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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS

ANNUAL ACCOUNTS OF THE EUROPEAN DEVELOPMENT FUND 2016

Annual accounts of the European Development Fund 2016

CONTENTS

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2016 have been prepared in accordance with Title IX of the Financial Regulation of the 11th European Development Fund and with the accounting principles, rules and methods set out in annex 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 20 of the Financial Regulation of the 11th European Development Fund.

I have obtained from the authorising officers 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.

[signed]

Rosa ALDEA BUSQUETS

Accounting Officer

23 June 2017

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 order to assure continuity between the end of the 10th EDF and the entry into force of the 11th EDF, the Commission proposed transitional measures, known as the Bridging Facility (BF)[2]. The BF is presented under the 11th EDF.

At the same time the 10th EDF Financial Regulation[3] was amended and the new Financial Regulation applicable to the transition period was adopted[4]. They entered into force on 30 May 2014. On 2 March 2015 the Council adopted the 11th EDF Financial Regulation[5] and the Implementation Rules[6]. They entered into force on 6 March 2015.

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

[2] The creation of the Bridging Facility had been first proposed as an article of the 11th EDF Implementation Regulation (COM(2013)445). The Commission however has proposed, as an alternative, the creation of the Bridging Facility by a specific Council decision (Proposal for a Council decision regarding transitional EDF management measures from 1 January 2014 until the entry into force of the 11th EDF European Development Fund, COM(2013)663).

[3] Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th EDF. OJ L 78, 19.2.2008, p.1.

[4] Council Regulation (EU) No 567/2014 of 26 May 2014 amending Regulation (EC) No 215/2008 on the Financial Regulation applicable to the 10th EDF as regards the application of the transition period between the 10th EDF and the 11th EDF until the entry into force of the 11th EDF Internal Agreement. OJ L 157, 27.5.2014, p. 52.

[5] Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund. OJ L 58, 3.3.2015, p. 17–38.

[6] Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund. OJ L 58, 3.3.2015, p. 1–16.

Within the framework of the ACP-EU Partnership Agreement, the Investment Facility was established. This Investment Facility is managed by the EIB and is 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[7].

2. HOW IS THE EDF FUNDED?

The European Council of 2 December 2013 adopted the Multi-annual 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 inter-governmental 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, the EDF is a fund operating on the basis of 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 Article 46 of the EDF Financial Regulation, the EDF financial statements are prepared on the basis of 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 and consolidation, as required by Article 152 of the EU Financial Regulation. 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. He/she ensures that the annual accounts of 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

7 Council Regulation (EU) No 567/2014 of 26 May 2014 amending Regulation (EC) No 215/2008 on the Financial Regulation applicable to the 10th EDF as regards the application of the transition period between the 10th EDF and the 11th EDF until the entry into force of the 11th EDF Internal Agreement. OJ L 157, 27.5.2014, Art. 43.

(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 EU Trust Fund for Africa[8] (see section 'Financial statements of EUTF for Africa'). The trust funds individual financial statements are prepared under the responsibility of the EC Accounting Officer and subject to external audit carried out by a private auditor. The trust funds' financial statements included in these annual accounts are the final financial statements, i.e. after the necessary audit adjustments.

It should be noted that the layout of the financial statements and the explanatory notes were changed in 2016. The changes are purely in the presentation of the financial information and aim at giving a closer alignment to the other EU entities'. The 2015 comparative amounts are presented in line with the new format.

The annual accounts are adopted by the Commission by 31 July of the subsequent year and presented to the European Parliament and to the Council for discharge.

4. AUDIT AND DISCHARGE

4.1. AUDIT

The EDF annual accounts and resource management are overseen by its external auditor, the European Court of Auditors (hereinafter referred to as the ECA), which draws up an annual report for the European Parliament and the Council.

4.2. DISCHARGE

The final control is the discharge of the financial implementation of the EDF resources for a given financial year. The European Parliament is the discharge authority of the EDF. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the European Parliament to decide whether to grant discharge to the Commission for the financial implementation of the EDF resources for a given financial year. 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, and also following questions and further information requests to the Commission.

[8]The 2016 is the first year in which the financial statements of the EUTF for Africa are issued and thus also for the first time included in the EDF annual accounts. The transactions of 2015 are reflected in the comparative figures.

FUNDS MANAGED BY THE EUROPEAN COMMISSION

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.

CONTENTS

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.

EDF BALANCE SHEET

EUR millions

	Note	31.12.2016	31.12.2015
NON-CURRENT ASSETS			
Pre-financing	*2.1*	*409*	*516*
Trust Fund contributions	*2.2*	*98*	*34*
		507	**550**
CURRENT ASSETS			
Pre-financing	*2.1*	*1 372*	*1 145*
Exchange receivables and non-exchange recoverables	*2.3*	*132*	*171*
Cash and cash equivalents	*2.4*	*680*	*504*
		2 184	**1 820**
TOTAL ASSETS		**2 691**	**2 370**
NON-CURRENT LIABILITIES			
Provisions	*2.5*	*(4)*	*(4)*
Financial liabilities	*2.6*	*(6)*	*(10)*
		(10)	**(14)**
CURRENT LIABILITIES			
Payables	*2.7*	*(549)*	*(520)*
Accrued charges and deferred income	*2.8*	*(776)*	*(855)*
		(1 324)	**(1 376)**
TOTAL LIABILITIES		**(1 334)**	**(1 389)**
NET ASSETS		**1 357**	**980**
FUNDS & RESERVES			
Called fund capital - active EDFs	*2.9*	*42 323*	*38 873*
Called fund capital from closed EDFs carried forward	*2.9*	*2 252*	*2 252*
Called fund capital transfers between active EDFs	*2.9*	*–*	*–*
Economic result carried forward from previous years		*(40 146)*	*(36 994)*
Economic result of the year		*(3 073)*	*(3 152)*
NET ASSETS		**1 357**	**980**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2016	2015
REVENUE			
Revenue from non-exchange transactions	*3.1*		
Recovery of expenses		*8*	*90*
		8	**90**
Revenue from exchange transactions	*3.2*		
Financial income		*3*	*8*
Other income		*62*	*42*
		66	**50**
Total Revenue		**73**	**140**
EXPENSES			
Aid instruments	*3.3*	*(2 970)*	*(3 059)*
Co-financing expenses	*3.4*	*15*	*(69)*
Finance costs	*3.6*	*4*	*(1)*
Other expenses	*3.7*	*(196)*	*(162)*
Total Expenses		**(3 146)**	**(3 291)**
ECONOMIC RESULT OF THE YEAR		**(3 073)**	**(3 152)**

EDF CASHFLOW STATEMENT

EUR millions

	Note	2016	2015
Economic result of the year		*(3 073)*	*(3 152)*
Operating activities			
Capital increase - contributions		*3 450*	*3 200*
(Increase)/decrease in trust funds contributions		*(64)*	*5*
(Increase)/decrease in pre-financing		*(120)*	*214*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*39*	*(87)*
Increase/(decrease) in provisions		*–*	*4*
Increase/(decrease) in financial liabilities		*(4)*	*(24)*
Increase/(decrease) in payables		*28*	*(179)*
Increase/(decrease) in accrued charges and deferred income		*(80)*	*131*
NET CASHFLOW		**177**	**113**
Net increase/(decrease) in cash and cash equivalents		**177**	**113**
Cash and cash equivalents at the beginning of the year	*2.4*	*504*	*391*
Cash and cash equivalents at year-end	*2.4*	*680*	*504*

EDF STATEMENT OF CHANGES IN NET ASSETS

EUR millions

	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)	Total Net Assets (C)+(D)+(E)
BALANCE AS AT 31.12.2014	**45 691**	**10 018**	**35 673**	**(36 994)**	**2 252**	**932**
Capital increase - contributions		*(4 795)*	*4 795*	*–*	*–*	*4 795*
Capital decrease - funds committed under the Bridging Facility	*(1 595)*		*(1 595)*			*(1 595)*
Recognition of the 11th EDF capital	*29 367*	*29 367*	*–*			*–*
Economic result of the year	*–*	*–*	*–*	*(3 152)*	*–*	*(3 152)*
BALANCE AS AT 31.12.2015	**73 464**	**34 590**	**38 873**	**(40 146)**	**2 252**	**980**
Capital increase - contributions		*(3 450)*	*3 450*			*3 450*
Economic result of the year			*–*	*(3 073)*		*(3 073)*
BALANCE AS AT 31.12.2016	**73 464**	**31 140**	**42 323**	**(43 219)**	**2 252**	**1 357**

BALANCE SHEET BY EDF

EUR millions

	Note	31.12.2016 Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015 Eighth EDF	Ninth EDF	10th EDF	11th EDF
NON-CURRENT ASSETS									
Pre-financing	*2.1*	–	32	242	135	–	63	368	84
Trust Fund contributions	*2.2*	–	–	–	98	–	–	–	34
		–	**32**	**242**	**232**	**–**	**63**	**368**	**118**
CURRENT ASSETS									
Pre-financing	*2.1*	1	50	909	412	3	67	879	195
Exchange receivables and non-exchange recoverables	*2.3*	1	71	59	2	1	65	103	2
Liaison accounts	*2.3*	196	424	3 424	–	214	657	1 190	–
Cash and cash equivalents	*2.4*	–	–	–	680	–	–	–	504
		198	**544**	**4 391**	**1 094**	**218**	**790**	**2 172**	**701**
TOTAL ASSETS		**198**	**577**	**4 633**	**1 327**	**218**	**853**	**2 541**	**819**
NON-CURRENT LIABILITIES									
Provisions	*2.5*	–	–	–	(4)	–	–	–	(4)
Financial liabilities	*2.6*	–	–	(6)	–	–	–	(10)	–
		–	**–**	**(6)**	**(4)**	**–**	**–**	**(10)**	**(4)**
CURRENT LIABILITIES									
Payables	*2.7*	(0)	(12)	(438)	(99)	(0)	(14)	(492)	(14)
Liaison accounts	*2.3*	–	–	–	(4 043)	–	–	–	(2 062)
Accrued charges and deferred income	*2.8*	(1)	(93)	(567)	(115)	(3)	(114)	(682)	(57)
		(1)	**(104)**	**(1 005)**	**(4 257)**	**(3)**	**(128)**	**(1 174)**	**(2 132)**
TOTAL LIABILITIES		**(1)**	**(104)**	**(1 011)**	**(4 261)**	**(3)**	**(128)**	**(1 184)**	**(2 136)**
NET ASSETS		**197**	**472**	**3 622**	**(2 934)**	**214**	**726**	**1 357**	**(1 317)**
FUNDS & RESERVES									
Called fund capital - active EDFs	*2.9*	12 164	10 973	19 187	–	12 164	10 973	15 737	–
Called fund capital from closed EDFs carried forward	*2.9*	627	1 625	–	–	627	1 625	–	–
Called fund capital transfers between active EDFs	*2.9*	(2 496)	2 214	247	35	(2 476)	2 376	35	65
Economic result carried forward from previous years		(10 100)	(14 248)	(14 415)	(1 382)	(10 107)	(14 223)	(12 183)	(481)
Economic result of the year		2	(91)	(1 397)	(1 587)	6	(26)	(2 232)	(901)
NET ASSETS		**197**	**472**	**3 622**	**(2 934)**	**214**	**726**	**1 357**	**(1 317)**

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR millions

		2016				2015			
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Eighth EDF	Ninth EDF	10th EDF	11th EDF
REVENUE									
Revenue from non-exchange transactions	*3.1*								
Recovery of expenses		*1*	*5*	*(2)*	*4*	*1*	*10*	*77*	*2*
		1	**5**	**(2)**	**4**	**1**	**10**	**77**	**2**
Revenue from exchange transactions	*3.2*								
Financial income		*(0)*	*2*	*2*	*(1)*	*(0)*	*6*	*0*	*2*
Other income		*2*	*17*	*40*	*3*	*3*	*15*	*22*	*2*
		2	**19**	**43**	**2**	**3**	**21**	**22**	**4**
Total revenue		**3**	**23**	**41**	**7**	**4**	**30**	**99**	**6**
EXPENSES									
Aid instruments	*3.3*	*2*	*(95)*	*(1 411)*	*(1 465)*	*5*	*(47)*	*(2 197)*	*(820)*
Co-financing expenses	*3.4*	*–*	*–*	*15*	*–*	*–*	*–*	*(68)*	*(1)*
Finance costs	*3.6*	*(0)*	*(0)*	*4*	*(0)*	*0*	*7*	*(8)*	*(0)*
Other expenses	*3.7*	*(3)*	*(19)*	*(46)*	*(129)*	*(3)*	*(15)*	*(58)*	*(86)*
Total expenses		**(1)**	**(114)**	**(1 437)**	**(1 594)**	**2**	**(56)**	**(2 331)**	**(907)**
ECONOMIC RESULT OF THE YEAR		**2**	**(91)**	**(1 397)**	**(1 587)**	**6**	**(25)**	**(2 232)**	**(901)**

STATEMENT OF CHANGES IN NET ASSETS BY EDF

EUR millions

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 31.12.2014	**12 840**	**–**	**12 840**	**(10 107)**	**627**	**(3 147)**	**214**
Capital decrease - funds committed under the Bridging Facility	*(676)*		*(676)*				*(676)*
Transfers to/from the 10th EDF			*–*			*(6)*	*(6)*
Transfers to/from the 11th EDF						*676*	*676*
Economic result of the year			*–*	*6*			*6*
BALANCE AS AT 31.12.2015	**12 164**	**–**	**12 164**	**(10 100)**	**627**	**(2 476)**	**214**
Transfers to/from the 10th EDF			*–*			*(20)*	*(20)*
Transfers to/from the 11th EDF			*–*			*–*	*–*
Economic result of the year			*–*	*2*			*2*
BALANCE AS AT 31.12.2016	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 496)**	**197**

EUR millions

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 31.12.2014	**11 699**	**–**	**11 699**	**(14 223)**	**1 625**	**1 758**	**860**
Capital decrease - funds committed under the Bridging Facility	*(727)*	*–*	*(727)*				*(727)*
Transfers to/from the 10th EDF			*–*			*(109)*	*(109)*
Transfers to/from the 11th EDF						*727*	*727*
Economic result of the year			*–*	*(26)*			*(26)*
BALANCE AS AT 31.12.2015	**10 973**	**–**	**10 973**	**(14 249)**	**1 625**	**2 376**	**726**
Transfers to/from the 10th EDF			*–*			*(163)*	*(163)*
Transfers to/from the 11th EDF			*–*			*–*	*–*
Economic result of the year			*–*	*(91)*			*(91)*
BALANCE AS AT 31.12.2016	**10 973**	**–**	**10 973**	**(14 339)**	**1 625**	**2 214**	**472**

EUR millions

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 31.12.2014	**21 152**	**10 018**	**11 134**	**(12 183)**	**–**	**(209)**	**(1 258)**
Capital increase - contributions		*(4 795)*	*4 795*				*4 795*
Capital decrease - funds committed under the Bridging Facility	*(192)*		*(192)*				*(192)*
Transfers to/from the Eighth and Ninth EDF			*–*			*84*	*84*
Transfers to/from the 11th EDF			*–*			*160*	*160*
Economic result of the year			*–*	*(2 232)*			*(2 232)*
BALANCE AS AT 31.12.2015	**20 960**	**5 223**	**15 737**	**(14 415)**	**–**	**35**	**1 357**
Capital increase - contributions		*(3 450)*	*3 450*				*3 450*
Transfers to/from the Eighth and Ninth EDF			*–*			*182*	*182*
Transfers to/from the 11th EDF			*–*			*30*	*30*
Economic result of the year			*–*	*(1 397)*			*(1 397)*
BALANCE AS AT 31.12.2016	**20 960**	**1 773**	**19 187**	**(15 812)**	**–**	**247**	**3 622**

EUR millions

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)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2014	**–**	**–**	**–**	**(481)**	**–**	**1 597**	**1 116**
Recognition of the 11th EDF capital in line with the Internal Agreement	*29 367*	*(29 367)*	*–*				*–*
Transfers to/from the Eighth, Ninth and 10th EDF			*–*		*–*	*(1 532)*	*(1 532)*
Economic result of the year			*–*	*(901)*			*(901)*
BALANCE AS AT 31.12.2015	**29 367**	**(29 367)**	**–**	**(1 382)**		**65**	**(1 317)**
Transfers to/from the Eighth, Ninth and 10th EDF			*–*			*(30)*	*(30)*
Economic result of the year			*–*	*(1 587)*			*(1 587)*
BALANCE AS AT 31.12.2016	**29 367**	**(29 367)**	**–**	**(2 969)**	**–**	**35**	**(2 934)**

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 financial position, performance and cash flows 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, reliability, understandability and comparability.

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 millions of euros, the euro being the EDF's functional and reporting 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	31.12.2016	31.12.2015	Currency	31.12.2016	31.12.2015
BGN	**1.9558**	*1.9558*	**PLN**	**4.4103**	*4.2639*
CZK	**27.0210**	*27.0230*	**RON**	**4.5390**	*4.5240*
DKK	**7.4344**	*7.4626*	**SEK**	**9.5525**	*9.1895*
GBP	**0.8562**	*0.7340*	**CHF**	**1.0739**	*1.0835*
HRK	**7.5597**	*7.6380*	**JPY**	**123.4000**	*131.0700*
HUF	**309.8300**	*315.9800*	**USD**	**1.0541**	*1.0887*

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; accrued and deferred income and charges, provisions, financial risk on accounts receivables, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are 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

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met. The costs capitalisable 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.

1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction 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 and works of art are not depreciated as they are 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

Leases of tangible assets, where the entity has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to statement of financial performance over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the assets' useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

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 reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable 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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.3.4. Financial assets

The financial assets are classified in the following categories: financial assets at fair value through profit or loss; 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 profit or loss

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 categorised 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.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through profit and loss, held-to-maturity and available for sale are recognised on trade date - the date on which the entity commits to purchase or sell the asset. Cash equivalents, loans and term deposits are recognised at settlement date. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through profit and loss transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cash flows 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 profit and loss are subsequently carried at fair value with gains and losses arising 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 being recognised in the fairs 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. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, 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

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from non-exchange transactions and recoverables are defined as stemming from exchange transactions (when the entity receives value from another entity without directly giving approximately equal value in exchange).

