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REPORT FROM THE COMMISSION TO THE COUNCIL

**for 2017 on the implementation of the financial assistance provided to the Overseas
Countries and Territories under the 11th European Development Fund**

Introduction

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

Financial support to the OCTs is provided mainly through the European Development Fund (EDF), with an amount of EUR 364.5 million being allocated under the 11th EDF for the 2014-2020 programming period.⁴

In compliance with Article 91 of the OAD, this report highlights the progress achieved in the implementation of 11th EDF resources for OCTs for the year 2017.

Financial Resources under the 11th EDF-OCT

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

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

In accordance with the criteria established in the OAD, **sixteen OCTs are considered eligible for a territorial allocation under the 11th EDF.**⁵ It should be noted that Greenland is funded directly by the EU general budget on the basis of the "Greenland Decision".⁶

The four regional programmes seek to foster cooperation among OCTs of the same region sharing a similar set of challenges and priorities. Actions financed under the regional allocation support the elaboration and implementation of comprehensive regional programmes and projects for addressing these challenges. Partnerships with other funding sources,

¹ Council Decision 2013/755/EU on the Association of the Overseas Countries and Territories with the European Union.

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

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

⁴ L210/1 of 6.8.2013 - Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies

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

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

including other European Union financial instruments, through cooperation with the neighbouring African Caribbean Pacific (ACP) countries and/or third countries, as well as the Outermost Regions of EU, are actively encouraged.

Programming process for the 11th EDF-OCT

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

Only **one formal Commission Decision** is taken to approve each OCT's Programming Document, covering both the strategic orientations as well as the detailed programme design. This means that a Programming Document cannot be adopted before the strategy and an Action Document have been elaborated and formally agreed upon. **Budget support** is the preferred implementation modality for territorial allocations in the OCTs.

OCTs maintain the primary responsibility for the establishment of Programming Documents, including the priorities upon which their strategies are based and ensuring the necessary local consultation. Upon request from OCTs, Technical Assistance has been made available to accompany the OCTs in the programming process, in line with Article 81 of the OAD.

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

Detailed **programming instructions** specifically addressed to the OCTs have been drawn up, and have served as a basis to guide the countries and territories. These guidelines include both orientation as well as dedicated templates regarding the different stages for the elaboration of the Programming Document.

The **EU's Budget Support Guidelines** (Annex 10) revised in September 2017 include specific, more flexible, guidance on the approval and management of budget support operations in the OCTs, as well as in other Small Islands Developing States (SIDS).

In order to promote cooperation between OCTs, ACP/neighbouring countries and Outermost Regions, an **orientation note** was drawn up to facilitate and encourage common projects funded by the EDF and the European Regional Development Fund (ERDF).

For territorial allocations, budget support has been proposed as the implementation modality by most OCTs, and in several cases it represents a positive shift away from the project modality previously used, notably for Curaçao, French Polynesia, Sint Eustatius, and Wallis and Futuna. Budget support offers in fact an efficient way of addressing cross-cutting, long-term and structural challenges and threats.

Situation in 2017

a) Hurricaines in the Caribbean region

In September 2017, two Category 5 Hurricanes, Irma and Maria, impacted several Caribbean Overseas Countries and Territories, bringing life-threatening winds (300km/h), storm surges and heavy rainfall, resulting in widespread damages to housing and basic infrastructure. The most severely affected OCTs were Anguilla, Sint Maarten and Turks and Caicos Island, St

⁷ Part Four of the Overseas Association Decision

Barthélemy and the British Virgin Islands. Montserrat, Saba, and Sint Eustatius have also been damaged.

In the aftermath of the hurricanes, several meetings have been organised by the European Commission, the affected OCTs and their Member States to share without delay all relevant information about emergency/humanitarian aid with OCTs and Member States.

The Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) provided an immediate relief support to the **Turks and Caicos Islands** (EUR 60 000) and to **Sint Maarten** (EUR 80 000) through a regional programme with the Pan-American Health Organisation (PAHO). The interventions focus on small rehabilitation works in affected **health infrastructures**, to re-establish immediate services, ensure access to safe water in health facilities and epidemiological surveillance of vulnerable communities.

In addition, the European Civil Protection Mechanism was activated for Sint Maarten by the Netherlands, for aerial evacuation from Sint Maarten as well as to pay for the transport costs of a Dutch vessel which brought Dutch in-kind assistance to Sint Maarten, including cars, trucks and heavy machinery.

The Directorate-General for International Cooperation and Development actively worked together with the authorities to ensure that 11th EDF territorial and regional programmes are adjusted to address the situation post-IRMA in OCTs and to support them in their efforts to become more resilient. In this respect, and as part of the relief efforts, the disbursement of **EUR 3.6 million** and **EUR 4 million** were immediately realised through the 11th EDF budget support programmes to the education sectors of **Anguilla** and the **Turks and Caicos Islands**.

Moreover, a new horizontal component on resilience will be added **under the framework of the 11th EDF Caribbean Regional Programme** to support long term resilience building in the OCTs, in line with the European Consensus on Development which underlines the commitment to build resilience.

