawn up, and have served as a basis to guide the countries and territories. These guidelines include both orientation as well as dedicated templates regarding the different stages for the elaboration of the Programming Document.
- The EU's **Budget Support Guidelines** include specific guidance on the approval and management of budget support operations in the OCTs.
- In order to promote cooperation between OCTs, ACP/neighbouring countries and Outermost Regions, an **orientation note** was drawn up to encourage common projects funded by the EDF and the European Regional Development Fund (ERDF).

Consultations undertaken

Extensive consultations between OCTs and the Commission have been taken place.

The programming exercise for OCTs was launched during the 12th OCT-EU Forum which took place in December 2013, following the adoption of the Overseas Association Decision and the relevant financial framework. The Commission presented the indicative financial allocations and programming instructions to OCTs and the Member States to which the OCTs are linked, and launched the consultation process in view of an agreement on potential sectors of cooperation.

⁷ Part Four of the Overseas Association Decision

Specific seminars were subsequently held to allow a reflection on common priorities and objectives. **Regional OCT conferences took place in the Pacific Ocean and in the Caribbean, respectively in November 2014 and February 2015**, under the aegis of the Commission, with the participation of ACP countries, regional organisations and, where appropriate, Outermost Regions. The conferences culminated in concrete proposals by OCTs regarding the potential concentration sectors and possible sub-components and promoted regional cooperation with non-OCT actors, as all regional stakeholders demonstrated strong interest in putting together twinning projects.

The reflection on strategic priorities and concentration sectors also advanced through the instances of the Association established under the OAD. **At the technical level, nine tripartite meetings between the Commission, OCT representatives and the Member States to which they are linked, were organised during 2014-2015**, offering an opportunity for dialogue between the Commission and the OCTs.

A partnership working party on Environment and Climate Change was organised in January 2015, offering a platform for preliminary discussions among OCTs on the thematic programme.

At the political level, **the 13th OCT-EU Forum took place in February 2015**. Discussions held in the context of two roundtables provided an opportunity for dialogue on the thematic programme and resulted on an agreement by OCTs on their proposed concentration sectors in this respect, which was reflected in the conclusions of this Forum.

Furthermore, **trilateral meetings** between the Commission, the Territorial/Regional Authorising Officers for the OCTs and the Member States to which the OCTs are linked were held in the margins of the Forum. These discussions **provided an opportunity to reflect on the implementation of financial resources and plan the next steps** with individual OCTs but also at regional level and resulted in the nomination of the Regional Authorising Officers for the regional as well as thematic programmes.

The programming process is also being actively supported with the provision of **Technical Assistance**. To date, thirteen countries and territories have benefitted from such Technical Assistance, or are in the process of doing so. This is funded under the 10th as well as 11th EDF-OCT resources, the latter representing the first Financing Decision taken for 11th EDF-OCT resources – a EUR 3 million tranche of the facility⁸ established in accordance with the provisions of Article 81 of the OAD.

Situation in 2015

On the basis of these consultations and the technical assistance provided, notable progress has been achieved in 2015 in terms of the initial programming stages. The strategic orientation of the programmes has been established, and concentration sectors have been proposed for all programmes, both territorial and regional/thematic.

For territorial allocations, budget support has been proposed as the implementation modality by most OCTs. This builds on the situation under the 10th EDF-OCT, while in

⁸ Commission Decision on the individual measure in favour of Overseas Countries and Territories for a Technical Cooperation Facility to be financed from the European Development Fund Bridging Facility C(2015) 307 final of 20.1.2015

several cases it represents a positive shift away from the project modality previously used, notably for Bonaire, Curaçao, French Polynesia, Saba, Sint Eustatius, Wallis and Futuna. In all cases, an assessment of the eligibility criteria relating to the use of the budget support modality will be carried out by the Commission.

The proposed concentration sectors for the territorial allocations are markedly grouped around key themes, which broadly include:

- Environmental issues, climate change, renewable energy and disaster risk reduction (accounting for 5 of the 16 OCTs with indicative territorial allocations and representing 21% of the total 11th EDF-OCT territorial allocations)
- Social development (youth) or employment/professional inclusion and education/vocational training (accounting 5 out of 16 OCTs and representing 33% of 11th EDF-OCT indicative territorial allocations)
- Sustainable tourism (accounting 3 out of 16 OCTs and representing 26% of 11th EDF-OCT indicative territorial allocations)
- Connectivity and accessibility/digital development (accounting 3 out of 16 OCTs and representing 20% of 11th EDF-OCT indicative territorial allocations).

These priorities align to the aim of sustainable development, thus addressing the three pillars of development - economic development, social development and environmental protection, as outlined in the objectives of the Overseas Association Decision.

Significantly, these priorities are clearly aligned with the Union's policy priorities as outlined in Europe 2020⁹, the European Union's ten-year jobs and growth strategy, which seeks to achieve growth that is smart, sustainable and inclusive.

Similarly, in the case of regional programmes, there is a proposal for a marked concentration of resources on a limited set of priorities; these are naturally both cross-border and transversal in scope. Moreover, it should be noted that, on the basis of the concentration sectors proposed by the OCTs to the Commission, all of the geographic regional programmes place emphasis on the environment and the sustainable use of natural resources. This would allow for substantial complementarity with the thematic component, as well as other programmes funded by the Union, such as BEST 2.0, funded in the context of the Global Public Goods and Challenges programme.

⁹ Communication from the Commission: Europe 2020 A strategy for smart, sustainable and inclusive growth COM(2010) 2020 final

The relevant proposals for concentration sectors are as follows:

- Caribbean: Sustainable energy and marine biodiversity;
- Pacific Ocean: Environment and sustainable management of natural resources (sub-sectors climate change and biodiversity);
- Indian Ocean: Observation, management, conservation of terrestrial and marine ecosystem;
- Thematic programme (all OCTs): Sustainable use of natural resources. Subsectors include: a) Climate Change, including disaster risk reduction, and b) Sustainable Energy).

European Investment Bank

Under the OCT Investment Facility¹⁰ a EUR 5 million allocation is managed by the EIB, to finance interest subsidies and technical assistance (with 11th EDF-OCT funding). The EIB concluded one loan agreement with New Caledonia in 2015, providing an interest subsidy of EUR 20 million loan for a hospital modernisation project.”

The OAD also envisages further financing (up to EUR 100 million) by the EIB from its own resources¹¹. While no decisions have been concluded under this funding, internal decision processes have been launched for a regional credit line for the OCTs, as well as an investment in Sint Maarten, which are expected to be finalised in 2016.

Looking ahead

Building on the progress made so far, the defined objective of adopting Financing Decisions and approving Programming Documents for the OCTs in the fourth quarter of 2016 remains realistic. In order to meet this timetable, however, it will be crucial to maintain momentum in 2016; OCTs must ensure that the draft Programming Documents submitted are of high quality, based on well-designed programmes and sound local policy and strategy frameworks. This is particularly important in the case of regional and thematic programmes, where improved coordination by the OCTs concerned will be required.

¹⁰ Established under Annex II C of Council Decision 2001/822/EC with EDF funds to promote commercially viable enterprises

¹¹ Annex III of the OAD