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).

1.3.9. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and non-exchange transactions related e.g. to cost claims from beneficiaries, grants or other EU funding.

Where grants or other funding is 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 income 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 income 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 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 account for the majority of the entity's operating expenses. They 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.

1.6. CO-FINANCING

Co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under condition 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. 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 on the basis of progress reports. Pre-financing is normally paid in the currency of the country or territory where the project is executed.

The timing of the recoverability or utilisation of pre-financing governs whether it is disclosed as a current or a non-current pre-financing asset. The utilisation is defined by the project's underlying agreement. Any repayments or utilisation due within twelve months of 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 millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Non-current pre-financing	*2.1.1*	*–*	*32*	*242*	*135*	*409*	*516*
Current pre-financing	*2.1.2*	*1*	*50*	*909*	*412*	*1 372*	*1 145*
Total		**1**	**82**	**1 151**	**546**	**1 781**	**1 661**

2.1.1. Non-current pre-financing

EUR millions

	31.12.2016	31.12.2015
Direct Management	**71**	**65**
Implemented by:		
Commission	*39*	*43*
EU executive agencies	*4*	*1*
EU delegations	*29*	*21*
Indirect Management	**338**	**451**
Implemented by :		
EIB and EIF	*180*	*323*
International organisations	*87*	*90*
Private law bodies with a public service mission	*25*	*3*
Public law bodies	*13*	*10*
Third countries	*34*	*25*
Total	**409**	**516**

2.1.2. Current pre-financing

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Pre-financing (gross)	*9*	*231*	*2 945*	*1 560*	*4 745*	*4 250*
Cleared via cut-off	*(8)*	*(181)*	*(2 037)*	*(1 148)*	*(3 373)*	*(3 105)*
Total	**1**	**50**	**909**	**412**	**1 372**	**1 145**

EUR millions

	31.12.2016	31.12.2015
Direct Management	**246**	**283**
Implemented by:		
Commission	*115*	*123*
EU executive agencies	*10*	*1*
EU delegations	*122*	*159*
Indirect Management	**1 125**	**861**
Implemented by :		
EIB and EIF	*372*	*235*
International organisations	*432*	*336*
Private law bodies with a public service mission	*121*	*5*
Public law bodies	*53*	*56*
Third countries	*148*	*229*
Total	**1 372**	**1 145**

The overall pre-financing at 31 December 2016 (EUR 1 781 million) is comparable to the total pre-financing at 31 December 2015 (EUR 1 661 million).

The slight increase in current pre-financing by EUR 227 million compared to 31 December 2015 is explained by a large number of new contracts for which no costs were yet incurred in 2016. This increase is offset by a decrease of the long term pre-financing (see note **2.1.1**).

2.1.3. 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 2016 the guarantees received by the EDF in respect of pre-financing amounted to EUR 53 million (2015 EUR 83 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.

2.2. TRUST FUND CONTRIBUTIONS

This heading represents the amount paid as contributions to the Bêkou EU Trust Fund and the EUTF for Africa. 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 millions

Trust Funds	Net contribution at 31.12.2015	Contributions paid in 2016	Allocation of TF's net expenses 2016	Net contribution at 31.12.2016
Africa	–	99	(27)	72
Bêkou	34	–	(8)	26
Total	**34**	**99**	**(35)**	**98**

2.3. NON-EXCHANGE RECOVERABLES AND EXCHANGE RECEIVABLES

EUR millions

	Note	31.12.2016	31.12.2015
Recoverables from non-exchange transactions	*2.3.1*	*62*	*104*
Receivables from exchange transactions	*2.3.2*	*70*	*67*
Total		**132**	**171**

2.3.1. Recoverables from non-exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Member States	*–*	*0*	*40*	*–*	*40*	*90*
Customers	*4*	*9*	*6*	*0*	*18*	*23*
Public bodies	*–*	*13*	*10*	*0*	*23*	*16*
Third states	*0*	*3*	*1*	*–*	*4*	*2*
Write down	*(3)*	*(17)*	*(5)*	*–*	*(25)*	*(29)*
Liaison accounts with EU institutions	*–*	*–*	*–*	*2*	*2*	*1*
Total	**1**	**8**	**51**	**2**	**62**	**104**

Recoverables from Member States include ordinary contributions as well as amounts still to be received as a consequence of Bridging Facility adjustments. The activities of the Bridging Facility were financed through decommitted amounts from previous EDF's and the related capital movements were recorded in 2015.

The amounts are summarised in the table below:

EUR millions

Member States	Amounts to be received from MS	Amounts to be deducted from MS's contributions	Net amount at 31.12.2016
Belgium	*25*	*–*	*25*
Cyprus	*0*	*–*	*0*
Czech Republic	*2*	*–*	*2*
Greece	*0*	*–*	*0*
Latvia	*0*	*–*	*0*
Portugal	*0*	*–*	*0*
Romania	*2*	*–*	*2*
Slovenia	*1*	*–*	*1*
United Kingdom	*10*	*–*	*10*
Total	**40**	**–**	**40**

2.3.2. Receivables from exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Accrued income	*0*	*63*	*7*	*0*	*70*	*67*
Liaison accounts between EDFs	*196*	*424*	*3 424*	*(4 043)*	*(0)*	*0*
Total	**196**	**487**	**3 431**	**(4 043)**	**70**	**67**

Included under accrued income are primarily amounts of accrued interest on pre-financing related to projects (EUR 63 million) and related to the EU-Africa Trust Fund (EUR 7 million).

For efficiency reasons, the single treasury covering all the EDFs is allocated to the 11th EDF[9]; this leads to operations between the various EDFs, which are balanced out in the liaison accounts between the various EDF balance sheets. Liaison accounts are presented only in the individual EDFs.

2.4. CASH AND CASH EQUIVALENTS[10]

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Special accounts:						
Financial institutions of Member States	–	–	–	*291*	*291*	*126*
Current accounts:						
Commercial banks	–	–	–	*389*	*389*	*377*
*Democratic Republic Congo Special fund**	–	–	–	–	–	*1*
Total	**–**	**–**	**–**	**680**	**680**	**504**

**This balance represents the amounts available for the Democratic Republic of the Congo in accordance with the provisions of Council Decision 2003/583/EC7.*

The overall increase in cash and cash equivalents is mainly explained by the advance payment of the first 2017 contributions by some Member States in December 2016.

It should be noted that there are STABEX funds held by beneficiary ACP States and thus not included on the EDF balance sheet. STABEX is the acronym for an EU compensatory finance scheme to stabilise export earnings of the ACP countries. Once the Commission and the beneficiary (ACP) State reach agreement on how the STABEX funds are to be utilised, a transfer convention is signed by both parties. In accordance with the provisions of Article 211 of the Lomé IV Agreement[11] (as revised), the funds are transferred into an interest bearing double signature account (Commission and Beneficiary State) opened in the name of the ACP State. The funds remain in these double signature accounts until a Framework of Mutual Obligations (FMO) justifies a transfer for a project. The Commission's Authorising Officer retains the power of signature over the account in order to ensure that the funds are disbursed as intended. The funds in the double signature accounts are the property of the ACP State and are consequently not recorded as assets in the EDF accounts. The transfers to these accounts are recorded as STABEX payments. See also note **3.1.1** for more information.

With the aim of improving the presentation in the 2016 annual accounts, the classification of financial insitutions and banks has been reviewed. The comparative figures for 2015 are disclosed accordingly.

LIABILITIES

2.5. PROVISIONS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Provisions	–	–	–	*4*	*4*	*4*
Total	**–**	**–**	**–**	**4**	**4**	**4**

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[9] In accordance with Article 59 of the Financial Regulation applicable to the 11th European Development Fund, the treasury is presented in the balance sheet of the 11th EDF.

[10] In accordance with Article 59 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.

[11] OJ L 156, 29.5.1998, p. 3-106.

The provision is the best possible estimation of the probable amount to be paid by the EDF to finance the orderly closure of the Centre de Development (CDE), decided by the ACP-EU Committee of Ambassadors (Decision No 4/2014 of 23 October 2014).

The amount includes court cases (EUR 1.2 million) raised against the CDE and the remaining expected cost of the passive phase (e.g. residual administrative tasks, other residual litigations, archive, etc) that started on 31 December 2016 (see note **4.3.2**).

2.6. FINANCIAL LIABILITIES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Co-financing - payables	*–*	*–*	*6*	*–*	*6*	*10*
Total	**–**	**–**	**6**	**–**	**6**	**10**

The change in the total co-financing liabilities is explained in the note **2.7.2.1.**

2.7. PAYABLES

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Current payables	*2.7.1*	*0*	*12*	*112*	*97*	*222*	*180*
Sundry payables	*2.7.2*	*–*	*(0)*	*325*	*2*	*327*	*340*
Total		**0**	**12**	**438**	**99**	**549**	**520**

2.7.1. Current payables

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Suppliers	*0*	*11*	*69*	*19*	*98*	*79*
Member States	*–*	*–*	*0*	*–*	*0*	*0*
Third states	*0*	*0*	*29*	*61*	*91*	*83*
Public bodies	*0*	*1*	*18*	*14*	*32*	*21*
Other current payables	*0*	*1*	*(4)*	*4*	*1*	*(3)*
Total	**0**	**12**	**112**	**97**	**222**	**180**

Payables include cost statements received by the EDF relating to its grant activity. They are recorded for the amount being claimed from the moment the demand 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.

2.7.2. Sundry payables

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Co-financing payables	*2.7.2.1*	*–*	*–*	*63*	*1*	*64*	*31*
Deferred fund capital contributions	*2.7.2.2*	*–*	*–*	*261*	*–*	*261*	*307*
Other sundry payables	*2.7.2.3*	*–*	*–*	*–*	*2*	*2*	*2*
Total		**–**	**–**	**324**	**3**	**327**	**340**

2.7.2.1. Co-financing payables

The breakdown of the non-current and current co-financing payables by Member State is summarized in the table below:

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Non-current co-financing						
Belgium	–	–	*2*	–	*2*	*1*
Germany	–	–	*0*	–	*0*	*1*
United Kingdom	–	–	*1*	–	*1*	*3*
Sweden	–	–	*2*	–	*2*	*4*
Canada	–	–	*0*	–	*0*	*1*
	–	**–**	***6***	**–**	***6***	***10***
Current co-financing						
Belgium	–	–	*3*	*1*	*4*	*3*
Denmark	–	–	*1*	*0*	*1*	*1*
France	–	–	*37*	–	*37*	*10*
Germany	–	–	*1*	–	*1*	*1*
Netherlands	–	–	*1*	–	*1*	*1*
Spain	–	–	*3*	–	*3*	*3*
United Kingdom	–	–	*11*	–	*11*	*1*
Sweden	–	–	*7*	–	*7*	*12*
Canada	–	–	*0*	–	*0*	*(1)*
	–	**–**	***63***	***1***	***64***	***31***
Total	**–**	**–**	**69**	**1**	**70**	**41**

The total non-current and current co-financing payables increased by EUR 29 million compared to the previous reporting period.

During 2016, new co-financing contributions were received from United Kingdom (EUR 9.4 million), Belgium (EUR 3.3 million) and Sweden (EUR 0.9 million).

The total non-current and current co-financing payables increased by EUR 15 million in order to recognise revenue and expenses related to co-financed projects (see notes **3.1.2** and **3.4**).

2.7.2.2. Deferred fund capital contributions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
United Kingdom	–	–	*252*	–	*252*	*259*
Sweden	–	–	–	–	–	*48*
Hungary	–	–	*9*	–	*9*	–
Total	**–**	**–**	**261**	**–**	**261**	**307**

The heading deferred fund capital contributions relates to Member States' contributions paid in advance.

2.7.2.3. Other sundry payables

Included under this heading are mainly unallocated cash receipts and returned payments.

2.8. ACCRUED CHARGES AND DEFERRED INCOME

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Accrued charges	*1*	*93*	*567*	*110*	*770*	*853*
Other accruals and deferrals	*–*	*(0)*	*(0)*	*6*	*6*	*2*
Total	**1**	**93**	**567**	**115**	**776**	**855**

Accrued charges comprise estimated operating expenses for on-going or ended contracts without validated cost claims where the 2016 eligible expenses incurred by beneficiaries of EDF were estimated using the best available information about the existing contracts. 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 **2.1**).

NET ASSETS

2.9. FUND CAPITAL

2.9.1. Called fund capital – active EDFs

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Fund capital	*12 164*	*10 973*	*20 960*	*29 367*	*73 464*
Uncalled fund capital	*(0)*	*(0)*	*(5 223)*	*(29 367)*	*(34 590)*
Called fund capital 31.12.2015	**12 164**	**10 973**	**15 737**	**–**	**38 873**
Fund capital	*12 164*	*10 973*	*20 960*	*29 367*	*73 464*
Uncalled fund capital	*–*	*(0)*	*(1 773)*	*(29 367)*	*(31 140)*
Called fund capital 31.12.2016	**12 164**	**10 973**	**19 187**	**–**	**42 323**

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 the initial allocation not yet called up from Member States.

The called fund capital represents the amount of the initial allocations which have been called up for transfer to the treasury accounts by the Member States (see note **2.9.2** below).

2.9.2. Called and uncalled fund capital by Member State

EUR millions

Contributions	%	Uncalled capital 31.12.2015	Capital called in 2016	Uncalled capital 31.12.2016
Austria	2.41	126	(83)	43
Belgium	3.53	184	(122)	63
Bulgaria	0.14	7	(5)	2
Cyprus	0.09	5	(3)	2
Czech Republic	0.51	27	(18)	9
Denmark	2.00	104	(69)	35
Estonia	0.05	3	(2)	1
Finland	1.47	77	(51)	26
France	19.55	1 021	(674)	347
Germany	20.50	1 071	(707)	364
Greece	1.47	77	(51)	26
Hungary	0.55	29	(19)	10
Ireland	0.91	48	(31)	16
Italy	12.86	672	(444)	228
Latvia	0.07	4	(2)	1
Lithuania	0.12	6	(4)	2
Luxemburg	0.27	14	(9)	5
Malta	0.03	2	(1)	1
Netherlands	4.85	253	(167)	86
Poland	1.30	68	(45)	23
Portugal	1.15	60	(40)	20
Romania	0.37	19	(13)	7
Slovakia	0.21	11	(7)	4
Slovenia	0.18	9	(6)	3
Spain	7.85	410	(271)	139
Sweden	2.74	143	(95)	49
United Kingdom	14.82	774	(511)	263
Total	**100.00**	**5 223**	**(3 450)**	**1 773**

Capital called in 2016 comprises entirely calls from 10th EDF. The total amount composes of ordinary call (EUR 3 450 million). The capital of the Eighth and the Ninth EDF has been called up and received in its entirety. No capital has yet been called from 11th EDF.

2.9.3. Called fund capital from closed EDFs carried forward

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
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.

2.9.4. Called fund capital transfers between active EDFs

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2014	**(3 147)**	**1 758**	**(209)**	**1 597**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(6)*	*(109)*	*114*	–	–
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	–	–	*(32)*	*32*	–
Transfer from the 10th and 11th performance reserves to the Bridging Facility	–	–	*(41)*	*41*	–
Recoveries from the Bridging Facility to the 10th and 11th performance reserves	–	–	*11*	*(11)*	–
Return of funds committed under the Bridging Facility	*676*	*727*	*192*	*(1 595)*	–
Balance at 31.12.2015	**(2 476)**	**2 376**	**35**	**65**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(20)*	*(163)*	*182*		–
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	–	–	*(356)*	*356*	–
Transfer from the 11th performance reserve to the African Peace Facility (10th EDF)	–	–	*386*	*(386)*	–
Balance at 31.12.2016	**(2 496)**	**2 214**	**247**	**35**	**–**

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.

In 2016 EUR 386 million was taken from the 11th Performance reserve to finance the African Peace Facility under the 10th EDF.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR millions

	Note	2016	2015
Revenue from non-exchange transactions	*3.1*	*8*	*90*
Revenue from exchange transactions	*3.2*	*66*	*50*
Total		**73**	**140**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Recovery of expenses		*0*	*5*	*13*	*4*	*23*	*20*
Recovery of STABEX funds	*3.1.1*	*1*	*–*	*–*	*–*	*1*	*1*
Co-financing revenue	*3.1.2*	*–*	*–*	*(15)*	*–*	*(15)*	*69*
Total		**1**	**5**	**(2)**	**4**	**8**	**90**

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

EUR millions

	2016	2015
Direct Management	**6**	**61**
Implemented by:		
Commission	*1*	*3*
EU delegations	*5*	*58*
Indirect Management	**2**	**29**
Implemented by :		
Third countries	*(0)*	*14*
International organisations	*2*	*14*
Public law bodies	*0*	*0*
Private law bodies with a public service mission	*0*	*1*
Total	**8**	**90**

3.1.1. Recovery of STABEX funds

During 2016, EUR 1 million was returned to the EDF from double signature accounts in ACP countries. These revenues are included under revenue from non-exchange transactions (recovery of STABEX funds) in the statement of financial performance of the Eighth EDF.

3.1.2. 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. The received contributions remain under liabilities (see note **2.7.2.1**) 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 as non-exchange revenue from co-financing. Consequently the effect on economic result of the year is nil.

3.2. REVENUE FROM EXCHANGE TRANSACTIONS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Financial income	*(0)*	*2*	*2*	*(1)*	*3*	*8*
Other income	*2*	*17*	*40*	*3*	*62*	*42*
Total	**2**	**19**	**43**	**2**	**66**	**50**

The financial income largely comprises interest on pre-financing that in 2016 amounted to EUR 3 million[12] (2015: EUR 7 million).

Other income entirely relates to the realised and unrealised foreign exchange gains.

