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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	29 June 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 290 final
Subject:	Communication from the Commission to the European Parliament, the Council and the Court of Auditors - Annual Accounts of the European Development Fund 2019

Delegations will find attached document COM(2020) 290 final.

Encl.: COM(2020) 290 final

EUROPEAN
COMMISSION

Brussels, 26.6.2020
COM(2020) 290 final

Communication from the Commission to the European Parliament, the Council and the Court of Auditors

Annual Accounts of the European Development Fund 2019

EN EN

Annual accounts of the European Development Fund

Financial year 2019

CONTENTS

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2019 have been prepared in accordance with Title X of the Financial Regulation of the 11th European Development Fund and with the accounting principles, rules and methods set out in the notes to the financial statements.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Development Fund in accordance with Article 18 of the Financial Regulation of the 11th European Development Fund.

I have obtained from the authorising officer and from the EIB, who guarantee its reliability, all the information necessary for the production of the accounts that show the European Development Fund's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the European Development Fund in all material aspects.

Rosa ALDEA BUSQUETS
Accounting Officer
16 June 2020

IMPLEMENTING AND ACCOUNTING FOR THE EDF RESOURCES

1. BACKGROUND

The European Union (hereinafter referred to as the 'EU') has cooperative relations with a large number of developing countries. The main objective is to promote economic, social and environmental development, with the primary aim of reducing and eradicating poverty in the long-term by providing beneficiary countries with development aid and technical assistance. To achieve this, the EU draws up, jointly with the partner countries, cooperation strategies and mobilises the financial resources to implement them. These EU resources allocated to development cooperation come from three sources:

- The EU budget;
- The European Development Fund;
- The European Investment Bank.

The European Development Fund (hereinafter referred to as the 'EDF') is the main instrument for providing EU aid for development cooperation to the African, Caribbean and Pacific (hereinafter referred to as the 'ACP') States and Overseas Countries and Territories (hereinafter referred to as the 'OCTs').

The EDF is not funded by the EU 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 (hereinafter referred to as the 'Commission') is responsible for the financial implementation of the operations carried out with EDF resources. The European Investment Bank (hereinafter referred to as the 'EIB') manages the Investment Facility.

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 usually concluded for a period of around five years and 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.

The Internal Agreement establishing the 11th EDF was signed by the participating Member States, meeting within the Council, in June 2013[1]. It came into force on 1 March 2015.

In 2018, the Council adopted the Financial Regulation applicable to the 11th EDF[2]. This repealed the previous regulation in force and is applicable to operations financed from previous EDFs without prejudice to existing legal commitments. This Regulation does not apply to the Investment Facility under previous EDFs.

Within the framework of the ACP-EU Partnership Agreement, the Investment Facility was established, managed by the EIB, and used to support private sector development in the ACP States by financing essentially – but not exclusively – private investments. The Facility is designed as a renewable fund, so that loan repayments can be reinvested in other operations, thus resulting in a self-renewing and financially independent facility. As the Investment Facility is not managed by the 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. The financial statements of the Investment Facility are included as a separate part of the annual accounts (part II) to provide a full picture of the development aid of the EDF.

[1] OJ L 210, 6.8.2013, p. 1.

[2] Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323.

2. HOW IS THE EDF FUNDED?

The European Council of 2 December 2013 adopted the multiannual financial framework for 2014-2020. In this context, 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.

The EU budget is annual and according to the budgetary principle of annuality, expenditure and revenue are planned and authorised for one year. Unlike the EU Budget, the EDF is a fund operating based on multiannuality. Each EDF establishes an overall fund to implement development cooperation during a period of usually five years. As resources are allocated on a multiannual basis, the allocated funds may be used over the period of the EDF. The lack of budget annuality is highlighted in the budgetary reporting, where the budgetary implementation of the EDFs is measured against the total funds.

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.

In addition to the above mentioned contributions, it is also possible for Member States to enter into co-financing arrangements or to make voluntary financial contributions to the EDF.

3. YEAR-END REPORTING

3.1. ANNUAL ACCOUNTS

In accordance with Articles 18(3) of the EDF Financial Regulation, the EDF financial statements are prepared based on accrual-based accounting rules that themselves are based on International Public Sector Accounting Standards (IPSAS). The accounting rules adopted by the Accounting Officer of the Commission are applied by all the Institutions and bodies of the EU in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements. These EU accounting rules are also applied to the EDF while taking into account the specific nature of its activities.

The preparation of the EDF annual accounts is entrusted to the Commission's Accounting Officer who is the Accounting Officer of the EDF. She ensures that the annual accounts of the EDF present a true and fair view of the financial position of the EDF.

The annual accounts are presented as follows:

Part I: Funds managed by the Commission

- (i) Financial statements and explanatory notes of the EDF
- (ii) Financial statements of the EU trust funds consolidated in the EDF
- (iii) Consolidated financial statements of EDF and the EU trust funds
- (iv) Report on financial implementation of the EDF

Part II: Annual report on implementation - Funds managed by the EIB

- (i) Financial statements of the Investment Facility

The part 'Financial statements of the European trust funds consolidated in the EDF' includes financial statements of the two trust funds created under the EDF: The Bêkou EU Trust Fund (see section 'Financial statements of the Bêkou EU Trust Fund') and the EU Trust Fund for Africa (see section 'Financial statements of EU Trust Fund for Africa'). The trust funds individual financial statements are prepared under the responsibility of the Commission's Accounting Officer and are subject to external audit carried out by a private auditor. The trust funds' figures included in these annual accounts are provisional.

The EDF annual accounts must be adopted by the Commission no later than 31 July of the year following the balance sheet date and presented to the European Parliament and to the Council for discharge.

4. AUDIT AND DISCHARGE

4.1. AUDIT

The EDF annual accounts are audited 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.

4.2. DISCHARGE

The final control of the financial implementation of the EDF resources for a given financial year is the discharge. 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. 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 to questions and further information requests of the discharge authority.

FUNDS MANAGED BY THE EUROPEAN COMMISSION

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FINANCIAL STATEMENTS OF THE EDF

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add-up.

EDF BALANCE SHEET

EUR million

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Financial assets	2.1	*36*	*–*
Pre-financing	2.2	*910*	*887*
Trust Fund contributions	2.3	*266*	*201*
		1 213	**1 088**
CURRENT ASSETS			
Pre-financing	2.2	*1 288*	*1 448*
Exchange receivables and non-exchange recoverables	2.4	*123*	*138*
Cash and cash equivalents	2.5	*1 179*	*387*
		2 590	**1 973**
TOTAL ASSETS		**3 803**	**3 061**
NON-CURRENT LIABILITIES			
Financial liabilities	2.6	*(19)*	*(18)*
		(19)	**(18)**
CURRENT LIABILITIES			
Payables	2.7	*(516)*	*(241)*
Accrued charges and deferred income	2.8	*(1 319)*	*(1 281)*
		(1 835)	**(1 523)**
TOTAL LIABILITIES		**(1 854)**	**(1 540)**
NET ASSETS		**1 948**	**1 521**
FUNDS & RESERVES			
Fair value reserve	2.9	*(2)*	*–*
Called fund capital - active EDFs	2.10	*54 809*	*50 423*
Called fund capital from closed EDFs carried forward	2.10	*2 252*	*2 252*
Economic result carried forward from previous years		*(51 155)*	*(47 037)*
Economic result of the year		*(3 956)*	*(4 118)*
NET ASSETS		**1 948**	**1 521**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2019	2018
REVENUE			
Revenue from non-exchange transactions	3.1		
Recovery activities		*28*	*4*
		28	**4**
Revenue from exchange transactions	3.2		
Financial revenue		*7*	*10*
Other revenue		*39*	*46*
		46	**57**
Total Revenue		**74**	**60**
EXPENSES			
Aid instruments	3.3	*(3 755)*	*(4 054)*
Co-financing expenses	3.4	*(14)*	*17*
Finance costs	3.5	*(1)*	*7*
Other expenses	3.6	*(260)*	*(148)*
Total Expenses		**(4 030)**	**(4 178)**
ECONOMIC RESULT OF THE YEAR		**(3 956)**	**(4 118)**

EDF CASHFLOW STATEMENT

EUR million

	Note	2019	2018
Economic result of the year		*(3 956)*	*(4 118)*
Operating activities			
Capital increase - contributions (net)		*4 385*	*4 250*
(Increase)/decrease in trust funds contributions		*(65)*	*(38)*
(Increase)/decrease in pre-financing		*136*	*(235)*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*15*	*(46)*
Increase/(decrease) in provisions		*–*	*(4)*
Increase/(decrease) in financial liabilities		*2*	*3*
Increase/(decrease) in payables		*275*	*(322)*
Increase/(decrease) in accrued charges and deferred income		*37*	*548*
Other non-cash movements		*(2)*	*–*
Investing activities			
(Increase)/decrease in available for sale financial assets		*(36)*	*–*
NET CASHFLOW		**792**	**40**
Net increase/(decrease) in cash and cash equivalents		*792*	*40*
Cash and cash equivalents at the beginning of the year	2.5	*387*	*347*
Cash and cash equivalents at year-end	2.5	*1 179*	*387*

EDF STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Fair value reserve (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2017	**73 264**	**27 090**	**46 173**	**(47 037)**	**2 252**	**–**	**1 389**
Capital increase - contributions	–	*(4 250)*	*4 250*	–	–		*4 250*
Economic result of the year	–	–	–	*(4 118)*	–		*(4 118)*
BALANCE AS AT 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**–**	**1 521**
Fair value movements						*(2)*	*(2)*
Capital increase - contributions	–	*(4 385)*	*4 385*	–	–		*4 385*
Economic result of the year	–	–	–	*(3 956)*	–		*(3 956)*
BALANCE AS AT 31.12.2019	**73 264**	**18 455**	**54 809**	**(55 111)**	**2 252**	**(2)**	**1 948**

BALANCE SHEET BY EDF

EUR million

	Note	31.12.2019 Eighth EDF	31.12.2019 Ninth EDF	31.12.2019 10th EDF	31.12.2019 11th EDF	31.12.2019 Total	31.12.2018 Eighth EDF	31.12.2018 Ninth EDF	31.12.2018 10th EDF	31.12.2018 11th EDF	31.12.2018 Total
NON-CURRENT ASSETS											
Financial assets	2.1	–	–	–	*36*	*36*	–	–	–	–	–
Pre-financing	2.2	–	*6*	*325*	*580*	*910*	–	*23*	*520*	*344*	*887*
Trust Fund contributions	2.3	–	–	–	*266*	*266*	–	–	–	*201*	*201*
		–	**6**	**325**	**882**	**1 213**	**–**	**23**	**520**	**546**	**1 088**
CURRENT ASSETS											
Pre-financing	2.2	*0*	*26*	*441*	*821*	*1 288*	*0*	*19*	*445*	*984*	*1 448*
Exchange receivables and non-exchange recoverables	2.4	*183*	*121*	*2 201*	*(2 382)*	*123*	*183*	*176*	*2 457*	*(2 679)*	*138*
Inter-EDF accounts		*182*	*53*	*2 160*	*(2 395)*	*(0)*	*183*	*111*	*2 421*	*(2 715)*	*(0)*
Cash and cash equivalents	2.5	–	–	–	*1 179*	*1 179*	–	–	–	*387*	*387*
		365	**201**	**4 801**	**(2 777)**	**2 590**	**367**	**306**	**5 323**	**(4 023)**	**1 973**
TOTAL ASSETS		**365**	**207**	**5 127**	**(1 896)**	**3 803**	**367**	**329**	**5 843**	**(3 477)**	**3 061**
NON-CURRENT LIABILITIES											
Financial liabilities	2.6	–	–	*(1)*	*(18)*	*(19)*	–	–	*(1)*	*(16)*	*(18)*
		–	**–**	**(1)**	**(18)**	**(19)**	**–**	**–**	**(1)**	**(16)**	**(18)**
CURRENT LIABILITIES						–					
Payables	2.7	–	*(5)*	*(108)*	*(404)*	*(516)*	*(0)*	*(6)*	*(125)*	*(111)*	*(241)*
Accrued charges and deferred income	2.8	–	*(96)*	*(240)*	*(983)*	*(1 319)*	*(0)*	*(83)*	*(358)*	*(840)*	*(1 281)*
		–	**(101)**	**(348)**	**(1 386)**	**(1 835)**	**(0)**	**(89)**	**(482)**	**(951)**	**(1 522)**
TOTAL LIABILITIES		**–**	**(101)**	**(349)**	**(1 405)**	**(1 854)**	**(0)**	**(89)**	**(484)**	**(967)**	**(1 540)**
						–					
NET ASSETS		**365**	**106**	**4 778**	**(3 300)**	**1 948**	**366**	**240**	**5 359**	**(4 444)**	**1 521**
Fair value reserves	2.9	–	–	–	*(2)*	*(2)*	–	–	–	–	–
Called fund capital - active EDFs	2.10	*12 164*	*10 758*	*20 960*	*10 927*	*54 809*	*12 164*	*10 773*	*20 960*	*6 527*	*50 423*
Called fund capital from closed EDFs carried forward	2.10	*627*	*1 625*	–	–	*2 252*	*627*	*1 625*	–	–	*2 252*
Called fund capital transfers between active EDFs	2.10	*(2 510)*	*2 109*	*265*	*136*	–	*(2 509)*	*2 137*	*55*	*317*	–

EUR million

		31.12.2019					31.12.2018				
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Economic result carried forward from previous years		*(10 098)*	*(14 406)*	*(18 077)*	*(8 573)*	*(51 155)*	*(10 098)*	*(14 352)*	*(17 078)*	*(5 508)*	*(47 037)*
Economic result of the year		*(0)*	*(34)*	*(529)*	*(3 393)*	*(3 956)*	*0*	*(53)*	*(1 000)*	*(3 065)*	*(4 118)*
NET ASSETS		**183**	**53**	**2 618**	**(905)**	**1 948**	**184**	**129**	**2 938**	**(1 729)**	**1 521**

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR million

		2019					2018				
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
REVENUE											
Revenue from non-exchange transactions	3.1										
Recovery activities		*0*	*–*	*18*	*10*	*28*	*0*	*3*	*(3)*	*4*	*4*
		0	**0**	**18**	**10**	**28**	**0**	**3**	**(3)**	**4**	**4**
Revenue from exchange transactions	3.2										
Financial revenue		*(0)*	*–*	*3*	*4*	*7*	*0*	*2*	*8*	*1*	*10*
Other revenue		*1*	*6*	*21*	*12*	*39*	*1*	*6*	*27*	*12*	*46*
		1	**6**	**24**	**16**	**46**	**1**	**8**	**35**	**13**	**57**
Total revenue		**1**	**6**	**42**	**26**	**74**	**1**	**11**	**32**	**17**	**60**
EXPENSES											
Aid instruments	3.3	*(0)*	*(35)*	*(579)*	*(3 141)*	*(3 755)*	*0*	*(59)*	*(984)*	*(3 012)*	*(4 054)*
Co-financing expenses	3.4	*–*	*–*	*(9)*	*(5)*	*(14)*	*–*	*–*	*18*	*(1)*	*17*
Finance costs	3.5	*(0)*	*2*	*(2)*	*(1)*	*(1)*	*0*	*1*	*5*	*1*	*7*
Other expenses	3.6	*(1)*	*(8)*	*20*	*(272)*	*(260)*	*(1)*	*(7)*	*(71)*	*(70)*	*(148)*
Total expenses		**(1)**	**(40)**	**(571)**	**(3 418)**	**(4 030)**	**(0)**	**(64)**	**(1 031)**	**(3 082)**	**(4 178)**
ECONOMIC RESULT OF THE YEAR		**(0)**	**(34)**	**(529)**	**(3 393)**	**(3 956)**	**0**	**(53)**	**(1 000)**	**(3 065)**	**(4 118)**

STATEMENT OF CHANGES IN NET ASSETS BY EDF

EUR million

Eighth EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2017	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 503)**	**190**
Transfers to/from the 10th EDF			*–*			*(7)*	*(7)*
BALANCE AS AT 31.12.2018	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 509)**	**183**
Transfers to/from the 10th EDF			*–*			*(1)*	*(1)*
BALANCE AS AT 31.12.2019	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 510)**	**183**

EUR million

Ninth EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2017	**10 773**	**–**	**10 773**	**(14 352)**	**1 625**	**2 177**	**222**
Transfers to/from the 10th EDF			*–*			*(40)*	*(40)*
Economic result of the year			*–*	*(53)*			*(53)*
BALANCE AS AT 31.12.2018	**10 773**	**–**	**10 773**	**(14 406)**	**1 625**	**2 137**	**129**
Capital increase - contributions		*15*	*(15)*				*(15)*
Transfers to/from the 10th EDF			*–*			*(27)*	*(27)*
Economic result of the year			*–*	*(34)*		*–*	*(34)*
BALANCE AS AT 31.12.2019	**10 773**	**15**	**10 758**	**(14 440)**	**1 625**	**2 109**	**53**

EUR million

10th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2017	**20 960**	**0**	**20 960**	**(17 078)**	**–**	**120**	**4 003**
Transfers to/from the Eighth and Ninth EDF			–			*47*	*47*
Transfers to/from the 11th EDF			–			*(112)*	*(112)*
Economic result of the year			–	*(1 000)*			*(1 000)*
BALANCE AS AT 31.12.2018	**20 960**	**0**	**20 960**	**(18 077)**	**–**	**55**	**2 938**
Transfers to/from the Eighth and Ninth EDF			–			*28*	*28*
Transfers to/from the 11th EDF			–			*181*	*181*
Economic result of the year			–	*(529)*		–	*(529)*
BALANCE AS AT 31.12.2019	**20 960**	**–**	**20 960**	**(18 606)**	**–**	**265**	**2 618**

EUR million

11th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Fair value reserve (G)	Total Net Assets (C)+(D)+(E)+(F)+(G)
BALANCE AS AT 31.12.2017	**29 367**	**27 090**	**2 277**	**(5 508)**	**–**	**206**	**–**	**(3 025)**
Capital increase - contributions		*(4 250)*	*4 250*			–		*4 250*
Transfers to/from the Eighth, Ninth and 10th EDF			–		–	*112*		*112*
Economic result of the year			–	*(3 065)*		–		*(3 065)*
BALANCE AS AT 31.12.2018	**29 367**	**22 840**	**6 527**	**(8 573)**	**–**	**317**	**–**	**(1 729)**
Fair value movements							*(2)*	*(2)*
Capital increase - contributions		*(4 400)*	*4 400*			*(181)*		*4 219*
Economic result of the year			–	*(3 393)*		–		*(3 393)*
BALANCE AS AT 31.12.2019	**29 367**	**18 440**	**10 927**	**(11 966)**	**–**	**136**	**(2)**	**(905)**

NOTES TO THE FINANCIAL STATEMENTS OF THE EDF

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables may appear not to add-up

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

1.2. BASIS OF PREPARATION

1.2.1. Reporting period

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December.

1.2.2. Currency and basis for conversion

The annual accounts are presented in thousands of euros, the euro being the EU's functional currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

Euro exchange rates

Currency	31.12.2019	31.12.2018	Currency	31.12.2019	31.12.2018
BGN	**1.9558**	*1.9558*	**PLN**	**4.2568**	*4.3014*
CZK	**25.4080**	*25.7240*	**RON**	**4.783**	*4.6635*
DKK	**7.4715**	*7.4673*	**SEK**	**10.4468**	*10.2548*
GBP	**0.8508**	*0.8945*	**CHF**	**1.0854**	*1.1269*
HRK	**7.4395**	*7.4125*	**JPY**	**121.9400**	*125.8500*
HUF	**330.5300**	*320.9800*	**USD**	**1.1234**	*1.145*

1.2.3. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to: amounts for employee benefit liabilities, accrued and deferred revenue and charges, provisions, financial risk on accounts receivable, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are an essential part of the preparation of financial statements and do not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. The effect of a change in accounting estimate shall be recognised in the surplus or deficit in the periods in which it becomes known.

1.3. BALANCE SHEET

1.3.1. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the entity, e.g. by being sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations).

Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and the expenses relate solely to the development phase of the asset. The capitalisable costs include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement.

1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Land is not depreciated, as it is deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
Buildings	*4 % to 10 %*
Plant and equipment	*10 % to 25 %*
Furniture and vehicles	*10 % to 25 %*
Computer hardware	*25 % to 33 %*
Other	*10 % to 33 %*

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element). The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability, which is presented as current/non-current, as applicable. Contingent rents shall be charged as expenses in the period in which they are incurred.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the statement of financial position.

1.3.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.3.4. Financial assets

Financial assets are classified in the following categories: 'financial assets at fair value through surplus or deficit', 'loans and receivables', 'held-to-maturity investments' and 'available for sale financial assets'. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) *Financial assets at fair value through surplus or deficit*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also presented in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date. Loans and receivables include term deposits with the original maturity above three months.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

(iv) *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the entity expects to hold them, which is usually the maturity date. During this financial year, the entity did not hold any investments in this category.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on their trade date, i.e. the date on which the entity commits to purchase or sell the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit, transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

Financial assets at fair value through surplus or deficit are subsequently carried at fair value, with gains and losses arising from changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in the fair value reserve. Interest on available for sale financial assets, calculated using the effective interest method, is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

1.3.5. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, he has the obligation to return the pre-financing advance to the entity. Thus, as the entity retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is presented as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

1.3.6. Receivables and recoverables

The EU accounting rules require a separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term 'receivable' is reserved for exchange transactions, whereas for non-exchange transactions, i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. recoverables from Member States related to own resources).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see 1.3.4 above).

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

1.3.7. Cash and cash equivalents

Cash and cash equivalents are financial instruments and include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.3.8. Provisions

Provisions are recognised when the entity has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.3.9. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and to non-exchange transactions e.g. to cost claims from beneficiaries, grants or other EU funding, or pre-financing received (see note **1.4.1**).

Where grants or other funding are provided to the beneficiaries, the cost claims are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the entity.

1.3.10. Accrued and deferred revenue and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the entity or a contractual agreement exists (e.g. by reference to a contract), an accrued revenue will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.4. STATEMENT OF FINANCIAL PERFORMANCE

1.4.1. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Depending on the nature of the underlying transactions in the statement of financial performance it is distinguished between:

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions are taxes and transfers because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. The entity shall recognise an asset in respect of transfers when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources, and when the fair value can be reliably measured. An inflow of resources from a non-exchange transaction recognised as an asset (i.e. cash) is also recognised as revenue, except to the extent that the entity has a present obligation in respect of that transfer (condition), which needs to be satisfied before the revenue can be recognised. Until the condition is met the revenue is deferred and recognised as a liability (pre-financing received).

(ii) Revenue from exchange transactions

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the entity. They are valued at the original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are recognised in the statement of financial performance.

Expenses from non-exchange transactions relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations. Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expense.

1.5. CONTINGENT ASSETS AND LIABILITIES

1.5.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.5.2. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.6. CO-FINANCING

Co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under conditions and they are presented as payables to Member States, non-Member States and others. The EDF is required to use the contributions to deliver services to third parties or is otherwise required to return the assets (the contributions received). The outstanding payables relating to co-financing agreements represent the co-financing contributions received less the expenses incurred related to the project. The effect on net assets is nil.

Expenses relating to co-financing projects are recognised as they are incurred. The corresponding amount of contributions is recognised as operating revenue and the effect on economic result of the year is nil.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. FINANCIAL ASSETS

The financial assets of the EDF amounted to EUR 36 million at 31 December 2019 (2018: nil). They comprise available for sale financial assets that are almost entirely investments in equity instruments.

2.2. PRE-FINANCING

Many contracts provide for payments of advances before the commencement of works, delivery of supplies or the provision of services. Sometimes the payment schedules of contracts foresee payments based on progress reports. Pre-financing is normally paid in the currency of the country or territory where the project is executed.

The timing of use of pre-financing governs whether it is disclosed as a current or a non-current pre-financing. The use is defined by the project's underlying agreement. Any use due within twelve months after the reporting date are disclosed as current pre-financing. As many of the EDF projects are long-term in nature, it is necessary that the related advances are available for more than one year. Thus some pre-financing amounts are shown as non-current assets.

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Non-current pre-financing	2.2.1	*–*	*6*	*325*	*580*	*910*	*887*
Current pre-financing	2.2.2	*0*	*26*	*441*	*821*	*1 288*	*1 448*
Total		**0**	**32**	**766**	**1 401**	**2 199**	**2 335**

The decrease of the total pre-financing at 31 December 2019 is mainly explained by a decrease of pre-financing of the 10th EDF (2018: EUR 964 million). In line with the lifecycle of the EDF, many contracts related to the 10th EDF were completed and closed. The number of open contracts under this EDF dropped from approximately 2 600 in 2018 to circa 2 300 in 2019. Consequently, the level of pre-financing payments made to beneficiaries decreased while the clearing of pre-financing increased.

This decrease was partially compensated by an increase of pre-financing related to 11th EDF (2018: EUR 1 328 million). The 11th EDF started in 2015 and in 2019 was at cruising speed concerning the implementation of adopted actions. The number of open contracts increased from around 2 300 in 2018 to 3 400 in 2019, which translated into an increase of total open pre-financing of EUR 73 million.

2.2.1. Non-current pre-financing

EUR million

	31.12.2019	31.12.2018
Direct Management		
Implemented by:		
Commission	*190*	*140*
EU executive agencies	*6*	*–*
EU delegations	*49*	*48*
	244	**188**
Indirect Management		
Implemented by :		
EIB and EIF	*313*	*367*
International organisations	*291*	*280*
Private law bodies with a public service mission	*22*	*6*
Public law bodies	*22*	*24*
Third countries	*17*	*21*
EU bodies and Public Private Partnership	*1*	*–*
	665	**698**
Total	**910**	**887**

2.2.2. Current pre-financing

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Pre-financing (gross)	*0*	*115*	*1 627*	*3 288*	*5 030*	*5 153*
Cleared via cut-off	*–*	*(89)*	*(1 186)*	*(2 467)*	*(3 742)*	*(3 705)*
Total	**0**	**26**	**441**	**821**	**1 288**	**1 448**

2.2.3. Guarantees received in respect of pre-financing

Guarantees are held to secure pre-financing and are released when the final claim under a project is paid. At 31 December 2019, the guarantees received by the EDF in respect of pre-financing decreased to EUR 46 million (2018: EUR 79 million).

The majority of pre-financing is paid under the indirect management mode. In this case, the beneficiary of the guarantee is not the EDF but the contracting authority. Even though the EDF is not the beneficiary, those guarantees secure its assets.

2.3. TRUST FUND CONTRIBUTIONS

This heading represents the amount paid as contributions to the EU Trust Fund for Africa and the Bêkou EU Trust Fund. The contributions are net of the costs incurred by the trust funds and attributable to the EDF.

The trust fund contributions are implemented by the EDF under the direct management mode.

EUR million

	Net contribution at 31.12.2018	Contributions paid in 2019	Allocation of TF's net expenses 2019	Net contribution at 31.12.2019
Africa	*193*	*600*	*(530)*	*263*
Bêkou	*9*	*–*	*(5)*	*4*
Total	**201**	**600**	**(535)**	**266**

2.4. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR million

	Note	31.12.2019	31.12.2018
Recoverables from non-exchange transactions	2.4.1	*32*	*37*
Receivables from exchange transactions	2.4.2	*91*	*101*
Total		**123**	**138**

2.4.1. Recoverables from non-exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Member States	–	*0*	–	*1*	*1*	*5*
Customers	*1*	*4*	*17*	*4*	*27*	*26*
Public bodies	–	*9*	*11*	*1*	*21*	*25*
Third states	*0*	*2*	*4*	*0*	*7*	*5*
Write down	*(2)*	*(13)*	*(12)*	*(1)*	*(27)*	*(27)*
Inter-company accounts with EU institutions	–	–	–	*4*	*4*	*3*
Total	**0**	**3**	**20**	**9**	**32**	**37**

2.4.2. Receivables from exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Accrued income	*1*	*65*	*21*	*0*	*88*	*81*
Receivable from EU	–	–	–	*4*	*4*	*20*
Inter-EDF accounts	*182*	*53*	*2 160*	*(2 395)*	*(0)*	*(0)*
Total	**183**	**119**	**2 181**	**(2 391)**	**91**	**101**

Included under accrued income are amounts of accrued interest on pre-financing related to projects (EUR 65 million) and on pre-financing related to the EU-Africa Trust Fund (EUR 21 million).

The receivable from the EU is the amount that was transferred to the trust account owned by the European Commission.

For efficiency reasons, the single treasury covering all the EDFs is allocated to the 11th EDF; this leads to operations between the various EDFs, which are balanced out in the inter-EDF accounts between the various EDF balance sheets.

Inter-EDF accounts are presented only in the individual EDFs. The total of inter-EDF accounts is zero.

