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REPORT FROM THE COMMISSION TO THE COUNCIL

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

Introduction

The Overseas Association Decision¹ (OAD) establishes the legal framework for the relations between the Overseas Countries and Territories² (OCTs), the Member States to which they are linked, and the European Union. 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 the OCTs and to promote the values of the Union in the wider world.

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

In compliance with Article 91 OAD, this report highlights progress achieved in the implementation of 11th EDF resources for OCTs for the year 2018.

Financial Resources under the 11th EDF-OCT

The 11th EDF resources available to OCTs are 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 OAD.

Sixteen OCTs are considered eligible for a territorial allocation under the 11th EDF, defined according to criteria established in the OAD. It should be noted that Greenland is funded directly by the general budget of the Union on the basis of the 'Greenland Decision'⁵.

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 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.

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

In addition to territorial and regional programmes, **the thematic programme**, the only “all OCTs” programme under the 11th EDF, will foster region-wide inter-OCT cooperation.

Programming process for the 11th EDF-OCT

Part Four of the Overseas Association Decision establishes **a programming process, which is specific to OCTs**. Unlike countries of the African, Caribbean, and Pacific (ACP) group of states, programming is not based on national indicative programmes but is organised around **a one-step process, 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 and the detailed programme design.

Budget support is the preferred implementation modality for territorial allocations in the OCTs (to date, twelve out of 16 OCTs benefitting from the EDF). This represents a positive shift away from the project modality previously used in several OCTs. Budget support offers an efficient way of addressing cross-cutting, long-term and structural challenges and maintain a constructive policy dialogue.

OCTs hold 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 OAD.

Situation in 2018

a) 11th EDF territorial implementation

Thanks to the common engagement of all parties concerned, progress has been made in the programming of the 11th EDF in 2018 through enhanced coordination and dialogue. With the adoption of the 11th EDF Programming Documents for Saint Helena and Montserrat, twelve out of 16 OCTs with a territorial allocation finalised their programming end-2018. Several other OCTs have made significant progress in view of a finalisation early 2019⁶. In terms of implementation, during 2018, EUR 58.62 million were disbursed under the 11th EDF for OCTs (see Annex 1).

As regards implementation during 2018:

Caribbean region:

- In the sector of **sustainable energy**, the disbursements of the budget support programmes in Sint Eustatius (first and second fixed tranche: EUR 2.2 million) and

⁶ The territorial programmes for Aruba (EUR 13.05 million) and Bonaire (EUR 3.95 million) were adopted in February 2019. The programming process for Curacao (EUR 16.95 million) and Sint Maarten (EUR 7 million) is ongoing, with a planned adoption date in 2019/2020.

Saba (second fixed tranche: EUR 1.4 million) were completed, resulting in increased resilience of the sector, renewable energy production and more stable grids.

- In the **education** sector, progress was made supported by the ongoing budget support programmes of Anguilla (second fixed tranche: EUR 1.75 million + 2.8 million B-envelope top up) and Turks and Caicos (second fixed tranche: EUR 1 million + first variable tranche: EUR 3.8 million + 2 million from B-envelope top up), making **primary education, secondary education and technical and vocational education and training** more relevant in meeting the current and future needs of the labour market.
- The year 2018 also saw the **adoption and signature of the 11th EDF Programming Document for Montserrat** (EUR 18.4 million) to support **economic growth**, as well as to foster developments in focal sector policies such as renewable energy and tourism. The first disbursement took place (first fixed tranche: EUR 5.4 million + EUR 0.32 million B-envelope top up). This budget support programme represents a continuation of the 10th EDF budget support programme contributing to the sustainable development plan of the island.

Pacific region:

- On **tourism**, French Polynesia (first fixed tranche: EUR 7.45 million) progressed on its sectoral policy, supported by a sector budget support programme, attracting tourists and generating employment. The 11th EDF Programming Document on tourism for the Pitcairn Islands was adopted in 2017 and signed in 2018, representing a continuation of the 10th EDF budget support programme in the same sector, which was completed in 2018.
- In the **employment sector**, New Caledonia continued the implementation of its policy aimed at increasing employability, in particular through technical and vocational training.
- On **digital development and connectivity**, Wallis and Futuna have made considerable advancements on their digital strategy (disbursement of the first fixed tranche: EUR 12 million). At a time when digital accessibility is essential and offers new economic opportunities, the programme is supporting in particular the roll-out of the Tui-Samoa broadband cable to Wallis and Futuna, delivering high-speed broadband connectivity.

Other OCTs:

- Both the Falkland Islands and Saint Helena benefitted from **connectivity** programmes under the 11th EDF. In Saint Helena, the **Programming Document was adopted** early 2018, and progress was made on the implementation of the digital strategy (disbursement of first fixed tranche: EUR 10 million). In the Falklands, first advancements were made towards strengthening the delivery of transport and connectivity related infrastructure (disbursement of first fixed tranche: EUR 2 million).
- On **tourism**, Saint-Pierre-et-Miquelon has seen an improved accessibility for tourists, with a result that during peak season Saint Pierre is now “fully booked” (disbursement of first variable tranche: EUR 3.25 million + third fixed tranche: EUR 3.25 million).