EXPENSES

3.3. AID INSTRUMENTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Programmable aid	*1*	*(3)*	*1 007*	*746*	*1 751*	*1 971*
Macro-economic support	–	*39*	–	–	*39*	*51*
Sectoral policy	*(0)*	*18*	–	–	*18*	*(24)*
Intra ACP projects	–	*41*	*301*	*351*	*693*	*746*
Interest rate subsidies	*(3)*	–	–	–	*(3)*	*(6)*
Emergency aid	–	*(0)*	*98*	*300*	*398*	*285*
Other aid programmes related to former EDFs	–	*1*	–	–	*1*	*0*
Institutional support	–	–	*5*	*33*	*38*	*34*
Compensation export receipts	*(0)*	*0*	–	–	*0*	*(3)*
Contributions to Trust Funds	–	–	–	*35*	*35*	*5*
Total	**(2)**	**95**	**1 411**	**1 465**	**2 970**	**3 059**

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

3.4. CO-FINANCING EXPENSES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Co-financing	–	–	*(15)*	–	*(15)*	*69*

Included under this heading are the expenses incurred on co-financing projects in 2016. 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). Because the reversals of the 2015 estimated expenses (EUR 50 million) exceed the expenses incurred in 2016 (EUR 35 million), the co-financing expenses are negative for 2016. Corresponding negative revenue has been recognised in the statement of financial performance (see note **3.1.2**).

[12] Recognised in accordance with the provisions of Article 9(2)(d) of the Financial Regulation applicable to the 11th EDF.

3.5. AID INSTRUMENTS AND CO-FINANCING EXPENSES BY MANAGEMENT TYPE

EUR millions

	2016	2015
Direct Management	**1 173**	**1 106**
Implemented by:		
Commission	*140*	*99*
EU executive agencies	*10*	*2*
Trust Funds	*36*	*5*
EU delegations	*987*	*1 000*
Indirect Management	**1 781**	**2 023**
Implemented by :		
EIB and EIF	*5*	*31*
International organisations	*821*	*990*
Private law bodies with a public service mission	*143*	*31*
Public law bodies	*57*	*70*
Third countries	*756*	*900*
Private law bodies implementing Public Private Partnership	*(1)*	*1*
Total	**2 954**	**3 128**

3.6. FINANCE COSTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Write-down of receivables	*0*	*0*	*(4)*	*–*	*(4)*	*1*
Other financial expenses	*–*	*–*	*–*	*0*	*0*	*0*
Total	**0**	**0**	**(4)**	**0**	**(4)**	**1**

The heading write-down of receivables comprises closure estimate of expenses on irrecoverable receivables and also includes reversals of the estimated amounts related to last year. Because the reversals of the 2015 amounts (EUR 29 million) exceed the amounts estimated in 2016 (EUR 25 million), the overall expenses related to write-down of receivables are negative for 2016.

3.7. OTHER EXPENSES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2016	2015
Administrative and IT expenses	*–*	*(0)*	*4*	*126*	*129*	*113*
Provision for risks and charges	*–*	*–*	*–*	*–*	*–*	*4*
Realised losses on trade debtors	*0*	*0*	*0*	*–*	*0*	*2*
Exchange loses	*3*	*19*	*42*	*3*	*66*	*44*
Total	**3**	**19**	**46**	**129**	**196**	**162**

This heading includes 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 millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Performance guarantees	*(0)*	*4*	*5*	*0*	*9*	*13*
Retention guarantees	*–*	*4*	*3*	*–*	*7*	*6*
Total	**(0)**	**7**	**8**	**0**	**16**	**20**

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 contractor fulfils 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.

In case of contracts managed under the indirect mode, the guarantees belong to a contracting authority other than the EDF and they are not recorded 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 open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016	31.12.2015
Outstanding commitments not yet expensed	*2*	*202*	*2 406*	*4 136*	*6 746*	*5 821*
Total	**2**	**202**	**2 406**	**4 136**	**6 746**	**5 821**

At 31 December 2016 the budgetary RAL totalled EUR 7 665 million (2015: EUR 6 809 million).

4.2.2. Centre for the Development of Enterprise

The ACP-EU Council of Ministers agreed in June 2014 "to proceed with the orderly closing of the CDE", and at the same time "to ensure that the private sector support projects implemented by the CDE in ACP countries and regions are completed in full". For this purpose, the ACP-EU Council of Ministers granted a delegation of powers to the ACP-EU Committee of Ambassadors to take this matter forward with a view to adopt the necessary decisions.

The ACP-EU Committee of Ambassadors authorised, by Decision No 4/2014 of 23/10/2014, the Executive Board of the CDE to take, with immediate effect, all appropriate measures to prepare for the closure of the CDE. As stipulated in article 2 of that Decision, the Executive Board was instructed to contract a Curator to prepare and implement a closure plan.
The Curator submitted to the CDE Executive Board at the end of June 2015 a definitive strategic plan, with a budget and work-plan, which reflected the outcome of the social dialogue. The budget of the definitive strategic plan, approved by the CDE Executive Board, was the basis for the Commission's

proposal for a Financing Decision that was adopted by the EC in 2015 for a total amount of EUR 18.2 million. Subsequent to the adoption of the above Financing Decision, a grant agreement was concluded in December 2015 between the CDE and the European Commission providing the necessary financing for the realization of CDE's assets and settlement of its liabilities. This grant agreement started on 1 January 2016 and will last until 31 December 2017. The value of the contract is covered by the outstanding commitments not yet expensed.

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:

- 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.
- EDF contributions are paid by Member States in EUR, while the EDF's payments are denominated in EUR and in other currencies, including less well-known ones.
- 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 millions

	31.12.2016							31.12.2015						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	*0*	*–*	*–*	*–*	*129*	*3*	*132*	*–*	*–*	*–*	*–*	*171*	*1*	*171*
Cash and cash equivalents	*2*	*0*	*–*	*–*	*678*	*–*	*680*	*4*	*0*	*–*	*–*	*500*	*–*	*504*
Total	**2**	**0**	**–**	**–**	**807**	**3**	**812**	**4**	**0**	**–**	**–**	**671**	**1**	**675**
Financial liabilities														
Non-current financial liabilities	*–*	*–*	*–*	*–*	*(6)*	*–*	*(6)*	*0*	*–*	*–*	*–*	*(10)*	*–*	*(10)*
Payables	*0*	*–*	*–*	*–*	*(495)*	*(54)*	*(549)*	*0*	*–*	*–*	*–*	*(473)*	*(47)*	*(520)*
Total	**0**	**–**	**–**	**–**	**(501)**	**(54)**	**(555)**	**0**	**–**	**–**	**–**	**(483)**	**(47)**	**(530)**
Total	**2**	**0**	**–**	**–**	**306**	**(51)**	**257**	**4**	**0**	**–**	**–**	**188**	**(46)**	**145**

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 as a consequence it is not exposed to interest rate risk.

Interest is accrued on balances it holds on its different banks accounts. The Commission, on behalf of the EDF, has therefore put in place measures to ensure that interest earned regularly reflect 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 on 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 be remunerated at rates lower than market rates.

5.4. CREDIT RISK (COUNTERPARTY RISK)

Financial assets that are neither past due nor impaired:

EUR millions

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Exchange receivables and non-exchange recoverables	*132*	*93*	*36*	*4*	*–*
Total at 31.12.2016	**132**	**93**	**36**	**4**	**–**
Exchange receivables and non-exchange recoverables	*171*	*50*	*120*	*1*	*–*
Total at 31.12.2015	**171**	**50**	**120**	**1**	**–**

Financial assets by risk category:

EUR millions

	31.12.2016			31.12.2015		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*34*	*284*	*318*	*6*	*167*	*173*
Upper medium grade	*3*	*371*	*374*	*34*	*16*	*50*
Lower medium grade	*2*	*16*	*18*	*36*	*312*	*348*
Non- investment grade	*1*	*9*	*10*	*14*	*9*	*23*
Total	***40***	***680***	***720***	***90***	***503***	***593***
Counterparties without external credit rating						*–*
Group 1 (debtors without defaults in the past)	*92*	*0*	*92*	*81*	*1*	*82*
Group 2 (debtors with defaults in the past)	*–*	*–*	*–*	*–*	*–*	*–*
Total	***92***	***0***	***92***	***81***	***1***	***82***
Total	**132**	**680**	**812**	**171**	**504**	**675**

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 22(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. As a consequence 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 further minimise counterparty risk to which the EDF is exposed.

All commercial banks are selected by call for tenders. 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 required in specific and duly justified circumstances.

5.5. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

EUR millions

	< 1 year	1-5 years	> 5 years	Total
Financial liabilities	*549*	*6*	–	*555*
Total at 31.12.2016	***549***	***6***	**–**	***555***
Financial liabilities	*520*	*10*	–	*530*
Total at 31.12.2015	***520***	***10***	**–**	***530***

Budget principles applied to the EDF ensure that overall cash resources for the budgetary period are always sufficient for the execution of all related 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 certain 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' treasury and the relevant spending departments in order to ensure that payments executed in any given period do not exceed the available treasury resources.

In addition to the above, in the context of the EDF's daily 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 EU Trust Fund and the EUTF for Africa. 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 accounts, 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.

8. RECONCILIATION OF ECONOMIC RESULT AND BUDGET RESULT

The economic result of the year is calculated on the basis of 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.

EUR millions

	2016	2015
ECONOMIC RESULT OF THE YEAR	**(3 073)**	**(3 152)**
Revenue		
Entitlements not affecting the budget result	*(2)*	*(1)*
Entitlements established in current year but not yet collected	*(7)*	*(11)*
Entitlements established in previous years and collected in current year	*16*	*19*
Net effect of pre-financing	*43*	*28*
Accrued revenue (net)	*8*	*29*
Expenses		
Expenses of the current year not yet paid	*63*	*61*
Expenses of previous years paid in the current year	*(129)*	*(221)*
Payments cancellation	*22*	*12*
Net effect of pre-financing	*(459)*	*(53)*
Accrued expenses (net)	*168*	*200*
BUDGET RESULT OF THE YEAR	**(3 350)**	**(3 088)**

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 is the clearing of the recovered pre-financing amounts. This is a cash receipt which has no impact on the economic result.

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 impact 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

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

FINAL ANNUAL ACCOUNTS OF THE BÊKOU EU TRUST FUND

It should be noted that due to the rounding of figures into thousands of euros, 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

A trust fund is a legal arrangement with a distinct financial structure that pools the funds of several donors to jointly finance an action on the basis of commonly agreed objectives and reporting formats.

In accordance with Article 187(1) of the Financial Regulation applicable to the general budget of the Union (EU FR) and Article 42 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR), the Commission is authorised to create Union Trust Funds for external actions (EUTF). The EUTFs are created under an agreement concluded with other donors to respond to emergency, post-emergency or thematic actions. The establishment of an EUTF needs to be justified namely by EU added value (its objectives can be better met at EU than at national level), and complementarity (the trust fund should not duplicate already existing and similar instruments).

EUTFs are created for a limited duration, which is, together with its objectives, defined by the constitutive act of each trust fund. In accordance with Article 187 of the EU FR, the EUTF has specific governance arrangements and contributions are placed outside the EU budget. Each EUTF has a governing board ('trust fund board') chaired by the Commission with representation of the donors and the non-contributing Member States as observers.

The Operational Board that is composed of the EU representative (the 'Chair'), founding Members ('Deputy Chairs') and representatives of other donors, who contributed at least EUR 3 million ('Members'), decides upon the use of the funds of the EUTF and assesses the effectiveness of the activities financed by the EUTF. On the administrative level the Operational Board is amongst others responsible for approval of the annual report, audited annual accounts, assessing the effectiveness of the internal control systems, follow up of observations by internal and external auditors, etc.

EUTFs are managed by the Commission under the responsibility of the authorising officer by delegation who provides assurance on the use of the funds to the Commission and to third donors. The EUTF manager is the authorising officer by sub-delegation. As is the case for the European Development Fund, the accounting officer of a EUTF is the accounting officer of the Commission, who is responsible for laying down accounting procedures and chart of accounts common to all EUTFs.

The Bêkou Trust Fund

The first multi-donor EU Trust Fund called Bêkou, which means 'hope' in Sango, was established on 15 July 2014, by the EU Commission (represented by DGs DEVCO and ECHO, and the EEAS) and three of its 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. The trust fund is managed from Brussels.

Annual accounts of the Bêkou 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 prepared by 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 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 board for approval (Article 8.3.4(c)).

Highlights of the year

At the end of 2016, 7 donors contributed to the Bêkou Trust Fund: the European Development Fund (EDF), the EU Budget, 4 Member States (MS) and 1 non-Member State.

The Trust Fund will finance activities that contribute to assisting the Central African Republic in its recovery from crisis and in all aspects of reconstruction, with the emphasis on measures designed to:

- Restore essential public services (e.g. electricity, transport, access to justice and access to water) and basic social services (health and education), and stabilise the food and nutrition situation;
- Revive economic activity;
- Stabilise the country and restore the social fabric, in particular through reconciliation, peaceful coexistence between the communities of CAR and respect for human rights;
- Re-establish the legitimacy, rebuild capacity and restore the operation of national and local administrative structures.

It will also finance activities that contribute to mitigating the impact of the crisis on the countries sharing a common border with CAR and/or sheltering refugees and those fleeing the violence in CAR.

At the end of 2016 the total contribution pledged to the EUTF amounted to approximately EUR 173 million: EDF with EUR 68 million, EU Budget with EUR 50 million while MS and other donors have announced pledges of EUR 55 million.

In total, 11 programmes had been adopted for the recovery of the country. Up to the end of 2016 an amount of EUR 91.3 million in the areas of health, food and nutrition security, infrastructure, integration of women in the society as well as aid to central african refugies in surrounding countries had been committed.

BALANCE SHEET OF THE BÊKOU EU TRUST FUND

EUR '000

	31.12.2016	31.12.2015
NON-CURRENT ASSETS		
Pre-financing	*3 604*	*3 446*
	3 604	**3 446**
CURRENT ASSETS		
Pre-financing	*12 458*	*6 047*
Exchange receivables and non-exchange recoverables	*1 455*	*1 364*
Cash and cash equivalents	*43 036*	*52 461*
	56 949	**59 873**
TOTAL ASSETS	***60 554***	***63 319***
NON-CURRENT LIABILITIES		
Financial liabilities	*(59 339)*	*(63 125)*
	(59 339)	**(63 125)**
CURRENT LIABILITIES		
Accrued charges and deferred income	*(1 215)*	*(193)*
	(1 215)	**(193)**
TOTAL LIABILITIES	***(60 554)***	***(63 319)***
NET ASSETS	**-**	**–**
FUNDS & RESERVES		
Accumulated surplus	–	–
Economic result of the year	–	–
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE OF THE BÊKOU EU TRUST FUND

EUR '000

	2016	2015
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*17 232*	*9 354*
	17 232	**9 354**
Revenue from exchange transactions		
Financial income	*48*	*101*
	48	**101**
Total Revenue	**17 280**	**9 455**
EXPENSES		
Operating expenses	*(16 432)*	*(8 824)*
Other expenses	*(848)*	*(631)*
Total Expenses	**(17 280)**	**(9 455)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT OF THE BÊKOU EU TRUST FUND

EUR '000

	2016	2015
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(6 569)*	*(9 493)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(91)*	*(1 364)*
Increase/(decrease) in financial liabilities	*(3 786)*	*18 125*
Increase/(decrease) in accrued charges and deferred income	*1 021*	*193*
NET CASHFLOW	**(9 425)**	**7 461**
Net increase/(decrease) in cash and cash equivalents	*(9 425)*	*7 461*
Cash and cash equivalents at the beginning of the year	*52 461*	*45 000*
Cash and cash equivalents at year-end	*43 036*	*52 461*

STATEMENT OF CHANGES IN NET ASSETS OF THE BÊKOU EU TRUST FUND

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2015	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2016	**–**	**–**	**–**

FINAL ANNUAL ACCOUNTS OF THE EUTF FOR AFRICA

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

BACKGROUND INFORMATION ON THE EUTF FOR AFRICA

General background on Union Trust Funds

A trust fund is a legal arrangement with a distinct financial structure that pools the funds of several donors to jointly finance an action on the basis of commonly agreed objectives and reporting formats.

In accordance with Article 187(1) of the Financial Regulation applicable to the general budget of the Union (EU FR) and Article 42 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR), the Commission is authorised to create Union Trust Funds for external actions (EUTF). The EUTFs are created under an agreement concluded with other donors to respond to emergency, post-emergency or thematic actions. The establishment of an EUTF needs to be justified namely by EU added value (its objectives can be better met at EU than at national level), and complementarity (the trust fund should not duplicate already existing and similar instruments).

EUTFs offer a number of advantages: they are EU led instruments, offering better coordination with EU Member States; better control of operations by the Union and other donors and enhanced EU visibility. The EUTFs benefit from fast decision-making processes and from their capacity to pool larger sums from different sources making them a flexible, proactive and adaptable tool.

EUTFs are created for a limited duration, which is, together with its objectives, defined by the constitutive act of each trust fund. In accordance with Article 187 of the EU FR, the EUTF has specific governance arrangements and contributions are placed outside the EU budget. Each EUTF has a governing board ('trust fund board') chaired by the Commission with representation of the donors and the non-contributing Member States as observers. The trust fund board decides upon the use of the funds of the EUTF.

The work plan of the EUTF is approved by the Operational Board that is composed of the EU representative (the 'Chair'), founding Members ('Deputy Chairs') and representatives of other donors, who contributed at least EUR 3 million ('Members') who also assesses the effectiveness of the activities financed by the EUTF. On the administrative level the Operational Board is amongst others resonsible for approval of the annual report, audited annual accounts, assessing the effectiveness of the internal control systems, follow up of observations by internal and external auditors, etc.

EUTFs are managed by the Commission under the responsibility of the authorising officer by delegation who provides assurance on the use of the funds to the Commission and to third donors. The EUTF manager is the authorising officer by sub-delegation. As is the case for the European Development Fund, the accounting officer of a EUTF is the accounting officer of the Commission, who is responsible for laying down accounting procedures and chart of accounts common to all EUTFs.

The EUTF for Africa

European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa ('EUTF for Africa') was launched on 12 November 2015 during the Valletta Summit on Migration. The main objectives of this trust fund is 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 but also the neighbouring countries of the eligible countries may benefit, on a case by case basis, from the Trust fund's project. 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.

Annual accounts of the EUTF for 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 prepared by 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 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 board for approval (Article 8.3.4(c)).

The 2016 is the first year in which the financial statements of the EUTF for Africa are issued. This is in accordance with Article 8.3.2 following which the obligation of the accounting officer to prepare financial statements only applies in respect of that first financial year if the trust fund existed for more than six months. The transactions of 2015 are reflected in the comparative figures.