2.5. CASH AND CASH EQUIVALENTS[3]

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Special accounts						
Central banks	*–*	*–*	*–*	*729*	*729*	*276*
	–	**–**	**–**	**729**	**729**	**276**
Current accounts						
Commercial banks	*–*	*–*	*–*	*421*	*421*	*87*
Cash belonging to financial instruments	*–*	*–*	*–*	*30*	*30*	*24*
	–	**–**	**–**	**450**	**450**	**111**
Total	**–**	**–**	**–**	**1 179**	**1 179**	**387**

The increase of amounts under this heading of EUR 792 million can be explained mainly by payment execution being lower than forecast. EDF payments totalled EUR 3 910 million on 31 December 2019, compared to the annual target of EUR 4 400 million. Two key reasons for this differential are the suspension of the signature of the contract on Global Partnership for Education with the World Bank and the postponement of Budget Support payments for Chad, Haiti, and Benin.

In addition, the increase under Commercial banks relates to EUR 264 million of the 2020 capital contribution received from the UK on the Natwest bank account at the end of December (see note **2.7.2.1**) .

Similar previous years and in order to limit counterparty risk more cash is kept in accounts with central banks than in the commercial banks (see note **5.1**).

LIABILITIES

2.6. FINANCIAL LIABILITIES

2.6.1. Co-financing payables

Co-financing payables represent funds received by the EDF in respect to the co-financing agreements. The EDF is required to use these contributions to deliver agreed services to third parties and return the unused funds to the contributors. Timing of the use of the co-financing amounts determines whether it is disclosed as current or non-current.

At the year end a case-by-case assessment of all co-financing payables is performed and all amounts that are unlikely to be used in the following 12 months are considered non-current.

EUR million

	Eighth	Ninth	10th	11th	31.12.2019	31.12.2018
Non-current co-financing payables	*–*	*–*	*1*	*18*	*19*	*18*
Current co-financing payables	*–*	*–*	*38*	*31*	*69*	*68*
Total	**–**	**–**	**39**	**50**	**88**	**86**

The increase of the total co-financing payables of EUR 2.6 million is a combined effect of new co-financing amounts received in 2019 (EUR 17 million) and expenses incurred in respect of co-financing projects (EUR 14.4 million). In line with the accounting rules on co-financing, the incurred amounts did not have any impact on the result of the year because they were recognised both in the co-financing expenses (note **3.4**) and in the co-financing revenue (note **3.1.1**).

[3] In accordance with Article 53 of the Financial Regulation applicable to the 11th European Development Fund, the treasury is presented in the balance sheet of the 11th EDF. The nature of the various bank accounts is outlined in chapter 5, Financial Risk Management.

2.7. PAYABLES

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Current payables	2.7.1	–	5	72	106	182	173
Sundry payables	2.7.2	–	(0)	36	298	334	68
Total		**–**	**5**	**108**	**404**	**516**	**241**

2.7.1. Current payables

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Suppliers	–	4	67	27	97	102
Member States	–	0	0	2	2	1
Third states	0	–	4	74	78	37
Public bodies	–	2	70	20	92	43
Other current payables	(0)	(1)	(70)	(17)	(88)	(10)
Total	**–**	**5**	**72**	**106**	**182**	**173**

Payables include cost statements received by the EDF relating to its grant giving activity. They are recorded for the amount being claimed from the moment the payment request is received. The same procedure applies to invoices and credit notes received under procurement activities. The cost claims concerned have been taken into account for the year-end cut-off procedures. Following the cut-off entries, estimated eligible amounts have been recognised in the statement of financial performance. Non-eligible amounts have been shown as other current payables.

2.7.2. Sundry payables

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Co-financing payables	2.6.1	–	–	38	31	69	68
Deferred capital contributions	2.7.2.1	–	–	–	264	264	–
Other sundry payables		–	–	(2)	3	1	0
Total		**–**	**–**	**36**	**298**	**334**	**68**

2.7.2.1. Deferred capital contributions

At 31 December 2019, the entire amount of EUR 264 million relates to 2020 contribution of the UK paid to the EDF at the end of December. At 31 December 2018, there were no capital contributions paid in advance.

2.8. ACCRUED CHARGES AND DEFERRED INCOME

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Accrued charges	–	96	240	982	1 318	1 279
Other accruals and deferrals	–	–	0	1	1	3
Total	**–**	**96**	**240**	**983**	**1 319**	**1 281**

Accrued charges comprise estimated operating expenses for on-going or completed contracts without validated cost claims where the eligible expenses incurred by beneficiaries were estimated using the best available information. The portion of the estimated accrued charges, which relates to pre-financing paid, has been recorded as a reduction of the pre-financing amounts (see note **2.2** above).

The increase under this heading is a combined effect of an increase of accrued charges under the 11th EDF (2018: EUR 838 million) and a decrease of accrued charges under the 10th EDF (2018: EUR 358 million). This is in line with the lifecycle of the EDF and also related to the evolution of the number of open contracts under these EDFs: The 11th EDF was at the full cruising speed in 2019 and there were thus significantly more open contracts at 31 December 2019 for which the charges had to be estimated and accrued. Conversely, many contracts were completed and closed under the 10th EDF in 2019, which resulted into a decrease of open contracts and less accrued charges under this EDF.

NET ASSETS

2.9. FAIR VALUE RESERVE

In accordance with the accounting rules, the adjustment to fair value of available for sale financial assets is accounted for through the fair value reserve.

EUR million

	31.12.2019	31.12.2018
Included in fair value reserve	*(2)*	–
Included in statement of financial performance	–	–
Total	**(2)**	**–**

2.10. FUND CAPITAL

2.10.1. Called fund capital – active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Fund capital	*12 164*	*10 773*	*20 960*	*29 367*	*73 264*
Uncalled fund capital	–	*(0)*	*(0)*	*(22 840)*	*(22 840)*
Called fund capital 31.12.2018	**12 164**	**10 773**	**20 960**	**6 527**	**50 423**
Fund capital	*12 164*	*10 773*	*20 960*	*29 367*	*73 264*
Uncalled fund capital	–	*(15)*	*(0)*	*(18 440)*	*(18 455)*
Called fund capital 31.12.2019	**12 164**	**10 758**	**20 960**	**10 927**	**54 809**

The fund capital represents the total amount of contributions from Member States for the relevant EDF fund as laid down in each of the Internal Agreements. The uncalled funds represent amounts not yet called from Member States. The called fund capital represents the contributions, which have been called by the EDF and transferred to the treasury accounts by the Member States (see below **2.10.2.**).

2.10.2. Called and uncalled fund capital by Member State

EUR million

Contributions 11th EDF	%	Uncalled capital 31.12.2018	Capital called in 2019	Uncalled capital 31.12.2019
Austria	*2.40*	*548*	*(105)*	*442*
Belgium	*3.25*	*742*	*(143)*	*599*
Bulgaria	*0.22*	*50*	*(10)*	*40*
Croatia	*0.23*	*51*	*(10)*	*42*
Cyprus	*0.11*	*25*	*(5)*	*21*
Czech Republic	*0.80*	*182*	*(35)*	*147*
Denmark	*1.98*	*452*	*(87)*	*365*
Estonia	*0.09*	*20*	*(4)*	*16*
Finland	*1.51*	*345*	*(66)*	*278*
France	*17.81*	*4 068*	*(784)*	*3 285*
Germany	*20.58*	*4 700*	*(906)*	*3 795*
Greece	*1.51*	*344*	*(66)*	*278*
Hungary	*0.61*	*140*	*(27)*	*113*
Ireland	*0.94*	*215*	*(41)*	*173*
Italy	*12.53*	*2 862*	*(551)*	*2 311*
Latvia	*0.12*	*27*	*(5)*	*21*
Lithuania	*0.18*	*41*	*(8)*	*33*
Luxemburg	*0.26*	*58*	*(11)*	*47*
Malta	*0.04*	*9*	*(2)*	*7*
Netherlands	*4.78*	*1 091*	*(210)*	*881*
Poland	*2.01*	*458*	*(88)*	*370*
Portugal	*1.20*	*273*	*(53)*	*221*
Romania	*0.72*	*164*	*(32)*	*132*
Slovakia	*0.38*	*86*	*(17)*	*69*
Slovenia	*0.22*	*51*	*(10)*	*41*
Spain	*7.93*	*1 812*	*(349)*	*1 463*
Sweden	*2.94*	*671*	*(129)*	*542*
United Kingdom	*14.68*	*3 353*	*(646)*	*2 707*
Total	**100.00**	**22 840**	**(4 400)**	**18 440**

Since the capital of the Eighth, Ninth and 10th EDF has been called up and received in its entirety in previous years, in 2019, an amount of EUR 4 400 million has been called which relates entirely to the 11th EDF.

2.10.3. Called fund capital from closed EDFs carried forward

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Funds transferred from closed EDFs	*627*	*1 625*	*–*	*–*	*2 252*	*2 252*

This heading includes the resources transferred from closed EDFs to the Eighth and Ninth EDFs.

2.10.4. Called fund capital transfers between active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2017	**(2 503)**	**2 177**	**120**	**206**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(7)*	*(40)*	*47*	*–*	*0*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(112)*	*112*	*–*
Balance at 31.12.2018	**(2 509)**	**2 137**	**55**	**317**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(1)*	*(27)*	*28*	*–*	*(0)*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*181*	*(181)*	*–*
Balance at 31.12.2019	**(2 510)**	**2 109**	**265**	**136**	**–**

This heading includes the resources transferred between the active EDFs.

Since the entry into force of the Cotonou Agreement, all the unspent funds in previous active EDFs are transferred to the most recently opened EDF after decommitment. The resources transferred from other EDFs increase the appropriations of the receiving fund and reduce the appropriations of the fund of origin. Funds transferred to the performance reserve of the 10th and 11th EDFs can be committed only under specific conditions set out in the Internal Agreements.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR million

	Note	2019	2018
Revenue from non-exchange transactions	3.1	*28*	*4*
Revenue from exchange transactions	3.2	*46*	*57*
Total		**74**	**60**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Recovery of expenses		*0*	*0*	*9*	*4*	*13*	*21*
Recovery of STABEX funds		*–*	*–*	*0*	*–*	*0*	*0*
Co-financing revenue	3.1.1	*–*	*–*	*9*	*5*	*14*	*(17)*
Total		**0**	**0**	**18**	**10**	**28**	**4**

Non-exchange revenue can be broken down by management mode as follows:

EUR million

	2019	2018
Direct Management		
Implemented by:		
Commission	*1*	*1*
EU delegations	*6*	*3*
	6	**4**
Indirect Management		
Implemented by :		
Third countries	*15*	*(13)*
International organisations	*5*	*12*
Private law bodies with a public service mission	*2*	*1*
	22	**–**
Total	**28**	**4**

3.1.1. Co-financing revenue

The co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under conditions and as such should not affect the statement of financial performance when received. The contributions remain under liabilities (see note **2.6.1**) until the conditions attached to the donated funds are met, i.e. eligible expenses are incurred (see note **3.4**). The corresponding amount is then recognised in the statement of financial performance as non-exchange revenue from co-financing. Consequently, the effect on the economic result of the year is zero.

3.2. REVENUE FROM EXCHANGE TRANSACTIONS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Financial revenue	*(0)*	*(0)*	*3*	*4*	*7*	*10*
Other revenue	*1*	*6*	*21*	*12*	*39*	*46*
Total	**1**	**6**	**24**	**16**	**46**	**57**

Financial revenue comprises essentially accrued interest on overdue recovery orders (EUR 6.6 million) and interest on pre-financing. Other revenue relates in its entirety foreign exchange gains. The corresponding foreign exchange losses are recorded under other expenses (see note **3.6**).

EXPENSES

3.3. AID INSTRUMENTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Programmable aid	*0*	*(0)*	*295*	*1 824*	*2 119*	*2 001*
Macro-economic support	*–*	*29*	*–*	*–*	*29*	*26*
Sectoral policy	*–*	*0*	*–*	*–*	*0*	*2*
Intra ACP projects	*–*	*2*	*272*	*678*	*951*	*827*
Emergency aid	*–*	*4*	*12*	*97*	*112*	*873*
Institutional support	*–*	*–*	*0*	*7*	*7*	*18*
Contributions to Trust Funds	*–*	*–*	*–*	*535*	*535*	*307*
Total	**0**	**35**	**579**	**3 141**	**3 755**	**4 054**

The EDF operational expenditure covers various aid instruments and takes different forms, depending on how the money is paid out and managed.

The decrease under this heading is a combined effect of an increase of expenses under the 11th EDF (2018: EUR 3 012 million) and a decrease of expenses under the 10th EDF (2018: EUR 984 million). This is in line with the lifecycle of the EDF and also related to the evolution of the number of open contracts under these EDFs: The 11th EDF was at the full cruising speed in 2019 and there were thus significantly more open contracts at 31 December 2019 under which expenses were incurred. Conversely, many contracts were completed and closed under the 10th EDF in 2019, which resulted into less expenses incurred under this EDF.

As noted namely under the 11th EDF the structure of the aid instruments expenses changed compared to 2018. Under this EDF the Emergency aid expensed significantly decreased (2018: EUR 811 million), while the expenses related to Programmable aid, Intra ACP project and Contributions to the Trust funds significantly increased (2018: EUR 1 468 million, resp. EUR 410 million, resp. EUR 307 million respectively).

3.4. CO-FINANCING EXPENSES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Co-financing	*–*	*–*	*9*	*5*	*14*	*(17)*

Included under this heading are the expenses incurred on co-financing projects in 2019. It should be noted that the expenses incurred include estimated amounts related to the cut-off exercise (and consequently reversals of the estimated amounts related to last year).

Corresponding revenue has been recognised in the statement of financial performance (see note **3.1.1**).

AID INSTRUMENTS AND CO-FINANCING EXPENSES BY MANAGEMENT TYPE

EUR million

	2019	2018
Direct Management		
Implemented by:		
Commission	*86*	*122*
EU executive agencies	*(13)*	*31*
Trust Funds	*483*	*594*
EU delegations	*1 141*	*1 003*
	1 697	**1 750**
Indirect Management		
Implemented by:		
EIB and EIF	*145*	*44*
International organisations	*1 003*	*920*
Private law bodies with a public service mission	*126*	*114*
Public law bodies	*184*	*231*
Third countries	*613*	*977*
EU bodies with Public Private Partnership	*1*	*1*
	2 073	**2 287**
Total	**3 770**	**4 037**

3.5. FINANCE COSTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Write-down of receivables	*0*	*(2)*	*2*	*1*	*1*	*(7)*

Included under this heading are the estimated expenses on irrecoverable amounts.

3.6. OTHER EXPENSES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2019	2018
Administrative and IT expenses	–	–	*(41)*	*262*	*220*	*112*
Provision for risks and charges	–	–	–	–	–	*(4)*
Realised losses on trade debtors	–	*2*	*1*	*1*	*3*	*1*
Exchange losses	*1*	*6*	*21*	*9*	*37*	*39*
Total	**1**	**8**	**(20)**	**272**	**260**	**148**

This heading includes mainly support expenditure, i.e. the administrative costs related to the programming and implementation of the EDFs. This includes expenses for preparation, follow-up, monitoring, and evaluation of projects as well as expenses for computer networks, technical assistance etc.

4. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Performance guarantees	*–*	*10*	*5*	*0*	*15*	*11*
Retention guarantees	*–*	*5*	*4*	*–*	*9*	*7*
Total	**–**	**15**	**8**	**0**	**24**	**17**

Performance guarantees are requested to ensure that beneficiaries of EDF funding meet the obligations of their contracts with the EDF.

Retention guarantees concern only works contracts. Typically, 10% of the interim payments to beneficiaries are withheld to ensure that the contractors fulfil their obligations. These withheld amounts are reflected as amounts payable. Subject to the approval of the contracting authority, the contractor may instead submit a retention guarantee which replaces the amounts withheld on interim payments. These received guarantees are disclosed as contingent assets.

For contracts managed under indirect management, the guarantees belong to a contracting authority other than the EDF and they are therefore not disclosed by the EDF.

4.2. OTHER SIGNIFICANT DISCLOSURES

4.2.1. Outstanding commitments not yet expensed

The amount disclosed below is the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the statement of financial performance. The budgetary RAL is an amount representing the commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multiannual programmes.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2019	31.12.2018
Outstanding commitments not yet expensed	*(0)*	*42*	*576*	*7 946*	*8 564*	*9 071*

At 31 December 2019 the budgetary RAL totalled EUR 10 270 million (2018: EUR 10 616 million).

5. FINANCIAL RISK MANAGEMENT

The following disclosures with regard to the financial risk management of the EDF relate to the treasury operations carried out by the Commission on behalf of the EDF in order to implement its resources.

5.1. RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

The rules and principles for the management of the treasury operations are laid down in the 11th EDF Financial Regulation and in the Internal Agreement.

As a result of the above regulation, the following main principles apply:

(a) The EDF contributions are paid by Member States in special accounts opened with the bank of issue of each Member State or the financial institution designated by it. The amounts of the contributions shall remain in those special accounts until the payments of EDF need to be made.

(b) EDF contributions are paid by Member States in EUR, while the EDF's payments are denominated in EUR and in other currencies.

(c) Bank accounts opened by the Commission on behalf of the EDF may not be overdrawn.

In addition to the special accounts, other bank accounts are opened by the Commission in the name of the EDF, with financial institutions (central banks and commercial banks), for the purpose of executing payments and receiving receipts other than the Member State contributions to the budget.

Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulation, the Commission’s internal control standards, and audit principles.

A written set of guidelines and procedures regulate the management of the treasury and payment operations with the objective of limiting operational and financial risk and ensuring an adequate level of control. They cover the different areas of operation, and compliance with the guidelines and procedures is checked regularly.

5.2. CURRENCY RISK

Exposure of the EDF to currency risk at year end – net position

EUR million

	31.12.2019							31.12.2018						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	–	–	–	–	*115*	*8*	*123*	*63*	–	*0*	–	*67*	*8*	*138*
Cash and cash equivalents	*1*	–	–	–	*1 178*	–	*1 179*	*1*	*0*	–	–	*386*	–	*387*
	1	**–**	**–**	**–**	**1 293**	**8**	**1 302**	**64**	**0**	**0**	**–**	**453**	**8**	**525**
Financial liabilities														
Non-current financial liabilities	–	–	–	–	*(19)*	–	*(19)*	–	–	–	–	*(18)*	–	*(18)*
Payables	*(7)*	–	–	–	*(509)*	–	*(516)*	*(1)*	–	–	–	*(218)*	*(22)*	*(241)*
	(7)	**–**	**–**	**–**	**(528)**	**–**	**(535)**	**(1)**	**–**	**–**	**–**	**(236)**	**(22)**	**(259)**
Total	**(6)**	**–**	**–**	**–**	**765**	**8**	**767**	**63**	**0**	**0**	**–**	**217**	**(14)**	**267**

All contributions are held in EUR, and other currencies are purchased only when they are needed for the execution of payments. As a result the EDF's treasury operations are not exposed to currency risk.

5.3. INTEREST RATE RISK

The EDF does not borrow money and consequently it is not exposed to interest rate risk.

Interest is accrued on balances it holds in its different banks accounts. The Commission, on behalf of the EDF, has therefore put in place measures to ensure that interest earned regularly reflects market interest rates as well as their possible fluctuation.

Contributions to the EDF budget are credited by each Member State to a special account opened with the financial institution designed by it. As the remuneration applied to some of these accounts may currently be negative, cash management procedures are in place to minimise balances kept on the accounts concerned. In addition, in accordance with Council Regulation (EU) 2016/888, any negative remuneration on these accounts is borne by the relevant Member State.

Overnight balances held in commercial bank accounts are remunerated on a daily basis. The remuneration of balances on such accounts is based on variable market rates to which a contractual margin (positive or negative) is applied. For most of the accounts, the interest calculation is linked to a market reference rate and is adjusted to reflect any fluctuations of this rate. As a result, no risk is taken by the EDF that its balances could be remunerated at rates lower than market rates.

5.4. CREDIT RISK (COUNTERPARTY RISK)

Financial assets that are neither past due nor impaired:

EUR million

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Exchange receivables and non-exchange recoverables	*123*	*100*	*16*	*7*	*–*
Total at 31.12.2019	**123**	**100**	**16**	**7**	**–**
Exchange receivables and non-exchange recoverables	*138*	*121*	*12*	*5*	*–*
Total at 31.12.2018	**138**	**121**	**12**	**5**	**–**

Financial assets by risk category:

EUR million

	31.12.2019			31.12.2018		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*7*	*958*	*965*	*5*	*303*	*308*
Upper medium grade	*–*	*220*	*220*	*–*	*80*	*80*
Lower medium grade	*–*	*1*	*1*	*–*	*4*	*4*
Non- investment grade	*–*	*0*	*0*	*–*	*0*	*0*
	7	**1 179**	**1 186**	**5**	**387**	**391**
Counterparties without external credit rating						
Group 1 (debtors without defaults in the past)	*116*	*0*	*116*	*133*	*0*	*134*
Group 2 (debtors with defaults in the past)	*–*	*–*	*–*	*–*	*–*	*–*
Total	**116**	**0**	**116**	**133**	**0**	**134**
Total	**123**	**1 179**	**1 302**	**138**	**387**	**525**

Funds in the categories *non-investment grade* and *lower medium grade* relate mainly to Member State contributions to the EDF paid to the special accounts opened by Member States in accordance with Article

20(3) of the EDF FR. According to this regulation, the amount of such contributions must remain in those special accounts until the payments need to be made.

Most of the EDF's treasury resources are kept, in accordance with the EDF FR, in the special accounts opened by Member States for the payment of their contributions. The majority of such accounts are held with Member States' treasuries or national central banks. These institutions carry the lowest counterparty risk for the EDF (exposure is with its Member States).

For the part of the EDF's treasury resources kept with commercial banks in order to cover the execution of payments, replenishment of these accounts is executed on a just-in-time basis and is automatically managed by the Commission treasury's cash management system. Minimum cash levels, proportional to the average amount of daily payments made from it, are kept on each account. Therefore the amounts kept overnight on these accounts remain constantly at low levels which ensure the EDF's risk exposure is limited.

In addition, specific guidelines are applied for the selection of commercial banks in order to minimise counterparty risk to which the EDF is exposed.

All commercial banks are selected by calls for tender. The minimum short-term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent (S&P A-1 or Fitch F1). A lower level may be accepted in specific and duly justified circumstances.

5.5. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

EUR million

	< 1 year	1-5 years	> 5 years	Total
Financial liabilities	*516*	*2*	*17*	*535*
Total at 31.12.2019	**516**	**6**	**22**	**516**
Financial liabilities	*241*	*7*	*11*	*259*
Total at 31.12.2018	**241**	**7**	**11**	**259**

Budget principles applied to the EDF ensure that overall cash resources for the budgetary period are always sufficient for the execution of payments. Indeed the total Member States' contributions equal the overall amount of payment appropriations for the relevant budgetary period.

Member States contributions to EDF, however, are paid in three instalments per year, while payments are subject to seasonality.

In order to ensure that treasury resources are always sufficient to cover the payments to be executed in any given month, information on the treasury situation is regularly exchanged between the Commission's treasury and the relevant spending departments.

In addition to the above, in the context of the EDF's treasury operations, automated cash management tools ensure that sufficient liquidity is available on each of the EDF's bank accounts, on a daily basis.

6. RELATED PARTY DISCLOSURES

The related parties of the EDF are the Bêkou- and Africa EU Trust Funds and the European Commission. Transactions between these entities take place as part of the normal operations of the EDF and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

The EDF has no separate management since it is managed by the Commission. The entitlements of the key management of the EU, including the Commission, have been disclosed in the consolidated annual accounts of the European Union under heading 7.2 "Key management entitlements".

7. EVENTS AFTER THE BALANCE SHEET DATE

At the date of transmission of these provisional accounts, apart from the matter highlighted below, no material issues had come to the attention of or were reported to the Accounting Officer of the EDF that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above.

Departure of United Kingdom from the European Union

On 1 February 2020, the United Kingdom ceased to be a Member State of the European Union. Following the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "Withdrawal Agreement") between the two parties, the United Kingdom committed to pay all its obligations under the current MFF and previous financial perspectives as if it were still a Member State.

The Withdrawal Agreement states that the United Kingdom shall remain party to the EDF until the closure of the 11th EDF and all previous unclosed EDFs, and shall in this respect assume the same obligations as the Member States under the Internal Agreement by which it was set up, as well as the obligations resulting from previous EDFs until their closure. It may participate, as observer, without voting rights, in the EDF Committee.

The Withdrawal Agreement also states that, where the amounts from projects under the 10th EDF or from previous EDFs have not been committed or have been decommitted on the date of entry into force of this agreement, the United Kingdom's share of those amounts shall not be reused. The same applies to the United Kingdom share of funds not committed or decommitted amounts under 11th EDF after 31 December 2020.

At the time of the transmission of these provisional accounts, and based on the Withdrawal Agreement concluded and already in operation, there is no financial impact to be reported in the 2019 EDF annual accounts.

Coronavirus disease 2019 (COVID-19)

During the first quarter of 2020, the coronavirus outbreak has had huge global impacts, including on the financial markets where significant falls in all major indices have occurred. This has led to increased volatility in the value of financial instruments recorded at fair value, including those on the EDF's balance sheet. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported. For subsequent reporting periods, COVID-19 will likely affect the recognition and measurement of some assets and liabilities in the financial statements. Based on the information available at the time of transmission of these provisional accounts, the financial effects of the coronavirus outbreak cannot be reliably estimated.

8. RECONCILIATION OF ECONOMIC RESULT AND BUDGET RESULT

The economic result of the year is calculated based on accrual accounting principles. The budget result is however based on cash accounting rules. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable. The table below shows this reconciliation, highlighting the key reconciling amounts, split between revenue and expenditure items. The notes to the table provide additional information on the nature of the key reconciling items.

EUR million

	2019	2018
ECONOMIC RESULT OF THE YEAR	**(3 956)**	**(4 118)**
Revenue		
Entitlements not affecting the budget result	*–*	*(1)*
Entitlements established in current year but not yet collected	*(16)*	*(11)*
Entitlements established in previous years and collected in current year	*23*	*11*
Net effect of pre-financing	*53*	*36*
Accrued revenue (net)	*(67)*	*(39)*
Other	*(3)*	*(1)*
Expenses		
Expenses of the current year not yet paid	*107*	*115*
Expenses of previous years paid in the current year	*(672)*	*(366)*
Net effect of pre-financing	*(44)*	*(179)*
Accrued expenses (net)	*719*	*484*
BUDGET RESULT OF THE YEAR	**(3 856)**	**(4 069)**

8.1. RECONCILING ITEMS - REVENUE

The budgetary revenue of a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years.

The **entitlements not affecting the budget result** are recorded in the economic result but from a budgetary perspective cannot be considered as revenues as the cashed amount is transferred to reserves and cannot be recommitted without a Council decision.

The **entitlements established in the current year but not yet collected** are to be deducted from the economic result for reconciliation purposes, as they do not form part of budgetary revenue. On the contrary, the **entitlements established in previous years and collected in the current** year must be added to the economic result for reconciliation purposes.

The **net effect of pre-financing** line refers to clearing of pre-financing with amounts recovered from the beneficiaries. These cash receipts represent budgetary revenue but have no impact on the economic result and must be thus added for reconciliation purposes.

The **net accrued revenue** mainly consists of accruals made for year-end cut-off purposes. Only the net effect, i.e. the accrued revenue of the current year less the reversal of accrued revenue of the previous year, is taken into consideration.

8.2. RECONCILING ITEMS – EXPENDITURE

Expenses of the current year not yet paid are to be added for reconciliation purposes as they are included in the economic result but do not form part of budgetary expenditure. On the contrary, the **expenses of previous years paid in the current year** must be deducted from the economic result for reconciliation purposes as they are part of the current year's budgetary expenditure but have either no effect on the economic result or they decrease the expenses in case of corrections.

The cash receipts from **payment cancellations** do not affect the economic result whereas they affect the budget result.

The **net effect of pre-financing** is the combination of the new pre-financing amounts paid in the current year (recognised as budgetary expenditure of the year) and the clearing of pre-financing paid in the current year or previous years through the acceptance of eligible costs. The latter represents an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

The **net accrued expenses** mainly consist of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by beneficiaries of EDF funds but not yet reported to the EDF. Only the net effect, i.e. the accrued expenses of the current year less the reversal of accrued expenses of the previous year, is taken into consideration.

FINANCIAL STATEMENTS OF THE EU TRUST FUNDS CONSOLIDATED IN EDF

FINANCIAL STATEMENTS OF THE BÊKOU EU TRUST FUND 2019

It should be noted that due to the rounding of figures into thousands of euros (kEUR), some financial data in the tables may appear not to add-up.

BACKGROUND INFORMATION ON THE BÊKOU EU TRUST FUND

General background on Union Trust Funds

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[4] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[5], the European Commission may establish Union trust funds for external actions ('EU trust funds'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

Union trust funds are established by the European Commission by a decision after consultation or approval of the European Parliament and the Council. This decision includes the constitutive agreement with other donors.