Concerning a possible mobilisation of the non-allocated reserve B (EUR 21.5 million) under the 11th EDF, the Directorate-General for International Cooperation and Development is assessing requests that have been put forward by the most affected OCTs. In this respect, an indicative envelope of EUR 5 million has been reserved as part of the envelope of EUR 60.5 million pledged by the EU Commissioner for International Cooperation and Development, on behalf of the European Union, to support reconstruction efforts in affected territories and countries during a high-level donor conference that took place in New York on 21 November 2017.

b) Consultations undertaken

Since the start of the programming exercise in December 2013, the European Commission has actively supported the OCTs throughout the entire programming process by funding and/or facilitating the organisation of specific seminars, workshops and conferences in order to allow reflection on common priorities and objectives. These exchanges have been numerous and particularly fruitful throughout the entire year 2017.

Building on the outcomes of different consultation meetings of 2016, the week of the 15th OCT-EU Forum (22-26 February 2017) represented the perfect occasion for OCTs to meet regionally and advance in the programming process, allowing Caribbean and Pacific OCTs to respectively advance and conclude the identification phase for their regional programmes.

Subsequently, the **regional seminar of 2-3 April 2017** and the **seminar workshops for Pacific OCTs⁸ of 24-27 October in Nouméa** allowed to finalise the formulation phase. During the seminar, particular attention has been given to define possible synergies between the ACP regional programme and further progress on regional integration, and cooperation with the neighbour ACP countries.

Concerning the **Caribbean Regional Programme**, the **regional workshop** that took place at the end of November 2017 in Bonaire, contributed to constructively advance the formulation phase following the aftermath of hurricanes in the region. The workshop allowed not only to add a new horizontal component on resilience, but also to progress with the choice of the implementing partner and with the indicative allocation of the budget per component.

Fruitful exchanges also took place among the OCTs and the services of the European Commission concerning the thematic intra-OCT programme. In particular, the **Partnership Working Party (PWP) on Environment and Climate Change of July 2017** provided an occasion to further advance with the programming of the **climate change component of the 11th EDF thematic programme**. This meeting built upon and complemented the outcomes of the PWP on Environment and Climate Change of July 2016 that focussed on the *other component* of the thematic envelope, **sustainable energy**.

The OCTs and the European Union also reaffirmed their strong engagement on renewable energy in occasion of the **3rd Energy Ministers Summit and the workshop on marine energy** that took place in Brussels on 6-7 December 2017.⁹

Furthermore, the reflections on common strategic priorities were advanced through the instances of dialogue of the Association established under the OAD. **At the technical level, four tripartite meetings between the Commission, OCT representatives and the Member States to which they are linked were organised in 2017**, offering an opportunity for dialogue between the Commission, the OCTs and Members States' representatives, and for monitoring progression, the implementation and the programming of 11th EDF resources.

At the political level, during the **15th OCT-EU Forum of February 2017** – building upon the conclusions of the 14th OCT-EU Forum of 2016 – the EU, the OCTs and their Member States reaffirmed their strong commitment to building resilience and sustainability for lasting solutions to complex and common challenges, such as climate change, disaster risks reduction and renewable energy, and recognised the importance of regional cooperation, thus feeding directly in the thematic and regional programmes.

Finally, the **trilateral meetings** between the Commission, the Territorial/Regional Authorising Officers of the OCTs and the Member States to which the OCTs are linked, held in the margin of the 15th OCT-EU Forum, provided an opportunity to discuss and tackle any eventual issues linked with the programming and implementation of financial resources, and concretely plan the forthcoming steps.

c) 11th EDF territorial and regional programmes

Thanks to the common engagement of all the parties concerned, significant achievements have been attained in terms of programming the 11th EDF resources in 2016 and 2017.

2016 and 2017 saw the full **mobilisation of Technical Assistance (TA)** to support Territorial and Regional Authorising Officers in the programming process, in line with Article 81 of the OAD. At the end of 2017, TA contracts or studies to define OCTs' sectoral strategies or to

⁸ New Caledonia, Wallis & Futuna, French Polynesia and Pitcairn

⁹ The events were financed respectively under the 11th EDF Technical Cooperation Facility and the EU Technical Assistance Facility for Sustainable Energy

establish OCTs' eligibility for budget support have been contracted for a total amount of EUR 3.64 million under the 11th EDF Technical Cooperation Facilities I and II.

At the territorial level, **all EU Response Strategies** have been endorsed (with the exception of Curaçao and Saint Maarten), whilst **Saint Helena** has completed the identification phase in the second trimester 2017 and has completed the formulation phase in December 2017.

In addition to the Programming Documents of **Saint Pierre & Miquelon**, which had been signed in autumn 2016, the five Programming Documents for **New Caledonia, Turks and Caicos Islands, Saba, Saint Eustatius and Anguilla** were signed with Commissioner Neven Mimica during the 15th OCT-EU Forum held in Aruba in February 2017.

Furthermore, four other Programming Documents for the **Falkland Islands, Pitcairn, Wallis & Futuna and French Polynesia** have been adopted at the end of the year. In addition, the adoption procedure for the Programming Document for **Montserrat** has been launched in December 2017 and adoption is foreseen for the second week of January 2018.