Highlights of the year

At the end of 2016 the total pledged resources amounted to EUR 2 555 million. Total external contributions amounted to EUR 152 million and the contributions from the EU and EDF budgets amounted to EUR 2 403 million.

In just a year, a total of 106 projects worth EUR 1.589 million have been approved for the Sahel/Lake Chad, the Horn of Africa and the North of Africa regions. The projects can be split by a geographical window as follows: 65 programs in the Sahel/Lake Chad region for a total amount of EUR 918.5 million; 35 programs in the Horn of Africa region for a total amount of EUR 606 million, and 6 programs in the North of Africa region for a total amount of EUR 64.5 million. The projects cover the following priority areas: development benefits of migration (EUR 942 million); legal migration and mobility (EUR 68 million); protection and asylum (EUR 233 million); prevention of and fight against irregular migration; migrant smuggling and trafficking in human beings (EUR 170 million); return, readmission and reintegration (EUR 163 million) and other (EUR 13 million). Out of the approved amount EUR 1 488 million has been committed and EUR 600 million has been contracted to implementing partners.

BALANCE SHEET OF THE EUTF FOR AFRICA

EUR '000

	31.12.2016	31.12.2015
NON-CURRENT ASSETS		
Pre-financing	*44 854*	*–*
	44 854	**–**
CURRENT ASSETS		
Pre-financing	*70 731*	*–*
Exchange receivables and non-exchange recoverables	*9 476*	*–*
Cash and cash equivalents	*14 879*	*32 642*
	95 086	**32 642**
TOTAL ASSETS	***139 941***	***32 642***
NON-CURRENT LIABILITIES		
Financial liabilities	*(138 502)*	*(32 642)*
	(138 502)	**(32 642)**
CURRENT LIABILITIES		
Payables	*(702)*	*–*
Accrued charges and deferred income	*(736)*	*–*
	(1 439)	**–**
TOTAL LIABILITIES	***(139 941)***	***(32 642)***
NET ASSETS	**–**	**–**
FUNDS & RESERVES		
Accumulated surplus	*–*	*–*
Economic result of the year	*–*	*–*
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE OF THE EUTF FOR AFRICA

EUR '000

	2016	2015
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*52 246*	*–*
	52 246	**–**
Revenue from exchange transactions		
Financial income	*54*	*–*
Other exchange revenue	*43*	*–*
	97	**–**
Total revenue	**52 343**	**–**
EXPENSES		
Operating expenses	*(49 042)*	*–*
Other expenses	*(3 301)*	*–*
Total expenses	**(52 343)**	**–**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT OF THE EUTF FOR AFRICA

EUR '000

	2016	2015
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(115 585)*	–
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(9 476)*	–
Increase/(decrease) in financial liabilities	*105 860*	*32 642*
Increase/(decrease) in payables	*702*	–
Increase/(decrease) in accrued charges and deferred income	*736*	–
NET CASHFLOW	**(17 763)**	**32 642**
Net increase/(decrease) in cash and cash equivalents	*(17 763)*	*32 642*
Cash and cash equivalents at the beginning of the year	*32 642*	–
Cash and cash equivalents at year-end	*14 879*	*32 642*

STATEMENT OF CHANGES IN NET ASSETS OF THE EUTF FOR AFRICA

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2015	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2016	**–**	**–**	**–**

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 millions

	31.12.2016	31.12.2015
NON-CURRENT ASSETS		
Pre-financing	*457*	*520*
Trust Fund contributions	*–*	*–*
Exchange receivables and non-exchange recoverables	*–*	*–*
	457	***520***
CURRENT ASSETS		
Pre-financing	*1 455*	*1 151*
Exchange receivables and non-exchange recoverables	*143*	*172*
Cash and cash equivalents	*738*	*589*
	2 336	**1 912**
TOTAL ASSETS	**2 794**	**2 432**
NON-CURRENT LIABILITIES		
Provisions	*(4)*	*(4)*
Financial liabilities	*(106)*	*(72)*
	(110)	***(76)***
CURRENT LIABILITIES		
Payables	*(549)*	*(520)*
Accrued charges and deferred income	*(778)*	*(855)*
	(1 327)	**(1 376)**
TOTAL LIABILITIES	**(1 437)**	**(1 451)**
NET ASSETS	**1 357**	**980**
FUNDS & RESERVES		
Called fund capital - active EDFs	*42 323*	*38 873*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Called fund capital transfers between active EDFs	*–*	*–*
Economic result carried forward from previous years	*(40 146)*	*(36 994)*
Economic result of the year	*(3 073)*	*(3 152)*
NET ASSETS	**1 357**	**980**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	2016	2015
REVENUE		
Revenue from non-exchange transactions		
Recovery of expenses	*8*	*90*
Revenue from trust funds donations	*35*	*4*
	43	***94***
Revenue from exchange transactions		
Financial income	*4*	*8*
Other income	*62*	*42*
	66	**50**
Total Revenue	**108**	**144**
EXPENSES		
Aid instruments	*(2 935)*	*(3 059)*
Co-financing expenses	*15*	*(69)*
Finance costs	*4*	*(1)*
Expenses implemented by trust funds	*(65)*	*(4)*
Other expenses	*(200)*	*(163)*
Total Expenses	**(3 181)**	**(3 296)**
ECONOMIC RESULT OF THE YEAR	**(3 073)**	**(3 152)**

CONSOLIDATED CASH FLOW STATEMENT

EUR millions

	2016	2015
Economic result of the year	*(3 073)*	*(3 152)*
Operating activities		
Capital increase - contributions	*3 450*	*3 200*
(Increase)/decrease in trust funds contributions	*(0)*	*39*
(Increase)/decrease in pre-financing	*(242)*	*204*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*29*	*(43)*
Increase/(decrease) in provisions	*–*	*4*
Increase/(decrease) in financial liabilities	*34*	*(7)*
Increase/(decrease) in payables	*29*	*(179)*
Increase/(decrease) in accrued charges and deferred income	*(78)*	*132*
NET CASHFLOW	**149**	**198**
Net increase/(decrease) in cash and cash equivalents	*149*	*198*
Cash and cash equivalents at the beginning of the year	*589*	*391*
Cash and cash equivalents at year-end	*738*	*589*

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

EUR millions

	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)	Total Net Assets (C)+(D)+(E)
BALANCE AS AT 31.12.2014	**45 691**	**10 018**	**35 673**	**(36 994)**	**2 252**	**932**
Capital increase - contributions		*(4 795)*	*4 795*	*–*	*–*	*4 795*
Capital decrease - funds committed under the Bridging Facility	*(1 595)*		*(1 595)*			*(1 595)*
Recognition of the 11th EDF capital	*29 367*	*29 367*	*–*			*–*
Economic result of the year	*–*	*–*	*–*	*(3 152)*	*–*	*(3 152)*
BALANCE AS AT 31.12.2015	**73 464**	**34 590**	**38 874**	**(40 146)**	**2 252**	**980**
Capital increase - contributions		*(3 450)*	*3 450*			*3 450*
Economic result of the year			*–*	*(3 073)*		*(3 073)*
BALANCE AS AT 31.12.2016	**73 464**	**31 140**	**42 323**	**(43 219)**	**2 252**	**1 357**

EDF REPORT ON FINANCIAL IMPLEMENTATION

REPORT ON FINANCIAL IMPLEMENTATION - 2016

INTRODUCTORY NOTE

Previous EDFs

- As the Sixth EDF was closed in 2006 and the Seventh EDF was closed in 2008, the annual accounts no longer contain implementation tables for these EDFs. However, implementation of the transferred balances can be found in the Ninth EDF.
- As in past years, to ensure transparency in the presentation of the accounts for 2016, the tables set out separately for the Eighth 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 Ninth EDF, balances and decommitments of previous EDFs have been transferred to the Ninth EDF, and, during the life ot the Ninth EDF, have been committed as Ninth EDF funds.

10th 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 for the period 2008-2013 in accordance with the revised Cotonou Agreement, adopted by the Representatives of the Governments of the Member States of the European Community on 17 July 2006, entered into force on 1 July 2008.

Under the Cotonou Agreement, the second period (2008-2013) of Community aid to the ACP States and OCTs is funded by the 10th EDF for an amount of EUR 22 682 million, of which:

- EUR 21 966 million is allocated to the ACP countries in accordance with the multiannual financial framework set out in Annex Ib to the revised Cotonou Agreement, of which EUR 20 466 million is managed by the European Commission;
- EUR 286 million is allocated to the OCTs in accordance with Annex IIAa of the revised Council Decision on the association of the OCTs with the European Community, of which 256 million is managed by the European Commission;
- EUR 430 million is for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources, in accordance with Article 6 of the Internal Agreement.

According to the "**Sunset clause**" of the 10th EDF, (Articles 1(4) and 1(5) of the 10th EDF Internal Agreement) no funds could be committed after 31 December 2013. Uncommitted funds were transferred to the 11th EDF performance reserve.

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 for the period 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 31/12/2016

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

The decommited funds from projects under the 10th EDF are transferred to the performance reserve of the 11th EDF.

During 2016, 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 2 August 2016 (2016/1337), an amount of decommitted funds from the 10th EDF was transferred for the purpose of replenishing the African Peace Facility for the period 2016-2018 up to a maximum of EUR 491 million and up to EUR 16 million for support of expenditure.

	EUR millions
Total available on non-mobilisable performance reserves at 31/12/2015	151
Total made available on non-mobilisable performance reserves during 2016	534
Less amount transferred for replenishing the African Peace Facility at 31/12/2016	(386)
Balance of non-mobilisable reserve (from decommitted funds under the Eighth, Ninth and 10th EDF) at 31/12/2016	299

- 11th EDF Stabex reserve

Following the closure of Stabex accounts, unused/decommitted funds are transferred to the 11th EDF Stabex A Envelope reserve (10th EDF Internal Agreement Art. 1(4)) and then to the national indicative programmes of the countries concerned.

- EDF Co-financings

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 209 million, while payment appropriations were opened for the cashed amounts totalling EUR 190 million.

The situation of co-financing appropriations at 31/12/2016 is shown in the table below :

EUR millions

	Commitments appropriations	Payment appropriations
Co-financing - A Envelope	190.0	171.3
Co-financing - Intra ACP	13.4	13.4
Co-financing – Administrative expenses	5.5	5.4
	209.4	**190.1**

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

Table 11

8th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2016
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2015	INCREASE OR DECREASE IN RESOURCES IN 2016	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	***12,967***	***(3,256)***	***(15)***		***9,695***
	Aid for refugees	120	(20)	(0)		100
	Emergency aid (Lomé)	140	(4)			136
	Heavily indebted poor countries (Lomé)	0	1,060			1,060
	Interest-rate subsidies	370	(291)	(7)		72
	Risk capital	1,000	16	(1)		1,015
	Stabex	1,800	(1,077)			723
	Structural adjustment	1,400	97			1,497
	Sysmin	575	(474)			101
	Total indicative programmes	7,562	(2,599)	(6)	(1)	4,957
	Utilisation of interest income	0	35			35
	Cotonou					
	Regular MS Contributions	***0***	***654***	***(4)***		***650***
	A Envelope - National Allocations	0	418	(0)	(1)	417
	B Envelope - National Allocations	0	237	(4)	(1)	233
	Interests and other receipts	0	0			0
	SUB TOTAL ACP	**12,967**	**(2,602)**	**(19)**		**10,346**
OCT	**Lomé**					
	Regular MS Contributions	***163***	***(116)***	***(0)***		***46***
	Interest-rate subsidies	9	(8)			1
	Risk capital	30	(24)			6
	Stabex	6	(5)			1
	Sysmin	3	(1)	(0)	(1)	2
	Total indicative programmes	115	(79)			36
	SUB TOTAL OCT	**163**	**(116)**	**(0)**		**46**
	TOTAL 8th EDF	**13,130**	**(2,718)**	**(20)**		**10,392**

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

Table 12

9th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2016
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2015	INCREASE OR DECREASE IN RESOURCES IN 2016	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	***0***	***689***	***(17)***		***672***
	Transfers from 6th EDF - Lomé	0	20	(0)	(1)	20
	Transfers from 7th EDF - Lomé	0	668	(17)	(1)	651
	Cotonou					
	Regular MS Contributions	***8,919***	***5,727***	***(144)***		***14,502***
	A Envelope - National Allocations	5,318	3,398	(79)	(1)	8,637
	B Envelope - National Allocations	2,108	(881)	(15)	(1)	1,212
	CDE, CTA and Parliamentary Assembly	164	(10)			154
	Implementation costs	125	52			177
	Interests and other receipts	0	63			63
	Other Intra-ACP allocations	300	2,329	(15)	(1)	2,614
	Peace facility	0	360	(6)	(1)	354
	Regional allocations	904	(105)	(29)	(1)	770
	Special allocation R.D. Congo	0	105			105
	Special allocation South Sudan	0	267		(3)	267
	Special allocation Sudan	0	110		(2)	110
	Voluntary contribution Peace facility	0	39			39
	SUB TOTAL ACP	**8,919**	**6,415**	**(161)**		**15,174**
OCT	**Lomé**					
	Regular MS Contributions	***0***	***3***	***(0)***		***3***
	Transfers from 6th EDF - Lomé	0	0			0
	Transfers from 7th EDF - Lomé	0	3	(0)	(1)	3
	Cotonou					
	Regular MS Contributions	***10***	***282***	***(2)***		***290***
	A Envelope - National Allocations	0	239	(2)	(1)	237
	B Envelope - National Allocations	0	4			4
	Regional allocations	8	40			48
	Studies / Technical assistance OCT	2	(1)			1
	SUB TOTAL OCT	**10**	**285**	**(2)**		**293**
	TOTAL 9th EDF	**8,929**	**6,701**	**(163)**		**15,467**

(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)

Table 13

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2016
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2015	INCREASE OR DECREASE IN RESOURCES IN 2016	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	***20,896***	***9***	***223***		***21,128***
	A Envelope - National Allocations	0	13,507	(263)	(2)	13,244
	A Envelope reserve	13,500	(13,500)			0
	B Envelope - National Allocations	0	2,020	(5)	(2)	2,015
	B Envelope reserve	1,800	(1,800)			0
	Implementation costs	430	(1)	16		445
	Institutional and support expenditure	0	241	(9)	(2)	232
	Interests and other receipts	0	70	14	(2)	84
	Intra-ACP Reserve	2,700	(2,700)			0
	National allocations Reserve A Envelope STABEX	0	(0)		(2)	(0)
	NIP/RIP reserve	683	(683)			0
	Non-mobilisable reserve	0	67	176	(2)	243
	Other Intra-ACP allocations	0	1,904	(15)	(2)	1,889
	Peace facility	0	688	326		1,014
	Regional allocations	0	1,978	(17)	(2)	1,962
	Regional allocations reserve	1,783	(1,783)			0
	Co-financing	***0***	***203***	***1***		***204***
	A Envelope - National Allocations	0	186	1	(3)	187
	Implementation costs	0	5	0	(3)	5
	Other Intra-ACP allocations	0	12		(3)	12
	Peace facility	0	1		(3)	1
	SUB TOTAL ACP	**20,896**	**212**	**224**		**21,332**
OCT	***Regular MS Contributions***	***256***	***20***	***(1)***		***275***
	A Envelope - National Allocations	0	196	(2)	(2)	193
	A Envelope reserve	195	(195)			0
	B Envelope - National Allocations	0	15			15
	B Envelope reserve	15	(15)			0
	National allocations Reserve A Envelope STABEX	0	0			0
	Non-mobilisable reserve	0	19	2	(2)	21
	Regional allocations	0	40	(0)	(2)	40
	Regional allocations reserve	40	(40)			0
	Studies / Technical assistance OCT	6	0	(1)	(2)	5
	SUB TOTAL OCT	**256**	**20**	**(1)**		**275**
	TOTAL 10th EDF	**21,152**	**232**	**223**		**21,607**

(1) Transfer in decommitments from projects of the 9th and previous EDF's to the non mobilisable performance reserve for 377 million less transfer out of reserves to South Sudan for 200 million (to 9th EDF). Year to date the total of the non-mobilisable reserve ACP created was 807 million, of which 350 million has been used (150 million for Sudan, 200 million for South Soudan, both transfered to 9th EDF).

(2) Transfers in / from the 10th EDF reserves

(3) For the cofinancings, the table only presents the commitment appropriations.

Table 14

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2016
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2015	INCREASE OR DECREASE IN RESOURCES IN 2016	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	***29,008***	***85***	***(31)***		***29,062***
	A Envelope - National Allocations	0	14,799	317		15,115
	B Envelope - National Allocations	0	194	454		648
	B Envelope reserve	0	71	(71)		0
	Implementation costs	1,053	0			1,053
	Institutional and support expenditure	0	244	2		246
	Interests and other receipts	0	15	1		16
	Intra-ACP Reserve	3,590	(3,384)	(2)		203
	National allocations Reserve A Envelope STABEX	0	0	0		0
	NIP/RIP reserve	24,365	(19,697)	(1,240)		3,428
	Non-mobilisable reserve	0	65	(33)	(1)	31
	Other Intra-ACP allocations	0	2,240	1		2,241
	Peace facility	0	900			900
	Regional allocations	0	4,640	542		5,181
	Co-financing	***0***	***1***	***3***		***5***
	A Envelope - National Allocations	0	0	3		3
	Implementation costs	0	0	0		0
	Peace facility	0	1			1
	EC Internal SLA	***0***	***1***	***0***		***1***
	A Envelope - National Allocations	0	1	0		1
	SUB TOTAL ACP	**29,008**	**87**	**(28)**		**29,067**
OCT	***Regular MS Contributions***	***360***	***0***	***3***		***363***
	A Envelope - National Allocations	0	0	41		41
	NIP/RIP reserve	360	(3)	(41)		316
	Non-mobilisable reserve	0	0	3	(1)	3
	Studies / Technical assistance OCT	0	3			3
	SUB TOTAL OCT	**360**	**0**	**3**		**363**
	TOTAL 11th EDF	29,367	88	(24)		29,430

(1) Non-mobilisable reserves are the results of transfers (decommitments) from the 10th EDF non-mobilisable performance reserve for 225 million euros which are directly transferred to the Bridging Facility (224.7 million) and to other instruments from 11 EDF (0.8 million).