Union trust funds are only established and implemented subject to the following conditions:

- There is added value of the Union intervention: the objectives of Union trust funds, in particular by reason of their scale or potential effects, may be better achieved at Union level than at national level and the use of the existing financing instruments would not be sufficient to achieve policy objectives of the Union;
- Union trust funds bring clear political visibility for the Union and managerial advantages as well as better control by the Union of risks and disbursements of the Union and other donors' contributions;
- Union trust funds do not duplicate other existing funding channels or similar instruments without providing any additionality;
- The objectives of Union trust funds are aligned with the objectives of the Union instrument or budgetary item from which they are funded.

A board, chaired by the Commission, is established for each Union trust fund to ensure a fair representation of the donors and to decide upon the use of the funds. The board includes a representative of each non-contributing Member State as an observer. The rules for the composition of the board and its internal rules are laid down in the constitutive agreement of the Union trust fund.

Union trust funds are established for a limited duration as determined in their constitutive agreement. That duration may be extended upon request of the board of the Union trust fund and upon presentation by the Commission of a report justifying the extension. The European Parliament and/or the Council may request the Commission to discontinue the appropriations for the trust fund or revise the constitutive act with a view to liquidate it.

The Accounting Officer of the Commission serves as the Accounting Officer of the Union trust funds. The Accounting Officer is responsible for laying down accounting procedures and chart of accounts common to all Union trust funds. The Commission's Internal Auditor, OLAF and the Court of Auditors exercise the same powers over Union trust funds as they do in respect of other actions carried out by the Commission. The Union trust funds are also subject to an independent external audit every year.

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The **EUTF BÊKOU**, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;

- The **EUTF MADAD**, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;

[4] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.
[5] Council regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323.

- The **EUTF AFRICA**, a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;

- The **EUTF COLOMBIA**, to support the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

The Bêkou EU Trust Fund

The first multi-donor EU Trust Fund called Bêkou, which means 'hope' in Sango, was established on 15 July 2014, by the Commission (represented by DGs DEVCO and ECHO, and the EEAS) and three EU Member States (Germany, France and the Netherlands), with the aim of promoting the stabilisation and reconstruction of the Central African Republic (CAR). It has been established for a maximum duration of 60 months. In May 2019 the EU approved an extension of the EUTF Bêkou until December 2020, thus bringing its total duration to 78 months.

The Trust Fund Board and the Operational Committee of the Bêkou EU Trust Fund are composed of representatives of the donors, of the Commission and observers.The Board adopts and reviews the strategy of the EUTF. The Board meets at least once a year.

The Operational Committee examines, approves and supervises the implementation of the actions financed by the Fund. The Committee also approves the annual accounts and the annual reports on the activities financed by the trust fund.

Annual accounts of the Bêkou EU Trust Fund

According to Article 8 of the Agreement establishing the European Union Trust Fund for the Central African Republic, the 'Bêkou EU Trust Fund' and article 11.2.1 of the Constitutive agreement, the annual accounts comprise two parts: (1) The annual financial report which is the responsibility of the EUTF manager and (2) The annual financial statements prepared by the Commission's Accounting Officer, who is, based on the same article, also the Accounting Officer of the trust fund.

According to Article 8 of the Constitutive agreement, the financial statements shall be prepared in accordance with the accounting rules adopted by the Commission's Accounting Officer (EU Accounting Rules, EAR) that are based on the International Public Sector Accounting Standards (IPSAS).

The annual accounts are subject to independent external audit and the final annual accounts are submitted by the EUTF manager and the Accounting Officer to the Operational Committee for approval (Article 8.3.4(c)).

The annual accounts of the EUTF Bêkou are consolidated in the annual accounts of the European Developement Fund.

Highlights of the year

Since its creation in July 2014, the EUTF Bêkou has adopted 19 programmes and has reached more than 2.5 million beneficiaries. The programmes are to assist the Central African Republic (CAR) and its population in the aftermath of the 2013 crisis. More specifically, the EUTF Bêkou aims to ensure access to basic services (mainly health, water and sanitation), support economic recovery and job creation, and promote social cohesion and reconciliation.

Despite the presence of a democratically elected government and the signature of a peace agreement in February 2019, the security situation in the CAR remains volatile. It is in this complex and fragile context that the EUTF Bêkou deploys its comparative advantages of flexibility and adaptability to changing circumstances. Additionally, the EUTF Bêkou remains the only instrument building resilience for both the population and the State, in a true LRRD (linking relief, rehabilitation and development) approach.

In May 2019, given the current situation in CAR, the EU approved an extension of the EUTF Bêkou until December 2020, thus bringing its total duration from 60 months to 78 months. The official procedure, which included a consultation of the European Parliament and the Council, was launched in 2018 after the official request of the EUTF Board.

Operational highlights of the year 2019 include:

- In May, in the wake of the signature of the Peace Agreement, the EUTF Bêkou adopted a new multi-sectoral action to support the socio-economic recovery in the South-East, an area previously inaccessible. This action aims to renew the social contract between the State and the population, by supporting economic recovery, restoring basic health and water and sanitation services, promoting dialogue and social cohesion, and strengthening local authorities and the redeployment of the State. Budget allocated: EUR 18 million.

- In October, the EUTF Bêkou adopted a Programme supporting the promotion of entrepreneurship in urban and rural areas for a total amount of EUR 15 million. A new Technical and Communication Assistance Facility was also adopted. Moreover, the EUTF Bêkou increased the budget of three on-going actions in the sectors of health (additional EUR 21.76 million), gender empowerment (additional EUR 0.5 million), and socio-economic rehabilitation (additional EUR 0.78 million).

- Following the extension of the EUTF Bêkou, the Operational Strategy 2019 – 2020 was adopted at the November Board. It identifies three broad sectors of intervention that remain pertinent for the EUTF: i) social sectors (mainly health and water and sanitation); ii) actions in favour of economic resilience and recovery; and iii) a reinforced support to the redeployment of the State and to reconciliation efforts.

- The EUTF Bêkou projects were marked by the volatile security context (localised conflicts in Bangui and the hinterland followed by periods of relative stability), but also by the reinforced coordination among government, partners and humanitarian actors.

On the financial side, at the end of 2019 pledges by EUTF contributors amounted to nearly EUR 296 million. This is an increase of EUR 53 million compared to 2018. EUR 31 million out of these EUR 295 million are still to be certified.

In terms of contracts, the EUTF Bêkou signed 11 new contracts in 2019 for a total amount of more than EUR 28 million. They contribute to the implementation of its programmes in the sectors of health, rural resilience and job creation, opening-up of regions and socio-economic recovery.

Last but not least, nearly EUR 32 million was paid in 2019 on top of payments made during previous years; total disbursements have reached nearly EUR 151 million since the creation of the EUTF Bêkou.

In the financial statements, the impact of the above mentioned activities are most visible when looking at:

- Pre-financing: a decrease of kEUR 11 405 due to the expensing of amounts open at end 2018 during 2019 and less advances being paid out;
- Cash and cash equivalents : an increase of kEUR 3 506 (see cashflow statement) is mainly caused by the decreased payments of pre-financing;

BALANCE SHEET

EUR '000

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Pre-financing		*3 273*	*3 443*
		3 273	**3 443**
CURRENT ASSETS			
Pre-financing		*18 312*	*29 546*
Exchange receivables and non-exchange recoverables		*1 853*	*1 138*
Cash and cash equivalents		*17 432*	*13 926*
		37 597	**44 611**
TOTAL ASSETS		**40 870**	**48 054**
NON-CURRENT LIABILITIES			
Financial liabilities		*(29 727)*	*(42 737)*
		(29 727)	**(42 737)**
CURRENT LIABILITIES			
Payables		*(10)*	*(918)*
Accrued charges and deferred income		*(11 133)*	*(4 399)*
		(11 143)	**(5 317)**
TOTAL LIABILITIES		**(40 870)**	**(48 054)**
NET ASSETS		**–**	**–**
FUNDS & RESERVES			
Contribution from Members		–	–
Accumulated surplus		–	–
Economic result of the year		–	–
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2019	2018
REVENUE			
Revenue from non-exchange transactions			
Revenue from donations		*48 343*	*33 682*
Recovery of expenses		*68*	*–*
		48 410	**33 682**
Revenue from exchange transactions			
Financial revenue		*(2)*	*1*
		(2)	**1**
Total revenue		**48 408**	**33 683**
EXPENSES			
Operating expenses		*(47 620)*	*(32 825)*
Other expenses		*(789)*	*(858)*
Total expenses		**(48 408)**	**(33 683)**
ECONOMIC RESULT OF THE YEAR		**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2019	2018
(Increase)/decrease in pre-financing	*11 405*	*(24 839)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(715)*	*(261)*
Increase/(decrease) in financial liabilities	*(13 010)*	*(1 982)*
Increase/(decrease) in payables	*(908)*	*202*
Increase/(decrease) in accrued charges & deferred revenue	*6 734*	*863*
NET CASHFLOW	**3 506**	**(26 017)**
Net increase/(decrease) in cash and cash equivalents	*3 506*	*(26 017)*
Cash and cash equivalents at the beginning of the year	*13 926*	*39 943*
Cash and cash equivalents at year-end	*17 432*	*13 926*

FINANCIAL STATEMENTS OF THE EUTF AFRICA 2019

It should be noted that due to the rounding of figures into thousands of euros (kEUR), some financial data in the tables may appear not to add-up.

BACKGROUND INFORMATION ON THE EUTF AFRICA

General background on EU Trust Funds

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[6] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[7], the European Commission may establish Union trust funds for external actions ('Union trust funds'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

Union trust funds are established by the European Commission by a decision after consultation on approval of the European Parliament and the Council. This decision includes the constitutive agreement with other donors.

Union trust funds are only established and implemented subject to the following conditions:

- There is added value of the Union intervention: the objectives of Union trust funds, in particular by reason of their scale or potential effects, may be better achieved at Union level than at national level and the use of the existing financing instruments would not be sufficient to achieve policy objectives of the Union;
- Union trust funds bring clear political visibility for the Union and managerial advantages as well as better control by the Union of risks and disbursements of the Union and other donors' contributions;
- Union trust funds do not duplicate other existing funding channels or similar instruments without providing any additionality;
- The objectives of Union trust funds are aligned with the objectives of the Union instrument or budgetary item from which they are funded.

A board chaired by the Commission is established for each Union trust fund to ensure a fair representation of the donors and to decide upon the use of the funds. The board includes a representative of each non-contributing Member State as an observer. The rules for the composition of the board and its internal rules are laid down in the constitutive agreement of the Union trust fund.

Union trust funds are established for a limited duration as determined in their constitutive agreement. That duration may be extended upon request of the board of the Union trust fund and upon presentation by the Commission of a report justifying the extension. The European Parliament and/or the Council may request the Commission to discontinue the appropriations for the Trust Fund or revise the constitutive act with a view to liquidate it.

The Accounting Officer of the Commission serves as the Accounting Officer of the Union trust funds. The Accounting Officer is responsible for laying down accounting procedures and chart of accounts common to all Union trust funds. The Commission's Internal Auditor, OLAF and the Court of Auditors exercise the same powers over Union trust funds as they do in respect of other actions carried out by the Commission. The Union trust funds are also subject to an independent external audit every year.

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The **EUTF BÊKOU**, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;

- The **EUTF MADAD**, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;

- The **EUTF AFRICA**; a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;

- The **EUTF COLOMBIA**; to support the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

[6] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

[7] Council regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323

The EUTF Africa

European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa ('EUTF Africa') was launched on 12 November 2015 during the Valletta Summit on Migration. The main objectives of this trust fund are to support all aspects of stability and contribute to better migration management as well as addressing the root causes of destabilisation, forced displacement and irregular migration, in particular by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses.

The trust fund operates in three main geographic areas, namely the Sahel region and Lake Chad area, the Horn of Africa and the North of Africa. The neighbouring countries of the eligible countries may benefit, on a case by case basis, from the trust fund's projects. The trust fund is established for a limited period, until 31 December 2020 in order to provide a short and medium-term response to the challenges of the regions. The trust fund is managed from Brussels.

The Trust Fund Board and the Operational Committee of the EUTF Africa are composed of representatives of the donors and of the Commission, as well as representatives of non-contributing EU Member States, authorities of eligible countries' and regional organisations as observers.

The Board establishes and reviews the strategy of the EUTF. The Board shall meet at least once a year.

The Operational Committee examines, approves and supervises the implementation of the actions financed by the Fund. The Committee also approves the annual accounts and the annual reports on the activities financed by the Trust Fund.

Annual accounts of the EUTF Africa

According to Article 7 of 'The agreement establishing the European Union emergency trust fund for stability and addressing root causes of irregular migration and displaced persons in Africa and its internal rules' ('Constitutive agreement') the annual accounts comprise two parts: (1) The annual financial report which is the responsibility of the EUTF manager and (2) The annual financial statements prepared by the EC Accounting Officer, who is, based on the same article, also the Accounting Officer of the trust fund.

According to Article 8 of the Constitutive agreement, the financial statements shall be prepared in accordance with the accounting rules adopted by the Commission's Accounting Officer (EU Accounting Rules, EAR) that are based on International Public Sector Accounting Standards (IPSAS).

The annual accounts are subject to independent external audit and the final annual accounts are submitted by the EUTF manager and the Accounting Officer to the Operational Committee for approval (Article 8.3.4(c)).

Highlights of the year

In 2019, the EU Emergency Trust Fund for Africa (EUTF) further demonstrated itself to be a swift and effective implementation tool. It facilitated policy dialogue with African partner countries, applied innovative approaches, and produced tangible results across the three regions of the EUTF (Sahel and Lake Chad, Horn of Africa and North of Africa) by pooling funding and expertise from a wide range of stakeholders.

The EUTF further consolidated its achievements in partnership with EU Member States development agencies, UN organisations, NGOs and partner countries, with the approval of an additional 36 programmes and 16 'top-ups' across the three regions by the operational committees for a total of EUR 851 million[8]. This brings the total number of approved programmes to 223, for a total budget of EUR 4.4 billion[8]. New contracts worth EUR 951 million were signed in 2019 with implementing partners, bringing the total amount of signed contracts to EUR 3.4 billion. By the end of 2019, payments had reached approximately EUR 2 billion.

In 2019, the EUTF continued addressing the twin goals of fostering stability and handling the root causes of forced displacement and irregular migration in the Sahel and Lake Chad, Horn of Africa and North of Africa regions. The EUTF continued to pursue a balanced approach in addressing the challenges of irregular migration, focusing on areas of mutual interest for the EU and Africa. These include the fight

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[8] There is a time lag between the approval of programmes and 'top-ups' by Operational committees and the formal commitment in ABAC. At year-end, the total committed amount in 2019 was of EUR 722.7 million.

against smuggling of migrants and trafficking of human beings, and the support to voluntary return to, and sustainable reintegration of migrants in, their country of origin.

During the past year, the EUTF benefitted from additional financial pledges of EUR 486.6 million, including EUR 101 million from EU Member States and other donors. As a result, the overall resources pledged to the EUTF as of 31 December 2019 amounted to almost EUR 4.7 billion, of which EUR 590 million were pledged by EU Member States and other donors (Norway and Switzerland).

The EUTF has continued working in solid partnership with a wide range of implementing partners (agencies from Member States, UN and international organisations, local and international NGOs) along the same lines as in 2018.

The EUTF has also started to implement the recommendations formulated by the European Court of Auditors in its special report published at the end of 2018. In particular, the Commission has enhanced the transparency and evidence-driven approach of the EUTF, notably by adopting a risk assessment framework and revising the operational frameworks of the three regions initially adopted in 2016.

Throughout the year, the monitoring and learning system reports on the Sahel and Lake Chad and the Horn of Africa continued to show the tangible results achieved by the EUTF in different areas of work. The North of Africa region set up its monitoring and learning framework to steer EUTF actions in the region and ensure accountability. Its first report, published in September 2019, is now available on the EUTF website together with the monitoring and learning system reports of the other two regions.

During the year, the mid-term evaluation of the EUTF progressed well. The evaluation team selected around 50 programmes for review, and visited four countries across the three regions (Senegal, Niger, Ethiopia and Morocco), while relying on national consultants to visit and gather information on projects in Somalia and Libya. The final report of the mid-term evaluation is expected in April 2020.

Accountability and transparency have been improved through increased communication, all this in a context of continued fragility. This has been done by regularly updating the EUTF website, publishing posts on social media and by organising communication events such as two photography exhibitions.

The Sahel and Lake Chad region continued to face humanitarian, development, environmental and security challenges, and in particular a deteriorated situation in Mali and Burkina Faso. Against this background, the EUTF has approved new programmes totalling EUR 302.1 million[8], contributing to the stabilisation efforts in the region, which will reinforce the humanitarian-development-peace nexus. More than 70% of approved funding will contribute to strengthening resilience and improving governance and security in the region. More than 20% will further contribute to the EUTF-IOM Initiative and the Evacuation Transit Mechanism (ETM), which will support the most vulnerable migrants and refugees up to the end of 2020. The remaining part of the funding will contribute to boosting green employment and enterprise.

Despite positive political developments such as the rapprochement between Ethiopia and Eritrea, and the formation of a Transitional Civil Government in Sudan, the Horn of Africa region is still faced with several challenges (political, environmental, economic, etc.). Living conditions remain dire, and durable solutions for refugee and displaced people remain a high priority. To address such challenges, the EUTF has approved new programmes for a total of EUR 324.4 million[8], which will provide further support to the most vulnerable populations, including refugees and internally displaced people. These programmes will foster political and economic stability and improve migration management. In particular, the EUTF has approved five new programmes providing further support to the implementation of the Global Compact on Refugees in the region.

The North of Africa region was faced with challenges requiring a comprehensive EU response to save lives, protect the most vulnerable, support host communities and provide opportunities for safe mobility. As a result, in 2019 the EUTF approved new actions including 'top-ups' for a total of EUR 224.8 million[8]. Four of these programmes will provide further support to Libya to:

i. Strengthen protection activities;

ii. Further improve social infrastructure;

iii. Build on community stabilisation activities;

iv. Enhance the resilience of local populations and migrants;

v. Support the voluntary humanitarian return of stranded migrants. A substantial budget support programme will support Morocco in managing its borders and combating the smuggling of migrants.

Moreover, four regional programmes will help strengthen the resilience of people in need, support rights of refugees and asylum seekers, promote investments by the diaspora in countries of origin and further promote labour mobility to advance legal migration. A top-up of the Technical Cooperation Facility was also approved.

In the balance sheet, the increase in activities of the trust fund, namely the signature of 188 new contracts, is most visible when looking at pre-financing, which increased by kEUR 157 912 due to advances paid out on these new contracts. In the statement of financial performance the new activities had the highest impact on the operating expenses, that increased by kEUR 201 322. At the same time there has been a substantial growth in revenue from donations (increase of kEUR 206 775 compared to 2018) to support the increase in expenses.

BALANCE SHEET

EUR '000

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Pre-financing		*48 539*	*34 144*
		48 539	**34 144**
CURRENT ASSETS			
Pre-financing		*418 569*	*273 214*
Exchange receivables and non-exchange recoverables		*18 471*	*16 656*
Cash and cash equivalents		*26 915*	*146 864*
		463 955	**436 734**
TOTAL ASSETS		**512 495**	**470 878**
NON-CURRENT LIABILITIES			
Financial liabilities		*(384 411)*	*(369 999)*
		(384 411)	**(369 999)**
CURRENT LIABILITIES			
Payables		*(25 969)*	*(12 733)*
Accrued charges and deferred income		*(102 114)*	*(88 146)*
		(128 083)	**(100 879)**
TOTAL LIABILITIES		**(512 495)**	**(470 878)**
NET ASSETS		**–**	**–**
FUNDS & RESERVES			
Contribution from Members		–	–
Accumulated surplus		–	–
Economic result of the year		–	–
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2019	2018
REVENUE			
Revenue from non-exchange transactions			
Recovery of expenses		*467*	*–*
Revenue from donations		*774 090*	*576 802*
		774 557	**576 802**
Revenue from exchange transactions			
Financial revenue		*(7)*	*2*
Other exchange revenue		*1 855*	*5*
		1 848	**6**
Total revenue		**776 405**	**576 808**
EXPENSES			
Operating expenses		*(755 904)*	*(561 761)*
Finance costs		*(9)*	*–*
Other expenses		*(20 492)*	*(15 047)*
Total expenses		**(776 405)**	**(576 808)**
ECONOMIC RESULT OF THE YEAR		**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2019	2018
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(159 750)*	*(57 110)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(1 815)*	*(13 636)*
Increase/(decrease) in financial liabilities	*14 412*	*(26 713)*
Increase/(decrease) in payables	*13 236*	*12 207*
Increase/(decrease) in accrued charges & deferred revenue	*13 968*	*69 546*
NET CASHFLOW	**(119 949)**	**(15 706)**
Net increase/(decrease) in cash and cash equivalents	*(119 949)*	*(15 706)*
Cash and cash equivalents at the beginning of the year	*146 864*	*162 571*
Cash and cash equivalents at year-end	*26 915*	*146 864*

CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE EU TRUST FUNDS

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables may appear not to add-up.

CONSOLIDATED BALANCE SHEET

EUR million

	31.12.2019	31.12.2018
NON-CURRENT ASSETS		
Financial assets	*36*	*–*
Pre-financing	*962*	*924*
	998	**924**
CURRENT ASSETS		
Pre-financing	*1 725*	*1 751*
Exchange receivables and non-exchange recoverables	*143*	*156*
Cash and cash equivalents	*1 223*	*548*
	3 092	**2 455**
TOTAL ASSETS	**4 090**	**3 379**
NON-CURRENT LIABILITIES		
Financial liabilities	*(167)*	*(229)*
	(167)	**(229)**
CURRENT LIABILITIES		
Payables	*(542)*	*(255)*
Accrued charges and deferred income	*(1 432)*	*(1 374)*
	(1 974)	**(1 629)**
TOTAL LIABILITIES	**(2 141)**	**(1 857)**
NET ASSETS	**1 948**	**1 521**
FUNDS & RESERVES		
Fair value reserve	*(2)*	*–*
Called fund capital - active EDFs	*54 809*	*50 423*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(51 155)*	*(47 037)*
Economic result of the year	*(3 956)*	*(4 118)*
NET ASSETS	**1 948**	**1 521**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	2019	2018
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*28*	*4*
Revenue from trust funds donations	*287*	*303*
	316	**307**
Revenue from exchange transactions		
Financial revenue	*7*	*10*
Other revenue	*41*	*46*
	48	**57**
Total Revenue	**364**	**364**
EXPENSES		
Aid instruments	*(3 220)*	*(3 747)*
Expenses implemented by trust funds	*(804)*	*(595)*
Co-financing expenses	*(14)*	*17*
Finance costs	*(1)*	*7*
Other expenses	*(282)*	*(164)*
Total Expenses	**(4 320)**	**(4 482)**
ECONOMIC RESULT OF THE YEAR	**(3 956)**	**(4 118)**

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	2019	2018
Economic result of the year	*(3 956)*	*(4 118)*
Operating activities		
Capital increase - contributions	*4 385*	*4 250*
(Increase)/decrease in pre-financing	*(12)*	*(317)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*13*	*(60)*
Increase/(decrease) in provisions	*–*	*(4)*
Increase/(decrease) in financial liabilities	*(62)*	*(63)*
Increase/(decrease) in payables	*288*	*(309)*
Increase/(decrease) in accrued charges and deferred income	*58*	*618*
Other non-cash movements	*(2)*	*–*
Investing activities		
(Increase)/decrease in available for sale financial assets	*(36)*	*–*
NET CASHFLOW	**676**	**(2)**

Net increase/(decrease) in cash and cash equivalents	676	(2)
Cash and cash equivalents at the beginning of the year	548	550
Cash and cash equivalents at year-end	1 223	548

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Fair value reserve (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2017	**73 264**	**27 090**	**46 173**	**(47 037)**	**2 252**	**–**	**1 389**
Capital increase - contributions		*(4 250)*	*4 250*	*–*	*–*		*4 250*
Economic result of the year	*–*	*–*	*–*	*(4 118)*	*–*		*(4 118)*
BALANCE AS AT 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**–**	**1 521**
Fair value movements						*(2)*	*(2)*
Capital increase - contributions		*(4 385)*	*4 385*				*4 385*
Economic result of the year			*–*	*(3 956)*			*(3 956)*
BALANCE AS AT 31.12.2019	**73 264**	**18 455**	**54 809**	**(55 111)**	**2 252**	**(2)**	**1 948**

EDF REPORT ON FINANCIAL IMPLEMENTATION

INTRODUCTORY NOTE

1. Previous EDFs

As the 6th EDF was closed in 2006 and the 7th 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 9th EDF.

As in past years, to ensure transparency in the presentation of the accounts for 2019, the tables set out separately for the 8th EDF the part used for Lomé Convention programming and the part used for programming under the Cotonou Agreement.

In accordance with article 1(2)(b) of the Internal Agreement of the 9th EDF, balances and decommitments of previous EDFs have been transferred to the 9th EDF, and, during the life of the 9th EDF, have been committed as 9th EDF funds.

In 2019, the Commission successfully finalized a special exercise for the closure of the remaining projects under the 8th EDF. A final report on the financial implementation of the 8th EDF is available with these 2019 annual accounts. The Commission aims to continue these efforts by closing the 9th EDF at the end of 2020.

2. 11th 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 EU Council Decision of 27 November 2001 (2001/822/EC) on the association of the Overseas Countries and Territories (OCT) with the European Union entered into force on 2 December 2001. This Decision was amended on 19 March 2007 (Decision 2007/249/EC).

The Internal Agreement on the financing of Community aid under the multiannual financial framework 2014-2020 in accordance with the revised Cotonou Agreement, adopted by the Representatives of the Governments of the Member States of the European Community on August 2013, entered into force on March 2015.

Under the Cotonou Agreement, 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 in accordance with Article 1.2(a) and Article 2(d) of the Internal Agreement, of which EUR 27 955 million is managed by the European Commission;
- EUR 364.5 million is allocated to the OCTs in accordance with Article 1.2(a) and Article 3.1 of the Internal Agreement, 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, in accordance with Article 1.2(a) of the Internal Agreement.

- Remaining funds on non-mobilisable performance reserves at 31/12/2019

The amounts decommitted from projects under the 9th 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.

During 2019, all decommitted funds from previous EDFs were transferred to the respective reserves.

In accordance with article 1.4 of the 11th EDF Internal Agreement and the Council Decision of 15 April 2019 (2019/640), an amount of decommitted funds from the 10th EDF has been allocated for the purpose of replenishing the African Peace Facility for the period 2019-2020 up to a maximum of EUR 445,860,000 of which EUR 14,860,000 is allocated for support of expenditure.

EUR millions

Total available on non-mobilisable performance reserves at 31/12/2019	
non-mobilisable reserve from decommitted funds under the 8th, and 9th EDF	197.3
non-mobilisable reserve from decommitted funds under the 10th EDF	142.6
Total available on non-mobilisable performance reserves at 31/12/2019	**339.9**

Regarding EDF Co-financing under the 10th and 11th EDF, transfer agreements for co-financings from Member States were signed, and commitment appropriations were opened for a total amount of EUR 275.2 million. Payment appropriations were opened for the cashed amounts totalling EUR 258.4 million. The situation of co-financing appropriations at 31.12.2019 is shown in the table below :

EUR millions

	Commitments appropriations	Payment appropriations
Co-financing - A Envelope	230.8	214.4
Co-financing - Intra ACP	36.2	36.2
Co-financing – Administrative expenses	8.3	7.8
	275.2	**258.4**

The following tables, concerning the amounts decided, contracted and paid, show net figures.
The tables presenting the situation by instrument are annexed.