In financial terms this translated in almost 75 % of the total territorial financing resources.

At the regional level, as indicated above, **the Pacific Regional Programme** is the first regional programme that has concluded the formulation phase, whilst the **Caribbean Regional Programme** has successfully completed the identification phase.

Concerning the latter, it has to be noted, as mentioned in the section above, that following the passage of hurricanes Irma and Maria in the Caribbean basin, OCTs agreed during the workshop in Bonaire in November 2017 to reduce in scope the energy component, whilst reorienting about EUR 20 million to build resilience.

For the **Indian Ocean** and the **intra-OCTs thematic Regional Programme**, the identification phase is ongoing.

On a final note, the programming exercise for the **11th EDF supporting measures to the OCTs Association (OCTA)** for a total amount of EUR 1.1 million for the years 2018 – 2019 was also completed in 2017. These measures will support the functioning of OCTA as an institution, which provides a forum for an effective working relationship with the EU and supports the collective interests of its Members in several areas of mutual interest within the EU-OCT Association.

Building on the progress achieved in 2016, 2017 has therefore been a crucial year for the EU-OCT partnership, which saw a significant acceleration of the 11th EDF programming exercise in terms of regional allocations, *inter alia* through enhanced coordination, and almost a completion of the programming of the territorial envelopes.

d) Implementation of the 11th EDF

The implementation of the 11th EDF sector performance reform programmes for Saint Pierre and Miquelon, New Caledonia, Anguilla, Saba, Sint Eustatius and the Turks and Caicos Islands are currently ongoing and on-track, whilst the Financing Agreement for the Falkland Islands was signed on 4 December 2017. In this context, particular accent has been placed on dialogue with partner OCTs.

Specifically, in June 2017 the Commission successfully disbursed the second tranche of EUR 6 million to **Saint Pierre et Miquelon**, which together with the payment of EUR 7 million in 2016 represents almost 50 % of the execution of the total envelope of EUR 26.35 million in support to the sustainable tourism and maritime services sector. This is the result *inter alia* of a constructive policy dialogue between Saint Pierre et Miquelon and the

European Commission, which started in October 2016, and continued in 2017 at technical level.

In addition to the payments of the first tranches for the 11th EDF budget support programmes for the **Turks and Caicos Island** (EUR 4 million) and **Anguilla** (EUR 3.6 million) as part of the immediate effort to provide a swift response in the aftermath of hurricanes Irma and Maria mentioned in the section above; the first tranche of EUR 5.76 million under the 11th EDF was disbursed in December 2017 to **New Caledonia**, in support to its employment and transition work sector. For the latter, policy dialogue with the Government of New Caledonia, carried out on regular basis throughout 2017, has allowed to address important priorities especially concerning the employment sector policy and its implementation.

Finally, satisfactory progress have also been made in the implementation of **Saba's** Energy Sector Strategy, for which the first fixed tranche of EUR 1.9 million under the 11th EDF was fully disbursed in December 2017.

European Investment Bank (EIB)

Under the OCT Investment Facility out of the EUR 5 million envelope from the 11th EDF funding for interest rate subsidies and technical assistance for OCTs managed by the EIB, EUR 25 500 have been used for an interest rate subsidy on an operation in Tahiti (French Polynesia) following cancellation of the outstanding loan amount.

Under the OCT Investment Facility, two new operations have been signed during 2017: a credit line with Banque Caledonienne d'Investissement for an amount of EUR 20 million to part-finance projects being undertaken by private enterprises and public sector entities in New Caledonia. Under the framework loan with the Caribbean Development Bank aiming at climate mitigation, adaptation and climate-resilience lending, an amount of EUR 3.8 million has been earmarked for OCTs.

The OAD also envisages further financing (up to EUR 100 million over the period 2014-2020) by the EIB from its own resources¹⁰.

Under the OCT Own Ressources Envelope, the EIB concluded one loan agreement with New Caledonia in 2015, providing an investment loan of EUR 20 million for the construction of a new hospital to be the leading hospital for the whole territory, replacing four existing hospitals. The project is undertaken in close cooperation with the French Development Agency (*Agence Française de Développement*). Following the completion of the ratification process for the Guarantee Agreement by all Member States, the loan has been fully disbursed on 1 September 2016.

Looking ahead

2018 will be particularly important for OCTs to efficiently conclude the programming exercise for their regional programmes, giving particular attention to the creation of synergies through increased and improved exchanges both between OCTs, and between OCTs, ACP countries and Outermost Regions.

At the same time, the European Commission will continue supporting the OCTs affected by hurricanes Irma and Maria in their reconstruction efforts and is working closely with them to address their needs in the best possible way.

¹⁰ A pipeline of three projects for a total amount of about EUR 80 million has been built up in the renewable energy and ICT sectors

On a more global note, the coming year will also be critical to further advance in reflections concerning the EU financial cooperation with OCTs in light of the outcomes of the 16th OCT-EU Forum and of the upcoming impact assessment for the next External Financing Instruments post-2020 and correspondent legislative proposals.