Table 2.1

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
PROGRESS REPORT

(EUR million)

	ALLOCATION	EDF 8	9	10	11	TOTAL
Lomé	Sundry Income	35				35
	Total indicative programmes	4,993				4,993
	Total Non-Programmable Aid	4,714				4,714
	Transfers from other funds		675			675
	SUB TOTAL: REGULAR MS CONTRIBUTION	9,742	675			10,417
Cotonou	A Envelope - National Allocations	417	8,875	13,437	15,156	37,886
	B Envelope - National Allocations	233	1,217	2,030	648	4,128
	Bridging facility				(0)	(0)
	CDE, CTA and Parliamentary Assembly		154			154
	Country reserve			0	0	0
	Implementation Costs and Interests Revenues	0	240	535	1,071	1,846
	Intra-ACP allocations		2,968	3,135	3,387	9,490
	Intra-ACP Reserve			0	203	203
	National allocations Reserve A Envelope STABEX			0	0	0
	NIP/RIP reserve			0	3,743	3,743
	Non-mobilisable reserve			264	35	299
	Regional allocations		818	2,001	5,181	8,000
	Regional allocations reserve					0
	Special allocation R.D. Congo		105			105
	Special allocation South Sudan		267			267
	Special allocation Sudan		110			110
	Voluntary contribution Peace facility		39			39
	SUB TOTAL: REGULAR MS CONTRIBUTION	650	14,792	21,403	29,425	66,270
	A Envelope - National Allocations				1	1
	SUB TOTAL: EC INTERNAL SLA				1	1
	A Envelope - National Allocations			187	3	190
	Implementation Costs and Interests Revenues			5	0	6
	Intra-ACP allocations			12	1	13
	SUB TOTAL: CO-FINANCING			204	5	209
	TOTAL	10,392	15,467	21,607	29,430	76,896

	EDF	Aggregate Total At 31/12/2016	%of allocation	Cummulative Figures 2008	Annual Figures 2009	Annual Figures 2010	Annual Figures 2011	Annual Figures 2012	Annual Figures 2013	Annual Figures 2014	Annual Figures 2015	Annual Figures 2016
Decisions	8	10,391	100%	10,786	(42)	(45)	(60)	(64)	(98)	(63)	(12)	(13)
	9	15,429	100%	16,633	(54)	(116)	(9)	(297)	(72)	(381)	(170)	(104)
	10	21,058	97%	4,766	3,501	2,349	3,118	3,524	4,131	(95)	(156)	(80)
	11	13,220	45%							1,160	5,372	6,688
Total		**60,097**		**32,185**	**3,405**	**2,187**	**3,049**	**3,163**	**3,961**	**621**	**5,034**	**6,491**
Assigned Funds	8	10,378	100%	10,541	(42)	8	(13)	(46)	(11)	(37)	(16)	(6)
	9	15,309	99%	14,209	997	476	9	(187)	(96)	(1)	(52)	(46)
	10	19,576	91%	130	3,184	2,820	2,514	3,460	3,457	2,687	783	541
	11	7,769	26%							731	3,293	3,745
Total		**53,032**		**24,881**	**4,140**	**3,304**	**2,509**	**3,226**	**3,350**	**3,380**	**4,008**	**4,234**
Payments	8	10,376	100%	9,930	152	158	90	15	18	16	(3)	(0)
	9	15,053	97%	10,011	1,806	1,304	906	539	231	145	43	68
	10	16,476	76%	90	1,111	1,772	1,879	2,655	2,718	2,760	2,024	1,466
	11	3,435	12%							595	1,024	1,816
Total		**45,339**		**20,031**	**3,069**	**3,233**	**2,874**	**3,209**	**2,967**	**3,516**	**3,088**	**3,350**

1

* Negative figures represent decommitments

Table 2.2

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
CLASS OF AID

(EUR million)

		EDF									
		8	% (1)	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 programmes										
	Appropriations	4,993								4,993	
	Decisions	4,992	100%							4,992	100%
	Assigned funds	4,987	100%							4,987	100%
	Payments	4,986	100%							4,986	100%
	Total Non-Programmable Aid										
	Appropriations	4,714								4,714	
	Decisions	4,714	100%							4,714	100%
	Assigned funds	4,707	100%							4,707	100%
	Payments	4,706	100%							4,706	100%
	Transfers from other funds										
	Appropriations			675						675	
	Decisions			674	100%					674	100%
	Assigned funds			671	99%					671	99%
	Payments			670	99%					670	99%
	Regular MS Contributions										
Cotonou	**A Envelope - National Allocations**										
	Appropriations	417		8,875		13,437		15,156		49,258	
	Decisions	417	100%	8,868	100%	13,414	54%	7,972	53%	30,671	62%
	Assigned funds	417	100%	8,842	100%	12,436	50%	3,777	25%	25,472	52%
	Payments	417	100%	8,804	99%	10,366	42%	1,524	10%	21,111	43%
	B Envelope - National Allocations										
	Appropriations	233		1,217		2,030		648		4,865	
	Decisions	233	100%	1,215	100%	2,023	73%	608	94%	4,078	84%
	Assigned funds	232	99%	1,209	99%	1,981	72%	340	53%	3,761	77%
	Payments	231	99%	1,204	99%	1,879	68%	243	37%	3,557	73%
	Bridging facility										
	Appropriations							(0)		(0)	
	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 Rev										
	Appropriations	0		240		535		1,071		2,311	
	Decisions			240	100%	505	51%	385	36%	1,131	49%
	Assigned funds			240	100%	501	50%	337	31%	1,079	47%
	Payments			239	100%	498	50%	309	29%	1,047	45%
	Intra-ACP allocations										
	Appropriations			2,968		3,135		3,387		11,815	
	Decisions			2,958	100%	2,915	53%	1,365	40%	7,238	61%
	Assigned funds			2,944	99%	2,695	49%	1,206	36%	6,845	58%
	Payments			2,924	99%	2,319	42%	997	29%	6,240	53%
	Regional allocations										
	Appropriations			818		2,001		5,181		9,618	
	Decisions			816	100%	1,999	55%	2,886	56%	5,701	59%
	Assigned funds			798	98%	1,813	50%	2,106	41%	4,717	49%
	Payments			771	94%	1,285	36%	362	7%	2,419	25%
	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			217	81%					217	81%
	Payments			77	29%					77	29%
	Special allocation Sudan										
	Appropriations			110						110	
	Decisions			109	98%					109	98%
	Assigned funds			105	96%					105	96%
	Payments			80	73%					80	73%
	Voluntary contribution Peace facility										
	Appropriations			39						39	
	Decisions			24	62%					24	62%
	Assigned funds			24	62%					24	62%
	Payments			24	62%					24	62%
	Regular MS Contributions										
	A Envelope - National Allocations										
	Appropriations					187		3		190	
	Decisions					185	99%	3	100%	188	99%
	Assigned funds					136	73%			136	71%
	Payments					116	62%			116	61%
	Implementation Costs and Interests Rev										
	Appropriations					5		0		6	
	Decisions					4	77%			4	72%
	Assigned funds					2	41%			2	39%
	Payments					1	21%			1	19%
	Intra-ACP allocations										
	Appropriations					12		1		13	
	Decisions					12	97%	1	100%	13	98%
	Assigned funds					11	93%	1	100%	13	94%
	Payments					11	87%			11	79%
	Co-financing										
	A Envelope - National Allocations										
	Appropriations							1		1	
	Decisions							1	71%	1	71%
	Assigned funds							1	71%	1	71%
	Payments							1	52%	1	52%
	EC Internal SLA										

	Appropriations	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Cotonou	Country reserve							**0**		**3,401**	
	Intra-ACP Reserve							**203**		**578**	
	National allocations Reserve A Envelope STABEX							**0**		**0**	
	NIP/RIP reserve							**3,743**		**4,426**	
	Regional allocations reserve									**205**	
	Mobilisable reserves										
	Non-mobilisable reserve					**264**		**35**		**376**	
	Non-mobilisable reserve										

		8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
	Appropriations	10,392		15,467		21,607		29,430		98,155	
	Decisions	10,391	100%	15,429	100%	21,058	49%	13,220	45%	60,097	61%
	Assigned funds	10,378	100%	15,309	99%	19,576	46%	7,769	26%	53,032	54%
	Payments	10,376	100%	15,053	97%	16,476	38%	3,435	12%	45,339	46%
	TOTAL: ALL ALLOCATIONS										

(1) %of appropriations

Table 2.3

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
CLASS OF AID
ACP + PTOM - 8 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
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	4,957	4,956	(2)	100%	4,952	(2)	100%	4,951	(0)	100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**4,957**	**4,956**	**(2)**	**100%**	**4,952**	**(2)**	**100%**	**4,951**	**(0)**	**100%**
	Aid for refugees	100	100	(0)	100%	100	(0)	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	72	72	(7)	100%	69	(3)	95%	69		100%
	Risk capital	1,015	1,015		100%	1,012		100%	1,012		100%
	Stabex	723	723	(0)	100%	723	(0)	100%	722		100%
	Structural adjustment	1,497	1,497		100%	1,497		100%	1,497		100%
	Sysmin	101	101		100%	101		100%	101		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**4,704**	**4,703**	**(8)**	**100%**	**4,697**	**(4)**	**100%**	**4,696**		**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	417	417	(0)	100%	417	(0)	100%	417		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**417**	**417**	**(0)**	**100%**	**417**	**(0)**	**100%**	**417**		**100%**
	B Envelope - National Allocations	233									
	Compensation export earnings		233	(2)		232	(1)	99%	231	0	100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**233**	**233**	**(2)**	**100%**	**232**	**(1)**	**99%**	**231**	**0**	**100%**
	Interests and other receipts	0									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**0**									
	TOTAL ACP (A)	**10,346**	**10,345**	**(13)**	**100%**	**10,333**	**(6)**	**100%**	**10,330**	**(0)**	**100%**
Lomé	**OCT**										
	Regular MS Contributions										
	Total indicative programmes	36	36		100%	35	(0)	98%	35		100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**36**	**36**		**100%**	**35**	**(0)**	**98%**	**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	(0)	100%	2		100%	2		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**10**	**10**	**(0)**	**100%**	**10**		**100%**	**10**		**100%**
	TOTAL OCT (B)	**46**	**46**	**(0)**	**100%**	**46**	**(0)**	**99%**	**46**		**100%**
	TOTAL: ACP+OCT (A+B)	**10,392**	**10,391**	**(13)**	**100%**	**10,378**	**(6)**	**100%**	**10,376**	**(0)**	**100%**

Table 2.4

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
CLASS OF AID
ACP + PTOM - 9 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	**ACP**										
	Regular MS Contributions										
	Transfers from 6th EDF - Lomé	20	20	(0)	100%	20		100%	20	(0)	100%
	Transfers from 7th EDF - Lomé	651	651	(3)	100%	648	(0)	100%	647	(0)	100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**672**	**671**	**(3)**	**100%**	**668**	**(0)**	**100%**	**667**	**(0)**	**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	8,637	8,631	(49)	100%	8,605	(20)	100%	8,569	6	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**8,637**	**8,631**	**(49)**	**100%**	**8,605**	**(20)**	**100%**	**8,569**	**6**	**100%**
	B Envelope - National Allocations	1,212									
	Compensation export earnings		149	(0)		149	(0)	100%	149	0	100%
	Emergency aid		1,050	(5)		1,044	(7)	99%	1,040	(0)	100%
	Heavily indebted poor countries		11			11		100%	11		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**1,212**	**1,210**	**(6)**	**100%**	**1,204**	**(7)**	**99%**	**1,200**	**(0)**	**100%**
	CDE, CTA and Parliamentary Assembly	154	154		100%	154		100%	154		100%
	SUB TOTAL: CDE, CTA AND PARLIAMENTARY ASSEM	**154**	**154**		**100%**	**154**		**100%**	**154**		**100%**
	Implementation costs	177	177		100%	177		100%	176	0	99%
	Interests and other receipts	63	63		100%	63		100%	63		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**240**	**240**		**100%**	**240**		**100%**	**239**	**0**	**100%**
	Other Intra-ACP allocations	2,614	2,604	(21)	100%	2,591	(14)	99%	2,571	14	99%
	Peace facility	354	354	(0)	100%	353	(0)	100%	353		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**2,968**	**2,958**	**(21)**	**100%**	**2,944**	**(15)**	**100%**	**2,924**	**14**	**99%**
	Regional allocations	770	768	(24)	100%	752	(4)	98%	726	5	97%
	SUB TOTAL: REGIONAL ALLOCATIONS	**770**	**768**	**(24)**	**100%**	**752**	**(4)**	**98%**	**726**	**5**	**97%**
	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		100%	217	1	82%	77	23	35%
	SUB TOTAL: SPECIAL ALLOCATION SOUTH SUDAN	**267**	**266**		**100%**	**217**	**1**	**82%**	**77**	**23**	**35%**
	Special allocation Sudan	110	109	(0)	98%	105	(1)	97%	80	20	76%
	SUB TOTAL: SPECIAL ALLOCATION SUDAN	**110**	**109**	**(0)**	**98%**	**105**	**(1)**	**97%**	**80**	**20**	**76%**
	Voluntary contribution Peace facility	39	24		62%	24		100%	24		100%
	SUB TOTAL: VOLUNTARY CONTRIBUTION PEACE FAC	**39**	**24**		**62%**	**24**		**100%**	**24**		**100%**
	TOTAL: ACP (A)	**15,174**	**15,136**	**(103)**	**100%**	**15,018**	**(45)**	**99%**	**14,764**	**68**	**98%**
Lomé	**OCT**										
	Regular MS Contributions										
	Transfers from 6th EDF - Lomé	0	0		100%	0		100%	0		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	237	237	(1)	100%	237	(1)	100%	235	(0)	99%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**237**	**237**	**(1)**	**100%**	**237**	**(1)**	**100%**	**235**	**(0)**	**99%**
	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 INTEREST	**1**	**1**		**100%**	**1**		**100%**	**1**		**100%**
	Regional allocations	48	48		100%	46	0	97%	45	0	98%
	SUB TOTAL: REGIONAL ALLOCATIONS	**48**	**48**		**100%**	**46**	**0**	**97%**	**45**	**0**	**98%**
	TOTAL: OCT (B)	**293**	**293**	**(1)**	**100%**	**291**	**(1)**	**99%**	**288**	**0**	**99%**
	TOTAL: ACP+OCT (A+B)	**15,467**	**15,429**	**(104)**	**100%**	**15,309**	**(46)**	**99%**	**15,053**	**68**	**98%**

Table 2.5

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
CLASS OF AID
ACP + PTOM - 10 th EDF

(EUR million)

	CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
		AGGR EG.	ANNUAL	%	AGGR EG.	ANNUAL	%	AGGR EG.	ANNUAL	%
	(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP										
Regular MS Contributions										
Allocations										
A Envelope - National Allocations	13,244	13,221	(154)	100%	12,301	430	93%	10,243	1,058	83%
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**13,244**	**13,221**	**(154)**	**100%**	**12,301**	**430**	**93%**	**10,243**	**1,058**	**83%**
B Envelope - National Allocations	2,015									
Compensation export earnings		204	(6)		193	5	95%	179	11	93%
Emergency aid		850	(5)		830	4	98%	766	53	92%
Heavily indebted poor countries		49			49		100%	49		100%
Other chocs with budgetary impact		905	(0)		896	(1)	99%	873	23	97%
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**2,015**	**2,008**	**(11)**	**100%**	**1,968**	**8**	**98%**	**1,866**	**87**	**95%**
Implementation costs	445	431	2	97%	429	1	100%	427	2	100%
Interests and other receipts	84	69	(0)	82%	67	(0)	97%	66	1	99%
SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**529**	**500**	**1**	**94%**	**496**	**0**	**99%**	**494**	**3**	**99%**
Institutional and support expenditure	232	232	(6)	100%	231	(6)	100%	211	0	91%
Other Intra-ACP allocations	1,889	1,889	(12)	100%	1,824	(2)	97%	1,492	127	82%
Peace facility	1,014	794	106	78%	640	(20)	81%	616	(1)	96%
SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,135**	**2,915**	**88**	**93%**	**2,695**	**(28)**	**92%**	**2,319**	**126**	**86%**
Regional allocations	1,962	1,960	(17)	100%	1,777	149	91%	1,266	164	71%
SUB TOTAL: REGIONAL ALLOCATIONS	**1,962**	**1,960**	**(17)**	**100%**	**1,777**	**149**	**91%**	**1,266**	**164**	**71%**
Co-financing										
Allocations										
A Envelope - National Allocations	187	185	14	99%	136	(21)	73%	116	9	85%
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**187**	**185**	**14**	**99%**	**136**	**(21)**	**73%**	**116**	**9**	**85%**
Implementation costs	5	4	1	84%	2		53%	1	0	50%
SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**5**	**4**	**1**	**84%**	**2**		**53%**	**1**	**0**	**50%**
Other Intra-ACP allocations	12	11	(0)	97%	11	(1)	95%	10	1	94%
Peace facility	1	1		100%	1		99%	1		100%
SUB TOTAL: INTRA-ACP ALLOCATIONS	**12**	**12**	**(0)**	**97%**	**11**	**(1)**	**96%**	**11**	**1**	**94%**
Mobilisable reserves										
Reserves										
A Envelope reserve	0									
B Envelope reserve	0									
SUB TOTAL: COUNTRY RESERVE	**0**									
Intra-ACP Reserve	0									
SUB TOTAL: INTRA-ACP RESERVE	**0**									
National allocations Reserve A Envelope STABEX	(0)									
SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A EN	**(0)**									
NIP/RIP reserve	0									
SUB TOTAL: NIP/RIP RESERVE	**0**									
Regional allocations reserve	0									
SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**0**									
Non-mobilisable reserve										
Reserves										
Non-mobilisable reserve	243									
SUB TOTAL: NON-MOBILISABLE RESERVE	**243**									
OCT										
Regular MS Contributions										
Allocations										
A Envelope - National Allocations	193	193	(2)	100%	136	2	70%	123	10	91%
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**193**	**193**	**(2)**	**100%**	**136**	**2**	**70%**	**123**	**10**	**91%**
B Envelope - National Allocations	15									
Emergency aid		9			7	0	77%	7	0	99%
Other chocs with budgetary impact		6			6		100%	6		100%
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**15**	**15**		**100%**	**13**	**0**	**86%**	**13**	**0**	**99%**
Studies / Technical assistance OCT	5	5		100%	5		98%	5	(0)	91%
SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**5**	**5**		**100%**	**5**		**98%**	**5**	**(0)**	**91%**
Regional allocations	40	40		100%	35	0	89%	20	7	56%
SUB TOTAL: REGIONAL ALLOCATIONS	**40**	**40**		**100%**	**35**	**0**	**89%**	**20**	**7**	**56%**
Mobilisable reserves										
Reserves										
A Envelope reserve	0									
B Envelope reserve	0									
SUB TOTAL: COUNTRY RESERVE	**0**									
National allocations Reserve A Envelope STABEX	0									
SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A EN	**0**									
Regional allocations reserve	0									
SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**0**									
Non-mobilisable reserve										
Reserves										
Non-mobilisable reserve	21									
SUB TOTAL: NON-MOBILISABLE RESERVE	**21**									
TOTAL: ACP+OCT (INCL. RESERVES)	**21,607**	**21,058**	**(80)**	**97%**	**19,576**	**541**	**93%**	**16,476**	**1,466**	**84%**