Table 1.1

8th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2019
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2018	INCREASE OR DECREASE IN RESOURCES IN 2019	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	–	*47*			*47*
	Structural adjustment	–	18			18
	Total indicative programmes	–	29			29
	SUB TOTAL ACP	–	47			47
ACP	**Lomé**					
	Regular MS Contributions	*12,967*	*(3,332)*	*(1)*	*1	*9,635*
	Aid for refugees	120	(20)			100
	Emergency aid (Lomé)	140	(4)			136
	Heavily indebted poor countries (Lomé)	–	1,060			1,060
	Interest-rate subsidies	370	(301)			69
	Risk capital	1,000	12			1,012
	Stabex	1,800	(1,077)			723
	Structural adjustment	1,400	79	–		1,479
	Sysmin	575	(474)			101
	Total indicative programmes	7,562	(2,640)	(1)		4,921
	Utilisation of interest income	–	35			35
	Cotonou					
	Regular MS Contributions	–	*650*			*650*
	A Envelope - National Allocations	–	417			417
	B Envelope - National Allocations	–	233			233
	Interests and other receipts	–	–			–
	SUB TOTAL ACP	12,967	(2,681)	(1)	*1	10,285
OCT	**Lomé**					
	Regular MS Contributions	–	*46*			*46*
	Interest-rate subsidies	–	1			1
	Risk capital	–	6			6
	Stabex	–	1			1
	Sysmin	–	2			2
	Total indicative programmes	–	35			35
	SUB TOTAL OCT	–	46			46
	TOTAL 8th EDF	12,967	(2,588)	(1)	*1	10,378

*1decreases are decommitments transferred to the non-mobilisable performance reserve of the 10th EDF

Table 1.2

9th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2019
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2018	INCREASE OR DECREASE IN RESOURCES IN 2019	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	–	–			–
	Transfers from 7th EDF - Lomé	–	–			–
	Cotonou					
	Regular MS Contributions	–	***50***			***50***
	A Envelope - National Allocations	–	44			44
	B Envelope - National Allocations	–	6			6
	SUB TOTAL ACP	**–**	**50**			**50**
ACP	**Lomé**					
	Regular MS Contributions	–	***667***	–	***1**	***667***
	Transfers from 6th EDF - Lomé	–	20			20
	Transfers from 7th EDF - Lomé	–	647	–	*1	647
	Cotonou					
	Regular MS Contributions	***8,919***	***5,464***	***(41)***	***1**	***14,342***
	A Envelope - National Allocations	5,318	3,246	(10)	*1	8,554
	B Envelope - National Allocations	2,108	(905)	–	*1	1,203
	CDE, CTA and Parliamentary Assembly	164	(10)			154
	Implementation costs	125	52	(1)	*1	177
	Interests and other receipts	–	63			63
	Other Intra-ACP allocations	300	2,289	(5)	*1	2,584
	Peace facility	–	353			353
	Regional allocations	904	(145)	(11)	*1	749
	Special allocation R.D. Congo	–	105			105
	Special allocation South Sudan	–	267		*3	267
	Special allocation Sudan	–	110		*2	110
	Voluntary contribution Peace facility	–	39	(15)	*4	24
	SUB TOTAL ACP	**8,919**	**6,131**	**(42)**	***1 *4**	**15,009**
OCT	**Lomé**					
	Regular MS Contributions	–	***3***			***3***
	Transfers from 6th EDF - Lomé	–	–			–
	Transfers from 7th EDF - Lomé	–	3			3
	Cotonou					
	Regular MS Contributions	–	***287***	***(1)***	***1**	***286***
	A Envelope - National Allocations	–	237	–	*1	236
	B Envelope - National Allocations	–	4			4
	Regional allocations	–	45	–	*1	45
	Studies / Technical assistance OCT	–	1			1
	SUB TOTAL OCT	**–**	**290**	**(1)**	***1**	**289**
	TOTAL 9th EDF	**8,919**	**6,471**	**(42)**	*1 *4	**15,348**

*1 All decreases are decommitments transferred to the non-mobilisable performance reserve of the 10th EDF
*2 Following Council Decision 2010/406/EU, 150 million was added from non-mobilisable performance reserve 10th EDF for Sudan (147 million to special allocation Sudan and 3 million to implementation costs)
*3 Following Council Decision 2011/315/EU, 200 million was added from non-mobilisable performance reserve 10th EDF for Sudan (194 million to special allocation South Sudan and 6 million to implementation costs)
*4 All decreases of voluntary contribution are refund to donors

Table 1.3

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2019
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2018	INCREASE OR DECREASE IN RESOURCES IN 2019	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	–	*66*	*(1)*	*2	*65*
	A Envelope - National Allocations	–	57	(1)	*2	56
	B Envelope - National Allocations	–	9			9
	National allocations Reserve A Envelope STABEX	–	–			–
	SUB TOTAL ACP	**–**	**66**	**(1)**	***2**	**65**
ACP	***Regular MS Contributions***	*20,896*	*(19)*	*213*	*2 *4	*20,891*
	A Envelope - National Allocations	–	12,865	(169)	*2	12,696
	A Envelope reserve	13,500	(13,500)			–
	B Envelope - National Allocations	–	1,991	(9)	*2	1,983
	B Envelope reserve	1,800	(1,800)			–
	Implementation costs	430	15	15	*4	460
	Institutional and support expenditure	–	230	(5)	*2	226
	Interests and other receipts	–	85	(14)	*2	71
	Intra-ACP Reserve	2,700	(2,700)			–
	National allocations Reserve A Envelope STABEX	–	–	–	*2	–
	NIP/RIP reserve	683	(683)			–
	Non-mobilisable reserve	–	131	40	*1	171
	Other Intra-ACP allocations	–	1,868	(13)	*2	1,855
	Peace facility	–	1,119	408	*4	1,527
	Regional allocations	–	1,942	(40)	*2	1,902
	Regional allocations reserve	1,783	(1,783)			–
	Co-financing	–	*204*	*(2)*	*3	*203*
	A Envelope - National Allocations	–	187	(2)	*3	185
	Implementation costs	–	5	–	*3	5
	Other Intra-ACP allocations	–	12			12
	Peace facility	–	1			1
	SUB TOTAL ACP	**20,896**	**186**	**211**	***2 *4**	**21,093**
OCT	***Regular MS Contributions***	–	*275*	*(4)*	*2	*271*
	A Envelope - National Allocations	–	190	(4)	*2	187
	A Envelope reserve	–	–			–
	B Envelope - National Allocations	–	15	–	*2	15
	B Envelope reserve	–	–			–
	National allocations Reserve A Envelope STABEX	–	–			–
	Non-mobilisable reserve	–	25	1	*1	26
	Regional allocations	–	40	(1)	*2	39
	Regional allocations reserve	–	–			–
	Studies / Technical assistance OCT	–	5	–	*2	5
	SUB TOTAL OCT	**–**	**275**	**(4)**	***2**	**271**
	TOTAL 10th EDF	**20,896**	**527**	**206**	*2 *4	**21,430**

*1 Transfers in / from 8th and 9th EDF decommitments to the 10th EDF reserves
*2 All decreases are decommitments transferred to the non-mobilisable performance reserve of the 11th EDF
*3 For the cofinancings, the table only presents the commitment appropriations
*4 Following Council Decision 2017/xxx/EU, xxx million was added from non-mobilisable performance reserve 10th EDF for African Peace Facility.

Table 1.4

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2019
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2018	INCREASE OR DECREASE IN RESOURCES IN 2019	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	**–**	**82**			**82**
	A Envelope - National Allocations	–	65			65
	B Envelope - National Allocations	–	17			17
	National allocations Reserve A Envelope STABEX	–	–			–
	SUB TOTAL ACP	**–**	**82**			**82**
ACP	***Regular MS Contributions***	***29,008***	***253***	***(179)***		***29,081***
	A Envelope - National Allocations	–	15,354	213		15,567
	B Envelope - National Allocations	–	700	139		838
	B Envelope reserve	–	–			–
	Implementation costs	1,053	–			1,053
	Institutional and support expenditure	–	246	(49)		197
	Interests and other receipts	–	16	2		18
	Intra-ACP Reserve	3,590	(3,521)	(42)		27
	National allocations Reserve A Envelope STABEX	–	–			–
	NIP/RIP reserve	24,365	(23,095)	(731)		540
	Non-mobilisable reserve	–	311	(181)	*1	130
	Other Intra-ACP allocations	–	2,700	91		2,791
	Peace facility	–	1,000			1,000
	Regional allocations	–	6,541	379		6,920
	Co-financing	**–**	***38***	***35***	****2***	***73***
	A Envelope - National Allocations	–	23	19	*2	42
	Implementation costs	–	2	1	*2	3
	Peace facility	–	11	13	*2	24
	Regional allocations	–	2	2	*2	4
	EC Internal SLA	**–**	***1***			***1***
	A Envelope - National Allocations	–	1			1
	SUB TOTAL ACP	**29,008**	**291**			**29,155**
OCT	***Regular MS Contributions***	**–**	***350***	***5***		***355***
	A Envelope - National Allocations	–	196			196
	B Envelope - National Allocations	–	8			8
	NIP/RIP reserve	–	49	(18)		32
	Non-mobilisable reserve	–	7	5	*1	12
	Regional allocations	–	81	18		99
	Studies / Technical assistance OCT	–	9			9
	Co-financing	**–**	**–**			**–**
	A Envelope - National Allocations	–	–			–
	EC Internal SLA	**–**	**–**			**–**
	A Envelope - National Allocations	–	–			–
	SUB TOTAL OCT	**–**	**350**			**355**
	Regular MS Contributions	**–**	***17***			***17***
	A Envelope - National Allocations	–	10			10
	B Envelope - National Allocations	–	7			7
	SUB TOTAL	**–**	**17**			**17**
	TOTAL 11th EDF	29,008	740	(139)		29,608

*1 Transfers in / from 10th EDF decommitments to the 10th EDF reserves
*2 For the cofinancings, the table only presents the commitment appropriations

Table 2.1

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
PROGRESS REPORT

(EUR million)

	ALLOCATION	EDF				
		8	9	10	11	TOTAL
Lomé	Sundry Income	35				35
	Total indicative programmes	4,985				4,985
	Total Non-Programmable Aid	4,707				4,707
	Transfers from other funds		670			670
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	9,728	670			10,398
Cotonou	A Envelope - National Allocations	417	8,835	12,939	15,838	38,029
	B Envelope - National Allocations	233	1,213	2,006	870	4,322
	Bridging facility				–	–
	CDE, CTA and Parliamentary Assembly		154			154
	Country reserve			–	–	–
	Implementation Costs and Interests Revenues	–	240	535	1,079	1,855
	Intra-ACP allocations		2,937	3,608	3,988	10,534
	Intra-ACP Reserve			–	27	27
	National allocations Reserve A Envelope STABEX			–	–	–
	NIP/RIP reserve			–	571	571
	Non-mobilisable reserve			197	142	340
	Regional allocations		793	1,941	7,018	9,752
	Regional allocations reserve			–		–
	Special allocation R.D. Congo		105			105
	Special allocation South Sudan		267			267
	Special allocation Sudan		110			110
	Voluntary contribution Peace facility		24			24
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	650	14,678	21,227	29,535	66,089
	A Envelope - National Allocations				1	1
	SUB TOTAL: EC INTERNAL SLA				1	1
	A Envelope - National Allocations			185	42	227
	Implementation Costs and Interests Revenues			5	3	8
	Intra-ACP allocations			12	24	36
	Regional allocations				4	4
	SUB TOTAL: CO-FINANCING			203	73	275
	TOTAL	10,378	15,348	21,430	29,608	76,764

Decisions		Aggregate Total			Cummulative	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
	E	At 31/12/2019	RAL	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	8	10,375	1	100%	10,786	(42)	(45)	(60)	(64)	(98)	(63)	(12)	(13)	(9)	(4)	(2)
	9	15,335	134	100%	16,633	(54)	(116)	(9)	(297)	(72)	(381)	(170)	(104)	(38)	(33)	(22)
	10	21,088	1,803	98%	4,766	3,501	2,349	3,118	3,524	4,131	(95)	(156)	(80)	(5)	(147)	183
	11	26,511	13,959	90%							1,160	5,372	6,688	5,807	4,332	3,153
Total		**73,309**	**15,896**		**32,185**	**3,405**	**2,187**	**3,049**	**3,163**	**3,961**	**621**	**5,034**	**6,491**	**5,754**	**4,147**	**3,311**
Assigned Funds		Aggregate Total			Cummulative	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
	E	At 31/12/2019	RAP	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	8	10,374	–	100%	10,541	(42)	8	(13)	(46)	(11)	(37)	(16)	(6)	(3)	–	(1)
	9	15,302	100	100%	14,209	997	476	9	(187)	(96)	(1)	(52)	(46)	(20)	16	(4)
	10	20,310	1,025	95%	130	3,184	2,820	2,514	3,460	3,457	2,687	783	541	550	236	(51)
	11	21,697	9,144	73%							731	3,293	3,745	5,684	4,687	3,557
Total		**67,683**	**10,269**		**24,881**	**4,140**	**3,304**	**2,509**	**3,226**	**3,350**	**3,380**	**4,008**	**4,234**	**6,211**	**4,940**	**3,501**
Payments		Aggregate Total			Cummulative	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
	E	At 31/12/2019		% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	8	10,374		100%	9,930	152	158	90	15	18	16	(3)	–	(1)	–	–
	9	15,201		99%	10,011	1,806	1,304	906	539	231	145	43	68	111	23	14
	10	19,285		90%	90	1,111	1,772	1,879	2,655	2,718	2,760	2,024	1,466	1,277	1,076	456
	11	12,553		42%							595	1,024	1,816	2,770	2,970	3,377
Total		**57,414**			**20,031**	**3,069**	**3,233**	**2,874**	**3,209**	**2,967**	**3,516**	**3,088**	**3,350**	**4,158**	**4,069**	**3,847**

Table 2.2

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
CLASS OF AID

(EUR million)

		EDF									
		8	%	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Lomé	**Sundry Income**										
	Appropriations	35								35	
	Decisions	35	100%							35	100%
	Assigned funds	35	100%							35	100%
	Payments	35	100%							35	100%
	Total indicative										
	Appropriations	4,985								4,985	
	Decisions	4,985	100%							4,985	100%
	Assigned funds	4,985	100%							4,985	100%
	Payments	4,985	100%							4,985	100%
	Total Non-Programmable										
	Appropriations	4,707								4,707	
	Decisions	4,706	100%							4,706	100%
	Assigned funds	4,706	100%							4,706	100%
	Payments	4,706	100%							4,706	100%
	Transfers from other										
	Appropriations			670						670	
	Decisions			670	100%					670	100%
	Assigned funds			670	100%					670	100%
	Payments			670	100%					670	100%
	Regular MS										
Cotonou	**A Envelope - National Allocations**										
	Appropriations	417		8,835		12,939		15,838		38,029	
	Decisions	417	100%	8,834	100%	12,837	99%	14,456	91%	36,545	96%
	Assigned funds	417	100%	8,822	100%	12,621	98%	11,325	72%	33,186	87%
	Payments	417	100%	8,800	100%	12,011	93%	6,248	39%	27,477	72%
	B Envelope - National Allocations										
	Appropriations	233		1,213		2,006		870		4,322	
	Decisions	231	99%	1,213	100%	2,005	100%	853	98%	4,301	100%
	Assigned funds	231	99%	1,209	100%	1,984	99%	734	84%	4,158	96%
	Payments	231	99%	1,203	99%	1,964	98%	644	74%	4,042	94%
	Bridging facility										
	Appropriations							–		–	
	Decisions										
	Assigned funds										
	Payments										
	CDE, CTA and Parliamentary Assembly										
	Appropriations			154						154	
	Decisions			154	100%					154	100%
	Assigned funds			154	100%					154	100%
	Payments			154	100%					154	100%
	Implementation Costs and Interests Revenues										
	Appropriations	–		240		535		1,079		1,855	
	Decisions			240	100%	514	96%	871	81%	1,625	88%
	Assigned funds			240	100%	512	96%	836	77%	1,588	86%
	Payments			240	100%	512	96%	779	72%	1,531	83%
	Intra-ACP allocations										
	Appropriations			2,937		3,608		3,988		10,534	
	Decisions			2,931	100%	3,600	100%	3,524	88%	10,054	95%
	Assigned funds			2,924	100%	3,139	87%	3,020	76%	9,083	86%
	Payments			2,920	99%	2,973	82%	2,256	57%	8,149	77%
	Regional allocations										
	Appropriations			793		1,941		7,018		9,752	
	Decisions			792	100%	1,935	100%	6,748	96%	9,475	97%
	Assigned funds			786	99%	1,863	96%	5,724	82%	8,373	86%
	Payments			777	98%	1,658	85%	2,604	37%	5,040	52%
	Special allocation R.D. Congo										
	Appropriations			105						105	
	Decisions			105	100%					105	100%
	Assigned funds			105	100%					105	100%
	Payments			105	100%					105	100%
	Special allocation South Sudan										
	Appropriations			267						267	
	Decisions			266	100%					266	100%
	Assigned funds			263	99%					263	99%
	Payments			208	78%					208	78%
	Special allocation Sudan										
	Appropriations			110						110	
	Decisions			107	97%					107	97%

	Assigned funds			105	95%					105	95%
	Payments			101	91%					101	91%
	Voluntary contribution Peace facility										
	Appropriations			24						24	
	Decisions			24	100%					24	100%
	Assigned funds			24	100%					24	100%
	Payments			24	100%					24	100%
	Regular MS Contributions										
	A Envelope - National Allocations										
	Appropriations					185		42		227	
	Decisions					181	98%	31	75%	212	94%
	Assigned funds					177	96%	31	75%	208	92%
	Payments					152	82%	2	5%	154	68%
	Implementation Costs and Interests Revenues										
	Appropriations					5		3		8	
	Decisions					5	100%	3	86%	8	95%
	Assigned funds					3	65%	1	24%	4	49%
	Payments					3	51%	–	1%	3	31%
	Intra-ACP allocations										
	Appropriations					12		24		36	
	Decisions					11	92%	23	95%	34	94%
	Assigned funds					11	91%	22	93%	33	92%
	Payments					11	91%	17	73%	29	79%
	Regional allocations										
	Appropriations							4		4	
	Decisions							2	50%	2	50%
	Assigned funds							2	50%	2	50%
	Payments							2	50%	2	50%
	Co-financing										
	A Envelope - National Allocations										
	Appropriations							1		1	
	Decisions							1	71%	1	71%
	Assigned funds							1	52%	1	52%
	Payments							1	52%	1	52%
	EC Internal SLA										

Appropriations		**8**	%	**9**	% (1)	**10**	% (1)	**11**	% (1)	**TOTAL**	% (1)
	Country reserve					–		–		–	
	Intra-ACP Reserve					–		**27**		**27**	
	National allocations Reserve A Envelope STABEX					–		–		–	
Cotonou	NIP/RIP reserve					–		**571**		**571**	
	Regional allocations					–				–	
	Mobilisable reserves										
	Non-mobilisable reserve					**197**		**142**		**340**	
	Non-mobilisable reserve										

		8	%	**9**	% (1)	**10**	% (1)	**11**	% (1)	**TOTAL**	% (1)
	Appropriations	10,378		15,348		21,630		29,608		76,964	
	Decisions	10,375	100%	15,335	100%	21,088	97%	26,511	90%	73,309	95%
	Assigned funds	10,374	100%	15,302	100%	20,310	94%	21,697	73%	67,683	88%
	Payments	10,374	100%	15,201	99%	19,285	89%	12,553	42%	57,414	75%
	TOTAL: ALL ALLOCATIONS										

(1) % of appropriations

Table 2.3

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
CLASS OF AID
ACP + PTOM - 8 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGR	ANNU	%	AGGR	ANNU	%	AGGR	ANNU	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	ACP										
	Regular MS Contributions										
	Total indicative programmes	29	29		100%	29		100%	29		100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**29**	**29**		**100%**	**29**		**100%**	**29**		**100%**
	Structural adjustment	18	18		100%	18		100%	18		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**18**	**18**		**100%**	**18**		**100%**	**18**		**100%**
	TOTAL ACP	**47**	**47**		**100%**	**47**		**100%**	**47**		**100%**
Lomé	ACP										
	Regular MS Contributions										
	Utilisation of interest income	35	35		100%	35		100%	35		100%
	SUB TOTAL: SUNDRY INCOME	**35**	**35**		**100%**	**35**		**100%**	**35**		**100%**
	Total indicative programmes	4,921	4,921	–	100%	4,921	–	100%	4,921	–	100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**4,921**	**4,921**	**–**	**100%**	**4,921**	**–**	**100%**	**4,921**	**–**	**100%**
	Aid for refugees	100	100		100%	100		100%	100		100%
	Emergency aid (Lomé)	136	136		100%	136		100%	136		100%
	Heavily indebted poor countries (Lomé)	1,060	1,060		100%	1,060		100%	1,060		100%
	Interest-rate subsidies	69	69	–	100%	68		100%	68		100%
	Risk capital	1,012	1,012		100%	1,012		100%	1,012		100%
	Stabex	723	722	–	100%	722		100%	722		100%
	Structural adjustment	1,479	1,479		100%	1,479		100%	1,479		100%
	Sysmin	101	101		100%	101		100%	101		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**4,679**	**4,678**	**–**	**100%**	**4,677**		**100%**	**4,677**		**100%**
Cotonou	ACP										
	Regular MS Contributions										
	A Envelope - National Allocations	417	417	–	100%	417	–	100%	417		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**417**	**417**	**–**	**100%**	**417**	**–**	**100%**	**417**		**100%**
	B Envelope - National Allocations	233									
	Compensation export earnings		231	(2)		231	–	100%	231		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**233**	**231**	**(2)**	**99%**	**231**	**–**	**100%**	**231**		**100%**
	Interests and other receipts	–									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**–**									
	TOTAL ACP (A)	**10,285**	**10,282**	**(2)**	**100%**	**10,282**	**(1)**	**100%**	**10,282**	**–**	**100%**
Lomé	OCT										
	Regular MS Contributions										
	Total indicative programmes	35	35		100%	35		100%	35		100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**35**	**35**		**100%**	**35**		**100%**	**35**		**100%**
	Interest-rate subsidies	1	1		100%	1		100%	1		100%
	Risk capital	6	6		100%	6		100%	6		100%
	Stabex	1	1		100%	1		100%	1		100%
	Sysmin	2	2		100%	2		100%	2		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**10**	**10**		**100%**	**10**		**100%**	**10**		**100%**
	TOTAL OCT	**46**	**46**		**100%**	**46**		**100%**	**46**		**100%**
	TOTAL: ACP+OCT (A+B)	**10,378**	**10,375**	**(2)**	**100%**	**10,374**	**(1)**	**100%**	**10,374**	**–**	**100%**

Table 2.4

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
CLASS OF AID
ACP + PTOM - 9 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGR	ANNU	%	AGGR	ANNU	%	AGGR	ANNU	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	**ACP**										
	Regular MS Contributions										
	Transfers from 7th EDF - Lomé	–	–		100%	–		100%	–		100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**–**	**–**		**100%**	**–**		**100%**	**–**		**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	44	44		100%	44		100%	44		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**44**	**44**		**100%**	**44**		**100%**	**44**		**100%**
	B Envelope - National Allocations	6									
	Emergency aid		6			6		100%	6		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**6**	**6**		**100%**	**6**		**100%**	**6**		**100%**
	TOTAL: ACP	**50**	**50**		**100%**	**50**		**100%**	**50**		**100%**
Lomé	**ACP**										
	Regular MS Contributions										
	Transfers from 6th EDF - Lomé	20	20		100%	20		100%	20		100%
	Transfers from 7th EDF - Lomé	647	647	–	100%	646	(1)	100%	646		100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**667**	**667**	**–**	**100%**	**667**	**(1)**	**100%**	**667**		**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	8,554	8,553	(3)	100%	8,543	(3)	100%	8,521	1	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**8,554**	**8,553**	**(3)**	**100%**	**8,543**	**(3)**	**100%**	**8,521**	**1**	**100%**
	B Envelope - National Allocations	1,203									
	Compensation export earnings		148			148		100%	148		100%
	Emergency aid		1,044	–		1,040	–	100%	1,034	–	99%
	Heavily indebted poor countries		11			11		100%	11		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**1,203**	**1,203**	**–**	**100%**	**1,199**	**–**	**100%**	**1,193**	**–**	**100%**
	CDE, CTA and Parliamentary Assembly	154	154		100%	154		100%	154		100%
	SUB TOTAL: CDE, CTA AND PARLIAMENTARY ASSEMBLY	**154**	**154**		**100%**	**154**		**100%**	**154**		**100%**
	Implementation costs	177	177		100%	177		100%	177		100%
	Interests and other receipts	63	63		100%	63		100%	63		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**239**	**239**		**100%**	**239**		**100%**	**239**		**100%**
	Other Intra-ACP allocations	2,584	2,578	(9)	100%	2,571	(7)	100%	2,567	(1)	100%
	Peace facility	353	353		100%	353		100%	353		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**2,937**	**2,931**	**(9)**	**100%**	**2,924**	**(7)**	**100%**	**2,920**	**(1)**	**100%**
	Regional allocations	749	748	(8)	100%	741	(4)	99%	732	4	99%
	SUB TOTAL: REGIONAL ALLOCATIONS	**749**	**748**	**(8)**	**100%**	**741**	**(4)**	**99%**	**732**	**4**	**99%**
	Special allocation R.D. Congo	105	105		100%	105		100%	105		100%
	SUB TOTAL: SPECIAL ALLOCATION R.D. CONGO	**105**	**105**		**100%**	**105**		**100%**	**105**		**100%**
	Special allocation South Sudan	267	266	(1)	100%	263	10	99%	208	8	79%
	SUB TOTAL: SPECIAL ALLOCATION SOUTH SUDAN	**267**	**266**	**(1)**	**100%**	**263**	**10**	**99%**	**208**	**8**	**79%**
	Special allocation Sudan	110	107		97%	105	(1)	98%	101	3	96%
	SUB TOTAL: SPECIAL ALLOCATION SUDAN	**110**	**107**		**97%**	**105**	**(1)**	**98%**	**101**	**3**	**96%**
	Voluntary contribution Peace facility	24	24		100%	24		100%	24		100%
	SUB TOTAL: VOLUNTARY CONTRIBUTION PEACE FACILITY	**24**	**24**		**100%**	**24**		**100%**	**24**		**100%**
	TOTAL: ACP (A)	**15,009**	**14,996**	**(21)**	**100%**	**14,964**	**(4)**	**100%**	**14,864**	**14**	**99%**
Lomé	**OCT**										
	Regular MS Contributions										
	Transfers from 6th EDF - Lomé	–	–		100%	–		100%	–		100%
	Transfers from 7th EDF - Lomé	3	3		100%	3		100%	3		100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**3**	**3**		**100%**	**3**		**100%**	**3**		**100%**
Cotonou	**OCT**										
	Regular MS Contributions										
	A Envelope - National Allocations	236	236	–	100%	235	–	99%	235	–	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**236**	**236**	**–**	**100%**	**235**	**–**	**99%**	**235**	**–**	**100%**
	B Envelope - National Allocations	4									
	Emergency aid		4			4		100%	4		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**4**	**4**		**100%**	**4**		**100%**	**4**		**100%**
	Studies / Technical assistance OCT	1	1		100%	1		100%	1		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**1**	**1**		**100%**	**1**		**100%**	**1**		**100%**
	Regional allocations	45	45	–	100%	45		100%	45		100%
	SUB TOTAL: REGIONAL ALLOCATIONS	**45**	**45**	**–**	**100%**	**45**		**100%**	**45**		**100%**
	TOTAL: OCT	**289**	**289**	**(1)**	**100%**	**288**	**–**	**99%**	**288**	**–**	**100%**
	TOTAL: ACP+OCT (A+B)	**15,348**	**15,335**	**(22)**	**100%**	**15,302**	**(4)**	**100%**	**15,201**	**14**	**99%**

able 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
CLASS OF AID
ACP + PTOM - 10 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGR	ANNU	%	AGGR	ANNU	%	AGGR	ANNU	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	56	56	(1)	100%	56	–	99%	56	–	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**56**	**56**	**(1)**	**100%**	**56**	**–**	**99%**	**56**	**–**	**100%**
	B Envelope - National Allocations	9									
	Other chocs with budgetary impact		9			9		100%	9		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**9**	**9**		**100%**	**9**		**100%**	**9**		**100%**
	Mobilisable reserves										
	Reserves										
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE	**–**									
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	12,696	12,594	(168)	99%	12,384	(42)	98%	11,798	286	95%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**12,696**	**12,594**	**(168)**	**99%**	**12,384**	**(42)**	**98%**	**11,798**	**286**	**95%**
	B Envelope - National Allocations	1,983									
	Compensation export earnings		202	(1)		197	(4)	97%	191	–	97%
	Emergency aid		835	(4)		829	(2)	99%	821	8	99%
	Heavily indebted poor countries		49	–		49		100%	49		100%
	Other chocs with budgetary impact		895			887	–	99%	880	3	99%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**1,983**	**1,981**	**(5)**	**100%**	**1,961**	**(6)**	**99%**	**1,941**	**11**	**99%**
	Implementation costs	460	440	4	96%	440	4	100%	440	5	100%
	Interests and other receipts	71	68	–	96%	67	–	98%	67	–	100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**530**	**509**	**4**	**96%**	**507**	**4**	**100%**	**507**	**5**	**100%**
	Institutional and support expenditure	226	226	(3)	100%	226	(3)	100%	209	–	93%
	Other Intra-ACP allocations	1,855	1,848	(17)	100%	1,826	2	99%	1,726	43	95%
	Peace facility	1,527	1,527	408	100%	1,087	(12)	71%	1,038	15	95%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,608**	**3,600**	**388**	**100%**	**3,139**	**(13)**	**87%**	**2,973**	**58**	**95%**
	Regional allocations	1,902	1,896	(30)	100%	1,827	8	96%	1,625	70	89%
	SUB TOTAL: REGIONAL ALLOCATIONS	**1,902**	**1,896**	**(30)**	**100%**	**1,827**	**8**	**96%**	**1,625**	**70**	**89%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	185	181	(2)	98%	177	(1)	98%	152	9	86%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**185**	**181**	**(2)**	**98%**	**177**	**(1)**	**98%**	**152**	**9**	**86%**
	Implementation costs	5	5	–	100%	3	–	65%	3	1	78%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**5**	**5**	**–**	**100%**	**3**	**–**	**65%**	**3**	**1**	**78%**
	Other Intra-ACP allocations	12	11		92%	10	–	99%	10	–	100%
	Peace facility	1	1	–	99%	1		100%	1		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**12**	**11**	**–**	**92%**	**11**	**–**	**99%**	**11**	**–**	**100%**
	Mobilisable reserves										
	Reserves										
	A Envelope reserve	–									
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	Intra-ACP Reserve	–									
	SUB TOTAL: INTRA-ACP RESERVE	**–**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE	**–**									
	NIP/RIP reserve	–									
	SUB TOTAL: NIP/RIP RESERVE	**–**									
	Regional allocations reserve	–									
	SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**–**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	171									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**171**									
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	187	187	(2)	100%	182	–	97%	157	13	87%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**187**	**187**	**(2)**	**100%**	**182**	**–**	**97%**	**157**	**13**	**87%**
	B Envelope - National Allocations	15									
	Emergency aid		9	–		8	–	99%	8	1	99%
	Other chocs with budgetary impact		6			6		100%	6		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**15**	**15**	**–**	**100%**	**14**	**–**	**99%**	**14**	**1**	**99%**
	Studies / Technical assistance OCT	5	5	–	100%	5		100%	5		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**5**	**5**	**–**	**100%**	**5**		**100%**	**5**		**100%**
	Regional allocations	39	39	–	100%	36	(1)	93%	34	2	94%
	SUB TOTAL: REGIONAL ALLOCATIONS	**39**	**39**	**–**	**100%**	**36**	**(1)**	**93%**	**34**	**2**	**94%**
	Mobilisable reserves										
	Reserves										
	A Envelope reserve	–									
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE	**–**									
	Regional allocations reserve	–									
	SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**–**									