Generally and all along the year, the budget support programmes have led to regular policy dialogues with partner OCTs on public financial management reforms, sector policies and macroeconomic situation.

The year 2018 saw the mobilisation of **Technical Assistance** (TA) to support Territorial and Regional Authorising Officers in the programming process. At the end of 2018, TA contracts or studies to help defining OCTs' sectoral strategies or to establish OCTs' eligibility for budget support have been disbursed for a total amount of EUR 3.6 million under the 11th EDF Technical Cooperation Facilities I and II.

b) Regional cooperation under the 11th EDF

In 2018, significant progress was achieved through the adoption of all three 11th EDF Regional OCT Programmes:

- For the **Pacific**, the Regional Programme “PROTEGE” (*Projet régional océanien des territoires pour la gestion durable des écosystèmes* - EUR 36 million), signed in February 2018, will support the region's sustainable and resilient development by protecting biodiversity and renewable natural resources. It builds on the 10th EDF regional programme “INTEGRE” (*Initiative des territoires pour la gestion régionale de l'environnement* - EUR 12 million) that focused on integrated coastal management and the development of regional networks (such as organic farming, waste and adaptation to climate change).
- For the **Indian Ocean**, the Regional Programme (EUR 4 million) signed in February 2018 aims at improving the surveillance and observation of terrestrial and marine ecosystems in the French Southern and Antarctic Lands, restoring ecosystems and reinforcing the impact prevention mechanisms. The previous 10th EDF regional programme focused on improving the sustainable management of the natural heritage (both terrestrial and marine) of Mayotte and the Scattered Islands (EUR 3 million) through assessment and decision support tools.
- In the **Caribbean**, the Regional Programme “ReSEMBID” (Resilience Sustainable Energy and Marine Biodiversity, EUR 40 million) signed in October 2018 will strengthen environmentally sustainable economic development by focussing on resilience, sustainable energy and marine biodiversity. It will increase energy efficiency of infrastructure that has an high impact on energy consumption, improve protection and sustainable management of marine biodiversity and increase the capacity to adapt to extreme and recurrent natural events.

The formulation of the **11th EDF all-OCTs thematic programme** also made progress throughout 2018 with the agreement by all OCTs on the two focal sectors of sustainable energy and climate change (including resilience).⁷

Finally, EU support in 2018 to the **Overseas Countries and Territories Association (OCTA) through an operating grant** (EUR 1.1 million for two years) allowed the Association to reinforce its capacity to fulfil its mandate. This concerned in particular coordinating OCT partners to facilitate the dialogue with the EU, promote the partnership, and support the collective work of its members in several areas of mutual interest within the EU-OCT Association.

⁷ The Commission Financing Decision on this programme (C(2019)1595) was adopted in February 2019.

c) Hurricanes in the Caribbean region

In September 2017, two category 5 hurricanes impacted several Caribbean OCTs, bringing life-threatening winds, storm surges and heavy rainfall, resulting in widespread damage to housing and basic infrastructure. The most severely affected OCTs were Anguilla, Sint Maarten, Turks and Caicos Islands, Saint Barthélemy and the British Virgin Islands. Montserrat, Saba, and Sint Eustatius were also damaged.

The recovery strategy was based on a combination of emergency response until April 2018 and complementary actions at country and regional level, which continued throughout 2018. **The non-allocated B-envelope of EUR 21.5 million under the 11th EDF was mobilised in 2018 for an amount of EUR 15.04 million** to the benefit of Anguilla (EUR 2.8 million); Montserrat (EUR 0.32 million), Sint Maarten (EUR 7 million), British Virgin Islands (EUR 2 million) and Turks and Caicos Islands (EUR 2.92 million) **for post-emergency assistance.**⁸

In addition, Commission services worked actively together with OCT authorities to ensure that 11th EDF territorial and regional programmes were adjusted to address the post-hurricane situation in the OCTs and to support them in their resilience efforts. A horizontal component on resilience was included under the framework of the 11th EDF Caribbean Regional programme (EUR 40 million). Half of the total budget (EUR 20 million) was redirected to this component, to support long-term resilience building in the OCTs, in line with the European Consensus on Development. Under the EDF Natural Disaster Facility, a number of regional actions for disaster preparedness started in 2018 and included Anguilla, British Virgin Islands, Montserrat and Turks and Caicos.

d) Institutional Dialogue

Since the start of the programming exercise in December 2013, the Commission's services have actively supported OCTs throughout the entire programming process by facilitating the organisation of specific seminars, workshops and conferences in order to allow a reflection on common priorities and objectives. These exchanges have been numerous throughout 2018.