Table 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2016
CLASS OF AID
ACP + PTOM - 11 th EDF

(EUR million)

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	15,115	7,931	4,643	52%	3,751	2,268	47%	1,517	844	40%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**15,115**	**7,931**	**4,643**	**52%**	**3,751**	**2,268**	**47%**	**1,517**	**844**	**40%**
	B Envelope - National Allocations	648									
	Emergency aid		499	336		331	219	66%	237	152	72%
	Other chocs with budgetary impact		109	109		9	9	8%	5	5	59%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**648**	**608**	**444**	**94%**	**340**	**228**	**56%**	**243**	**157**	**71%**
	Bridging facility	0									
	SUB TOTAL: BRIDGING FACILITY	**0**									
	Implementation costs	1,053	374	137	36%	329	127	88%	302	111	92%
	Interests and other receipts	16	8	2	52%	6	1	70%	6	3	96%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**1,068**	**382**	**139**	**36%**	**335**	**127**	**88%**	**308**	**114**	**92%**
	Institutional and support expenditure	246	106	5	43%	78	21	73%	60	20	77%
	Other Intra-ACP allocations	2,241	359	68	16%	251	35	70%	206	206	82%
	Peace facility	900	900		100%	878	279	98%	731	215	83%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,387**	**1,365**	**73**	**40%**	**1,206**	**335**	**88%**	**997**	**441**	**83%**
	Regional allocations	5,181	2,886	1,344	56%	2,106	759	73%	362	252	17%
	SUB TOTAL: REGIONAL ALLOCATIONS	**5,181**	**2,886**	**1,344**	**56%**	**2,106**	**759**	**73%**	**362**	**252**	**17%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	3	3	3	100%						
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**3**	**3**	**3**	**100%**						
	Implementation costs	0									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**0**									
	Peace facility	1	1		100%	1		100%			
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**1**	**1**		**100%**	**1**		**100%**			
	Mobilisable reserves										
	Reserves										
	B Envelope reserve	0									
	SUB TOTAL: COUNTRY RESERVE	**0**									
	Intra-ACP Reserve	203									
	SUB TOTAL: INTRA-ACP RESERVE	**203**									
	National allocations Reserve A Envelope STABEX	0									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A EN	**0**									
	NIP/RIP reserve	3,428									
	SUB TOTAL: NIP/RIP RESERVE	**3,428**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	31									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**31**									
	EC Internal SLA										
	Reserves										
	A Envelope - National Allocations	1	1		71%	1		100%	1		73%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**1**	**1**		**71%**	**1**		**100%**	**1**		**73%**
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	41	41	41	100%	26	26	63%	7	7	27%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**41**	**41**	**41**	**100%**	**26**	**26**	**63%**	**7**	**7**	**27%**
	Bridging facility	0									
	SUB TOTAL: BRIDGING FACILITY	**0**									
	Studies / Technical assistance OCT	3	3		100%	3	2	90%	1	1	53%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTEREST	**3**	**3**		**100%**	**3**	**2**	**90%**	**1**	**1**	**53%**
	Mobilisable reserves										
	Reserves										
	NIP/RIP reserve	316									
	SUB TOTAL: NIP/RIP RESERVE	**316**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	3									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**3**									
	TOTAL: ACP+OCT (INCL. RESERVES)	**29,430**	**13,220**	**6,688**	**45%**	**7,769**	**3,745**	**59%**	**3,435**	**1,816**	**44%**

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

EUROPEAN INVESTMENT BANK

CA/501/17

9 March 2017

Document 17/098

BOARD OF DIRECTORS

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016

– Statement of financial position
– Statement of profit or loss and other comprehensive income
– Statement of changes in contributors' resources
– Statement of cash flows
– Notes to the financial statements
– Independent auditor's report

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

(In EUR'000)

	Notes	31.12.2016	31.12.2015
ASSETS			
Cash and cash equivalents	5	360,817	448,995
Amounts receivable from contributors	9/16	86,395	-
Held-to-maturity financial assets	10	169,398	228,521
Derivative financial instruments	6	6,920	311
Loans and receivables	7	1,729,380	1,460,057
Available-for-sale financial assets	8	516,884	419,353
Other assets	11	345	27
Total assets		**2,870,139**	**2,557,264**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	25,189	8,219
Deferred income	12	26,283	29,325
Provisions for guarantees issued	13	625	-
Amounts owed to third parties	14	116,114	101,202
Other liabilities	15	2,546	2,364
Total liabilities		**170,757**	**141,110**
CONTRIBUTORS' RESOURCES			
Member States Contribution called	16	2,377,000	2,157,000
Fair value reserve		142,884	163,993
Retained earnings		179,498	95,161
Total contributors' resources		**2,699,382**	**2,416,154**
Total liabilities and contributors' resources		**2,870,139**	**2,557,264**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(In EUR'000)

	Notes	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Interest and similar income	18	106,698	90,385
Interest and similar expenses	18	-2,307	-1,556
Net interest and similar income		**104,391**	**88,829**
Fee and commission income	19	699	932
Fee and commission expenses	19	-48	-63
Net fee and commission income		**651**	**869**
Fair value change of derivative financial instruments		-10,361	6,276
Net realised gains on available-for-sale financial assets	20	6,504	33,878
Net foreign exchange loss		-14,995	-52,483
Net result on financial operations		**-18,852**	**-12,329**
Change in impairment on loans and receivables, net of reversal	7	44,365	-33,988
Change in provisions for guarantees	13	-242	-
Impairment on available-for-sale financial assets	8	-2,493	-3,646
General administrative expenses	21	-43,483	-43,045
Profit/loss for the year		**84,337**	**-3,310**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets – Fair value reserve	8		
1. Net change in fair value of available-for-sale financial assets		-14,624	43,394
2. Net amount transferred to profit or loss		-6,485	-35,523
Total available-for-sale financial assets		**-21,109**	**7,871**
Total other comprehensive income		**-21,109**	**7,871**
Total comprehensive income for the year		**63,228**	**4,561**

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES
FOR THE YEAR ENDED 31 DECEMBER 2016

(In EUR'000)

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2016	**Notes**	**2,157,000**	**163,993**	**95,161**	**2,416,154**
Member States contribution called during the year	16	220,000	-	-	220,000
Profit for the year 2016		-	-	84,337	84,337
Total other comprehensive income for the year		-	-21,109	-	-21,109
Changes in contributors' resources		**220,000**	**-21,109**	**84,337**	**283,228**
At 31 December 2016		**2,377,000**	**142,884**	**179,498**	**2,699,382**

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2015		**2,057,000**	**156,122**	**98,471**	**2,311,593**
Member States contribution called during the year	16	100,000	-	-	100,000
Loss for the year 2015		-	-	-3,310	-3,310
Total other comprehensive income for the year		-	7,871	-	7,871
Changes in contributors' resources		**100,000**	**7,871**	**-3,310**	**104,561**
At 31 December 2015		**2,157,000**	**163,993**	**95,161**	**2,416,154**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(In EUR'000)

	Notes	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
OPERATING ACTIVITIES			
Profit/(loss) for the financial year		84,337	-3,310
Adjustments made for:			
Impairment on available-for-sale financial assets	8	2,493	3,646
Net change in impairment on loans and receivables	7	-44,365	33,988
Interest capitalised on loans and receivables	7	-7,183	-13,262
Change in accrued interest and amortised cost on loans and receivables		-5,843	1,594
Net change in provisions for guarantees issued	13	625	-
Change in accrued interest and amortised cost on held-to-maturity financial assets	10	-1,126	12
Change in deferred income		-3,042	-1,985
Effect of exchange rate changes on loans	7	-35,025	-73,447
Effect of exchange rate changes on available-for-sale financial assets		-5,125	-9,385
Effect of exchange rate changes on cash held		-1,106	-12,216
Loss on operating activities before changes in operating assets and liabilities		**-15,360**	**-74,365**
Loan disbursements	7	-528,376	-282,784
Repayments of loans	7	351,468	205,772
Change in accrued interest on cash and cash equivalent	5	2	4
Fair value changes on derivatives		10,361	-6,276
Increase in held-to-maturity financial assets	10	-1,159,704	-1,545,550
Maturities of held-to-maturity financial assets	10	1,219,953	1,417,005
Increase in available-for-sale financial assets	8	-153,986	-67,449
Repayments/sales of available-for-sale financial assets	8	37,978	64,791
(Increase)/decrease in other assets		-318	5,495
Increase/(decrease) in other liabilities		182	-227
Increase in amounts payable to the European Investment Bank		423	4,668
Net cash flows used in operating activities		**-237,377**	**-278,916**
FINANCING ACTIVITIES			
Contribution received from Member States	16	133,605	100,000
Amounts received from Member States with regard to interest subsidies and technical assistance		30,000	92,590
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-15,510	-22,290
Net cash flows from financing activities		**148,095**	**170,300**
Net decrease in cash and cash equivalents		**-89,282**	**-108,616**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**448,998**	**545,398**
Net cash from:			
Operating activities		-237,377	-278,916
Financing activities		148,095	170,300
Effects of exchange rate changes on cash and cash equivalents		1,106	12,216
Cash and cash equivalents at the end of financial year		**360,822**	**448,998**
Cash and cash equivalents are composed of:			
Cash in hand	5	51,462	71,405
Term deposits (excluding accrued interest)		259,342	290,576
Commercial papers	5	50,018	87,017
		360,822	**448,998**

Notes to the financial statements as at 31 December 2016

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 countries 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 countries 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").

The present financial statements cover the period from 1 January 2016 to 31 December 2016.

On a proposal from the Management Committee of EIB, the Board of Directors of EIB adopted the Financial Statements on 9 March 2017, and authorised their submission to the Board of Governors for approval by 25 April 2017.

2 Significant accounting policies

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 European Investment 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 values of financial instruments**

Fair values of financial assets and financial liabilities 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 2.4.3 and 4.

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 has an established control framework with respect to the measurement of fair values. This framework includes the EIB's Investment Bank's Risk Management and Market Data Management functions. These functions are independent of front office management and are responsible for verifying significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- A review and approval process for new valuation models and changes to existing models;
- Calibration and back testing of models against observed market transactions;
- Analysis and investigation of significant valuation movements;
- Review of significant unobservable inputs and valuation adjustments.

Where third-party information such as broker quotes or pricing services are used to measure fair value, the Facility verifies that such valuations meet the requirements of IFRS. This includes the following:

- Determining where broker quote or pricing service pricing is appropriate;
- Assessing whether a particular broker quote or pricing service is reliable;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

▪ **Impairment losses on loans and receivables**

The Facility reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of profit or loss and other comprehensive income. In particular, judgment by the European Investment Bank's Management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowances against individually significant loans and receivables, the Facility may also book a collective impairment allowance against exposures which have not been individually identified as impaired and have a greater risk of default than when originally granted.

In principle, a loan is considered as impaired when payment of interest and principal are past due by 90 days or more and, at the same time, the European Investment Bank's Management considers that there is an objective indication of impairment.

▪ **Provisions on financial guarantees**

The Facility reviews its guarantee contracts at each reporting date to assess whether a provision should be recorded in the statement of profit or loss and other comprehensive income. For determining the provision particular judgement is required in making estimates and assumptions about a number of factors, such as:

- amount and timing of future cash flows;
- utilisation level of the guarantees;
- discount factors applied on the estimated cash flows.

▪ **Valuation of unquoted available-for-sale equity investments**

Valuation of unquoted available-for-sale 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 available-for-sale 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.

- **Impairment of available-for-sale financial assets**

The Facility treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Facility treats "significant" generally as 30% or more and "prolonged" greater than 12 months. In addition, the Facility evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

- **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 standards, amendments to standards and interpretations were adopted in the preparation of these financial statements:

- Amendments to IAS 1 'Presentation of financial statements' – Disclosure initiative;
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

These changes had no material impact on the Facility's financial statements.

Standards issued but not yet effective

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those of which may be relevant for the Facility are set out below.

IFRS 9 *Financial instruments*

The last part of the standard was issued on 24 July 2014 and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new expected credit loss model for impairment on financial assets and introduces new rules for hedge accounting.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (''FVOCI'') and fair value through profit or loss (''FVTPL''). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (''OCI''); and
- the remaining amount of change in the fair value is presented in profit or loss.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (''ECL'') model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

- 12-month ECLs. These are ECLs that result from possible default events within the 12 month after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

While the Facility has not yet undertaken a detailed assessment of the impairment methodologies that it will apply under IFRS 9, it may result in an earlier recognition of credit losses with higher volatility.

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Facility's preliminary assessment included an analysis to identify data gaps against current processes and the Facility plans to implement the system and controls changes that it believes will be necessary to capture the required data.

IFRS 9 has been endorsed by the EU on 22 November 2016 and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Facility does not intend to adopt the standard earlier than its effective date.

The Facility is currently performing a detailed assessment of the impact resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 standard has been endorsed by the EU is on 22 September 2016 and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Facility has not yet determined the extent of the impact of this standard.

Amendment to IAS 7 'Cash flow statements' – Disclosure initiative

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Amendments are effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. Amendments are expected to be endorsed by the EU by the end of the year. The Facility does not plan to adopt this standard early and does not expect it to cause any material 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.

The elements of the statement of profit or loss and other comprehensive income are translated into Euro on the basis of the exchange rates prevailing at the date of the transaction.

2.4.2 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.

2.4.3 Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

- **Fair value 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.

The EIB 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.

- **Held-to-maturity financial assets**

Held-to-maturity financial assets comprise quoted bonds with the intention of holding them to maturity, and commercial papers with original maturities of more than three months.

Those bonds and commercial papers are initially recorded at their 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.

The Facility assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or event) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Impairment loss is recognised in the statement of profit and loss and the amount of the loss is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the instrument’s original effective interest rate.

- **Loans**

Loans originated by the Facility are recognised in the assets of the Facility when cash is advanced to borrowers. They are initially recorded at cost (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 amortised cost, using the effective yield method, less any provision for impairment or uncollectability.

- **Available-for-sale financial assets**

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include direct equity investments and investments in venture capital funds and are initially recorded at fair value plus transaction costs.

After initial measurement, available-for-sale financial assets are subsequently carried at fair value. Note the following details for the fair value measurement of equity investments, which cannot be derived from active markets:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognised to be in line with IFRS (for example: the International Private Equity and Venture Capital Valuation guidelines, IPEV Guidelines, as published by the European Venture Capital Association). The Facility may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

b. Direct equity investments

The fair value of the investment is based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealised gains or losses on venture capital funds and direct equity investments are reported in contributors’ resources until such investments are sold, collected or disposed of, or until such investments are determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in equity is transferred to the statement of profit or loss and other comprehensive income.

For unquoted investment, the fair value is determined by applying recognised valuation techniques (for example adjusted net assets, discounted cash flows or multiple). These investments are accounted for at cost when the fair value cannot be reliably measured. To be noted that in the first 2 years of the investments, they are recognised at cost.

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.

- **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) and are accounted for under IAS 39 Financial Instruments: Recognition and Measurement, either as "Derivatives" or as "Financial Guarantees", depending on their features and characteristics as defined by IAS 39.

The accounting policy for derivatives is disclosed under Note 2.4.5.

At initial recognition, the financial guarantees are recognised at fair value corresponding to the Net Present Value (NPV) of expected premium inflows and initial expected loss. This calculation is performed at the starting date of each transaction and is recognised on the statement of financial position as "Financial guarantees" under "other assets" and "other liabilities".

Subsequent to initial recognition, the Facility's liabilities under such guarantees are measured at the higher of:

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue and
- the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantee, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The best estimate of expenditure is determined in accordance with IAS 37. Financial guarantee provisions correspond to the cost of settling the obligation, which is the expected loss, estimated on the basis of all relevant factors and information existing at the statement of financial position date.

When a financial guarantee operation measured under IAS 39 is derecognised and treated under IAS 37, its value previously recorded under "Other liabilities" is transferred to the caption "Provisions for guarantees issued" on the statement of financial position.

The provision for financial guarantees (as measured per IAS 37) is recognised in the statement of profit or loss and other comprehensive income under "Change in provisions for guarantees, net of reversals".

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 IAS 18 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 Impairment of financial assets

The Facility assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans outstanding at the end of the financial year and carried at amortised cost, impairments are made when presenting objective evidence of risks of non-recovery of all or part of their amounts according to the original contractual terms or the equivalent value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The Facility conducts the credit risk assessments based on each individual operation and does not consider a collective impairment.

For the available-for-sale financial assets, the Facility assesses at each statement of financial position date whether there is objective evidence that an investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income) is removed from contributors' resources and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on available-for-sale financial assets are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in contributors' resources.

The European Investment Bank's Risk Management reviews financial assets for impairment at least once a year. Resulting adjustments include the unwinding of the discount in the statement of profit or loss and other comprehensive income over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

2.4.5 Derivative financial instruments

Derivatives include cross currency swaps, cross currency interest rate swaps, short term currency swaps ("FX swaps") and interest rate swaps.

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.

The Facility does not use any of the hedge possibilities under IAS 39. All derivatives are measured at fair value through the profit or loss 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".