Non-mobilisable reserve										
Reserves										
Non-mobilisable reserve	26									
SUB TOTAL: NON-MOBILISABLE RESERVE	**26**									
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**21,430**	**21,088**	**183**	**97%**	**20,310**	**(51)**	**96%**	**19,285**	**456**	**95%**

Table 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2019
CLASS OF AID
ACP + PTOM - 11 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGR	ANNU	%	AGGR	ANNU	%	AGGR	ANNU	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	65	65		100%	64	5	98%	45	18	70%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**65**	**65**		**100%**	**64**	**5**	**98%**	**45**	**18**	**70%**
	B Envelope - National Allocations	17									
	Emergency aid		17			17		100%	17		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**17**	**17**		**100%**	**17**		**100%**	**17**		**100%**
	Mobilisable reserves										
	Reserves										
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE	**–**									
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	15,567	14,186	1,617	91%	11,063	1,920	78%	6,077	1,637	55%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**15,567**	**14,186**	**1,617**	**91%**	**11,063**	**1,920**	**78%**	**6,077**	**1,637**	**55%**
	B Envelope - National Allocations	838									
	Emergency aid		712	137		600	29	84%	511	35	85%
	Other chocs with budgetary impact		109			109	–	100%	109	–	100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**838**	**821**	**137**	**98%**	**709**	**29**	**86%**	**620**	**35**	**87%**
	Bridging facility	–									
	SUB TOTAL: BRIDGING FACILITY	**–**									
	Implementation costs	1,053	855	155	81%	824	177	96%	769	166	93%
	Interests and other receipts	18	9	–	51%	8	1	85%	7	–	85%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**1,071**	**864**	**154**	**81%**	**832**	**178**	**96%**	**775**	**166**	**93%**
	Institutional and support expenditure	197	127	(6)	64%	103	5	81%	95	10	93%
	Other Intra-ACP allocations	2,791	2,397	281	86%	1,938	591	81%	1,279	380	66%
	Peace facility	1,000	1,000		100%	980	34	98%	881	22	90%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,988**	**3,524**	**275**	**88%**	**3,020**	**630**	**86%**	**2,256**	**413**	**75%**
	Regional allocations	6,920	6,649	846	96%	5,644	704	85%	2,591	1,038	46%
	SUB TOTAL: REGIONAL ALLOCATIONS	**6,920**	**6,649**	**846**	**96%**	**5,644**	**704**	**85%**	**2,591**	**1,038**	**46%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	42	31	11	75%	31	11	100%	2	1	6%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**42**	**31**	**11**	**75%**	**31**	**11**	**100%**	**2**	**1**	**6%**
	Implementation costs	3	3	1	86%	1	1	28%	–	–	3%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**3**	**3**	**1**	**86%**	**1**	**1**	**28%**	**–**	**–**	**3%**
	Peace facility	24	23	21	95%	22	20	98%	17	16	78%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**24**	**23**	**21**	**95%**	**22**	**20**	**98%**	**17**	**16**	**78%**
	Regional allocations	4	2		50%	2		100%	2	2	100%
	SUB TOTAL: REGIONAL ALLOCATIONS	**4**	**2**		**50%**	**2**		**100%**	**2**	**2**	**100%**
	Mobilisable reserves										
	Reserves										
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	Intra-ACP Reserve	27									
	SUB TOTAL: INTRA-ACP RESERVE	**27**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE	**–**									
	NIP/RIP reserve	540									
	SUB TOTAL: NIP/RIP RESERVE	**540**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	130									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**130**									
	EC Internal SLA										
	Reserves										
	A Envelope - National Allocations	1	1		71%	1	–	73%	1		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**1**	**1**		**71%**	**1**	**–**	**73%**	**1**		**100%**
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	196	196	13	100%	192	13	98%	120	44	63%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**196**	**196**	**13**	**100%**	**192**	**13**	**98%**	**120**	**44**	**63%**
	B Envelope - National Allocations	8									
	Emergency aid		5	2		5	2	99%	4	2	78%
	Other chocs with budgetary impact		3			3		100%	3		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**8**	**8**	**2**	**100%**	**8**	**2**	**99%**	**7**	**2**	**87%**
	Bridging facility	–									
	SUB TOTAL: BRIDGING FACILITY	**–**									
	Studies / Technical assistance OCT	9	7	2	84%	5	–	65%	4	1	87%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS	**9**	**7**	**2**	**84%**	**5**	**–**	**65%**	**4**	**1**	**87%**
	Regional allocations	99	99	62	100%	80	43	81%	13	5	16%
	SUB TOTAL: REGIONAL ALLOCATIONS	**99**	**99**	**62**	**100%**	**80**	**43**	**81%**	**13**	**5**	**16%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	–									
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**–**									
	Mobilisable reserves										
	Reserves										

NIP/RIP reserve	32									
SUB TOTAL: NIP/RIP RESERVE	**32**									
Non-mobilisable reserve										
Reserves										
Non-mobilisable reserve	12									
SUB TOTAL: NON-MOBILISABLE RESERVE	**12**									
EC Internal SLA										
Reserves										
A Envelope - National Allocations	–									
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**–**									
Regular MS Contributions										
Allocations										
A Envelope - National Allocations	10	10	4	100%	6		59%	6	–	99%
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**10**	**10**	**4**	**100%**	**6**		**59%**	**6**	**–**	**99%**
B Envelope - National Allocations	7									
Emergency aid		7	7							
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**7**	**7**	**7**	**100%**						
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**29,608**	**26,511**	**3,153**	**90%**	**21,697**	**3,557**	**82%**	**12,553**	**3,377**	**58%**

ANNUAL REPORT ON IMPLEMENTATION - FUNDS MANAGED BY THE EUROPEAN INVESTMENT BANK

EUROPEAN INVESTMENT BANK

CA/531/20
12 March 2020

Document 20/108

BOARD OF DIRECTORS

INVESTMENT FACILITY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

a) Statement of financial position
b) Statement of profit or loss and other comprehensive income
c) Statement of changes in contributors' resources
d) Statement of cash flows
e) Notes to the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(In EUR'000)

	Notes	31.12.2019	31.12.2018
ASSETS			
Cash and cash equivalents	5	837,777	573,708
Amounts receivable from contributors	9/17	86,330	100,000
Treasury financial assets	10	330,587	335,140
Derivative financial instruments	6	14,184	9,873
Loans and advances	7	1,518,675	1,540,991
Shares and other variable yield securities	8	619,928	567,292
Other assets	11	-	171
Total assets		**3,407,481**	**3,127,175**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	191	8,493
Deferred income	12	32,566	33,764
Provisions for guarantees issued	13	628	793
Provisions for loan commitments	14	37,269	23,822
Amount owed to third parties	15	147,438	143,813
Other liabilities	16	2,353	2,493
Total liabilities		**220,445**	**213,178**
CONTRIBUTORS' RESOURCES			
Facility Member States Contribution called	17	2,967,000	2,697,000
Retained earnings		220,036	216,997
Total contributors' resources		**3,187,036**	**2,913,997**
Total liabilities and contributors' resources		**3,407,481**	**3,127,175**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(In EUR'000)

	Notes	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Interest and similar income*	19	93,923	96,730
Interest and similar expenses	19	-2,948	-2,539
Net interest and similar income		**90,975**	**94,191**
Fee and commission income	20	4,438	284
Fee and commission expenses	20	-721	-106
Net fee and commission income		**3,717**	**178**
Fair value change of derivative financial instruments		12,611	-9,987
Net result on shares and other variable yield securities	21	9,904	-10,179
Net result on loans and advances measured at FVTPL	7	-8,331	-702
Net result on sale of loans	7	2,064	-
Net foreign exchange result		-61,998	-32,436
Net result on financial operations		**-45,750**	**-53,304**
Change in impairment on loans and advances, net of reversals	7	17,243	-22,771
Change in provisions for guarantees, net of reversals	13	107	-485
Change in provisions for loan commitments, net of reversals	14	-13,244	-19,612
General administrative expenses	22	-50,009	-47,799
Profit / (Loss) for the year		**3,039**	**-49,602**
Other comprehensive income		-	-
Total comprehensive income profit / (loss) for the year		**3,039**	**-49,602**

* For the year ended 31 December 2019, interest and similar income included EUR 93.9 million (2018: EUR 96.7 million) calculated on assets held at amortised cost based on effective interest method.

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES FOR THE YEAR ENDED 31 DECEMBER 2019

(In EUR'000)

		Contribution called	Retained earnings	Total
At 1 January 2019	**Notes**	**2,697,000**	**216,997**	**2,913,997**
Member States contribution called during the year	17	270,000	-	270,000
Profit for the year 2019		-	3,039	3,039
Changes in contributors' resources		**270,000**	**3,039**	**273,039**
At 31 December 2019		**2,967,000**	**220,036**	**3,187,036**

	Contribution called	Retained earnings	Total
At 1 January 2018	**2,517,000**	**266,599**	**2,783,599**
Member States contribution called during the year	180,000	-	180,000
Loss for the year 2018	-	-49,602	-49,602
Changes in contributors' resources	**180,000**	**-49,602**	**130,398**
At 31 December 2018	**2,697,000**	**216,997**	**2,913,997**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(In EUR'000)

	Notes	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
OPERATING ACTIVITIES			
Profit / (Loss) for the financial year		3,039	-49,602
Adjustments made for			
Net result in fair value on shares and other variable yield securities	8	-8,629	20,665
Change in impairment on loans and advances, net of reversals	7	-17,243	22,771
Net result on loans and advances at FVTPL		8,331	702
Change in accrued interest and amortised cost on loans and advances	7	-5,087	-1,833
Net change in provisions for guarantees issued, net of reversals	13	-107	309
Net change in provisions for loan commitments, net of reversals		13,447	19,666
Fair value changes on derivatives		-12,611	9,987
Change in accrued interest and amortised cost on treasury financial assets	10	331	-1,645
Change in deferred income		-1,198	7,962
Effect of exchange rate changes on loans	7	-17,752	-44,927
Effect of exchange rate changes on shares and other variable yield securities	8	-6,812	-17,300
Effect of exchange rate changes on cash held		2,369	2,561
Loss on operating activities before changes in operating assets and liabilities		**-41,922**	**-30,684**
Loan disbursements	7	-311,185	-259,214
Repayments of loans	7	355,078	354,855
Sale of loans		2,194	-
Change in accrued interest on cash and cash equivalents	5	-93	-178
(Increase) in treasury financial assets	10	-2,948,021	-2,219,062
Maturities of treasury financial assets	10	2,952,905	2,026,659
(Increase) in shares and other variable yield securities	8	-106,943	-95,434
Net proceeds from shares and other variable yield securities		71,024	32,802
(Decrease) in other assets		-171	-4,214
Increase in other liabilities		140	31
Increase in amounts payable to the European Investment Bank		2,187	2,168
Net cash flows used in operating activities		**-24,807**	**-192,271**
FINANCING ACTIVITIES			
Contribution received from Member States		284,820	230,000
Amounts received from Member States with regard to interest subsidies and technical assistance		30,000	20,000
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-28,220	-35,641
Net cash flows from financing activities		**286,600**	**214,359**
Net increase in cash and cash equivalents		**261,793**	**22,088**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**573,818**	**549,169**
Net cash from:			
Operating activities		-24,937	-192,271
Financing activities		286,730	214,359
Effects of exchange rate changes on cash and cash equivalents		2,369	2,561
Cash and cash equivalents at the end of financial year		**837,980**	**573,818**
Cash and cash equivalents are composed of:			
Cash in hand	5	72,166	51,936
Term deposits (excluding accrued interest)	5	622,991	521,882
Commercial papers	5	142,823	-
		837,980	**573,818**

Notes to the financial statements as at 31 December 2019

1 General information

The Investment Facility ("the Facility" or "IF") has been established within the framework of the Cotonou Agreement (the "Agreement") on co-operation and development assistance negotiated between the African, Caribbean and Pacific Group of States (the "ACP States") and the European Union and its Member States on 23 June 2000, revised on 25 June 2005 and 22 June 2010.

The Facility is not a separate legal entity and the European Investment Bank ("EIB" or "the Bank") manages the contributions on behalf of the Member States ("Donors") in accordance with the terms of the Agreement and acts as an administrator of the Facility.

Financing under the Agreement is provided from EU Member States' budgets. EU Member States contribute with the amounts allocated to finance the IF and grants for the financing of the interest subsidies as provided for under the multi-annual financial frameworks (First Financial Protocol covering the period 2000 - 2007 and referred to as the 9th European Development Fund (EDF), Second Financial Protocol covering the period 2008 - 2013 and referred to as the 10th EDF and the Third Financial Protocol covering the period 2014 - 2020 referred to as the 11th EDF). The EIB is entrusted with the management of:

- the Facility, a EUR 3,685.5 million risk-bearing revolving fund geared to fostering private sector investment in ACP States of which EUR 48.5 million are allocated to Overseas Countries and territories ("OCT countries");
- grants for the financing of interest subsidies worth max. EUR 1,220.85 million for ACP States and max. EUR 8.5 million for OCT countries. Up to 15% of these subsidies can be used to fund project-related technical assistance ("TA").

Transitional arrangements that would allow EIB financing to carry on operations in ACP region until the end of 2020 have been agreed on the EU and ACP sides (Decision N° 3/2019 of the ACP-EU Committee of Ambassadors of 17 December 2019 to adopt transitional measures pursuant to Article 95(4) of the ACP-EU Partnership Agreement). The Bank will continue approving operations in line with its Mandate until the end of 2020, which is the end of the commitment period for the use of IF revolving funds specified under the 11th EDF.

In June 2018, the Commission also published the budget proposal for the external action of the EU for the period 2021-2027, the regulation establishing the Neighbourhood, Development and International Cooperation Instrument ("NDICI"). An important aspect of the proposal is the simplification of its funding architecture, bringing together nine separate instruments and funds, as well as the integration of the current extra-budgetary EDF into the EU budget. The NDICI Regulation will provide the legal basis for the Commission to entrust future EU mandates to the EIB for its activity outside the EU. It will also provide the external investment framework for the Union to cooperate with partner institutions through grants or guarantees from the EU budget. NDICI negotiations are still on-going Without prejudice to a Council decision, the EIB and the EC are in talks about a proposal to continue the use of the IF reflows for an agreed number of years.

The present financial statements cover the period from 1 January 2019 to 31 December 2019.

On a proposal from the Management Committee of EIB, the Board of Directors of EIB adopted the Financial Statements on 12 March 2020, and authorised their submission to the Board of Governors for approval by 24 April 2020.

2 Significant accounting policies

2

2.1 Basis of preparation – Statement of compliance

The Facility's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.2 Significant accounting judgments and estimates

The preparation of financial statements requires the use of accounting estimates. It also requires the Bank's Management to exercise its judgment in the process of applying the Investment Facility's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

- **Measurement of fair value of financial instruments**

Fair values of financial assets (“FA”) and financial liabilities (“FL”) that are traded in active markets are based on quoted market prices or broker price quotations. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The valuations are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as described and disclosed in Notes 2.4.2 and 4.

- **Impairment losses on loans and advances**

The expected credit loss (‘ECL’) measurement requires management to apply significant judgments, in particular, the assessment of a significant increase in credit risk since initial recognition, the incorporation of forward looking information and further the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized (Note 2.4.2).

- **Valuation of unquoted equity investments**

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm’s length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- adjusted net assets method; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Facility calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

- **Consolidation of entities in which the Facility holds interest**

The Facility made significant judgements that none of the entities in which it holds interest, are controlled by the Facility. This is due to the fact that in all such entities, either the General Partner or the Fund Manager or the Management Board have the sole responsibility for the management and control of the activities and affairs of the partnership and have the power and authority to do all things necessary to carry out the purpose and objectives of the partnership complying with the investment and policy guidelines.

2.3 Changes in accounting policies

Except for the changes below, the Facility has consistently applied the accounting policies set out in Note 2.4 to all periods presented in these financial statements. The Facility has adopted the following new standards and amendments to standards.

Standards adopted

The following interpretations as well as the amendments to and revision of existing standards became effective for the Facility`s financial statements as of 1 January 2019:

IFRS 16 Leases

IFRS 16 became effective for annual reporting periods beginning on or after 1 January 2019 and replaces the existing guidance of IAS 17. It results in almost all leases are being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The accounting for lessors not changed significantly.

This change had no material impact on the Facility`s financial statements.

Prepayment Features with Negative Compensation - Amendments to IFRS 9

The amendments clarify, that a financial asset passes the Solely Payments of Principal and Interest (‘SPPI’) criterion, regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The adoption of the amendments had no material impacts on the Facility’s financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments had no material impact on the Facility’s financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability

These amendments had no impact on the Facility’s financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11)

These amendments had no impact on the Facility`s financial statements as there is no transaction where joint control is obtained.

Standards issued but not yet adopted

Definition of Material - Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards themselves.

The amended definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments are effective for annual periods beginning on or after 1 January 2020. The Facility did not adopt these amendments early and does not expect it to have a significant impact on the Facility’s financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which provide temporary reliefs that would enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (a RFR).

The amendments to IFRS 9 include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable;
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss;
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based are not altered as a result of IBOR reform.

The fourth relief provides that, a non-contractually specified risk component only needs to be separately identifiable need at initial hedge designation and not on ongoing basis.

Application of the reliefs is mandatory and the reliefs continue indefinitely in the absence of any of the events described in the amendments.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments are effective for annual periods beginning on or after 1 January 2020. The Facility did not adopt these amendments early and the Bank established a cross-services IBOR working group to assess the impact and manage its transition.

Amendments to References to Conceptual Framework in IFRS Standards – effective 1 January 2020.

The revised Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard, but mainly has the purpose to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Facility did not adopt the revised Conceptual Framework early and does not expect it to have a significant impact on the Facility`s financial statements.

2.4 Summary of significant accounting policies

The statement of financial position represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

2.4.1 Foreign currency translation

The Facility uses the Euro (EUR) for presenting its financial statements, which is also the functional currency. Except as otherwise indicated, financial information presented in EUR has been rounded to the nearest thousand.

Foreign currency transactions are translated, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the statement of financial position date. The gain or loss arising from such translation is recorded in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the statement of profit or loss and other comprehensive income.

2.4.2 Financial assets other than derivatives

Non-derivative financial instruments are initially recognised using the settlement date basis.

Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) or fair value through P&L (“FVTPL”) and a financial liability is classified as measured at AC or FVTPL.

Under IFRS 9, classification starts with determining whether the financial asset shall be considered as a debt or equity instrument. IFRS 9 refers to the definitions in IAS 32 Financial Instruments: Presentation.

Debt instruments are those instruments that meet the definition of a financial liability from the counterparty’s perspective, loans and debt securities including bonds, notes or certificates issued by structured entities, government or corporates.

A debt instrument is classified at AC if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI criteria).

A debt instrument is classified at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are fulfilling the SPPI criteria.

The above requirements should be applied to an entire financial asset, even if it contains an embedded derivative.

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Equity instruments are measured at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Facility may irrevocably elect to present subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The EIB, as a manager of the Facility, makes an assessment of the objective of a business model in which a debt instrument is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management´s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Facility’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectation about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Facility stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model for the Impact Financing Envelope direct loan operations has been changed as described and disclosed in Note 7 and Note 24.

Solely payment of principal and interests (‘SPPI’) criteria

For the purpose of this assessment, ‘principal’ is defined as the fair value of the debt instrument on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument are considered. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Derecognition

The Facility derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the rights to receive the contractual cash flow are transferred in a transaction in which either the Facility transfers the risks and rewards of ownership of the financial asset or it retains substantially all of the risks and rewards of ownership but does not retain control of the financial asset.

On derecognition of a financial asset or financial liability (Note 2.4.4), the difference between the carrying amount of the asset or liability (or the carrying amount allocated to the portion of the asset or liability derecognised) and the sum of (i) the consideration received or paid and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for the cumulative gains or losses recognised in other comprehensive income for equity investments measured at fair value through other comprehensive income which are transferred to the reserve fund rather than profit or loss on disposal.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Facility changes its business model for managing financial assets.

Modification

A financial asset measured at amortised cost is considered modified when its contractual cash flows are renegotiated or otherwise modified. Renegotiation or modification may or may not lead to derecognition of the old and recognition of the new financial instrument.

A substantial contractual modification on the cash flows of a financial asset measured at amortised cost which results in the derecognition of the financial asset, leads to the recognition of the new financial asset at its fair value, and the recording of the modification gain or loss impact in the consolidated income statement under “Result on financial operations”.

Measurement of fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Facility has access at that date.

When applicable, the EIB on behalf of the Facility measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

These valuation techniques may include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Facility uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require limited management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Facility uses own valuation models, which are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and guarantees for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability or counterparty default and prepayments and selection of appropriate discount rates.

The Facility measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are unadjusted quoted market prices in active markets for identical instruments to which the Facility has access.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are not observable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Facility recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment on financial assets

IFRS 9 forward-looking 'expected credit loss' (''ECL'') impairment model apply to financial assets measured at AC, to financial guarantee contracts, as well as to off-balance sheet commitments. This require judgement to determine the underlying variable (PD, LGD, EAD) used in order to assess how changes in economic and other factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, loss allowances is measured on either of the following bases:

- 12-month ECL's: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

The IFRS 9 Standard sets out a "three-stage" model for impairment based on changes in credit quality since initial recognition. Financial instruments are classified in Stage 1 except for those instruments for which significant increase in credit risk ('SICR') since initial recognition is identified. This includes both quantitative and qualitative information and analysis, based on the Bank's expertise, including forward-looking information.

Purchased or originated credit-impaired assets ('POCI') are the financial assets which are, from the moment of initial recognition, deemed to be classified as Stage 3. For POCI financial assets, the cumulative changes in lifetime ECL since initial recognition are recognised in the statement of profit or loss.

The Facility's assessment of the Stage is based on a sequential approach which is consistent with the Credit Risk Guidelines ('CRG') and the Financial Monitoring Guidelines and Procedures ('FMGs'), notably covering watch list, internal rating and arrears.

If significant increase in credit risk has occurred, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

To identify Stage 3 exposures, the Facility determines whether or not there is objective evidence of default event. A financial asset is considered to be in default when the borrower is unlikely to pay its credit obligations to the Facility in full, without recourse by the Facility or the borrower is past due more than 90 days on any material credit obligation to the Facility.

In this respect, a financial asset is considered impaired when it is determined that it is probable that the Facility will not be able to collect all amounts due according to the original contractual terms or an equivalent value. Individual credit exposures are evaluated based upon the borrower's characteristics, overall financial condition, resources and payment record, the prospects for support from any financially responsible guarantors and, where applicable, the realisable value of any collateral.

All impaired claims are reviewed and analysed at least semi-annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the provision for credit losses and be charged or credited to the income statement. An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement. A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established impairments or directly to the income statement and reduce the principal amount of a claim. Recoveries in part or in full of amounts previously written off are credited to the income statement.

Measuring ECL – Inputs, Assumptions and Techniques

Lifetime ECL measurement applies to Stage 2 and Stage 3 assets, while 12-month ECL measurement applies to Stage 1 assets.

The expected credit losses were calculated based on the following variables:

- Probability of default (PD),
- Loss Given default (LGD),
- Exposure at default (EAD).

The probability of default represents the likelihood of a counterpart defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. PD is estimated at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

Ratings are primary input into the determination of the term structure of PD for exposures. The EIB collects performance and default information about the Facility's credit risk exposures. The collected data are segmented by type of industry and by type of region. Different industries and regions reacting in a homogenous manner to credit cycles are analysed together.

The EIB employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The loss given default represents the EIB's expectation of the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default. Loss given default can be also defined as "1 - Recovery Rate". LGD estimates are determined mainly by geography and by type of counterparty, with five main exposure classes: Sovereigns, Public Institutions, Financial Institutions, Corporate and Project Finance. LGD values can be further adjusted based on the product and contract specific features of the exposure.

The EAD represents the expected exposure in the event of a default EAD and is based on the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract.

The EIB incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit losses.

2.4.2.1 Cash and cash equivalents

The Facility defines cash and cash equivalents as current accounts, short-term deposits or commercial papers with original maturities of three months or less. Cash and cash equivalents are carried at AC in the statement of financial position.

2.4.2.2 Treasury financial assets

Treasury financial assets comprise quoted and unquoted bonds with the intention of holding them to maturity, and commercial papers with original maturities of more than three months and are consequently classified at AC.

Those bonds and commercial papers are initially measured at cost, which is the fair value plus any directly attributable transaction cost. The difference between entry price and redemption value is amortised in accordance with the effective interest method over the remaining life of the instrument.

2.4.2.3 Loans and advances

The loan and advances portfolio may consist of debt instruments such as loans and debt securities including bonds, notes or certificates issued by structured entities with the intention of holding them to maturity and to collect the contractual cash flows.

Loans and advances include:

- Loans and advances measured at AC;
- Loans and advances mandatorily measured at FVTPL.

Loans originated by the Facility are recognised in the assets of the Facility when cash is advanced to borrowers. Undisbursed parts of loans are recorded in the off-balance at their nominal value. Loans passing the SPPI test are initially recorded at cost (their net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at AC using the effective interest rate method.

Debt securities are recognised in the assets of the Facility when cash is advanced to the issuer and can take the form of a contractually linked or single tranche debt instrument. Undisbursed parts of debt securities are recorded in the off-balance at their nominal value. Debt securities are initially measured at cost, which is the fair value plus any directly attributable transaction cost, and are subsequently measured at AC using the effective interest rate method. The difference between entry price and redemption value is amortised in accordance with the effective interest method over the remaining life of the instrument.

Impairment policy on loans and advances is described under the note 2.4.2.

Loans and advances not fulfilling the SPPI criterion are mandatorily measured at FVTPL. The fair value measurement technique used is based on a discounted cash flow technique.

2.4.2.4 Shares and other variable yield securities

There are two types of equity investments at the Facility: (i) direct equity investments and (ii) venture capital funds. The shares and other variable yield securities are initially recognised at fair value plus transactions costs. Subsequently changes in fair value, including foreign currency translation gains and losses, are recognised in the statement of profit or loss and other comprehensive income under the caption net result on shares and other variable yield securities.

For unquoted investment, when the fair value cannot be derived from active markets, the fair value is determined by applying recognised valuation techniques (Note 4.2.1).

The participations acquired by the Facility typically represent investments in private equity or venture capital funds. According to industry practice, such investments are generally investments jointly subscribed by a number of investors, none of whom is in a position to individually influence the daily operations and the investment activity of such fund. As a consequence, any membership by an investor in a governing body of such fund does not in principle entitle such investor to influence the day-to-day operations of the fund. In addition, individual investors in a private equity or a venture capital fund do not determine policies of a fund such as distribution policies on dividends or other distributions. Such decisions are typically taken by the management of a fund on the basis of the shareholders agreement governing the rights and obligations of the management and all shareholders of the fund. The shareholders' agreement also generally prevents individual investors from bilaterally executing material transactions with the fund, interchanging managerial personnel or obtaining privileged access to essential technical information. The Facility's investments are executed in line with the above stated industry practice, ensuring that the Facility neither controls nor exercises any form of significant influence within the meaning of IFRS 10 and IAS 28 over any of these investments, including those investments in which the Facility holds over 20 % of the voting rights.