OCT-EU Forum

Building on the outcomes of different consultation meetings of 2017, the week of the **16th OCT-EU Forum** (19-23 February 2018) represented a good occasion to exchange views and discuss the post-2020 relationship between the OCTs and the EU.

In the **conclusions of the 16th OCT-EU Forum** (23 February 2018) the EU, the OCTs and the Member States to which the OCTs are linked reaffirmed their strong commitment to find sustainable answers to increasingly complex and interconnected challenges and reiterated their commitment to the sustainable energy transition, including increased access to modern energy services, renewable energy and energy efficiency.

At **technical level**, the **trilateral meetings** held in the margins of the 16th OCT-EU Forum between Commission representatives, the Territorial/Regional Authorising Officers of the OCTs, and the Member States to which the OCTs are linked, provided an opportunity to discuss issues linked with the programming and implementation of cooperation and to plan the forthcoming steps.

⁸ The two special support measures for Sint Maarten and the British Virgin Islands were adopted prior to the 17th OCT-EU 2019 Forum.

At **political level**, the **trilateral meetings** (22 February 2018) between the European Commissioner for International Cooperation and Development, Neven Mimica, OCTs Heads of Delegation, and the Members States to which the OCTs are linked, was a useful opportunity to highlight the political priorities for the OCTs and share their views on the post-2020 period.

In addition, an important **event on Ocean Policy, Governance and the potential of Blue Growth** took place on the day before the trilateral meetings (21 February 2018) with the participation of OCTs, Member States, the Commission and the Food and Agriculture Organization (FAO).

Tripartite meetings

Furthermore, the reflections on common strategic priorities were advanced through the different instances of dialogue of the Association established under the OAD. **At the technical level, five tripartite meetings between the Commission, OCT representatives and the Member States to which they are linked were organised in 2018** (January, April, July, October, December⁹), offering a platform for dialogue between the Commission, the OCTs and Members States' representatives in particular to monitor progress on the 11th EDF programming and implementation.

Partnership Working Parties and workshops

On 16 January 2018, a Partnership Working Party on **Trade & Regional Integration** took place to exchange on the various aspects relating to the preferential status of the OCTs in trade with the EU and on all wider trade issues of common interest.

A Partnership Working Party meeting on **Financial Services** took place on 13 March 2018, where the process of the EU Common list of non-cooperative jurisdictions for tax-purposes was discussed. At the end of May, an **international tax workshop** took place in Brussels to give the OCTs an overview of the international standards and criteria on which the EU bases its screening criteria and to facilitate the dialogue between OCT technical experts and international partners.

In November 2018, a **workshop on EU Programmes** was organised by OCTA with the support of the Commission. It aimed at strengthening the OCTs capacities to apply for the main EU programmes of interest to OCTs, such as Research and Innovation, COSME and Erasmus+.

European Investment Bank (EIB)

The OAD provides financial assistance to the OCTs through financial mechanisms managed by the EIB: the OCT Investment Facility (current endowment: EUR 48.5 million), the funding for interest rate subsidies and technical assistance (EUR 5 million) and the EIB's Own Resources (up to EUR 100 million over the period 2014-2020, under the 3rd Financial Protocol).

Under these three envelopes, no new operations were signed in 2018. Under the EIB OCT Investment Facility, operations are ongoing, amounting to EUR 61.4 million at end 2018 (this sum exceeds the initial capital endowment because the fund is revolving and some reflows have been lent out again). Regarding the envelope for interest rate subsidies and technical

⁹The tripartite meeting of December 2018 was organised by moving the tripartite meeting of early 2019 forward to better prepare the upcoming Forum.

assistance, only EUR 25,497 of the available EUR 5 million were used in 2014 for an interest rate subsidy operation in French Polynesia. Under the EIB Own Resources envelope for OCTs, 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.

With regard to remaining funds, pipelines are monitored and assessed with the objective to make full use of the available funds by end-2020.

Looking ahead

The year 2019 will be crucial for the OCTs, when the new Overseas Association Decision, the 2021-2027 EU Multiannual Financial Framework and the Post-Cotonou framework are being negotiated, coinciding also with the process of the United Kingdom's withdrawal from the EU.

In this context, a continued dialogue with the OCTs will be of utmost importance and political relevance. This process will be underpinned by a continued support to the OCT Association and to the OCTs through the Technical Cooperation Facility.

In parallel, the Commission will continue supporting the OCTs affected by hurricanes or emergencies in their reconstruction efforts, working closely with them to address their needs in the best possible way.

Finally, progress on the programming for the two remaining territorial programmes will be essential in 2019 in order to ensure the commitment of the entire envelope available for OCTs under the 11th EDF.¹⁰

¹⁰ The programming process for Curacao (EUR 16.95 million) and Sint Maarten (EUR 7 million) is ongoing, with a planned adoption date in 2019/2020.