Derivatives are initially recognised using the trade date basis.

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.

2.4.7 Interest income on loans

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 on the statement of financial position ('Loans and receivables') 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.

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 available-for-sale financial assets are recognised when received and presented in the statement of profit or loss and other comprehensive income within net realised gains on available-for-sale financial assets.

2.5 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.

3 Risk Management

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:

- 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.

3.1 Risk management organisation

The European Investment Bank adapts its risk management on an ongoing basis.

The Risk Management 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 is independent of the Front Offices. 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 European Investment Bank's Management Committee and the Board of Directors.

3.2 Credit risk

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

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)	31.12.2016	31.12.2015
ASSETS		
Cash and cash equivalents	360,817	448,995
Derivative financial instruments	6,920	311
Loans and receivables	1,729,380	1,460,057
Amounts receivable from contributors	86,395	-
Held-to-maturity financial assets	169,398	228,521
Other assets	345	27
Total assets	**2,353,255**	**2,137,911**
OFF BALANCE SHEET		
Contingent liabilities		
- Signed non-issued guarantees	35,337	10,000
Commitments		
- Un-disbursed loans	901,899	1,189,564
- Issued guarantees	8,627	798
Total off balance sheet	**945,863**	**1,200,362**
Total credit exposure	**3,299,118**	**3,338,273**

3.2.3 Credit risk on loans and receivables

3.2.3.1 Credit risk measurement for loans and receivables

Each and every loan 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 23), 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 (LG) 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 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 contractual framework: a sound contractual framework will add to the loan's quality and enhance its internal grading.

v) The loan's duration: 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: there are three sub-categories. A comprises all EU sovereign risks, i.e. loans granted to or fully, explicitly and unconditionally guaranteed by Member States, where no repayment difficulties are expected and for which an unexpected loss of 0% is allocated. A+ denotes loans granted to (or guaranteed by) entities other than Member States, with no expectation of deterioration over their duration. A- includes those lending operations where there is some doubt about the maintenance of their current status (for instance because of a long maturity, or for the high volatility of the future price of an otherwise excellent collateral), but where any downside is expected to be quite 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.

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

The following table shows the maximum exposure to credit risk on loans signed and disbursed by nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2016 **In EUR'000**	**Guaranteed**	**Other credit enhancements**	**Not guaranteed**	**Total**	**% of Total**
Banks	22,691	34,597	933,609	**990,897**	**57%**
Corporates	110,849	97,213	320,406	**528,468**	**31%**
Public institutions	38,330	-	-	**38,330**	**2%**
States	-	3,764	167,921	**171,685**	**10%**
Total disbursed	**171,870**	**135,574**	**1,421,936**	**1,729,380**	**100%**
Signed not disbursed	**94,976**	**-**	**806,923**	**901,899**	

At 31.12.2015 **In EUR'000**	**Guaranteed**	**Other credit enhancements**	**Not guaranteed**	**Total**	**% of Total**
Banks	18,964	73,670	758,412	**851,046**	**58%**
Corporates	37,431	89,170	272,186	**398,787**	**27%**
Public institutions	37,112	-	14	**37,126**	**3%**
States	-	4,295	168,803	**173,098**	**12%**
Total disbursed	**93,507**	**167,135**	**1,199,415**	**1,460,057**	**100%**
Signed not disbursed	**135,821**	**-**	**1,053,743**	**1,189,564**	

Transaction Management and Restructuring 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 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

The tables below show the credit quality analysis of the Facility's loan portfolio as at 31 December 2016 and 31 December 2015 by the Loan Grading applications, based on the exposure signed (disbursed and un-disbursed):

At 31.12.2016 **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	94,081	53,970	315,524	1,038,705	126,951	**1,629,231**	**62%**
	Corporates	125,810	-	19,389	393,877	152,355	**691,431**	**26%**
	Public institutions	-	-	38,330	-	-	**38,330**	**1%**
	States	-	-	18,131	254,156	-	**272,287**	**11%**
Total		**219,891**	**53,970**	**391,374**	**1,686,738**	**279,306**	**2,631,279**	**100%**

At 31.12.2015 **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	92,260	31,558	326,635	990,971	245,160	**1,686,584**	**64%**
	Corporates	125,963	-	12,493	450,045	-	**588,501**	**22%**
	Public institutions	-	-	37,112	40,014	-	**77,126**	**3%**
	States	-	-	9,277	288,133	-	**297,410**	**11%**
Total		**218,223**	**31,558**	**385,517**	**1,769,163**	**245,160**	**2,649,621**	**100%**

3.2.3.4 Risk concentrations of loans and receivables

3.2.3.4.1 Geographical analysis

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

Country of borrower	31.12.2016	31.12.2015
Kenya	341,805	192,945
Nigeria	241,547	195,290
Uganda	175,424	178,515
Tanzania	115,239	56,367
Jamaica	90,237	85,278
Burundi	87,373	40
Mauritania	85,008	94,123
Dominican Republic	81,230	72,474
Togo	64,605	75,387
Ethiopia	59,837	67,589
Congo (Democratic Republic)	47,122	39,766
Ghana	45,715	40,439
Cameroon	41,255	51,930
Mauritius	31,518	18,882
Rwanda	29,918	20,466
Cape Verde	23,029	24,623
Mozambique	22,389	25,124
French Polynesia	21,387	22,095
Senegal	18,544	10,991
Regional-ACP	15,640	111,103
Malawi	11,493	13,030
Cayman Islands	11,221	-
Zambia	11,079	8,733
Botswana	7,889	6,605
Haiti	6,879	7,071
Barbados	6,809	-
Samoa	6,356	6,267
Mali	6,159	6,688
Burkina Faso	4,480	5,967
Congo	3,460	5,189
Vanuatu	2,470	2,772
New Caledonia	2,191	2,705
Seychelles	2,058	468
Palau	1,929	2,197
Liberia	1,759	921
South Africa	1,336	-
Micronesia	1,088	1,169
Trinidad and Tobago	528	1,010
Niger	523	1,372
Saint Lucia	392	2,671
Bahamas	392	-
Tonga	46	54
Angola	19	-
Sint Maarten	2	6
Grenada	-	1,735
Total	**1,729,380**	**1,460,057**

3.2.3.4.2 Industry sector analysis

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 global loans (in EUR'000):

Industry sector of borrower	31.12.2016	31.12.2015
Global loans and agency agreements	987,242	658,098
Electricity, coal and others	277,524	197,547
Urban development, renovation and transport	203,094	207,773
Basic material and mining	78,849	88,615
Tertiary and other	67,590	201,361
Roads and motorways	48,600	48,165
Airports and air traffic management systems	38,330	37,126
Food chain	13,178	7,643
Waste recuperation	7,988	4
Materials processing, construction	6,964	13,719
Telecommunications	21	6
Total	**1,729,380**	**1,460,057**

3.2.3.5 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):

	Notes	Loans and receivables 31.12.2016	Loans and receivables 31.12.2015
Carrying amount		**1,729,380**	**1,460,057**
Individually impaired			
Gross amount		119,381	214,232
Allowance for impairment	7	-117,640	-191,046
Carrying amount individually impaired		**1,741**	**23,186**
Collectively impaired			
Gross amount		-	-
Allowance for impairment		-	-
Carrying amount collectively impaired		**-**	**-**
Past due but not impaired			
Past due comprises			
0-30 days		1,620	1,521
30-60 days		30	15
60-90 days		-	-
90-180 days		-	-
more 180 days		1	13
Carrying amount past due but not impaired		**1,651**	**1,549**
Carrying amount neither past due nor impaired		**1,725,988**	**1,435,322**
Total carrying amount loans and receivables		**1,729,380**	**1,460,057**

3.2.3.6 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 Facility'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.

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	**31.12.2016**	**31.12.2015**
Number of operations subject to forbearance practices	22	16
Carrying values	171,135	225,631
of which impaired	124,250	204,711
Impairment recognised	113,052	188,197
Interest income in respect of forborn operations	19,877	14,262
Exposures written off (following the termination/sale of the operation)	31,298	-

		Forbearance measures					
In EUR'000	**31.12.2015**	**Extension of maturities**	**Deferral of capital only**	**Deferral of capital and interest**	**Other**	**Contractual repayment and termination (1)**	**31.12.2016**
Banks	17,891	-	-	12,150	8,062	-827	37,276
Corporates	207,740	-	-	-	26,203	-100,084	133,859
Total	**225,631**	**-**	**-**	**12,150**	**34,265**	**-100,911**	**171,135**

(1) Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2015 and by termination during the year.

3.2.4 Credit risk on cash and cash equivalents

Available funds are invested in accordance with the Facility's schedule of contractual disbursement obligations. As of 31 December 2016 and 31 December 2015, investments were in the form of bank deposits, certificates of deposit and commercial papers.

The authorized entities have a rating similar to the short-term and long-term ratings required for the EIB's own treasury placements. The minimum short term rating required for authorised entities is P-1/A-1/F1 (Moody's, S&P, Fitch). 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 2016 and 31 December 2015 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.

All investments have been done with authorised entities with a maximum tenor of three months from value date and up to the credit exposure limit. As at 31 December 2016 and 31 December 2015 all term deposits, commercial papers and cash in hand held by the treasury portfolio of the Facility had a minimum rating of P-1 (Moody's equivalent) at settlement day.

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

Minimum short-term rating (Moody's term)	**Minimum long-term rating (Moody's term)**		**31.12.2016**		**31.12.2015**
P-1	Aaa	37,949	10%	49,999	11%
P-1	Aa2	46,963	13%	26	0%
P-1	Aa3	40,436	11%	-	0%
P-1	A1	100,012	28%	115,705	26%
P-1	A2	135,457	38%	283,265	63%
Total		**360,817**	**100%**	**448,995**	**100%**

3.2.5 Credit risk on derivatives

3.2.5.1 Credit risk policy of derivatives

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.

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 European Investment Bank with an external counterpart. The swaps are arranged by the same Master Swap Agreements and Credit Support Annexes signed between the European Investment Bank and its external counterparts.

3.2.5.2 Credit risk measurement for derivatives

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

The European Investment Bank 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.

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

Swap contracts at 31.12.2016 In EUR'000	less than 1 year	1 year to 5 years	5 years to 10 years	more than to 10 years	Total 2016
Notional amount	-	7,430	-	-	**7,430**
Fair Value (i.e. net discounted value)	-	-3,051	-	-	**-3,051**

Swap contracts at 31.12.2015 In EUR'000	less than 1 year	1 year to 5 years	5 years to 10 years	more than to 10 years	Total 2015
Notional amount	-	9,589	-	-	**9,589**
Fair Value (i.e. net discounted value)	-	-3,835	-	-	**-3,835**

- 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 1,611.0 million at 31 December 2016 against EUR 1,400.0 million at 31 December 2015. The fair value of FX swaps amounts to EUR -15.3 million at 31 December 2016 against EUR -3.7 million at 31 December 2015.

- The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2016 there are two interest rate swaps outstanding with a notional amount of EUR 41.2 million (2015: EUR 44.9 million) and a fair value of EUR 0.1 million (2015: EUR -0.3 million).

3.2.6 Credit risk on held-to-maturity financial assets

The following table shows the situation of the held-to-maturity portfolio entirely composed of treasury bills issued by Italy, Portugal and Spain with remaining maturities of less than three months. EU Member States 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:

Minimum short-term rating (Moody's term)	Minimum long-term rating (Moody's term)	31.12.2016		31.12.2015	
P-1	Aa2	18,012	10%	-	0%
P-1	A1	30,002	18%	10,000	4%
P-1	A2	-	0%	69,502	31%
P-2	Baa2	-	0%	50,007	22%
P-2	Non-Rated	20,025	12%	-	0%
P-3	Baa3	-	0%	50,012	22%
NP	Ba1	50,005	30%	49,000	21%
Non-Rated	Baa2	51,354	30%	-	0%
Total		**169,398**	**100%**	**228,521**	**100%**

3.3 Liquidity risk

Liquidity risk refers to an enitity'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.

3.3.1 Liquidity risk management

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 of its net liquidity needs and the required Member States annual contributions.

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.

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.

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.

3.3.2 Liquidity risk measurement

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).

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

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.

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.

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.

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 un-disbursed interest subsidies. As in the case of loans, their disbursement schedule is uncertain.

Committed TA "gross nominal outflow" in the "Maturity profile of non-derivative financial liabilities" table refers to the total un-disbursed 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.

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.

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.

Maturity profile of non-derivative financial liabilities **In EUR'000 as at 31.12.2016**	**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 un-disbursed loans	82,405	-	-	-	819,494	901,899
Outflows for committed investment funds and share subscription	4,592	-	-	-	239,458	244,050
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	43,964	43,964
Outflows for committed interest subsidies	-	-	-	-	275,917	275,917
Outflows for committed TA	2,671	-	-	-	24,807	27,478
Total	**89,668**	**-**	**-**	**-**	**1,403,640**	**1,493,308**

Maturity profile of non-derivative financial liabilities **In EUR'000 as at 31.12.2015**	**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 un-disbursed loans	41,028	-	-	-	1,148,536	1,189,564
Outflows for committed investment funds and share subscription	23,371	-	-	-	274,984	298,355
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	10,798	10,798
Outflows for committed interest subsidies	-	-	-	-	281,682	281,682
Outflows for committed TA	811	-	-	-	28,072	28,883
Total	**65,210**	**-**	**-**	**-**	**1,744,072**	**1,809,282**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2016**	**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	3	2,409	5,222	-	7,634
CCS and CCIRS – Outflows	-	-3,688	-7,377	-	-11,065
Short term currency swaps – Inflows	1,611,000	-	-	-	1,611,000
Short term currency swaps – Outflows	-1,636,001	-	-	-	-1,636,001
Interest Rate Swaps – Inflows	411	1,234	5,529	1,550	8,724
Interest Rate Swaps - Outflows	-	-1,962	-5,316	-1,329	-8,607
Total	**-24,587**	**-2,007**	**-1,942**	**221**	**-28,315**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2015**	**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	2,307	7,671	-	9,983
CCS and CCIRS – Outflows	-	-3,571	-10,714	-	-14,285
Short term currency swaps – Inflows	1,400,000	-	-	-	1,400,000
Short term currency swaps – Outflows	-1,407,763	-	-	-	-1,407,763
Interest Rate Swaps – Inflows	383	1,269	6,059	2,524	10,235
Interest Rate Swaps - Outflows	-	-2,145	-6,127	-2,206	-10,478
Total	**-7,375**	**-2,140**	**-3,111**	**318**	**-12,308**

3.3.3 Long term financial assets and liabilities

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.

In EUR'000	**31.12.2016**	**31.12.2015**
Financial assets:		
Loans and receivables	1,692,867	1,423,368
Available-for-sale financial assets	516,884	419,353
Other assets	141	-
Total	**2,209,892**	**1,842,721**
Financial liabilities:		
Provisions for guarantees issued	497	-
Amount owed to third parties	69,960	57,346
Total	**70,457**	**57,346**

3.4 Market risk

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.

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 2016 would decrease by EUR 516k (as at 31 December 2015: decrease by EUR 532k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value In EUR'000 As at 31.12.2016	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-46	-101	-164	-175	-30	-	-516

Basis point value In EUR'000 As at 31.12.2015	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-37	-72	-252	-139	-32	-	-532

3.4.2 Foreign exchange risk

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

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 either in 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 USD/EUR 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 hedging 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)".

3.4.2.2.3 Foreign exchange position (in EUR'000)

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 so as to ensure that the earnings will only be converted into the reporting currency (EUR) when received.

The unrealised gains/losses and impairment on available-for-sale financial assets are included in the FX position as per Risk Policies, as well as impairments on loans and receivables. 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, is presented as "FX position excluded from Risk Policies".

At 31 December 2016	**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	-258,496	7,578	-250,918	282,991
*Local currencies (under synthetic hedge)**				
KES	117,881	3,869	121,751	-
TZS	97,116	1,931	99,046	-
DOP	52,553	2,013	54,566	-
UGX	36,776	1,077	37,854	-
RWF	22,258	194	22,452	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP	22,534	252	22,786	246
Total non-EUR currencies	**90,622**	**16,914**	**107,537**	**283,237**
EUR	**-**	**2,591,845**	**2,591,845**	**1,241,229**
Total EUR and non-EUR	**90,622**	**2,608,759**	**2,699,382**	**1,524,466**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

At 31 December 2015	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	-207,050	5,023	-202,027	270,236
*Local currencies (under synthetic hedge)**				
KES	129,862	3,101	132,963	-
TZS	46,246	780	47,025	-
DOP	40,799	1,274	42,073	-
UGX	30,182	565	30,747	-
RWF	11,979	164	12,143	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW	15,474	201	15,675	798
Total non-EUR currencies	**67,492**	**11,108**	**78,599**	**271,034**
EUR	**-**	**2,337,555**	**2,337,555**	**1,579,719**
Total EUR and non-EUR	**67,492**	**2,348,663**	**2,416,154**	**1,850,753**

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2016 a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 12.0 million (31 December 2015: EUR 8.7 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 9.9 million (31 December 2015: EUR 7.1 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Non-EU currencies		
Botswana Pula (BWP)	11.2657	11.9451
Dominican Republic Pesos (DOP)	48.7476	49.0144
Haitian Gourde (HTG)	68.78	61.19
Kenya Shillings (KES)	108.06	111.3
Mauritania Ouguiyas (MRO)	375.79	326.46
Mauritius Rupees (MUR)	37.85	38.85
Mozambican Metical (MZN)	75.25	50.59
Rwanda Francs (RWF)	856.8	806.36
Tanzania Shillings (TZS)	2,296.99	2,344.42
Uganda Shillings (UGX)	3,805.00	3,665.00
United States Dollars (USD)	1.0541	1.0887
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	14.457	16.953
Zambia Kvacha (ZMW)	10.4653	11.9571

3.4.3 Equity price risk

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 effects on the Facility's contributors' resources (as a result of a change in the fair value of the available-for-sale equity 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 51.7 million respectively EUR -51.7 million as at 31 December 2016 (EUR 41.9 million respectively EUR -41.9 million as at 31 December 2015).