2.4.3 Financial guarantees

Financial guarantee contracts are contracts that require the Facility to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Under the existing rules, these guarantees do not meet the definition of an insurance contract (IFRS 4 Insurance Contracts).

Financial guarantees are accounted for under IFRS 9 – Financial Instruments, either as "Derivatives" or as "Financial Guarantees", depending on their features and characteristics as defined by IFRS 9.

The accounting policy for derivatives is disclosed under Note 2.4.5.

Financial guarantees are initially recognised in the statement of financial position under "Provisions for guarantees issued" at fair value plus transaction costs that are directly attributable to the issuance of the financial guarantees. At initial recognition the obligation to pay corresponds to the Net Present Value (NPV) of expected premium inflows or the initial expected loss.

Subsequent to initial recognition, financial guarantees are measured at the higher of:

- The amount of the loss allowance as determined under IFRS 9; and
- The premium initially recognised less income recognised in accordance with the principles of IFRS 15.

Any increase or decrease in the net liability (as measured per IFRS 9) relating to financial guarantees other than the payment of guarantee calls is recognised in the statement of profit or loss and other comprehensive income under “Change in provisions for guarantees”.

The premium received is recognised in the statement of profit or loss and other comprehensive income in “Fee and commission income” on the basis of an amortisation schedule in accordance with IFRS 15 over the life of the financial guarantee.

In addition, when a guarantee agreement is signed, it is presented as a contingent liability for the Facility and when the guarantee is engaged, as a commitment for the Facility.

2.4.4 Financial liabilities other than derivatives

Classification and measurement

Financial liabilities

A financial liability is measured at amortised cost except for financial liabilities that meet the definition of held for trading (e.g. derivative liabilities).

The Facility derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

2.4.5 Derivative financial instruments

Derivative financial instruments include cross currency swaps, cross currency interest rate swaps, short term currency swaps (“FX swaps”) and interest rate swaps.

Derivative financial instruments are initially recognised using the trade date basis.

In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations or into currency forward contract with a view to hedge its currency positions, denominated in actively traded currencies other than the Euro, in order to offset any gain or loss caused by foreign exchange rate fluctuations.

All derivatives are measured at FVTPL and are reported as derivative financial instruments. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third party quotes.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are shown in the statement of profit and loss and other comprehensive income under “Fair value change of derivative financial instruments”.

Under IFRS 9, bifurcation requirements regarding embedded derivatives have been eliminated for financial assets or financial liabilities and therefore, the hybrid contract is treated as a whole for classification of financial assets or financial liability accordingly.

2.4.6 Contributions

Contributions from Member States are recognised as receivables in the statement of financial position on the date of the Council Decision fixing the financial contribution to be paid by the Member States to the Facility.

The Member States contributions meet the following conditions and are consequently classified as equity:

- as defined in the contribution agreement, they entitle the Member States to decide on the utilisation of the Facility’s net assets in the events of the Facility’s liquidation;
- they are in the class of instruments that is subordinated to all other classes of instruments;
- all financial instruments in the class of instruments that are subordinated to all other classes of instruments have identical features;
- the instrument does not include any features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Facility over the life of the instrument.

Contributions are classified and measured at AC in the financial statements.

2.4.7 Interest and similar income

Interest on loans originated by the Facility is recorded in the statement of profit or loss and other comprehensive income ('Interest and similar income') and in the statement of financial position ('Loans and advances') on an accrual basis using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying amount of the loan. Once the recorded value of a loan has been reduced due to impairment, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Interest on the POCI loans is recorded in the statement of profit or loss and other comprehensive income ('Interest and similar income') and in the statement of financial position ('Loans and advances') on an accrual basis using the credit- adjusted effective interest rate through the whole life of the loan, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the amortised cost of the loan.

Commitment fees are deferred and recognised in income using the effective interest method over the period from disbursement to repayment of the related loan, and are presented in the statement of profit or loss and other comprehensive income within interest and similar income.

2.4.8 Interest subsidies and technical assistance

As part of its activity, the Facility manages interest subsidies and technical assistance on behalf of the Member States.

The part of the Member States contributions allocated to the payment of interest subsidies and TA is not accounted for in the Facility's contributors' resources but is classified as amounts owed to third parties. The Facility operates the disbursement to the final beneficiaries and then decreases the amounts owed to third parties.

When amounts contributed with regard to interest subsidies and TA are not fully granted, they are reclassified as contribution to the Facility.

2.4.9 Interest income on cash and cash equivalents

Interest income on cash and cash equivalents is recognised in the statement of profit or loss and other comprehensive income of the Facility on an accrual basis.

2.4.10 Fees, commissions and dividends

Fees received in respect of services provided over a period of time are recognised as income as the services are provided, while fees that are earned on the execution of a significant act are recognised as income when the significant act has been completed. These fees are presented in the statement of profit or loss and other comprehensive income within fee and commission income.

Dividends relating to shares and other variable yield securities are recognised when received and presented in the statement of profit or loss and other comprehensive income within net realised gains on shares and other variable yield securities.

2.4.11 Taxation

The Protocol on the Privileges and Immunities of the European Union, appended to the treaty on the European Union and the treaty of the functioning of the European Union, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

1 3 Risk Management

3
2 This note presents information about the Facility's exposure to and its management and control of credit and financial risks, in particular the primary risks associated with its use of financial instruments. These are:

3

- credit risk – the risk of loss resulting from client or counterparty default and arising on credit exposure in all forms, including settlement risk;
- liquidity risk – the risk that an entity is not able to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses;
- market risk – the risk that changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates will affect an entity's income or the value of its holdings in financial instruments.

4

3.1 Risk management organisation

5 The EIB adapts the IF`s risk management framework on an ongoing basis.

4
5 The Risk Management Directorate of EIB independently identifies, assesses, monitors and reports the risks to which the Facility is exposed. Within a framework whereby the segregation of duties is preserved, the Risk Management Directorate is independent of the Front Office. At EIB level the Director General of Risk Management reports for risk matters to the designated Vice-President for Risk Management. The designated Vice-President is responsible for overseeing risk reporting to the EIB's Management Committee and the Board of Directors.

3.2 Credit risk

5.1

Credit risk is the potential loss that could result from client or counterparty default and arising on credit exposure in all forms, including settlement.

3.2.1 Credit risk policy

In carrying out the credit analysis on loan counterparts, EIB assesses the credit risk and expected loss with a view to quantify and price the risk. EIB has developed an Internal Rating Methodology (IRM) to determine the Internal Ratings of its credit-relevant borrower/guarantor counterparts. The methodology is based on a system of scoring sheets tailored for each major credit counterpart type (e.g. Corporates, Banks, Public Sector Entities, etc). Taking into consideration both, Best Banking Practice and the principles set under the Basel International Capital Accord (Basel II), all counterparts that are material to the credit profile of a specific transaction are classified into internal rating categories using the IRM for the specific counterpart type. Each counterpart is assigned an Internal Rating reflecting its probability of default foreign currency rating following an in-depth analysis of the counterpart's business and financial risk profile and its country risk operating context.

The credit assessment of project finance and other structured limited recourse operations is using credit risk tools relevant for the sector, focused mainly on cash flow availability and debt service capacity. These tools include the analysis of projects' contractual framework, counterpart's analysis and cash flow simulations. Similarly to corporates and financial institutions, each project is assigned an internal risk rating.

All Internal Ratings are monitored over loan life, and periodically updated.

All non-sovereign (or non sovereign guaranteed/assimilated) operations are subject to specific transaction-level and counterpart size limits. Counterpart limits are set at consolidated group exposure level, where applicable. Such limits typically reflect e.g. the size of counterparts own funds.

In order to mitigate credit risk the EIB uses, where appropriate and on a case by case basis, various credit enhancements which are:

- Counterparty or project related securities (e.g., pledge over the shares; pledge over the assets; assignment of rights; pledge over the accounts); or/and
- guarantees, generally provided by the sponsor of the financed project (e.g., completion guarantees, first demand guarantees) or bank guarantees.

The Facility does not use any credit derivatives to mitigate credit risk.

3.2.2 Maximum exposure to credit risk without taking into account any collateral and other credit enhancements
1

2 The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral.

Maximum exposure (in EUR'000)	**31.12.2019**	**31.12.2018**
ASSETS		
Cash and cash equivalents	837,777	573,708
Amounts receivable from contributors	86,330	100,000
Treasury financial assets	330,587	335,140
Derivative financial instruments	14,184	9,873
Loans and advances	1,518,675	1,540,991
Other assets	-	171
Total	**2,787,553**	**2,559,883**
Provisions for loan commitments	**-37,269**	**-23,822**
OFF BALANCE SHEET		
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	200,013	2,800
Commitments		
- Undisbursed loans	1,357,320	1,283,932
- Non-issued guarantees	1,359,818	1,553,668
Total off balance sheet	**2,917,151**	**2,840,400**
Total credit exposure	**5,667,435**	**5,376,461**

3.2.3 Credit risk on loans and advances
1

3.2.3.1 Credit risk measurement for loans and advances
2

Loans and advances or guarantee undertaken by the Facility benefits from a comprehensive risk assessment and quantification of expected loss estimates that are reflected in a Loan Grading ("LG"). Operations under the IFE (as described in Note 24), with the exception of intermediated loans, are not subject to the Credit Risk Policy Guidelines and are subject to a different procedure. LGs are established according to generally accepted criteria, based on the quality of the borrower, the maturity of the loan, the guarantee and, where appropriate, the guarantor.

The loan grading system comprises the methodologies, processes, databases and IT systems supporting the assessment of credit risk in lending operations and the quantification of expected loss estimates. It summarises a large amount of information with the purpose of offering a relative ranking of loans' credit risks. LGs reflect the present value of the estimated level of the "expected loss", this being the product of the probability of default of the main obligors, the exposure at risk and the loss severity in the case of default. LGs are used for the following purposes:

- as an aid to a finer and more quantitative assessment of lending risks;
- as help in distributing monitoring efforts;
- as a description of the loan's portfolio quality at any given date;
- as one input in risk-pricing decisions based on the expected loss.

The following factors enter into the determination of an LG:

i) The borrower's creditworthiness: Risk Management independently reviews borrowers and assesses their creditworthiness based on internal methodologies and external data. In line with the Basel II Advanced Approach chosen, the Bank has developed an internal rating methodology (IRM) to determine the internal ratings of borrowers and guarantors. This is based on a set of scoring sheets specific to defined counterparty types.

ii) The default correlation: it quantifies the chances of simultaneous financial difficulties arising for both the borrower and the guarantor. The higher the correlation between the borrower and the guarantor's default probabilities, the lower the value of the guarantee and therefore the lower (worse) the LG.

iii) The value of guarantee instruments and of securities: this value is assessed on the basis of the combination of the issuer's creditworthiness and the type of instrument used.

iv) The applicable recovery rate: being the amount assumed to be recovered following a default by the relevant counterpart expressed as a percentage of the relevant loan exposure

v) The contractual framework: a sound contractual framework will add to the loan's quality and enhance its internal grading.

vi) The duration of the loan or, more generally, the cash-flows of the loan: all else being equal, the longer the loan, the higher the risk of incurring difficulties in the servicing of the loan.

A loan's expected loss is computed by combining the five elements discussed above. Depending on the level of this loss, a loan is assigned to one of the following LG classes listed below:

"A" - Prime quality loans of which there are three sub-categories:

"A0" comprising loans to or guaranteed by an EU Member State which have an expected loss of 0% (based on the Bank's preferred creditor status and statutory protection which are deemed to assure a full recovery of the Bank's assets upon maturity).

"A+" comprising loans granted to (or guaranteed by) entities other than EU Member States in respect of which there is no expectation of deterioration in quality over their term.

"A-" includes those lending operations where there is some doubt about the maintenance of their current status but where any downside is expected to be limited.

"B" High quality loans: these represent an asset class with which the bank feels comfortable, although a minor deterioration is not ruled out in the future. B+ and B- are used to denote the relative likelihood of the possibility of such deterioration occurring.

"C" Good quality loans: an example could be unsecured loans to solid banks and corporates with a 7-year bullet, or equivalent amortising, maturity at disbursement.

"D" This rating class represents the borderline between "acceptable quality" loans and those that have experienced some difficulties. This watershed in loan grading is more precisely determined by the sub-classifications D+ and D-. Loans rated D- require heightened monitoring.

"E" This LG category includes loans with a risk profile greater than generally accepted. It also includes loans which in the course of their lives have experienced severe problems and their sliding into a situation of loss cannot be excluded. For this reason, the loans are subject to close and high monitoring. The sub-classes E+ and E- differentiate the intensity of this special monitoring process, with those operations graded E- being in a position where there is a strong possibility that debt service cannot be maintained on a timely basis and therefore some form of debt restructuring is required, possibly leading to an impairment loss.

"F" F (fail) denotes loans representing unacceptable risks. F- graded loans can only arise out of outstanding transactions that have experienced, after signature, unforeseen, exceptional and dramatic adverse circumstances. All operations where there is a loss of principal to the Facility are graded F and a specific provision is applied.

Generally, loans internally graded D- or below are placed on the Watch List. However, if a loan was originally approved with a risk profile of D- or weaker, it will only be placed on the Watch List as a result of a material credit event causing a further deterioration of its LG classification.

3

4 The table in section 3.2.3.3 shows the credit quality analysis of the Facility's loan portfolio based on the various LG classes as described above.

3.2.3.2 Analysis of lending credit risk exposure

1

2 The following table shows the maximum exposure (net carrying amount) to credit risk on loans and advances signed (disbursed and undisbursed) by nature of borrower taking into account guarantees provided by guarantors:

3

At 31.12.2019	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
In EUR'000					
Banks	111,806	-	803,861	**915,667**	**60%**
Corporates	190,006	36,704	172,082	**398,792**	**26%**
Public institutions	26,908	-	1,686	**28,594**	**2%**
States	-	2,085	173,537	**175,622**	**12%**
Total disbursed	**328,720**	**38,789**	**1,151,166**	**1,518,675**	**100%**
Undisbursed	**191,191**	**-**	**1,128,860**	**1,320,051**	
Total disbursed and undisbursed	**519,911**	**38,789**	**2,280,026**	**2,838,726**	

At 31.12.2018	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
In EUR'000					
Banks	88,263	-	856,484	944,747	**61%**
Corporates	147,551	45,820	205,198	398,569	**26%**
Public institutions	29,182	-	-	29,182	**2%**
States	-	2,647	165,846	168,493	**11%**
Total disbursed	**264,996**	**48,467**	**1,227,528**	**1,540,991**	**100%**
Undisbursed	**170,356**	**-**	**1,089,753**	**1,260,110**	
Total disbursed and undisbursed	**435,352**	**48,467**	**2,317,281**	**2,801,101**	

Transaction Management and Restructuring Directorate is tasked with the responsibility of performing borrower and guarantor monitoring, as well as project-related financial and contractual monitoring. Thus, the creditworthiness of the Facility's loans, borrowers and guarantors are continually monitored, at least annually but more frequently on an as-needed basis and as a function of credit events taking place. In particular, Transaction Management and Restructuring Directorate reviews if contractual rights are met and, in case of a rating deterioration and/or contractual default, remedy action is taken. Mitigation measures are pursued, whenever necessary in accordance with the credit risk guidelines. Also, in case of renewals of bank guarantees received for its loans, it is ensured that these are replaced or action is taken in a timely manner.

3.2.3.3 Credit quality analysis per type of borrower

1

2 The tables below show the credit quality analysis of the Facility's loan portfolio as at 31 December 2019 and 31 December 2018 by the Loan Grading applications, based on the exposure signed (disbursed and undisbursed):

3

At 31.12.2019 In EUR'000		High Grade	Standard Grade	Min. Accept. Risk	High Risk	No grading*	Total	% of Total
		A to B-	C	D+	D- and below			
Borrower	Banks	234,072	219,467	335,841	817,894	-	**1,607,274**	**57%**
	Corporates	100,115	49,458	-	524,532	95,925	**770,030**	**27%**
	Public institutions	-	26,908	-	-	1,686	**28,594**	**1%**
	States	-	6,285	4,486	422,057	-	**432,828**	**15%**
Total		**334,187**	**302,118**	**340,327**	**1,764,483**	**97,611**	**2,838,726**	**100%**

* Loan operations measured at FVTPL

At 31.12.2018 In EUR'000		High Grade	Standard Grade	Min. Accept. Risk	High Risk	No grading	Total	% of Total
		A to B-	C	D+	D- and below			
Borrower	Banks	232,467	238,619	349,756	698,562	-	**1,519,404**	**54%**
	Corporates	103,845	7,564	744	693,100	50,000	**855,253**	**31%**
	Public institutions	-	-	29,182	2,994	-	**32,176**	**1%**
	States	-	4,786	7,681	381,801	-	**394,268**	**14%**
Total		**336,312**	**250,969**	**387,363**	**1,776,457**	**50,000**	**2,801,101**	**100%**

3.2.3.4 Risk concentrations of loans and advances
1

3.2.3.4.1 Geographical analysis
2

3 Based on the country of borrower, the Facility's loan portfolio can be analysed by the following geographical regions (in EUR'000):

4

Country of borrower	31.12.2019	31.12.2018
Kenya	230,837	233,269
Nigeria	179,499	172,515
Egypt	101,316	74,431
Tanzania	96,640	124,718
Mauritius	96,014	133,132
Barbados	75,342	74,638
Congo (Democratic Republic)	66,754	62,708
Uganda	64,882	81,766
Ethiopia	62,005	55,215
Mauritania	49,139	50,727
Rwanda	48,839	28,704
Dominican Republic	45,393	54,326
New Caledonia	43,980	21,124
Zambia	43,036	17,700
Senegal	42,750	18,330
Jamaica	33,436	72,165
Cameroon	32,238	14,784
Ghana	31,635	39,246
Malawi	21,800	26,827
Guinea	20,399	-
Angola	19,269	20,651
Togo	18,022	30,634
Cape Verde	17,226	18,923
Regional-ACP	14,674	24,335
Mozambique	12,709	14,719
French Polynesia	12,556	17,453
Cayman Islands	12,203	13,213
Niger	5,399	9,655
Mali	4,234	4,767
Seychelles	4,201	4,786
Haiti	3,345	4,748
Samoa	3,036	3,986
Burkina Faso	1,861	4,649
Vanuatu	1,527	1,848
Botswana	1,004	7,278
Palau	768	1,107
Micronesia	648	759
Benin	59	-
Liberia	-	1,153
South Africa	-	2
Total	**1,518,675**	**1,540,991**

3.2.3.4.2 Industry sector analysis

1

The table below analyses the Facility's loan portfolio by industry sector of the borrower. Operations which are first disbursed to a financial intermediary before being disbursed to the final beneficiary are reported under "Tertiary and other" (in EUR'000):

Industry sector of borrower	31.12.2019	31.12.2018
Tertiary and other	932,901	957,602
Electricity, coal and others	226,314	181,317
Urban development, renovation and transport	195,042	192,400
Chemicals, plastics and pharmaceuticals	51,865	20,436
Basic material and mining	44,746	45,820
Airports and air traffic management systems	26,908	29,182
Telecommunications	21,546	26,095
Food chain	8,355	15,386
Waste recuperation	6,812	7,564
Investment goods, Consumer durables	4,186	-
Materials processing, construction	-	33,144
Roads and motorways	-	32,043
Social infrastructure, education and health	-	2
Total	**1,518,675**	**1,540,991**

3.2.3.5 Credit risk exposure for each internal risk rating

The Facility uses an internal rating methodology in line with the Internal ratings based approach under Basel III. The majority of the Facility's counterparties have been assigned an internal rating according to this methodology. The table below shows a breakdown of the Facility's loan portfolio by the better of the borrower's or guarantor's internal ratings, where available. In cases where an internal rating is not available, the external rating has been used for this analysis.

The table shows both the exposures signed (disbursed and undisbursed) and the risk-weighted exposures, based on an internal methodology that the Facility uses for limit management.

		2019					
In EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	82,211	-	-	-	82,211
Internal Rating 2 - very low credit risk	Aa1 - Aa3	75,352	-	-	-	-	75,352
Internal Rating 3 - low credit risk	A1 - A3	5,399	-	-	-	-	5,399
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	60,385	16,449	-	-	-	76,834
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	192,201	6,199	-	-	-	198,400
Internal Rating 6 - high credit risk	B1 - B3	708,162	159,858	-	-	-	868,020
Internal Rating 7 - very high credit risk	below Caa1	79,411	145,176	-	-	-	224,587
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	136,749	-	-	136,749
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**37,366**	**37,366**
Loss allowance and FV adjustment		**-17,191**	**-38,509**	**-114,307**	**-**	**-16,236**	**-186,243**
Carrying amount of loans and advances		**1,103,719**	**371,384**	**22,442**	**-**	**21,130**	**1,518,675**
Loan commitments							
Internal Rating 1 - minimal credit risk	Aaa	-	-	-	-	-	-
Internal Rating 2 - very low credit risk	Aa1 - Aa3	102,092	-	-	-	-	102,092
Internal Rating 3 - low credit risk	A1 - A3	12,000	-	-	-	-	12,000
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	61,461	-	-	-	-	61,461
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	323,080	-	-	-	-	323,080
Internal Rating 6 - high credit risk	B1 - B3	405,773	126,076	-	-	-	531,849
Internal Rating 7 - very high credit risk	below Caa1	14,883	104,328	-	-	-	119,211
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	51,377	-	-	51,377
No internal rating*		79,669	-	-	-	-	79,669
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**76,581**	**76,581**
Loss allowance and FV adjustment		-3,943	-33,326	-	-	-	-37,269
Carrying amount of loan commitments		**995,015**	**197,078**	**51,377**	**-**	**76,581**	**1,320,051**

* Agency agreements for which at reporting date there is no underlying counterparts.

3.2.3.5 Credit risk exposure for each internal risk rating (continued)

		2018					
In EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	90,875	-	-	-	90,875
Internal Rating 2 - very low credit risk	Aa1 - Aa3	74,650	-	-	-	-	74,650
Internal Rating 3 - low credit risk	A1 - A3	17,804	-	-	-	-	17,804
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	39,295	18,783	-	-	-	58,078
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	165,551	-	-	-	-	165,551
Internal Rating 6 - high credit risk	B1 - B3	834,194	94,749	-	-	-	928,943
Internal Rating 7 - very high credit risk	below Caa1	75,057	134,701	-	-	-	209,758
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	185,273	3,588	-	188,861
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**1,806**	**1,806**
Loss allowance and FV adjustment		**-22,023**	**-27,342**	**-143,092**	**-1,794**	**-1,084**	**-195,335**
Carrying amount of loans and advances		**1,184,528**	**311,766**	**42,181**	**1,794**	**722**	**1,540,991**
Loan commitments							
Internal Rating 2 - very low credit risk	Aa1 - Aa3	102,092	-	-	-	-	102,092
Internal Rating 3 - low credit risk	A1 - A3	12,000	-	-	-	-	12,000
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	12,463	-	-	-	-	12,463
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	230,455	-	-	-	-	230,455
Internal Rating 6 - high credit risk	B1 - B3	567,573	22,467	-	-	-	590,040
Internal Rating 7 - very high credit risk	below Caa1	100,055	96,074	-	-	-	196,129
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	16,932	-	-	16,932
No internal rating*		123,821	-	-	-	-	123,821
Loss allowance and FV adjustment		**-7,225**	**-16,597**	**-**	**-**	**-**	**-23,822**
Carrying amount of loan commitments		**1,141,234**	**101,944**	**16,932**	**-**	**-**	**1,260,110**

* Agency agreements for which at reporting date there is no underlying counterparts.

The Facility continually monitors events affecting its borrowers and guarantors, especially banks. In particular, the Facility is assessing on a case by case basis its contractual rights in case of rating deterioration and is seeking mitigating measures. It is also closely following the renewals of bank guarantees received for its loans to ensure that these are replaced or action is taken in a timely manner if need be.

3.2.3.6 Arrears on loans and impairments

Amounts in arrears are identified, monitored and reported according to the procedures defined into the bank wide “Finance Monitoring Guidelines and Procedures”. These procedures are in line with best banking practices and are adopted for all loans managed by the EIB.

The monitoring process is structured in order to make sure that (i) potential arrears are detected and reported to the services in charge with minimum delay; (ii) critical cases are promptly escalated to the right operational and decision level; (iii) regular reporting to EIB management and to Member States is provided on the overall status of arrears and on the recovery measures already taken or to be taken.

The arrears and impairments on loans can be analysed as follows (in EUR’000):

	Loans and advances 31.12.2019	Loans and advances 31.12.2018
Carrying amount	**1,518,675**	**1,540,991**
Lifetime ECL credit- impaired		
Gross amount	136,749	188,861
Impairment- loss allowance	-114,307	-144,886
Carrying amount of lifetime ECL credit-impaired	**22,442**	**43,975**
Past due but not credit- impaired		
Past due comprises		
0-30 days	61	804
30-60 days	924	-
60-90 days	-	-
90-180 days	135	-
more 180 days	26	1
Carrying amount past due but not credit- impaired	**1,146**	**805**
Carrying amount neither past due nor credit- impaired	**1,495,087**	**1,496,211**
Total carrying amount loans and advances	**1,518,675**	**1,540,991**

3.2.3.7 Loan renegotiation and forbearance

The Facility considers loans to be forborne if in response to adverse changes in the financial position of a borrower the Facility renegotiates the original terms of the contractual arrangements with this borrower affecting directly the future cash flows of the financial instrument, which may result in a loss to the Facility. However, the financial impact of restructuring activities is in general limited to impairment losses, if any, as financial neutrality is generally applied by the Facility and reflected in the renegotiated pricing conditions of the operations restructured.

In the normal course of business, the Loan Grading (LG) of the loans in question would have deteriorated and the loan would have been included in the Watch List before renegotiation. Once renegotiated, the Facility will continue to closely monitor these loans. If the renegotiated payment terms will not recover the original carrying amount of the asset, it will be considered as impaired. The corresponding impairment losses will be calculated based on the forecasted cash flows discounted at the original effective interest rate. The need for impairment for all loans whose LG deteriorated to E- is assessed regularly; all loans with a LG of F require impairment. Once the Loan Grading of a loan has improved sufficiently, it will be removed from the Watch List in line with the procedures of the Facility.

Forbearance measures and practices undertaken by the Bank’s restructuring team during the reporting period includes extension of maturity, deferral of capital only, deferral of capital and interest and capitalisation of arrears. Such forbearance measures do not lead to the derecognition of the underlying operation unless the impact of the contractual changes on the net present value of the loan at the date of restructuring is considered significant. If such newly recognised financial asset is credit-impaired, it would meet the definition of the POCI financial asset.

Exposures subject to changes in contractual terms which do not affect future cash flows, such as collateral or other security arrangements or the waiver of contractual rights under covenants, are not considered as forborne and hence those events are not considered as sufficient to indicate impairment on their own.

Operations subject to forbearance measures are reported as such in the table below:

In EUR’000	**31.12.2019**	**31.12.2018**
Number of operations subject to forbearance practices	28	33
Carrying values (incl. interest and amounts in arrears)	245,534	280,720
ECL allowance recognised	7,916	9,506
Impairment recognised	57,321	86,334
Interest income in respect of forborne operations	8,985	13,465
Exposures written off (following the termination/sale of the operation)	280	-

		Forbearance measures					
In EUR’000	**31.12.2018**	**Extension of maturities**	**Deferral of capital only**	**Breach of material financial covenants**	**Other**	**Contractual repayment and termination***	**31.12.2019**
Banks	27,592	0	97	33,524	507	-10,252	51,468
Corporates	253,128	134	0	0	0	-59,196	194,066
Total	**280,720**	**134**	**97**	**33,524**	**507**	**-69,448**	**245,534**

* Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2019 and by termination of forborne measures during the year.

3.2.3 Credit risk on cash and cash equivalents

1 Available funds are invested in accordance with the Facility's schedule of contractual disbursement obligations. As of 31 December 2019 and 31 December 2018, investments were in the form of bank deposits, certificates of deposit and commercial papers.

2

3 The authorized entities have a rating similar to the short-term and long-term ratings required for the EIB's own treasury placements. In case of different ratings being granted by more than one credit rating agency, the lowest rating governs. The maximum authorized limit for each authorised bank is currently EUR 50,000,000 (fifty million euro). An exception to this rule has been granted to Societe Generale where the Facility has its operational cash accounts. The short term credit limit for Societe Generale as at 31 December 2019 and 31 December 2018 amounts to EUR 110,000,000 (one hundred and ten million euro). The increased limit applies to the sum of the cash held at the operational cash accounts and the instruments issued by this counterpart and held by the treasury portfolio.

4

All investments have been done with authorised entities with a maximum tenor of three months from value date. All credit exposure limit breaches have been reported to the mandators. As at 31 December 2019 and as at 31 December 2018 all term deposits, commercial papers and cash in hand held by the treasury portfolio of the Facility had a minimum rating of at least P-2 (Moody's equivalent) at settlement day.