4 Fair values of financial instruments

4.1 Accounting classifications and fair values

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 2016	Carrying amount						Fair value			
In EUR'000	**Held for trading**	**Available-for-sale**	**Cash, loans and receivables**	**Held to maturity**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:										
Derivative financial instruments	6,920	-	-	-	-	6,920	-	6,920	-	6,920
Venture Capital Funds	-	437,788	-	-	-	437,788	-	-	437,788	437,788
Direct Equity Investments	-	79,096	-	-	-	79,096	22,880	-	56,216	79,096
Total	**6,920**	**516,884**	**-**	**-**	**-**	**523,804**	**22,880**	**6,920**	**494,004**	**523,804**
Financial assets not carried at fair value:										
Cash and cash equivalents	-	-	360,817	-	-	360,817				
Loans and receivables	-	-	1,729,380	-	-	1,729,380	-	1,951,786	-	1,951,786
Amounts receivable from contributors	-	-	86,395	-	-	86,395				
Bonds	-	-	-	169,398	-	169,398	120,123	48,031	-	168,154
Other assets	-	-	345	-	-	345				
Total	**-**	**-**	**2,176,937**	**169,398**	**-**	**2,346,335**	**120,123**	**1,999,817**	**-**	**2,119,940**
Total financial assets	**6,920**	**516,884**	**2,176,937**	**169,398**	**-**	**2,870,139**				
Financial liabilities carried at fair value:										
Derivative financial instruments	-25,189	-	-	-	-	-25,189	-	-25,189	-	-25,189
Total	**-25,189**	**-**	**-**	**-**	**-**	**-25,189**	**-**	**-25,189**	**-**	**-25,189**
Financial liabilities not carried at fair value:										
Provisions for guarantees issued	-	-	-	-	-625	-625				
Amounts owed to third parties	-	-	-	-	-116,114	-116,114				
Other liabilities	-	-	-	-	-2,546	-2,546				
Total	**-**	**-**	**-**	**-**	**-119,285**	**-119,285**				
Total financial liabilities	**-25,189**	**-**	**-**	**-**	**-119,285**	**-144,474**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

At 31 December 2015	Carrying amount						Fair value			
In EUR'000	**Held for trading**	**Available-for-sale**	**Cash, loans and receivables**	**Held to maturity**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:										
Derivative financial instruments	311	-	-	-	-	311	-	311	-	311
Venture Capital Funds	-	396,203	-	-	-	396,203	-	-	396,203	396,203
Direct Equity Investments	-	23,150	-	-	-	23,150	178	-	22,972	23,150
Total	**311**	**419,353**	**-**	**-**	**-**	**419,664**	**178**	**311**	**419,175**	**419,664**
Financial assets not carried at fair value:										
Cash and cash equivalents	-	-	448,995	-	-	448,995				
Loans and receivables	-	-	1,460,057	-	-	1,460,057	-	1,649,401	-	1,649,401
Bonds	-	-	-	228,521	-	228,521	124,009	104,520	-	228,529
Other assets	-	-	27	-	-	27	-	-	-	-
Total	**-**	**-**	**1,909,079**	**228,521**	**-**	**2,137,600**	**124,009**	**1,753,921**	**-**	**1,877,930**
Total financial assets	**311**	**419,353**	**1,909,079**	**228,521**	**-**	**2,557,264**				
Financial liabilities carried at fair value:										
Derivative financial instruments	-8,219	-	-	-	-	-8,219	-	-8,219	-	-8,219
Total	**-8,219**	**-**	**-**	**-**	**-**	**-8,219**	**-**	**-8,219**	**-**	**-8,219**
Financial liabilities not carried at fair value:										
Provisions for guarantees issued	-	-	-	-	-	-				
Amounts owed to third parties	-	-	-	-	-101,202	-101,202				
Other liabilities	-	-	-	-	-2,364	-2,364				
Total	**-**	**-**	**-**	**-**	**-103,566**	**-103,566**				
Total financial liabilities	**-8,219**	**-**	**-**	**-**	**-103,566**	**-111,785**				

4.2 Measurement of fair values

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 instruments	Discounted cash flow: Future cash flows are estimated based on forward exchange/interest 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.	Not applicable.	Not applicable.
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.	The longer the period between the fair value measurement date and the last reporting date of the investee, the higher the adjustment for time elapsed.
		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.
Financial instruments not carried at fair value			
Loans and receivables	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 receivables.	Not applicable.	Not applicable.
Held-to-maturity 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 at 31 December 2016 and 2015, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -76.4k as at 31 December 2016 and to EUR -121.7k as at 31 December 2015.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +42.9k as at 31 December 2016 and EUR +64.4k as at 31 December 2015.

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 2016 and 2015 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 2016 and 31 December 2015:

In EUR'000	**Available-for-sale financial assets**
Balance at 1 January 2016	**419,175**
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	-6,504
- impairment on available-for-sale financial assets	-2,493
Total	**-8,997**
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	-24,628
Total	**-24,628**
Disbursements	153,986
Repayments	-37,978
Write offs	-7,554
Balance at 31 December 2016	**494,004**

In EUR'000	**Available-for-sale financial assets**
Balance at 1 January 2015	**401,926**
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	-33,878
- impairment on available-for-sale financial assets	-2,665
Total	**-36,543**
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	52,365
Total	**52,365**
Disbursements	67,449
Repayments	-64,791
Write offs	-1,231
Balance at 31 December 2015	**419,175**

In 2016 and 2015 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

Sensitivity analysis

A +/- 10 percent change at the reporting date to one of the significant unobservable inputs used to measure the fair values of the Venture Capital Funds and Direct Equity Investments, holding other inputs constant, would have the following effects on the other comprehensive income:

At 31 December 2016 **(in EUR'000)**	**Increase**	**Decrease**
Direct Equity Investments	10	-10
Total	**10**	**-10**

At 31 December 2015 **(in EUR'000)**	**Increase**	**Decrease**
Direct Equity Investments	31	-31
Total	**31**	**-31**

5 Cash and cash equivalents (in EUR'000)

The cash and cash equivalents are composed of:

	31.12.2016	**31.12.2015**
Cash in hand	51,462	71,405
Term deposits	259,337	290,573
Commercial papers	50,018	87,017
Cash and cash equivalents in the statement of financial position	**360,817**	**448,995**
Accrued interest	5	3
Cash and cash equivalents in the cash flow statement	**360,822**	**448,998**

6 Derivative financial instruments (in EUR'000)

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

At 31 December 2016	**Fair Value**		**Notional amount**
	Assets	**Liabilities**	
Cross currency interest rate swaps	-	-3,051	7,430
Interest rate swaps	388	-335	41,233
FX swaps	6,532	-21,803	1,611,000
Total derivative financial instruments	**6,920**	**-25,189**	**1,659,663**

At 31 December 2015	**Fair Value**		**Notional amount**
	Assets	**Liabilities**	
Cross currency interest rate swaps	-	-3,835	9,589
Interest rate swaps	311	-639	44,913
FX swaps	-	-3,745	1,400,000
Total derivative financial instruments	**311**	**-8,219**	**1,454,502**

7 Loans and receivables (in EUR'000)

The main components of loans and receivables are as follows:

	Global loans(*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2016	**661,792**	**818,007**	**160,555**	**1,640,354**
Disbursements	476,685	51,691	-	528,376
Write offs	-	-109	-31,189	-31,298
Repayments	-178,282	-107,259	-65,927	-351,468
Interest capitalised	-	-	7,183	7,183
Foreign exchange rates differences	34,332	2,009	941	37,282
Nominal as at 31 December 2016	**994,527**	**764,339**	**71,563**	**1,830,429**
Impairment as at 1 January 2016	**-9,403**	**-22,445**	**-159,198**	**-191,046**
Impairment recorded in statement of profit or loss and other comprehensive income	-8,794	-11,999	-	-20,793
Write offs	-	109	31,189	31,298
Reversal of impairment	360	6,100	58,698	65,158
Foreign exchange rates differences	-348	-59	-1,850	-2,257
Impairment as at 31 December 2016	**-18,185**	**-28,294**	**-71,161**	**-117,640**
Amortised Cost	-3,906	-3,682	-	-7,588
Interest	14,807	9,371	1	24,179
Loans and receivables as at 31 December 2016	**987,243**	**741,734**	**403**	**1,729,380**

(*) including agency agreements

	Global loans(*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2015	**542,506**	**782,563**	**146,643**	**1,471,712**
Disbursements	196,607	86,177	-	282,784
Repayments	-106,921	-96,147	-2,704	-205,772
Interest capitalised	-	-	13,262	13,262
Foreign exchange rates differences	29,600	45,414	3,354	78,368
Nominal as at 31 December 2015	**661,792**	**818,007**	**160,555**	**1,640,354**
Impairment as at 1 January 2015	**-5,751**	**-13,491**	**-132,895**	**-152,137**
Impairment recorded in statement of profit or loss and other comprehensive income	-3,692	-7,576	-24,995	-36,263
Reversal of impairment	381	57	1,837	2,275
Foreign exchange rates differences	-341	-1,435	-3,145	-4,921
Impairment as at 31 December 2015	**-9,403**	**-22,445**	**-159,198**	**-191,046**
Amortised Cost	-3,129	-5,781	284	-8,626
Interest	8,838	10,533	4	19,375
Loans and receivables as at 31 December 2015	**658,098**	**800,314**	**1,645**	**1,460,057**

(*) including agency agreements

8 Available-for-sale financial assets (in EUR'000)

The main components of available-for-sale financial assets are as follows:

	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2016	**267,331**	**22,979**	**290,310**
Disbursements	101,323	52,663	153,986
Repayments / sales	-37,948	-30	-37,978
Write offs	-4,594	-2,960	-7,554
Foreign exchange rates differences on repayments / sales	5,141	-16	5,125
Cost as at 31 December 2016	**331,253**	**72,636**	**403,889**
Unrealised gains and losses as at 1 January 2016	**153,901**	**10,092**	**163,993**
Net change in unrealised gains and losses	-24,474	3,365	-21,109
Unrealised gains and losses as at 31 December 2016	**129,427**	**13,457**	**142,884**
Impairment as at 1 January 2016	**-25,029**	**-9,921**	**-34,950**
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-2,457	-36	-2,493
Write offs	4,594	2,960	7,554
Impairment as at 31 December 2016	**-22,892**	**-6,997**	**-29,889**
Available-for-sale financial assets as at 31 December 2016	**437,788**	**79,096**	**516,884**

	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2015	**259,784**	**19,714**	**279,498**
Disbursements	63,574	3,875	67,449
Repayments / sales	-64,181	-610	-64,791
Write offs	-1,231	-	-1,231
Foreign exchange rates differences on repayments / sales	9,385	-	9,385
Cost as at 31 December 2015	**267,331**	**22,979**	**290,310**
Unrealised gains and losses as at 1 January 2015	**149,995**	**6,127**	**156,122**
Net change in unrealised gains and losses	3,906	3,965	7,871
Unrealised gains and losses as at 31 December 2015	**153,901**	**10,092**	**163,993**
Impairment as at 1 January 2015	**-24,534**	**-8,001**	**-32,535**
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-1,726	-1,920	-3,646
Write offs	1,231	-	1,231
Impairment as at 31 December 2015	**-25,029**	**-9,921**	**-34,950**
Available-for-sale financial assets as at 31 December 2015	**396,203**	**23,150**	**419,353**

9 Amounts receivable from contributors (in EUR'000)

The amounts receivable from contributors are entirely composed of Member States contribution called but not paid.

10 Held-to-maturity financial assets (in EUR'000)

The held-to-maturity 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 held-to-maturity portfolio:

Balance as at 1 January 2016	**228,521**
Acquisitions	1,159,704
Maturities	-1,219,953
Change in amortisation of premium/discount	-87
Change in accrued interest	1,213
Balance as at 31 December 2016	**169,398**

Balance as at 1 January 2015	**99,988**
Acquisitions	1,545,550
Maturities	-1,417,005
Change in amortisation of premium/discount	-12
Balance as at 31 December 2015	**228,521**

11 Other assets (in EUR'000)

The main components of other assets are as follows:

	31.12.2016	**31.12.2015**
Amount receivable from EIB	1	1
Financial guarantees	344	26
Total other assets	**345**	**27**

12 Deferred income (in EUR'000)

The main components of deferred income are as follows:

	31.12.2016	**31.12.2015**
Deferred interest subsidies	25,884	28,683
Deferred commissions on loans and receivables	399	642
Total deferred income	**26,283**	**29,325**

13 Provisions for guarantees issued (in EUR'000)

The amount of provisions for guarantees issued is recognised using the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantees and represents the sum of:

- the amounts initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue and
- the excess over the above amounts, as measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

	2016	2015
Balance at 1 January	-	-
Additions recorded in statement of profit or loss and other comprehensive income	242	-
Utilised	-	-
Transfer from "Other liabilities", financial guarantees	383	
Release of provision	-	-
Balance at 31 December	**625**	**-**

14 Amounts owed to third parties (in EUR'000)

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

	31.12.2016	31.12.2015
Net general administrative expenses payable to EIB	43,483	43,045
Other amounts payable to EIB	-	15
Interest subsidies and TA not yet disbursed owed to Member States	72,631	58,142
Total amounts owed to third parties	**116,114**	**101,202**

15 Other liabilities (in EUR'000)

The main components of other liabilities are as follows:

	31.12.2016	31.12.2015
Loan repayments received in advance	2,081	1,826
Deferred income from interest subsidies	458	512
Financial guarantees	7	26
Total other liabilities	**2,546**	**2,364**

16 Member States Contribution called (in EUR'000)

Member States	Contribution to the Facility	Contribution to interest subsidies and technical assistance	Total contributed	Called and not paid
Austria	62,223	6,941	69,164	2,410
Belgium	91,930	10,222	102,152	5,295
Bulgaria	448	182	630	140
Cyprus	288	117	405	90
Czech Republic	1,632	663	2,295	510
Denmark	50,420	5,675	56,095	2,000
Estonia	160	65	225	50
Finland	35,148	4,038	39,186	1,470
France	562,411	60,332	622,743	19,550
Germany	546,115	60,216	606,331	20,500
Greece	30,417	3,707	34,124	1,470
Hungary	1,760	715	2,475	-
Ireland	15,665	2,074	17,739	910
Italy	299,100	34,737	333,837	12,860
Latvia	224	91	315	70
Lithuania	384	156	540	120
Luxembourg	6,829	768	7,597	270
Malta	96	39	135	30
Netherlands	122,895	13,805	136,700	4,850
Poland	4,160	1,690	5,850	1,300
Portugal	23,633	2,889	26,522	1,150
Romania	1,184	481	1,665	370
Slovakia	672	273	945	210
Slovenia	576	234	810	180
Spain	145,249	18,596	163,845	7,850
Sweden	64,924	7,485	72,409	2,740
United Kingdom	308,457	37,500	345,957	-
Total as at 31 December 2016	**2,377,000**	**273,691**	**2,650,691**	**86,395**
Total as at 31 December 2015	**2,157,000**	**243,691**	**2,400,691**	**-**

(*) On 19 November 2016, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2017. As at 31 December 2016 EUR 86,395 were not paid in.

17 Contingent liabilities and commitments (in EUR'000)

	31.12.2016	31.12.2015
Commitments		
Un-disbursed loans	901,899	1,189,564
Un-disbursed commitment in respect of available-for-sale financial assets	244,050	298,355
Issued guarantees	8,627	798
Interest subsidies and technical assistance	334,553	352,036
Contingent liabilities		
Signed non-issued guarantees	35,337	10,000
Total contingent liabilities and commitments	**1,524,466**	**1,850,753**

18 Interest and similar income and expenses (in EUR'000)

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

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Held-to-maturity financial assets	-	4
Loans and receivables	102,580	86,305
Interest subsidies	4,118	4,076
Total interest and similar income	**106,698**	**90,385**

Included within the line item of "Loans and receivables" under interest income for the year ended 31 December 2016 is a total of EUR +15,700 relating to impaired financial assets (31 December 2015: EUR +15,869).

The main component of interest and similar expenses is as follows:

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Derivative financial instruments	-1,142	-1,525
Cash and cash equivalents	-752	-31
Held-to-maturity financial assets	-413	-
Total interest and similar expenses	**-2,307**	**-1,556**

19 Fee and commission income and expenses (in EUR'000)

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

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Fee and commission on loans and receivables	515	890
Fee and commission on financial guarantees	183	42
Other	1	-
Total fee and commission income	**699**	**932**

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

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Commission paid to third parties with regard to available-for-sale financial assets	-48	-63
Total fee and commission expenses	**-48**	**-63**

20 Net realised gains on available-for-sale financial assets (in EUR'000)

The main components of net realised gains on available-for-sale financial assets are as follows:

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Net proceeds from available-for-sale financial assets	2,159	834
Dividend income	4,345	33,044
Net realised gains on available-for-sale financial assets	**6,504**	**33,878**

21 General administrative expenses (in EUR'000)

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.

	From 01.01.2016 to 31.12.2016	From 01.01.2015 to 31.12.2015
Actual cost incurred by the EIB	-45,858	-45,506
Income from appraisal fees directly charged to clients of the Facility	2,375	2,461
Total general administrative expenses	**-43,483**	**-43,045**

22 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 un-disbursed commitments.

Type of structured entity	Caption	Carrying amount at 31.12.2016	Carrying amount at 31.12.2015	Maximum exposure to loss at 31.12.2016	Maximum exposure to loss at 31.12.2015
Venture capital funds	Available-for-sale financial assets	437,788	396,203	672,222	645,833
Total		**437,788**	**396,203**	**672,222**	**645,833**

23 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 will be 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 will take the form of first loss guarantees ("first loss pieces") that will 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 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 will apply 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 will also allow 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.

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

Type of IFE investment	Caption	Carrying amount at 31.12.2016	Carrying amount at 31.12.2015	Undisbursed amount at 31.12.2016	Undisbursed amount at 31.12.2015
Social impact equity funds	Available-for-sale financial assets	5,021	2,257	19,567	16,927
Loans to financial intermediaries	Loans and receivables	23,702	-	46,958	10,000
Risk sharing facilitating instruments	Issued guarantees	-288	-	33,719	-
Direct financing – equity participations	Available-for-sale financial assets	39,986	-	14	40,000
Total		**68,421**	**2,257**	**100,258**	**66,927**

24 Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2016 financial statements.