5

6 The following table shows the situation of cash and cash equivalents including accrued interest (in EUR'000):

7

Minimum short-term rating (Moody's term)	Minimum long-term rating (Moody's term)	31.12.2019		31.12.2018	
P-1	Aaa	98,945	12%	71,914	13%
P-1	Aa2	67,799	8%	-	0%
P-1	Aa3	89,983	11%	49,972	9%
P-1	A1	213,914	26%	199,938	34%
P-1	A2	212,199	25%	201,899	35%
P-1	A3	104,944	12%	-	0%
P-2	A3	49,993	6%	49,985	9%
Total		**837,777**	**100%**	**573,708**	**100%**

3.2.5 Credit risk on derivatives

1

3.2.5.1 Credit risk policy of derivatives

2

3 The credit risk with respect to derivatives is represented by the loss which a given party would incur where the other counterparty to the deal would be unable to honour its contractual obligations. The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value.

4

5 In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations or into currency forward contracts, with a view to hedge its currency positions denominated in actively traded currencies other than the Euro. All the swaps are executed by the EIB with an external counterpart. The swaps are arranged by the same Master Swap Agreements and Credit Support Annexes signed between the EIB and its external counterparts.

6

3.2.5.2 Credit risk measurement for derivatives

7

8 All the swaps executed by the EIB that are related to the Facility are treated within the same contractual framework and methodologies applied for the derivatives negotiated by the EIB for its own purposes. In particular, eligibility of swap counterparts is determined by the EIB based on the same eligibility conditions applied for its general swap purposes.

9

10 The EIB measures the credit risk exposure related to swaps and derivatives transactions using the Net Market Exposure ("NME") and Potential Future Exposure ("PFE") approach for reporting and limit monitoring. The NME and the PFE fully include the derivatives related to the Investment Facility.

11

- The following table shows the maturities of cross currency interest rate swaps, sub-divided according to their notional amount and fair value:

1

Swap contracts as at 31.12.2019 In EUR'000	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2019
Notional amount	-	-	-	-	**-**
Fair Value (i.e. net discounted value)	-	-	-	-	**-**

Swap contracts as at 31.12.2018 In EUR'000	less than 1 year	1 year to 5 years	5 years to 10 years	more than 10 years	Total 2018
Notional amount	-	5,245	-	-	**5,245**
Fair Value (i.e. net discounted value)	-	-325	-	-	**-325**

1

- The Facility enters into foreign exchange short term currency swaps ("FX swaps") contracts in order to hedge currency risk on loan disbursements in currencies other than EUR. FX swaps have a maturity of maximum three months and are regularly rolled-over. The notional amount of FX swaps stood at EUR 1,545.0 million as at 31 December 2019 against EUR 1,460.6 million as at 31 December 2018. The fair value of FX swaps amounts to EUR 14.1 million as at 31 December 2019 against EUR 1.1 million as at
31 December 2018.

2

- The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2019, there are two interest rate swaps outstanding with a notional amount of EUR 24.2 million (2018: EUR 28.5 million) and a fair value of EUR -0.1 million (2018: EUR 0.7 million).

3

3.2.4 Credit risk on treasury financial assets

1

The following table shows the situation of the treasury portfolio entirely composed of commercial papers issued by sub-sovereigns, banks and non-bank entities with remaining maturities of up to three months. EU Member States, their agencies, banks and non-bank entities are eligible issuers. The maximum authorized limit for each authorised issuer is EUR 50,000,000 (fifty million euro). Investments in medium and long-term bonds could also be eligible, according to the investment guidelines and depending on liquidity requirements:

2

Minimum short-term rating (Moody's term)	Minimum long-term rating (Moody's term)	31.12.2019		31.12.2018	
P-1	Aa1	50,046	15%	-	0%
P-1	Aa2	19,997	6%	80,041	24%
P-1	Aa3	50,025	15%	95,055	29%
P-1	A1	55,050	17%	15,005	4%
P-1	A2	-	0%	45,008	13%
P-2	A2	-	0%	50,015	15%
P-2	A3	85,027	26%	50,016	15%
P-2	Baa1	30,433	9%	-	0%
P-2	Baa3	40,009	12%	-	0%
Total		**330,587**	**100%**	**335,140**	**100%**

3.3 Liquidity risk

1

2 Liquidity risk refers to an entity's ability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. It can be split into funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that an entity will not be able to meet efficiently both expected and unexpected current and future cash flow needs without affecting its daily operations or its financial condition. Market liquidity risk is the risk that an entity cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

3.2

3.3.1 Liquidity risk management

3

4 The Facility is primarily funded by annual contributions from Member States as well as by reflows stemming from the Facility's operations. The Facility manages its funding liquidity risk primarily by planning its net liquidity needs and the required Member States annual contributions.

5

6 In order to calculate Member States' annual contributions, disbursement patterns of the existing and pipelined portfolio is analysed and followed up throughout the year. Special events, such as early reimbursements, sales of shares or default cases are taken into account to correct annual liquidity requirements.

7

8 To further minimize the liquidity risk, the Facility maintains a liquidity reserve sufficient to cover at any point in time forecasted cash disbursements, as communicated periodically by EIB's Lending Department. Funds are invested on the money market and bond markets in the form of interbank deposits and other short term financial instruments by taking into consideration the Facility's cash disbursement obligations. The Facility's liquid assets are managed by the Bank's Treasury Department with a view to maintain appropriate liquidity to enable the Facility to meet its obligations.

9

10 In accordance with the principle of segregation of duties between the Front and Back Office, settlement operations related to the investment of these assets are under the responsibility of the EIB's Planning and Settlement of Operations Department. Furthermore, the authorisation of counterparts and limits for treasury investments, as well as the monitoring of such limits, are the responsibility of the Bank's Risk Management Directorate.

11

3.3.2 Liquidity risk measurement

12

13 The tables in this section analyse the financial liabilities of the Facility by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date (based on undiscounted cash flows).

14

15 In terms of non-derivative financial liabilities, the Facility holds commitments in form of undisbursed portions of the credit under signed loan agreements, of undisbursed portions of signed capital subscription/investment agreements, of loan guarantees granted, or of committed interest subsidies and TA.

16

17 Loans under the IF have a disbursement deadline. However, disbursements are made at times and in amounts reflecting the progress of underlying investment projects. Moreover, the IF's loans are transactions performed in a relatively volatile operating environment, hence their disbursement schedule is subject to a significant degree of uncertainty.

18

19 Capital investments become due when and as soon as equity fund managers issue valid calls for capital, reflecting the progress in their investment activities. The drawdown period is usually of 3 years, with frequent prolongation by one or two years. Some disbursement commitments usually survive the end of the drawdown period until full disposal of the fund's underlying investments, as the fund's liquidity may be insufficient from time to time to meet payment obligations arising in respect of fees or other expenses.

20

21 Guarantees are not subject to specific disbursement commitments unless a guarantee is called. The amount of guarantees outstanding is reduced alongside the repayment schedule of guaranteed loans.

22

23 Committed interest subsidies' cash outflows occur in the case of subsidized loans financed by the Bank's own resources. Therefore, reported outflows represent only commitments related to these loans rather than the total amount of committed undisbursed interest subsidies. As in the case of loans, their disbursement schedule is uncertain.

24

25 Committed TA "gross nominal outflow" in the "Maturity profile of non-derivative financial liabilities" table refers to the total undisbursed portion of signed TA contracts. The disbursement time pattern is subject to a significant degree of uncertainty. Cash outflows classified in the "3 months or less" bucket represent the amount of outstanding invoices received by the reporting date.

26

27 Commitments for non-derivative financial liabilities for which there is no defined contractual maturity date are classified under "Maturity Undefined". Commitments, for which there is a recorded cash disbursement request at the reporting date, are classified under the relevant time bucket.

28

29 In terms of derivative financial liabilities, the maturity profile represents the contractual undiscounted gross cash flows of swap contracts including cross currency swaps (CCS), cross currency interest rate swaps (CCIRS), short-term currency swaps and interest rate swaps.

30

Maturity profile of non-derivative financial liabilities **In EUR'000 as at 31.12.2019**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
Outflows for committed but undisbursed loans	33,038	-	-	-	1,324,282	1,357,320
Outflows for committed investment funds and share subscription	369	-	-	-	405,551	405,920
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,559,831	1,559,831
Outflows for committed interest subsidies	-	-	-	-	350,678	350,678
Outflows for committed TA	3,898	-	-	-	21,166	25,064
Total	**37,305**	**-**	**-**	**-**	**3,661,508**	**3,698,813**

Maturity profile of non-derivative financial liabilities **In EUR'000 as at 31.12.2018**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
Outflows for committed but undisbursed loans	7,854	-	-	-	1,276,078	1,283,932
Outflows for committed investment funds and share subscription	2,023	-	-	-	345,144	347,167
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,556,468	1,556,468
Outflows for committed interest subsidies	-	-	-	-	360,655	360,655
Outflows for committed TA	2,373	-	-	-	24,082	26,455
Total	**12,250**	**-**	**-**	**-**	**3,562,427**	**3,574,677**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2019**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Gross nominal inflow/outflow**
CCS and CCIRS – Inflows	-	-	-	-	-
CCS and CCIRS – Outflows	-	-	-	-	-
Short term currency swaps – Inflows	1,545,000	-	-	-	1,545,000
Short term currency swaps – Outflows	-1,535,571	-	-	-	-1,535,571
Interest Rate Swaps – Inflows	310	820	2,045		3,175
Interest Rate Swaps - Outflows	-	-1,128	-2,138		-3,266
Total	**9,739**	**-308**	**-93**	**-**	**9,338**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2018**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Gross nominal inflow/outflow**
CCS and CCIRS – Inflows	5	3,281	1,816	-	5,102
CCS and CCIRS – Outflows	-	-4,081	-1,770	-	-5,851
Short term currency swaps – Inflows	1,460,608	-	-	-	1,460,608
Short term currency swaps – Outflows	-1,465,498	-	-	-	-1,465,498
Interest Rate Swaps – Inflows	397	1,171	3,473	204	5,245
Interest Rate Swaps - Outflows	-	-1,340	-3,030	-175	-4,545
Total	**-4,488**	**-969**	**489**	**29**	**-4,939**

3.3.3 Long term financial assets and liabilities

4

5 The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

6

In EUR'000	31.12.2019	31.12.2018
Financial assets:		
Loans and advances	1,636,520	1,666,232
Shares and other variable yield securities	619,928	567,292
Other assets	-	171
Total	**2,256,448**	**2,233,695**
Financial liabilities:		
Provisions for guarantees issued	628	793
Amount owed to third parties*	93,531	93,641
Provisions for loan commitments	37,269	23,822
Total	**131,428**	**118,256**

* The amounts owed to third parties are including the Interest subsidies and TA not yet disbursed owed to Member States, where the maturity is mainly undefined.

3.4 Market risk

4

5 Market risk represents the risk that changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates will affect an entity's income or the value of its holdings in financial instruments.

6

3.4.1 Interest rate risk

Interest rate risk arises from the volatility in the economic value of, or in the income derived from, interest rate bearing positions due to adverse movements in interest rates.

The Facility is not directly impacted by the fluctuation of its economic value or to pricing mismatches between different assets, liabilities and hedge instruments because (i) it does not have any direct borrowing costs or interest rate bearing liabilities and (ii) it accepts the impact of interest rate fluctuations on the revenues from its investments.

The Facility measures the sensitivity of its loan portfolio and micro hedging swaps to interest rate fluctuations via a Basis Point Value (BPV) calculation.

The BPV measures the gain or loss in the net present value of the relevant portfolio, due to a 1 basis point (0.01%) increase in interest rates tenors ranging within a specified time bucket "money market – up to one year", "very short – 2 to 3 years", "short – 4 to 6 years", "medium – 7 to 11 years", "long – 12 to 20 years" or "extra-long – more than 21 years".

To determine the net present value (NPV) of the loans' cash flows denominated in EUR, the Facility uses the EIB's EUR base funding curve (EUR swap curve adjusted with EIB's global funding spread). The EIB's USD funding curve is used for the calculation of the NPV of loan's cash flows denominated in USD. The NPV of the loans' cash flows denominated in currencies for which a reliable and sufficiently complete discount curve is not available, is determined by using EIB's EUR base funding curve as a proxy.

To calculate the net present value of the micro hedging swaps, the facility uses the EUR swap curve for cash flows denominated in EUR and the USD swap curve for cash flows denominated in USD.

As shown in the following table the net present value of the loan portfolio including related micro-hedging swaps as at 31 December 2019 would decrease by EUR 533k (as at 31 December 2018: decrease by EUR 483k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value	**Money**	**Very Short**	**Short**	**Medium**	**Long**	**Extra Long**	**Total**
In EUR'000	**Market**						
As at 31.12.2019	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**21 years**	
Total sensitivity of loans and micro hedging swaps	-42	-99	-172	-163	-57	-	-533

Basis point value	**Money**	**Very Short**	**Short**	**Medium**	**Long**	**Extra Long**	**Total**
In EUR'000	**Market**						
As at 31.12.2018	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**21 years**	
Total sensitivity of loans and micro hedging swaps	-38	-94	-168	-154	-29	-	-483

3.4.2 Foreign exchange risk

4

5 Foreign exchange ("FX") risk for the IF is the risk of loss in earnings or economic value due to adverse movements of FX rates.

6

Given a reference accounting currency (EUR for the IF), the Facility is exposed to FX risk whenever there is a mismatch between assets and liabilities denominated in a non-reference accounting currency. FX risk also includes the effect of changes in the value of future cash flows denominated in non-reference accounting currency, e.g. interest and dividend payments, due to fluctuations in exchange rates.

3.4.2.1 Foreign exchange risk and treasury assets

The IF's treasury assets are denominated in either EUR or USD.

FX risk is hedged by means of FX cross currency spot or forward transactions, FX swaps or cross-currency swaps. The EIB's Treasury Department can, where deemed necessary and appropriate, use any other instrument, in line with the Bank's policy, that provide protection against market risks incurred in connection with the IF's financial activities.

3.4.2.2 Foreign exchange risk and operations financed or guaranteed by the IF

Member States' IF contributions are received in EUR. The operations financed or guaranteed by the IF as well as interest subsidies can be denominated in EUR, USD or any other authorized currency.

A foreign exchange risk exposure (against the EUR reference currency) arises whenever transactions denominated in currencies other than the EUR are left un-hedged. The IF's foreign exchange risk hedging guidelines are set out below.

3.4.2.2.1. Hedging of operations denominated in USD

The FX risk generated by IF operations denominated in USD shall be covered on an aggregated basis via the use of EUR/USD FX swaps, rolled over and adjusted in terms of amount on a periodic basis. The use of FX swaps serves a dual purpose. On one side the necessary liquidity for new disbursements (loans and equity) is generated and on the other side an FX macro hedge is maintained.

At the beginning of each period, the cash flows to be received or paid in USD during the next period shall be estimated on the basis of planned or expected reflows/disbursements. Subsequently, the maturing FX swaps shall be rolled over, their amount being adjusted to cover at least the USD liquidity needs projected over the next period.

On a monthly basis, the USD FX position shall be hedged, if exceeding the relevant limits, by means of a spot or forward operation.

Within a roll-over period, unexpected USD liquidity deficits shall be covered by means of ad hoc FX swap operations while liquidity surpluses shall either be invested in treasury assets or converted into EUR if occurred from an increase of the FX position.

3.4.2.2.2. Hedging of operations denominated in currencies other than EUR or USD

IF operations denominated in currencies other than EUR and USD shall be hedged through cross-currency swap contracts with the same financial profile as the underlying Loan, provided that a swap market is operational.

IF has operations denominated in currencies for which hedging possibilities are either not efficiently available or available at a high cost. These operations are denominated in local currencies (LCs) but settled in EUR or USD. IF's financial risk framework, which was approved by the IF Committee on 22 January 2015, offers the possibility to hedge the FX exposure in LCs that exhibit a significant positive correlation with the USD synthetically via USD-denominated derivatives. The LCs hedged synthetically with USD denominated derivatives are reported in the table in section 3.4.2.2.3. below under item "Local currencies (under synthetic hedge)", while the LCs not hedged synthetically with the USD are reported in the same table under item "Local currencies (not under synthetic hedge)".

7

3.4.2.2.3. Foreign exchange position (in EUR'000)

4

The tables of this note show the Facility's foreign exchange position.

The foreign exchange position is presented in the tables below in accordance with the IF's Risk Policies (as described in the IF's financial risk framework). The FX position as per Risk Policies is based on accounting figures and defined as the balance between selected assets and liabilities. The assets and liabilities defined in the FX position as per Risk Policies are selected to ensure that the earnings will only be converted into the reporting currency (EUR) when received.

The fair value change on shares and other variable yield securities are included in the FX position as per Risk Policies, as well as impairments on loans and advances. Derivatives included in the FX position as per Risk Policies are considered at their nominal value instead of their fair value, in order to be aligned with the retained value of the assets, considered also at their nominal value adjusted by the impairment for loans.

In the tables below, the remaining part of the assets and liabilities, which includes mainly interest accruals on loans, derivatives and subsidies, are presented under "FX position excluded from Risk Policies".

As at 31 December 2019	**Assets and liabilities**			**Commitments and contingent liabilities**
Currencies	**FX position as per Risk Policies**	**FX position excluded from Risk Policies**	**Balance sheet FX position**	
USD	-103,746	-56,632	-160,378	637,693
*Local currencies (under synthetic hedge)**				
KES	29,472	464	29,936	-
TZS	48,092	354	48,446	-
DOP	25,383	602	25,985	-
UGX	37,132	574	37,706	-
RWF	30,766	47	30,813	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	99,864	-530	99,334	-
Total non-EUR currencies	**166,963**	**-55,121**	**111,842**	**637,693**
EUR	**-**	**3,075,194**	**3,075,194**	**2,741,023**
Total EUR and non-EUR	**166,963**	**3,020,073**	**3,187,036**	**3,378,716**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

As at 31 December 2018	Assets and liabilities			Commitments and contingent liabilities
Currencies	**FX position as per Risk Policies**	**FX position excluded from Risk Policies**	**Balance sheet FX position**	
USD	-157,177	-52,111	-209,288	600,271
*Local currencies (under synthetic hedge)**				
KES	35,806	252	36,058	-
TZS	71,195	814	72,009	-
DOP	35,311	821	36,132	-
UGX	45,731	769	46,500	-
RWF	24,176	17	24,193	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	74,265	-432	73,833	-
Total non-EUR currencies	**129,307**	**-49,870**	**79,437**	**600,271**
EUR	**-**	**2,834,560**	**2,834,560**	**3,044,623**
Total EUR and non-EUR	**129,307**	**2,784,690**	**2,913,997**	**3,644,894**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2019, a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 14.0 million (31 December 2018: EUR 8.8 million). A 10 percent appreciation of the EUR versus all non EUR currencies would result in a decrease of the contributors' resources amounting to EUR 11.4 million (31 December 2018: EUR 7.2 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Non-EU currencies		
Botswana Pula (BWP)	11.8376	12.2038
Dominican Republic Pesos (DOP)	59.3644	57.4037
Fiji Dollars (FJD)	2.4045	2.4104
Haitian Gourde (HTG)	100.99	86.92
Jamaican Dollar (JMD)	147.6966	144.081
Kenya Shillings (KES)	113.63	116.24
Mauritania Ouguiyas (MRU)	42.2135	41.1660
Mauritius Rupees (MUR)	40.63	39.05
Mozambican Metical (MZN)	68.64	70.14
Nigerian Naira (NGN)	343.45	351.05
Rwanda Francs (RWF)	1051.12	1020.10
Tanzania Shillings (TZS)	2573.66	2624.33
Uganda Shillings (UGX)	4108	4239
United States Dollars (USD)	1.1234	1.145
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	15.7773	16.4594
Zambia Kvacha (ZMW)	15.7894	13.6077

3.4.3 Equity price risk

12

Equity price risk refers to the risk that the fair values of equity investments decrease as the result of changes in the levels of equity prices and/or the value of equity investments.

The IF is exposed to equity price risk via its investments in direct equity and venture capital funds.

The value of non-listed equity positions is not readily available for the purpose of monitoring and control on a continuous basis. For such positions, the best indications available include prices derived from any relevant valuation techniques.

The effect on the Facility's contributors' resources (as a result of a change in the fair value of the equity instruments portfolio) due to a +/-10% change in the value of individual direct equity and venture capital investments, with all other variables held constant, is EUR 62.0 million and EUR -62.0 million respectively as at 31 December 2019 (EUR 56.7 million and EUR -56.7 million respectively as at
31 December 2018).

1 4 Fair values of financial instruments

4.1 Accounting classifications and fair values

2 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These do not include fair value information for financial assets and financial liabilities not carried at fair value if the carrying amount is a reasonable approximation of fair value.

At 31 December 2019	**Carrying amount**						**Fair value**			
In EUR'000	**Derivative financial instruments**	**Shares and other variable yield securities**	**Cash, loans and advances**	**Treasury financial assets**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	14,184	-	-	-	-	14,184	-	14,184	-	14,184
Venture Capital Fund	-	504,694	-	-	-	504,694	362	-	504,332	504,694
Direct Equity Investment	-	115,234	-	-	-	115,234	15,255	-	99,979	115,234
Loans and advances	-	-	21,702	-	-	21,702	-	-	21,702	21,702
Total financial assets mandatorily measured at FVTPL	**14,184**	**619,928**	**21,702**	**-**	**-**	**655,814**	**15,617**	**35,886**	**604,311**	**655,814**
Financial assets measured at AC										
Cash and cash equivalents	-	-	837,777	-	-	837,777	-	-	-	-
Loans and advances	-	-	1,496,973	-	-	1,496,973	-	1,699,057	-	1,699,057
Amounts receivable from contributors	-	-	86,330	-	-	86,330	-	-	-	-
Treasury financial assets	-	-	-	330,587	-	330,587	144,097	186,083	-	330,180
Other assets	-	-	-	-	-	-	-	-	-	-
Total financial assets measured at AC	**-**	**-**	**2,421,080**	**330,587**	**-**	**2,751,667**	**144,097**	**1,885,140**	**-**	**2,029,237**
Total financial assets	**14,184**	**619,928**	**2,442,782**	**330,587**	**-**	**3,407487**				
Financial liabilities measured at FVTPL										
Derivative financial instruments	-191	-	-	-	-	-191	-	-191	-	-191
Total financial liabilities measured at FVTPL	**-191**	**-**	**-**	**-**	**-**	**-191**	**-**	**-191**	**-**	**-191**
Financial liability measured at AC:										
Provisions for guarantees issued	-	-	-	-	-628	-628				
Provisions for loan commitments	-	-	-	-	-37,269	-37,269				
Amounts owed to third parties	-	-	-	-	-147,438	-147,438				
Other liabilities	-	-	-	-	-2,353	-2,353				
Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-187,688**	**-187,688**				

Total financial liabilities	**-191**	**-**	**-**	**-**	**-187,688**	**-187,879**

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

As at 31 December 2018	Carrying amount						Fair value			
In EUR'000	Derivative financial instruments	Shares and other variable yield securities	Cash, loans and receivables	Treasury financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	9,873	-	-	-	-	9,873	-	9,873	-	9,873
Venture Capital Funds	-	467,152	-	-	-	467,152	-	-	467,152	467,152
Direct Equity Investments	-	100,140	-	-	-	100,140	16,675	-	83,465	100,140
Loans and advances	-	-	720	-	-	720	-	720	-	720
Total financial assets mandatorily measured at FVTPL	**9,873**	**567,292**	**720**	**-**	**-**	**577,885**	**16,675**	**10,593**	**550,617**	**577,885**
Financial assets measured at AC										
Cash and cash equivalents	-	-	573,708	-	-	573,708	-	-	-	-
Loans and advances	-	-	1,540,271	-	-	1,540,271	-	1,760,576	-	1,760,576
Amounts receivable from contributors	-	-	100,000	-	-	100,000	-	-	-	-
Treasury financial assets	-	-	-	335,140	-	335,140	191,475	145,061	-	336,536
Other assets	-	-	171	-	-	171	-	-	-	-
Total financial assets measured at AC	**-**	**-**	**2,214,150**	**335,140**	**-**	**2,549,290**	**191,475**	**1,905,637**	**-**	**2,097,112**
Total financial assets	**9,873**	**567,292**	**2,214,870**	**335,140**	**-**	**3,127,175**				
Financial liabilities measured at FVTPL										
Derivative financial instruments	-8,493	-	-	-	-	-8,493	-	-8,493	-	-8,493
Total financial liabilities measured at FVTPL	**-8,493**	**-**	**-**	**-**	**-**	**-8,493**	**-**	**-8,493**	**-**	**-8,493**
Financial liabilities measured at AC:										
Provisions for guarantees issued	-	-	-	-	-793	-793				
Provisions for loan commitments	-	-	-	-	-23,822	-23,822				
Amounts owed to third parties	-	-	-	-	-143,813	-143,813				
Other liabilities	-	-	-	-	-2,493	-2,493				
Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-170,921**	**-170,921**				
Total financial liabilities	**-8,493**	**-**	**-**	**-**	**-170,921**	**-179,414**				

4.2 Measurement of fair values

4.1

4.2.1 Valuation techniques and significant unobservable inputs

The table below sets out information about the valuation techniques and significant unobservable inputs used in measuring financial instruments, categorised as Level 2 and 3 in the fair value hierarchy:

	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
Financial instruments carried at fair value			
Derivative financial	Discounted cash flow: Future cash flows are estimated based on forward exchange/interest	Not applicable.	Not applicable.

instruments	rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contract forward/interest rates, discounted at a rate that reflects the credit risk of various counterparties.		
Venture Capital Fund (VCF)	Adjusted net assets method: The fair value is determined by applying either the Facility's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report adjusted for cash flows or, where available, the precise share value at the same date, submitted by the respective Fund Manager. In order to bridge the interval between the last available Net assets value (NAV) and the year-end reporting, a subsequent event review procedure is performed and if necessary the reported NAV is adjusted.	Adjustment for time elapsed between the last reporting date of the VCF and the measurement date, taking into account: operating expenses and management fees, subsequent changes in the fair value of the VCF's underlying assets, additional liabilities incurred, market changes or other economic condition changes.	The longer the period between the fair value measurement date and the last reporting date of the VCF, the higher the adjustment for time elapsed.
Direct Equity Investment	Adjusted net assets.	Adjustment for time elapsed between the last reporting date of the investee and the measurement date, taking into account: operating expenses, subsequent changes in the fair value of the investee's underlying assets, additional liabilities incurred, market changes or other economic condition changes, capital increase, sale/change of control. Discount for lack of marketability (liquidity) determined by reference to previous transaction prices for similar equities in the country/region, ranging from 5 to 30%.	The higher the marketability discount, the lower the fair value.
Loans at fair value (IFE)	For going concern borrowers: Discounted cash flow using contractual/expected future cash flows discounted with appropriate risk-adjusted discount rate that captures the risk inherent to the loan (including credit risk of the borrower). The discount rate is compared/assessed with any relevant market benchmark. For borrowers not going concern: Net assets approach (liquidation value approach).	Components of the discount rate to reflect the credit risk of borrower compared to the risk-free market rates.	The higher the discount rate the lower the fair value.

4.2 4.2.1 Valuation techniques and significant unobservable inputs (continued)

	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
Financial instruments not carried at fair value			
Loans and advances	Discounted cash flows: The valuation model uses contractual cash flows that are conditional upon the non-occurrence of default by the debtor and do not take into account any collateral values or early repayments' scenarios. To obtain the Net Present Value (NPV) of the loans, the model retained discounts the contractual cash flows of each loan using an adjusted market discount curve. The individual loan NPV is then adjusted to take into consideration the relevant associated Expected Loss. The results are then summed to obtain the fair value of loans and advances.	Not applicable.	Not applicable.
Treasury financial assets	Discounted cash flows.	Not applicable.	Not applicable.

With the application of IFRS 13, valuation adjustments are included in the fair value of derivatives as at 31 December 2019 and 31 December 2018, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -32.8k as at
31 December 2019 and to EUR -37.4k as at 31 December 2018.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +28.7k as at 31 December 2019 and EUR +15.1k as at 31 December 2018.

4.2.2 Transfers between Level 1 and 2

The Facility's policy is to recognise the transfers between Levels as of the date of the event or change in circumstances that caused the transfer.

In 2019 and 2018, the Facility did not make transfers from Level 1 to 2 or Level 2 to 1 of the fair value hierarchy.

4.2.3 Level 3 fair values

Reconciliation of Level 3 fair values

The following tables present the changes in Level 3 instruments for the year ended 31 December 2019 and 31 December 2018:

In EUR'000	Shares and other variable yield securities
Balance as at 1 January 2019	**550,617**
Gains or losses included in profit or loss:	
- net realised result on shares and other variable yield securities	1,708
- net fair value change on shares and other variable yield securities	17,666
Total	**19,374**
Disbursements	106,943
Repayments	-79,435
Foreign exchange rates differences	6,812
Balance as at 31 December 2019	**604,311**

In EUR'000	Shares and other variable yield securities
Balance as at 1 January 2018	**473,081**
Gains or losses included in profit or loss:	
- net realised result on shares and other variable yield securities	-10,622
- net fair value change on shares and other variable yield securities	-13,411
Total	**-24,033**
Disbursements	95,434
Repayments	-11,165
Foreign exchange rates differences	17,300
Balance as at 31 December 2018	**550,617**

In 2019 and 2018, the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

5 Cash and cash equivalents

The cash and cash equivalents are composed of:

In EUR'000	31.12.2019	31.12.2018
Cash in hand	72,166	51,936
Term deposits	622,991	521,882
Commercial papers	142,823	-
Cash and cash equivalents in the cash flow statement	**837,980**	**573,818**
Accrued interest	-203	-110
Cash and cash equivalents in the statement of financial position	**837,777**	**573,708**

1

2 6 Derivative financial instruments

The main components of derivative financial instruments, classified as held for trading, are as follows:

As at 31 December 2019	Fair Value		Notional amount
In EUR'000	Assets	Liabilities	
Cross currency swaps	-	-	-
Interest rate swaps	99	-191	24,181
FX swaps	14,085	-	1,545,000
Total derivative financial instruments	**14,184**	**-191**	**1,569,181**

As at 31 December 2018	Fair Value		Notional amount
In EUR'000	Assets	Liabilities	
Cross currency interest rate swaps	340	-665	5,245
Interest rate swaps	654	-	28,470
FX swaps	8,879	-7,828	1,460,608
Total derivative financial instruments	**9,873**	**-8,493**	**1,494,323**

7 Loans and advances

7.1 Loans and advances

The following table show reconciliation from the opening to the closing balance of the loans and advances with ECL IFRS 9 impairment model.

In EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2019	**1,051,317**	**593,324**	**60,717**	**3,588**	**1,708,946**
Disbursements	164,308	123,416	-	-	287,724
Write offs	-2	-278	-	-	-280
Repayments	-206,517	-113,100	-34,496	-	-354,113
Sale of loans	-2,591	-	-	-	-2,591
Business model change (IFE)**	-	-10,062	-	-3,588	-13,650
Foreign exchange rates differences	15,041	4,064	1,493	-	20,598
Nominal of loans at AC as at 31 December 2019	**1,021,556**	**597,364**	**27,714**	**-**	**1,646,634**
Impairment – loss allowance as at 1 January 2019	**-103,868**	**-49,609**	**-29,360**	**-1,794**	**-184,631**
Net changes of the 12 month ECL	5,164	-86	-	-	5,078
Net changes of lifetime ECL not credit-impaired	-15,558	2,559	2,205	-	-10,794
Lifetime ECL credit-impaired	-4,397	-47	-	-	-4,444
Reversal of lifetime ECL credit-impaired	21,811	5,592	-	-	27,403
Sale of loans	2,591	-	-	-	2,591
Business model change (IFE)**	-	5,031	-	1,794	6,825
Write offs	2	278	-	-	280
Foreign exchange rates differences	-1,911	-368	-559	-	-2,838
Impairment – loss allowance as at 31 December 2019	**-96,166**	**-36,650**	**-27,714**	**-**	**-160,530**
Loans and advances at AC as at 31 December 2019	**925,390**	**560,714**	**-**	**-**	**1,486,104**
Nominal of loans at FVTPL as at 1 January 2019	**1,800**	**-**	**-**	**-**	**1,800**
Disbursements	-	23,461	-	-	23,461
Business model change (IFE)**	-	13,650	-	-	13,650
Repayments	-720	-245	-	-	-965
Write offs	-	-	-	-	-
Foreign exchange rates differences	-	-8	-	-	-8
Nominal of loans at FVTPL as at 31 December 2019	**1,080**	**36,858**	**-**	**-**	**37,938**
Fair value adjustment as at 1 January 2019	**-1,080**	**-**	**-**	**-**	**-1,080**
Net FV change	-	-8,331	-	-	-8,331
Business model change (IFE)**	-	-6,825	-	-	-6,825
Fair value adjustment as at 31 December 2019	**-1,080**	**-15,156**	**-**	**-**	**-16,236**
Loans and advances at FVTPL as at 31 December 2019	**-**	**21,702**	**-**	**-**	**21,702**
Amortised Cost	-3,545	-4,950	10	-	-8,485
Interest	10,451	8,903	-	-	19,354
Loans and advances as at 31 December 2019	**932,296**	**-586,369**	**10**	**-**	**1,518,675**

* Including agency agreements.

** For details, please refer to Note 24.

3 7 Loans and advances (continued)

7.1 Loans and advances (continued)

In EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2018	**1,003,294**	**687,499**	**62,546**	**-**	**1,753,339**
Disbursements	203,352	52,274	-	3,588	259,214
Write offs	-	-	-	-	-
Repayments	-192,355	-157,952	-4,548	-	-354,855
Interest capitalised	-	-	-	-	-
Foreign exchange rates differences	37,026	11,503	2,719	-	51,248
Nominal of loans at AC as at 31 December 2018	**1,051,317**	**593,324**	**60,717**	**3,588**	**1,708,946**
Impairment – loss allowance as at 1 January 2018	**-35,082**	**-57,911**	**-62,546**	**-**	**-155,539**
Net changes of the 12 month ECL	-1,853	288	-	-	-1,565
Net changes of lifetime ECL not credit-impaired	4,696	870	-2,146	-	3,420
Lifetime ECL credit-impaired	-71,204	-	-	-1,794	-72,998
Reversal of lifetime ECL credit-impaired	2,214	8,480	37,678	-	48,372
Write offs	-	-	-	-	-
Foreign exchange rates differences	-2,639	-1,336	-2,346	-	-6,321
Impairment – loss allowance as at 1 January 2018	**-103,868**	**-49,609**	**-29,360**	**-1,794**	**-184,631**
Loans and advances at AC as at 31 December 2018	**947,449**	**543,715**	**31,357**	**1,794**	**1,524,315**
Nominal of loans at FVTPL as at 1 January 2018	**1,800**	**-**	**-**	**-**	**1,800**
Disbursements	-	-	-	-	-
Repayments	-	-	-	-	-
Write offs	-	-	-	-	-
Foreign exchange rates differences	-	-	-	-	-
Nominal of loans at FVTPL as at 31 December 2018	**1,800**	**-**	**-**	**-**	**1,800**
Fair value adjustment as at 1 January 2018	**-378**	**-**	**-**	**-**	**-378**
Net FV change	-702	-	-	-	-702
Fair value adjustment as at 31 December 2018	**-1,080**	**-**	**-**	**-**	**-1,080**
Loans and advances at FVTPL as at 31 December 2018	**720**	**-**	**-**	**-**	**720**
Amortised Cost	-3,550	-3,109	11	-	-6,648
Interest	12,330	9,243	1,031	-	22,604
Loans and advances as at 31 December 2018	**956,949**	**549,849**	**32,399**	**1,794**	**1,540,991**

* Including agency agreements.

7.2 Impairment on loans and advances – Loss allowances, net of reversals

	2019				
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Loans and advances at AC					
Balance as at 1 January 2019	**22,023**	**27,342**	**133,472**	**1,794**	**184,631**
Transfer to 12-month ECL	3,952	-	-	-	3,952
Transfer to lifetime ECL not credit-impaired	-4,005	25,150	-	-	21,145
Transfer to lifetime ECL credit-impaired	-	-46	-	-	-46
Sale of loans	-	-	-2,591	-	-2,591
Business model change (IFE)*	-	-10	-5,031	-1,794	-6,835
Financial assets that have been derecognised	-129	-10,049	-	-	-10,178
Write-offs	-	-	-280	-	-280
Foreign exchange rates differences	247	371	2,221	-	2,839
Balance as at 31 December 2019	**17,191**	**38,509**	**104,830**	**-**	**160,530**

* For details, please refer to Note 24.

	2018				
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**Total**
Loans and advances at AC					
Balance as at 1 January 2018	**19,738**	**29,975**	**105,826**	**-**	**155,539**
Transfer to 12-month ECL	2,285	-	-	-	2,285
Transfer to lifetime ECL not credit-impaired	-	-2,633	-	-	-2,633
Transfer to lifetime ECL credit-impaired	-	-	27,646	1,794	29,440
Balance as at 31 December 2018	**22,023**	**27,342**	**133,472**	**1,794**	**184,631**

4 8 Shares and other variable yield securities

The following table show reconciliation from the opening to the closing balance of the Equity investments:

In EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2019	**421,593**	**93,214**	**514,807**
Disbursements	90,972	15,971	106,943
Repayments / sales	-56,387	-13,361	-69,748
Foreign exchange rates differences	6,126	281	6,407
Cost as at 31 December 2019	**462,304**	**96,105**	**558,409**
Unrealised gains and losses as at 1 January 2019	**45,559**	**6,926**	**52,485**
Net change in unrealised gains and losses	-3,488	12,117*	8,629
Foreign exchange rates differences	319	86	405
Unrealised gains and losses as at 31 December 2019	**42,390**	**19,129**	**61,519**
Shares and other variable yield securities as at 31 December 2019	**504,694**	**115,234**	**619,928**

* Includes misstatement in relation to the fair valuation performed as at 31 December 2018 in an amount of EUR'000 5,853, which was corrected in 2019. Excluding this, the net change in unrealised gains and losses would amount to EUR'000 17,970 for the financial year 2019.

In EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2018	**356,086**	**70,310**	**426,396**
Disbursements	73,250	22,184	95,434
Repayments / sales	-21,681	-635	-22,316
Foreign exchange rates differences	13,938	1,355	15,293
Cost as at 31 December 2018	**421,593**	**93,214**	**514,807**
Unrealised gains and losses as at 1 January 2018	**64,018**	**7,125**	**71,143**
Net change in unrealised gains and losses	-20,493	-172	-20,665
Foreign exchange rates differences	2,034	-27	2,007
Unrealised gains and losses as at 31 December 2018	**45,559**	**6,926**	**52,485**
Shares and other variable yield securities as at 31 December 2018	**467,152**	**100,140**	**567,292**

5 9 Amounts receivable from contributors

The amounts of EUR’000 86,330 receivable from contributors are entirely composed of Member States contribution called but not paid.

6 10 Treasury financial assets

The treasury portfolio is composed of quoted bonds which have a remaining maturity of less than three months at reporting date. The following table shows the movements of the treasury portfolio:

In EUR'000	
Balance as at 1 January 2019	**335,140**
Acquisitions	2,948,021
Maturities	-2,952,905
Change in amortisation of premium/discount	-93
Change in accrued interest	424
Balance as at 31 December 2019	**330,587**

In EUR'000	
Balance as at 1 January 2018	**144,382**
Acquisitions	2,219,062
Maturities	-2,026,659
Change in amortisation of premium/discount	149
Change in accrued interest	-1,794
Balance as at 31 December 2018	**335,140**

7 11 Other assets

The main components of other assets are as follows:

In EUR'000	**31.12.2019**	**31.12.2018**
Financial guarantees	-	171
Total other assets	**-**	**171**

8 12 Deferred income

The main components of deferred income are as follows:

In EUR'000	**31.12.2019**	**31.12.2018**
Deferred interest subsidies	32,085	32,658
Deferred commissions on loans and advances	481	1,106
Total deferred income	**32,566**	**33,764**

9 13 Provisions for guarantees issued, net of reversals

The following tables show reconciliation from the opening to the closing balance of the provision for financial guarantees under ECL IFRS 9 model:

	2019			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**94**	**699**	**-**	**793**
Transfer to 12-month ECL	534	-	-	534
Transfer to lifetime ECL not credit-impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Guarantees that have been derecognised	-	-588	-	-588
Guarantee calls	-	-53	-	-53
Amortisation of upfront fees	-	-71	-	-71
Foreign exchange rates differences	-	13	-	13
Balance as at 31 December	**628**	**-**	**-**	**628**

	2018			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**-**	**484**	**-**	**484**
Transfer to 12-month ECL	94	-	-	94
Transfer to lifetime ECL not credit-impaired	-	391	-	391
Transfer to lifetime ECL credit-impaired	-	-	-	-
Guarantees that have been derecognised	-	-	-	-
Guarantee calls	-	-	-	-
Amortisation of upfront fees	-	-128	-	-128
Foreign exchange rates differences	-	-48	-	-48
Balance as at 31 December	**94**	**699**	**-**	**793**

10 14 Provisions for loan commitments, net of reversals

11

The following table shows reconciliation from the opening to the closing balance of the loss allowance for undisbursed loans (loan commitments) under ECL IFRS 9 model:

	2019			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January	**7,225**	**16,597**	**-**	**23,822**
Transfer to 12-month ECL	1,669	9,983	-	11,652
Transfer to lifetime ECL not credit-impaired	-836	15,138*	-	14,302
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net measurement of loss allowance	696	773	-	1,469
Business model change (IFE)**	-2,974	-1,387	-	-4,361
Financial assets that have been derecognised	-1,960	-7,858	-	-9,818
Foreign exchange rates differences	123	80	-	203
Balance as at 31 December	**3,943**	**33,326**	**-**	**37,269**

* The methodology for the estimation of provisions for loan commitments as at 31 December 2019 was changed for the Stage 2 loan commitments, and such as the Facility did not apply the Credit Conversion Factors in the calculation. This change resulted an additional ECL in amount of EUR 7.7 million.

** For details, please refer to Note 24.

	2018			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January	**1,993**	**2,163**	**-**	**4,156**
Transfer to 12-month ECL	5,192	-	-	5,192
Transfer to lifetime ECL not credit-impaired	-	14,420	-	14,420
Transfer to lifetime ECL credit-impaired	-	-	-	-
Foreign exchange rates differences	40	14	-	54
Balance as at 31 December	**7,225**	**16,597**	**-**	**23,822**

12

13 15 Amounts owed to third parties

14

The main components of amounts owed to third parties are as follows:

In EUR'000	**31.12.2019**	**31.12.2018**
Net general administrative expenses payable to EIB	50,009	47,799
Other amounts payable to EIB	31	54
Interest subsidies and TA not yet disbursed owed to Member States	97,398	95,960
Total amounts owed to third parties	**147,438**	**143,813**

15 16 Other liabilities

16

The main components of other liabilities are as follows:

In EUR'000	**31.12.2019**	**31.12.2018**
Loan repayments received in advance	1,961	2,124
Deferred income from interest subsidies	339	369
Financial guarantee calls	53	-
Total other liabilities	**2,353**	**2,493**

17 17 **Member States Contribution called (in EUR'000)**

18

Member States	**Contribution to the Facility**	**Contribution to interest subsidies and technical assistance**	**Total contributed**	**Called and not paid***
Austria	76,442	9,592	86,034	2,410
Belgium	112,757	14,105	126,862	3,530
Bulgaria	1,274	336	1,610	140
Cyprus	819	216	1,035	90
Czech Republic	4,641	1,224	5,865	510
Denmark	62,220	7,875	70,095	2,000
Estonia	455	120	575	50
Finland	43,821	5,655	49,476	1,470
France	677,756	81,837	759,593	19,550
Germany	667,065	82,766	749,831	20,500
Greece	39,090	5,324	44,414	1,470
Hungary	5,005	1,320	6,325	550
Ireland	21,034	3,075	24,109	910
Italy	374,974	48,883	423,857	12,860
Latvia	637	168	805	70
Lithuania	1,092	288	1,380	120
Luxembourg	8,422	1,065	9,487	270
Malta	273	72	345	30
Netherlands	151,510	19,140	170,650	4,850
Poland	11,830	3,120	14,950	1,300
Portugal	30,418	4,154	34,572	2,300
Romania	3,367	888	4,255	370
Slovakia	1,911	504	2,415	210
Slovenia	1,638	432	2,070	180
Spain	191,564	27,231	218,795	7,850
Sweden	81,090	10,499	91,589	2,740
United Kingdom	395,895	53,802	449,697	-
Total as at 31 December 2019	**2,967,000**	**383,691**	**3,350,691**	**86,330**
Total as at 31 December 2018	**2,697,000**	**353,691**	**3,050,691**	**100,000**

* On 24 October 2019, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2020. As at
31 December 2019, EUR 86,330 were not paid in.

19 18 Commitments and contingent liabilities

In EUR'000	31.12.2019	31.12.2018
Commitments		
Undisbursed loans	1,357,320	1,283,931
Undisbursed commitment in respect of shares and other variable yield securities	405,920	347,167
Issued guarantees	200,013	2,800
Interest subsidies and technical assistance	455,671	457,328
Contingent liabilities		
Signed non-issued guarantees	1,359,818	1,553,668
Total commitments and contingent liabilities	**3,778,742**	**3,644,894**

20 19 Interest and similar income and expenses

The main components of interest and similar income are as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Loans and advances	89,244	92,506
Interest subsidies	4,679	4,224
Total interest and similar income	**93,923**	**96,730**

The main components of interest and similar expenses are as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Derivative financial instruments	-261	-563
Cash and cash equivalents	-722	-654
Treasury financial assets	-1,965	-1,322
Total interest and similar expense	**-2,948**	**-2,539**

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22 20 Fee and commission income and expenses

The main components of fee and commission income are as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Fee and commission on loans and advances	4,399	107
Fee and commission on financial guarantees	39	170
Other	-	7
Total fee and commission income	**4,438**	**284**

The main component of fee and commission expenses is as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Commission paid to third parties with regard to shares and other variable yield securities	-721	-106
Total fee and commission expenses	**-721**	**-106**

23 21 Net result on shares and other variable yield securities

The main components of net realised gains on shares and other variable yield securities are as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Net realised result on shares and other variable yield securities	-133	3,166
Dividend income	1,408	7,320
Net fair value change	8,629	-20,665
Net result on shares and other variable yield securities	**9,904**	**-10,179**

24

25 22 General administrative expenses

General administrative expenses represent the actual costs incurred by the EIB for managing the Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Facility.

The main components of general administrative expenses are as follows:

In EUR'000	From 01.01.2019 to 31.12.2019	From 01.01.2018 to 31.12.2018
Actual cost incurred by the EIB	-52,982	-50,021
Income from appraisal fees directly charged to clients of the Facility	2,973	2,222
Total general administrative expenses	**-50,009**	**-47,799**

23 Involvement with unconsolidated structured entities (in EUR'000)

Definition of a structured entity

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding, who controls the-entity. IFRS 12 observes that a structured entity often has some or all of the following features:

- Restricted activities;
- A narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities that are not controlled by the Facility and includes interests in structured entities that are not consolidated.

Definition of Interests in structured entities:

IFRS 12 defines "interests" broadly to include any contractual or non-contractual involvement that exposes the reporting entity to variability in returns from the performance of the entity. Examples of such interests include the holding of equity interests and other forms of involvement such as the provision of funding, liquidity support, credit enhancements, commitments and guarantees to the other entity. IFRS 12 states that a reporting entity does not necessarily have an interest in another entity solely because of a typical customer supplier relationship.

The table below describes the types of structured entities that the Facility does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Facility
Project Finance - lending to Special Purposes Vehicles ("SPV")	Project Finance Transactions (PF Operations) are transactions where the Facility relies for the servicing of its debt on a borrower whose sole or main source of revenue is generated by a single or limited number of assets being financed by such debt or other pre-existing assets contractually linked to the project. PF operations are often financed through SPV.	Net disbursed amounts; Interest income.
Venture capital operations	The Facility finances venture capital and investment funds. Venture capital and investment funds pool and manage money from investors seeking private equity stakes in small and medium-size enterprises with strong growth potential as well as financing infrastructure projects.	Investments in units/shares issued by the venture capital entity; Dividends received as dividend income.

The table below shows the carrying amounts of unconsolidated structured entities in which the Facility has an interest at the reporting date, as well as the Facility's maximum exposure to loss in relation to those entities. The maximum exposure to loss includes the carrying amounts and the related undisbursed commitments.

Type of structured entity	Caption	Carrying amount at 31.12.2019	Carrying amount at 31.12.2018	Maximum exposure to loss at 31.12.2019	Maximum exposure to loss at 31.12.2018
Venture capital funds	Shares and other variable yield securities	504,332	467,152	834,955	797,775
Total		**504,332**	**467,152**	**834,955**	**797,775**

26 24 Impact financing envelope (in EUR'000)

In June 2013 the ACP-EU Joint Ministerial Council approved the new financial protocol for the 11th European Development Fund (EDF), covering the period 2014-2020.

A new EUR 500m endowment was agreed for the Investment Facility, the so called 'impact financing envelope' or "IFE", enabling the Facility to support projects that promise a particularly high development impact whilst bearing the greater risks inherent in such investments. This envelope will present new possibilities for enhancing the Facility's private sector lending through investments in the following instruments:

Social impact equity funds - promoted by an emerging population of private equity fund managers who put the alleviation of social or environmental issues at the core of their funds' investment strategy but still target sustainability at the levels of both the fund and its investee companies.

Loans to financial intermediaries - (e.g. microfinance institutions, local banks and credit unions) operating in ACP countries in which the EIB cannot consider financing - in particular in local currency - under the existing credit risk guidelines, e.g. due to either high country risks, currency volatility or lack of pricing benchmarks. The main objective of such loans is to fund projects with a high developmental impact, especially in the field of support to micro and small enterprises (MSEs) and agriculture, which generally do not qualify for IF financing.

Risk sharing facilitating instruments - which take the form of first loss guarantees ("first loss pieces") that facilitate risk sharing operations of the EIB with local financial intermediaries (mainly commercial banks) for the benefit of underserved SMEs and small projects that meet the Impact Financing Criteria in situations where a market gap has been identified in relation to the access of SMEs/small projects to finance. The first loss pieces would be structured as a counter-guarantee in favour of senior guarantee tranches funded by the EIB - under the Investment Facility - and by other International Financial Institutions/Development Financial Institutions, thus generating a substantial leverage effect.

Direct financing - through debt (i.e. loans) or equity instruments in projects with sound and experienced promoters and high developmental impacts, but that will, however, also entail higher expectations of losses and difficulties to recover the investment (equity type risk with higher than usual expectation of losses). The EIB applies strict selection and eligibility criteria for this instrument, as these projects, notwithstanding their high developmental impact, would not be able to meet acceptable financing criteria (i.e. low expectation of recovering the investment or offsetting the losses through interest rates /equity returns).

The IFE also allows diversification into new sectors, such as health and education, agriculture and food security, and the development of new and innovative risk-sharing instruments.

From a financial and accounting perspective the IFE forms part of the IF portfolio and is accounted for in the overall IF annual financial statements.

27 The following table represents the carrying amounts and the committed, but undisbursed amounts, per type of asset:

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2019	Loss allowance/FV adj. amount as at 31.12.2019	Carrying amount as at 31.12.2019	Undisbursed amount as at 31.12.2019	OFF BS ECL adj. amount as at 31.12.2019
Social impact equity funds	Shares and other variable yield securities	FVTPL	33,417	-3,175	30,242	66,840	-
Loans to financial intermediaries	Loans and advances	AC	22,347	-354	21,993	42,400	-1,251
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	47,331	-50
Direct equity participations	Shares and other variable yield securities	FVTPL	58,643	19,626	78,269	14	-
Direct loan operations	Loans and advances	FVTPL	37,136	-15,156	21,980	75,700	-
Total			**151,543**	**941**	**152,484**	**232,285**	**-1,301**

* For details, please refer to section subsequent measurement of Note 2.4.3

Type of IFE investment	Caption	Measurement	Carrying amount as at 31.12.2018	Undisbursed amount as at 31.12.2018
Social impact equity funds	Shares and other variable yield securities	FVTPL	19,134	53,672
Loans to financial intermediaries	Loans and advances	AC	29,566	24,700
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-786	43,668
Direct equity participations	Shares and other variable yield securities	FVTPL	53,183	1,014
Direct loan operations	Loans and advances	AC	6,711	114,629
Total			**107,808**	**237,683**

* For details, please refer to section subsequent measurement of Note 2.4.3

Starting from 1st January 2019, the management decided to apply the General Mandate Risk Principles to IFE direct loan operations (excluding Loans to financial intermediaries), as envisaged in the EIB's Credit and Equity Risk Guidelines, and to monitor and report the risk associated with the IFE direct loan operations on the basis of their fair value.

According to the new methodology, the Bank performs Qualitative Risk Assessment (QRA) aiming to assess the soundness of the investment rationale and plausible business viability of such operations. In this context, IFE direct loan operations are reclassified from loans measured at amortised cost to loans measured at fair value.

The change of the business model requires prospective change of the portfolio from the reclassification date. Therefore, the change has no effect on prior years. The effect on the current year Statement of profit and loss and other comprehensive income is recognised under the caption "Change in provisions for loan commitments" in amount of EUR 4.4million.

28 25 Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2019 financial statements.

3. GLOSSARY

ABAC

This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.

Accounting

The act of recording and reporting financial transactions, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.

Accounting Officer

The role, powers and responsibilities of the accounting officer are set out in the Financial Regulation:

- proper implementation of payments,
- collection of revenue,
- recovery of amounts and offsetting,
- keeping, preparing and presenting the accounts,
- laying down the accounting rules and methods and the chart of accounts,
- laying down and validating the accounting systems and validating systems laid down by the authorising officer to supply or justify accounting information (local systems),
- treasury management,
- designation of the Imprest Administrators,
- opening and closing bank accounts in the name of the Institution.

Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).

Adjustment

Amending budget or transfer of funds from one budget item to another.

Adopted budget

Draft budget becomes the adopted budget as soon as approved by the Budgetary Authority.

Cf. Budget

Agencies

EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.

Amending budget

Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.

Annuality

The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.

Appropriations

Budget funding.

The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure and commitment appropriations equal payment appropriations.

Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure.

Main sources of external assigned revenue *are financial contributions from third countries to programmes financed by the Union.*

Main sources of internal assigned revenue are revenue from third parties in respect of goods, services or work supplied at their request, revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium.

The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21.

Authorising Officer by Delegation (AOD)

The AOD is responsible in each entity for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.

The AOD is responsible for taking all financial decision concerning actions under his/her responsibility. Particularly, he/she must take decisions to implement the budget based on his/her risk analysis.

Budget

Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.

Budget result

The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences.

For agencies, the resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for agencies.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature, which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or item) provide a formal description of the nomenclature.

Budgetary authority

Institutions with decisional powers on budgetary matters: for the EU institutions, the European Parliament and the Council of Ministers.

For the agencies and joint undertakings, their board is the budgetary authority.

Budgetary commitment

A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.

Cancellation of appropriations

Unused appropriations that may no longer be used.

Carryover of appropriations

Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year.

Commitment appropriations

Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Financial Regulation Art. 7: *Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.*

De-commitment

Cancellation of a reservation of appropriations.

Differentiated appropriations

Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Financial Regulation Art. 7: *Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.*

Earmarked revenue

Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution.

Cf. Assigned revenue

Economic result

Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.

Entitlements established

Entitlements are recovery orders that the European Union must establish for collecting income.

Exchange rate difference

The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.

Expenditure

Term used to describe spending the budget from all types of funds sources.

Financial regulation (FR)

Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union.

For reference, Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

Funds Source

Type of appropriations

Grants

Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body, which pursues an aim of general European interest or has an objective forming part of an EU policy.

Implementation

Cf. Budget implementation

Income

Cf. Revenue

Joint Undertakings (JUs)

A legal EU-body established under the Treaty on the Functioning of the European Union. The term can be used to describe any collaborative structure proposed for the *"efficient execution of Union research, technological development and demonstration programmes".*

Lapsing appropriations

Unused appropriations to be cancelled at the end of the financial year. *Lapsing* means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities, which is represented by an appropriation.

Only for joint undertakings, as specified in theirs Financial Rules, any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years (the so-called "N+3" rule). Hence, lapsing appropriations for JUs could be re-activated until financial year "N+3".

Legal base (basic act)

The legal base or basis is, as a general rule, a law based on an article in the Treaty on the Functioning of the European Union giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain articles from the treaty authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.

Legal commitment

A legal commitment establishes a legal obligation towards third parties.

Non-differentiated appropriations

Non-differentiated appropriations are for operations of an annual nature. (Financial Regulation Art. 9). In the EU Budget, non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

Operational appropriations

Operational appropriations finance the different policies, mainly in the form of grants or procurement.

Outstanding commitment

Outstanding commitments (or RAL, from the French 'reste à liquider') are defined as the amount of appropriations committed that have not yet been paid or legal commitments having not fully given rise to liquidation by payments. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations.

Outturn

Cf. Budget result

Payment

A payment is a disbursement to honour legal obligations.

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Financial Regulation Art. 7).

RAL

Sum of outstanding commitments. Cf. Outstanding commitments

Recovery

The recovery order is the procedure by which the Authorising officer by Delegation (AOD) registers an entitlement by the Commission in order to retrieve the amount, which is due. The entitlement is the right that the Commission has to claim the sum, which is due by a debtor, usually a beneficiary.

Result

Cf. Budget result

Revenue

Term used to describe income from all sources financing the budget.

Rules of application

Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.

Surplus

Positive difference between revenue and expenditure (Cf. Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.

Transfer

Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. However, they are expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The Financial Regulation identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorisation.