EUROPEAN
COMMISSION

Brussels, 28.6.2023
COM(2023) 392 final

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

ANNUAL ACCOUNTS OF THE EUROPEAN DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2022

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CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2022 have been prepared in accordance with Title X of the Financial Regulation of the 11th European Development Fund and with the accounting principles, rules and methods set out in the notes to the financial statements.

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

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

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

Rosa ALDEA BUSQUETS

Accounting Officer

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; and
- The European Investment Bank.

Up until 2021 when the 11th European Development Fund (hereinafter referred to as the 'EDF') reached its final stage as the sunset clause came into effect on 31 December 2020, the EDF was the main instrument for providing 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'). However, from 2021 onwards EU cooperation with ACP countries and OCTs is funded through the EU budget.

The EDF is not funded by the EU budget. It was established by an Internal Agreement of the Representatives of the Member States, sitting within the Council, and is 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.

Each EDF is concluded for a period of around five years and is governed by its own Financial Regulation, which requires the preparation of specific financial statements. In addition, these financial statements are aggregated so as to provide a global view of the financial situation of the resources for which the Commission is responsible.

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

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

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

[1] OJ L 210, 6.8.2013, p. 1.
2 Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323.

2. HOW IS THE EDF FUNDED?

The Council of 2 December 2013 adopted the Regulation 1311/2013 laying down the multiannual financial framework for 2014-2020. In this context, it was decided that geographical cooperation with the ACP States would not be integrated into the EU budget, but would continue to be funded through the existing intergovernmental EDF.

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

The EDF resources are "ad hoc" contributions from the EU Member States. Approximately every five years, Member State representatives met at intergovernmental level and decided on an overall amount to be allocated to the fund and to oversee its implementation.

The Commission 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. EDF ACTIVITIES AFTER 31 DECEMBER 2020

The 8th EDF and 9th were closed in 2021. While all contracts under the 8th EDF are closed, there are 19 open contracts under the 9th EDF which should in principal close by 2024.

The 11th EDF has reached its final stage as the sunset clause came into effect on 31 December 2020. This clause sets a cut-off date for commitments meaning that as of 2021 no further financing agreements can be signed under the 11th EDF. However, specific contracts for the existing financing agreements will still be signed until 31 December 2023 (and even later for audit and evaluation). Furthermore, the implementation of the ongoing projects funded by the European Development Fund will continue until their final completion.

In the context of the current Multi-Annual Financial Framework 2021-2027, EU cooperation with ACP countries is integrated in the Neighbourhood, Development and International Cooperation Instrument – Global Europe. Similarly, the cooperation with OCTs is now covered by the Overseas Association Decision (OAD). This means that while up to 2021 the EDF programmes were funded by the voluntary contributions of EU Member States, as of 2021 development programmes will be funded through the EU budget. This also implies that the funding of development programmes are subject to the authorisation of the European Parliament and that the transactions have to comply with the EU financial regulations in the same way as other EU funded programmes.

4. YEAR-END REPORTING

4.1. ANNUAL ACCOUNTS

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

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

The annual accounts are presented as follows:

Part I: Funds managed by the Commission

(i) Financial statements and explanatory notes of the EDF

(ii) Financial statements of the EU trust funds consolidated in the EDF

(iii) Consolidated financial statements of EDF and the EU trust funds

(iv) Report on financial implementation of the EDF

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

(i) Financial statements of the Investment Facility

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

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

5. AUDIT AND DISCHARGE

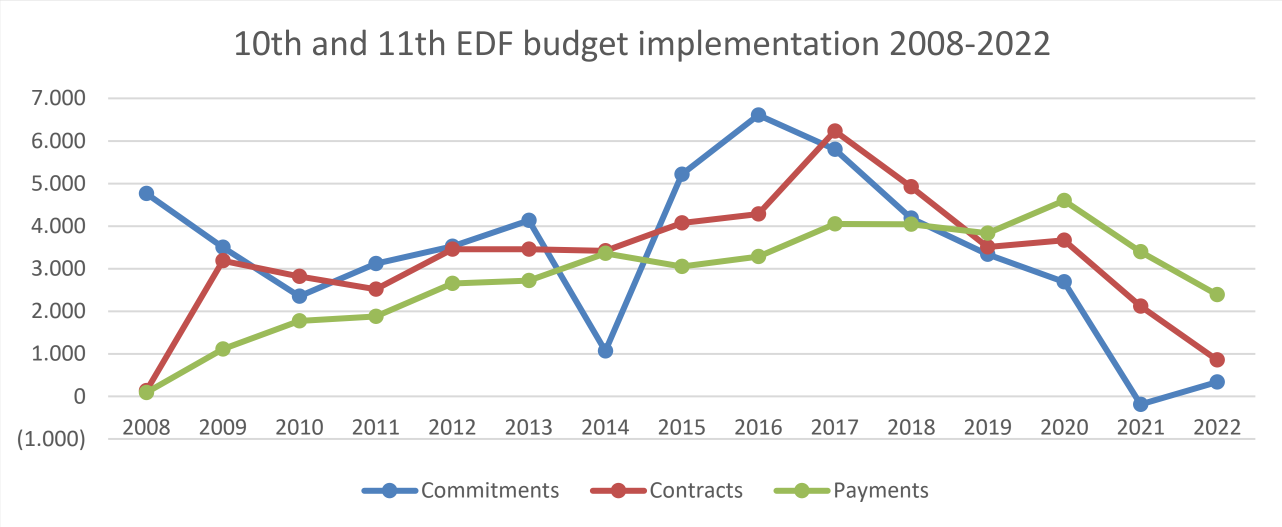
5.1. AUDIT

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

5.2. DISCHARGE

The final control of the financial implementation of the EDF resources for a given financial year is the discharge. Following the audit and finalisation of the annual accounts, it falls to the Council to recommend, and then to the European Parliament to decide, whether to grant discharge to the Commission for the financial implementation of the EDF resources for a given financial year. This decision is based on a review of the accounts and the annual report of the ECA (which includes an official statement of assurance) and replies of the Commission to questions and further information requests of the discharge authority.

HIGHLIGHTS OF FINANCIAL IMPLEMENTATION 2022



* Net amount, only 10th & 11th EDF

Budget implementation

In 2022 the financial implementation for the 10th and 11th EDF (individual commitments: EUR 853 million and payments EUR 2 386 million) was marked by the Council 's decision[3] to reuse EUR 600 million of decommitted funds from the 10th and 11th EDF.

The decision was adopted by the Council in order to finance actions addressing the food security crisis and economic shock in ACP countries following Russia's war of aggression against Ukraine. In particular, the funds will finance actions providing support up to EUR 350 million for food production and the resilience of food systems, up to EUR 100 million for macroeconomic support and up to EUR 150 million for humanitarian assistance.

The total amount of gross payments for all EDFs (EUR 2 452 million) represents 98.1% of the target of EUR 2 500 million communicated to the Member States.

Impact of the activities in the financial statements

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

- Pre-financing (see note **2.2**): a decrease of EUR 239 million largely as a result of fewer advances paid out due to the decrease in the number of contracts signed (EUR 2 118 million in 2021 vs EUR 853 million in 2022). Consequently, cash and cash equivalents increased by EUR 34 million as a result of the decrease in pre-financing and other payments (see note **2.5)**;

- Accrued Charges (see note **2.8**): an increase of EUR 123 million as a result of the increase in the number of open contracts at the end of the year for which no cost claims were validated by year-end and thus expenses had to be estimated;

- Operating expenses (see note **3.4**): an overall decrease in operating expenses of EUR 74 million mainly as a result of the winding down of the Trust Funds which resulted in a decrease in the contributions needed to cover their expenses. Despite this, expenses relating to emergency aid increased as decommitted funds from the 10th and 11th EDF were reused to combat the negative effects of the Russian war against Ukraine.

[3] Council Decision EU 2022/1223

FUNDS MANAGED BY THE EUROPEAN COMMISSION

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FINANCIAL STATEMENTS OF THE EDF

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

EDF BALANCE SHEET

EUR million

	Note	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
Financial assets	2.1	*67*	*39*
Pre-financing	2.2	*488*	*671*
Trust Fund contributions	2.3	*254*	*382*
Exchange receivables	2.4	*7*	*4*
		816	**1 096**
CURRENT ASSETS			
Financial Assets	2.1	*3*	*–*
Pre-financing	2.2	*1 396*	*1 453*
Exchange receivables and non-exchange recoverables	2.4	*27*	*35*
Cash and cash equivalents	2.5	*1 027*	*994*
		2 454	**2 481**
TOTAL ASSETS		**3 270**	**3 577**
NON-CURRENT LIABILITIES			
Financial liabilities	2.6	*(7)*	*(7)*
		(7)	**(7)**
CURRENT LIABILITIES			
Payables	2.7	*(426)*	*(501)*
Accrued charges	2.8	*(1 131)*	*(1 008)*
		(1 558)	**(1 509)**
TOTAL LIABILITIES		**(1 565)**	**(1 516)**
NET ASSETS		**1 705**	**2 061**
FUNDS & RESERVES			
Called fund capital - active EDFs	2.9	*65 100*	*62 643*
Called fund capital from closed EDFs carried forward	2.9	*2 252*	*2 252*
Economic result carried forward from previous years		*(62 834)*	*(59 860)*
Economic result of the year		*(2 813)*	*(2 974)*
NET ASSETS		**1 705**	**2 061**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2022	2021
REVENUE			
Revenue from non-exchange transactions			
Recovery activities	3.1	*18*	*27*
		18	**27**
Revenue from exchange transactions			
Financial revenue	3.2	*2*	*(26)*
Other revenue	3.2	*77*	*74*
		80	**48**
Total Revenue		**98**	**75**
EXPENSES			
Implemented by other entities	3.3	*(1)*	–
Aid instruments	3.4	*(2 789)*	*(2 864)*
Co-financing expenses	3.5	*4*	*(19)*
Finance costs	3.6	*(6)*	*(20)*
Other expenses	3.7	*(119)*	*(145)*
Total Expenses		**(2 911)**	**(3 049)**
ECONOMIC RESULT OF THE YEAR		**(2 813)**	**(2 974)**

EDF CASHFLOW STATEMENT

EUR m

	Note	2022	2021
Economic result of the year		*(2 813)*	*(2 974)*
Operating activities			
Capital increase - contributions (net)		*2 458*	*3 657*
(Increase)/decrease in trust funds contributions		*128*	*12*
(Increase)/decrease in pre-financing		*239*	*101*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*5*	*105*
Increase/(decrease) in provisions		*1*	*–*
Increase/(decrease) in financial liabilities		*(1)*	*5*
Increase/(decrease) in payables		*(75)*	*(114)*
Increase/(decrease) in accrued charges and deferred income		*123*	*(519)*
Other non-cash movements		*–*	*–*
Investing activities			
(Increase)/decrease in non-derivative financial assets at fair value through		*(31)*	*(7)*
NET CASHFLOW		**34**	**266**
Net increase/(decrease) in cash and cash equivalents		*34*	*266*
Cash and cash equivalents at the beginning of the year	2.5	*994*	*728*
Cash and cash equivalents at year-end	2.5	*1 027*	*994*

EDF STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Fair value reserve (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2020	**73 041**	**14 055**	**58 986**	**(59 854)**	**2 252**	**(5)**	**1 379**
Impact of revised EAR 11				*(5)*		*5*	
BALANCE AS AT 01.01.2021	**73 041**	**14 055**	**58 986**	**(59 860)**	**2 252**	**–**	**1 379**
Capital increase - contributions	*(43)*	*(3 700)*	*3 657*	*–*	*–*		*3 657*
Economic result of the year	*–*	*–*	*–*	*(2 974)*	*–*		*(2 974)*
BALANCE AS AT 31.12.2021	**72 998**	**10 355**	**62 643**	**(62 834)**	**2 252**	**–**	**2 061**
Capital increase - contributions	*(43)*	*(2 500)*	*2 457*	*–*	*–*		*2 457*
Economic result of the year	*–*	*–*	*–*	*(2 813)*	*–*		*(2 813)*
BALANCE AS AT 31.12.2022	**72 955**	**7 855**	**65 100**	**(65 647)**	**2 252**	**–**	**1 705**

BALANCE SHEET BY EDF

EUR million

		31.12.2022					31.12.2021				
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
NON-CURRENT ASSETS											
Financial assets	2.1	–	–	*(1)*	*67*	*67*	–	–	*(2)*	*41*	*39*
Pre-financing	2.2	–	–	*221*	*267*	*488*	–	–	*219*	*452*	*671*
Trust Fund contributions	2.3	–	*31*	*9*	*213*	*254*	–	*31*	*9*	*341*	*382*
Exchange receivables	2.4	–	–	–	*7*	*7*	–	–	–	*4*	*4*
		–	**31**	**229**	**555**	**816**	**–**	**31**	**226**	**839**	**1 096**
CURRENT ASSETS											
Financial Assets	*2.1*	–	–	–	*3*	*3*	–	–	–	–	–
Pre-financing	2.2	–	*14*	*427*	*954*	*1 396*	–	*14*	*353*	*1 085*	*1 453*
Exchange receivables and non-exchange recoverables	2.4	–	–	*10*	*16*	*27*	*180*	*(314)*	*1 296*	*(1 127)*	*35*
Inter-EDF accounts		*180*	*(369)*	*803*	*(612)*	–	*181*	*(316)*	*1 279*	*(1 144)*	–
Cash and cash equivalents	2.5	–	–	–	*1 027*	*1 027*	–	–	–	*994*	*994*
		180	**(355)**	**1 240**	**1 389**	**2 454**	**361**	**(615)**	**2 928**	**(192)**	**2 481**
TOTAL ASSETS		**180**	**(324)**	**1 469**	**1 945**	**3 270**	**361**	**(584)**	**3 154**	**646**	**3 577**
NON-CURRENT LIABILITIES											
Financial liabilities	2.6	–	–	–	*(7)*	*(7)*	–	–	–	*(7)*	*(7)*
		–	**–**	**–**	**(7)**	**(7)**	**–**	**–**	**–**	**(7)**	**(7)**
CURRENT LIABILITIES						–					
Payables	2.7	–	–	*(34)*	*(391)*	*(426)*	–	–	*(27)*	*(473)*	*(501)*
Accrued charges	2.8	–	*(7)*	*(119)*	*(1 006)*	*(1 131)*	–	*(6)*	*(110)*	*(892)*	*(1 008)*
		–	**(7)**	**(153)**	**(1 397)**	**(1 558)**	**–**	**(6)**	**(138)**	**(1 365)**	**(1 509)**
TOTAL LIABILITIES		**–**	**(7)**	**(153)**	**(1 404)**	**(1 565)**	**–**	**(6)**	**(138)**	**(1 372)**	**(1 516)**
						–					
NET ASSETS		**180**	**(331)**	**1 315**	**541**	**1 705**	**361**	**(591)**	**3 016**	**(725)**	**2 061**
Called fund capital - active EDFs	2.9	*12 164*	*10 450*	*20 960*	*21 527*	*65 100*	*12 164*	*10 492*	*20 960*	*19 027*	*62 643*
Called fund capital from closed EDFs carried forward	2.9	*627*	*1 625*	–	–	*2 252*	*627*	*1 625*	–	–	*2 252*
Called fund capital transfers between active EDFs	2.9	*(2 513)*	*2 010*	*(38)*	*541*	–	*(2 512)*	*2 018*	*101*	*394*	-

EUR million

		31.12.2022					31.12.2021				
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Economic result carried forward from previous years		*(10 098)*	*(14 410)*	*(19 325)*	*(19 001)*	*(62 834)*	*(10 098)*	*(14 404)*	*(19 065)*	*(16 293)*	*(59 860)*
Economic result of the year		*–*	*(6)*	*(282)*	*(2 526)*	*(2 813)*	*(1)*	*(6)*	*(260)*	*(2 708)*	*(2 974)*
NET ASSETS		**180**	**(331)**	**1 315**	**541**	**1 705**	**180**	**(274)**	**1 737**	**419**	**2 061**

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR million

		2022					2021				
	Note	Eighth	Ninth	10th	11th	Total	Eighth	Ninth	10th	11th	Total
REVENUE											
Revenue from non-exchange											
Recovery activities	3.1	–	*(1)*	*(8)*	*28*	*18*	–	–	*1*	*26*	*27*
		–	**(1)**	**(8)**	**28**	**18**	**–**	**–**	**1**	**26**	**27**
Revenue from exchange transactions											
Financial revenue	3.2	–	–	*2*	*1*	*2*	–	–	*(22)*	*(4)*	*(26)*
Other revenue	3.2	–	*3*	*8*	*66*	*77*	–	*5*	*14*	*55*	*74*
		–	**3**	**10**	**67**	**80**	**–**	**5**	**(8)**	**51**	**48**
Total revenue		**–**	**1**	**2**	**94**	**98**	**–**	**5**	**(7)**	**78**	**75**
EXPENSES											
Implemented by other entities	3.3	–	–	–	*(1)*	*(1)*	–	–	–	–	–
Aid instruments	3.4	–	*(5)*	*(295)*	*(2 489)*	*(2 789)*	–	*(7)*	*(214)*	*(2 644)*	*(2 864)*
Co-financing expenses	3.5	–	–	*22*	*(18)*	*4*	–	–	*(0)*	*(19)*	*(19)*
Finance costs	3.6	*1*	*2*	*(3)*	*(5)*	*(6)*	–	*7*	*(23)*	*(3)*	*(20)*
Other expenses	3.7	-	*(5)*	*(8)*	*(107)*	*(119)*	–	*(11)*	*(16)*	*(119)*	*(145)*
Total expenses		**1**	**(7)**	**(284)**	**(2 620)**	**(2 911)**	**–**	**(12)**	**(252)**	**(2 785)**	**(3 049)**
ECONOMIC RESULT OF THE YEAR		**1**	**(6)**	**(282)**	**(2 526)**	**(2 813)**	**-**	**(8)**	**(259)**	**(2 708)**	**(2 974)**

STATEMENT OF CHANGES IN NET ASSETS BY EDF

EUR million

Eighth EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E) +(F)
BALANCE AS AT 31.12.2020	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 512)**	**181**
Transfers to/from the 10th EDF			–			–	–
BALANCE AS AT 31.12.2021	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 512)**	**181**
Transfers to/from the 10th EDF			–			*(1)*	*(1)*
BALANCE AS AT 31.12.2022	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 513)**	**180**

EUR million

Ninth EDF	Fund	Uncalled	Called fund capital	Cumulative	Called fund	Called fund	Total Net
BALANCE AS AT 31.12.2020	**10 550**	**15**	**10 535**	**(14 404)**	**1 625**	**2 041**	**(203)**
Transfers to/from the 10th EDF		–	–				–
Transfers to/from the 10th EDF			–			*(23)*	*(23)*
Refund to Member States	*(43)*		*(43)*				*(43)*
Economic result of the year			–	*(6)*			*(6)*
BALANCE AS AT 31.12.2021	**10 507**	**15**	**10 492**	**(14 410)**	**1 625**	**2 018**	**(274)**
Capital increase - contributions		–	–				–
Transfers to/from the 10th EDF			–			*(8)*	*(8)*
Refund to Member States	*(43)*		*(43)*				*(43)*
Economic result of the year			–	*(6)*		–	*(6)*
BALANCE AS AT 31.12.2022	**10 464**	**15**	**10 450**	**(14 416)**	**1 625**	**2 010**	**(331)**

EUR million

10th EDF	Fund capital -	Uncalled	Called fund	Cumulative	Called fund	Fair value	Total Net
BALANCE AS AT 31.12.2020	**20 960**	**–**	**20 960**	**(19 063)**	**188**	**(2)**	**2 084**
Impact of revised EAR 11				*(2)*		*2*	*–*
BALANCE AS AT 01.01.2021	**20 960**	**–**	**20 960**	**(19 065)**	**188**	**–**	**2 084**
Transfers to/from the Eighth and			*–*		*23*		*23*
Transfers to/from the 11th EDF			*–*		*(110)*		*(110)*
Economic result of the year			*–*	*(260)*			*(260)*
BALANCE AS AT 31.12.2021	**20 960**	**–**	**20 960**	**(19 324)**	**101**	**–**	**1 737**
Transfers to/from the Eighth and			*–*		*9*		*9*
Transfers to/from the 11th EDF			*–*		*(148)*		*(148)*
Economic result of the year			*–*	*(282)*			*(282)*
BALANCE AS AT 31.12.2022	**20 960**	**–**	**20 960**	**(19 606)**	**(38)**	**–**	**1 315**

EUR million

11th EDF	Fund	Uncalled	Called fund	Cumulative	Called fund	Called fund	Fair value	Total Net
BALANCE AS AT 31.12.2020	**29 367**	**14 040**	**15 327**	**(16 290)**	**–**	**283**	**(4)**	**(683)**
Impact of revised EAR 11				*(4)*			*4*	*-*
BALANCE AS AT 01.01.2021	**29 367**	**14 040**	**15 327**	**(16 294)**	**–**	**283**	**-**	**(683)**
Capital increase - contributions		*(3 700)*	*3 700*			*110*		*3 810*
Economic result of the year			*–*	*(2 708)*		*–*		*(2 708)*
BALANCE AS AT 31.12.2021	**29 367**	**10 340**	**19 027**	**(19 002)**	**–**	**394**	**–**	**419**
Capital increase - contributions		*(2 500)*	*2 500*			*148*		*2 648*
Economic result of the year			*–*	*(2 526)*		*–*		*(2 526)*
BALANCE AS AT 31.12.2022	**29 367**	**7 840**	**21 527**	**(21 528)**	**–**	**541**	**–**	**541**

NOTES TO THE FINANCIAL STATEMENTS OF THE EDF

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

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

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

1.2. BASIS OF PREPARATION

1.2.1. Reporting period

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

1.2.2. Currency and basis for conversion

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

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

Euro exchange rates

Currency	31.12.2022	31.12.2021	Currency	31.12.2022	31.12.2021
BGN	**1.9558**	1.9558	**PLN**	**4.6808**	4.5969
CZK	**24.1160**	26.8580	**RON**	**4.9495**	4.9490
DKK	**7.4365**	7.4364	**SEK**	**11.1218**	10.2503
GBP	**0.88693**	0.84028	**CHF**	**0.9847**	1.0331
HRK	**7.5345**	7.5156	**JPY**	**140.6600**	130.3800
HUF	**400.8700**	369.1900	**USD**	**1.0666**	1.1326

1.2.3. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to: amounts for employee benefit liabilities, financial risk of accounts receivable and the amounts disclosed in the notes concerning financial instruments, impairment allowance for financial assets at amortised cost and for financial guarantee contract liabilities, accrued revenue and charges, provisions, degree of impairment of intangible assets and property, plant and equipment, net realisable value of inventories, contingent assets and liabilities. Actual results could differ from those estimates.

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

1.2.4. Application of new and revised European Union Accounting Rules (EAR)

New EAR which are effective for annual periods beginning on or after 1 January 2022

There are no new EAR which became effective for annual periods beginning on or after 1 January 2022.

New EAR adopted but not yet effective at 31 December 2022

There were no new EAR adopted during 2022.

1.3. BALANCE SHEET

1.3.1. Financial assets

Classification at initial recognition

The classification of the financial instruments is determined at initial recognition. Based on the management model and the asset contractual cash-flow characteristics the financial assets can be classified in three categories: Financial assets at amortised cost ('AC'), financial assets at fair value through net assets/equity ('FVNA') or financial assets at fair value through surplus or deficit ('FVSD').

(i) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets that meet two conditions: (1) The entity holds them in order to collect the contractual cash flows. (2) On specified days, there are contractual cash flows that are solely payments of the principal and interest on the outstanding principal.

This category comprises:

- Cash and cash equivalents;
- Loans (including term deposits with original maturity of more than three months);
- Exchange receivables

Financial assets at amortised cost are included in current assets, except for those with maturity of more than 12 months from the reporting date.

(ii) Financial assets at fair value through net assets/equity

These non-derivatives financial assets have contractual cash flows that represent only principal and interest on the outstanding principal. In addition, the management model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets.

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

The entity does not hold such assets at 31 December 2021.

(iii) Financial assets at fair value through surplus or deficit

The entity classifies derivatives and equity investments as FVSD because the contractual cash flows do not represent only principal and interests on the principal.

In addition, the entity classifies the debt securities it holds as FVSD because the portfolios of debt securities are managed and evaluated on a portfolio fair value basis.

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

Initial recognition and measurement

Purchases of financial assets at fair value through surplus or deficit are recognised on their trade-date – the date on which the entity commits to purchase the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers.

Financial assets are initially measured at fair value. For all financial assets not carried at fair value through surplus or deficit, the transactions costs are added to the fair value at initial recognition. For financial assets carried at fair value through surplus or deficit the transaction costs are expensed in the statement of financial performance.

The fair value of a financial asset on initial recognition is normally the transaction price unless the transaction is not at arm's length i.e. at no or at nominal consideration for public policy purposes. In this case, the difference between the fair value of the financial instrument and the transaction price is a non-exchange component which is recognised as an expense in the statement of financial performance. In this case, the fair value of a financial asset is derived from current market transactions for a directly equivalent instrument. If there is no active market for the instrument, the fair value is derived from a valuation technique that uses available data from observable markets.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through surplus or deficit are subsequently measured at fair value. Gains and losses from changes in the fair value (including those stemming from foreign exchange translation and any interests earned) are included in the statement of financial performance in the period in which they arise.

Fair value at subsequent measurement

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities and over-the–counter derivatives), the EU establishes a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in venture capital funds which do not have a quoted market price in an active market are valued at the attributable net asset value, which is considered as an equivalent of their fair value.

Impairment of financial assets

The EU recognises and measures an impairment loss for expected credit losses on financial assets that are measured at amortised cost and at fair value through net assets/equity.

The expected credit loss (ECL) is the present value of the difference between the contractual cash flows and the cash flows that the EU expects to receive. The ECL incorporates reasonable and supportable information that is available without undue cost or effort at the reporting date.

For assets at amortised cost, the asset's carrying amount is reduced by the amount of the impairment loss which is recognised in the statement of financial performance. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the statement of financial performance.

(a) *Receivables*

The entity measures the impairment loss at the amount of lifetime ECL, using practical expedients (e.g. provision matrix).

(b) *Cash and cash equivalents*

The entity holds cash and cash equivalents in current bank accounts and term deposits of up to 3 months. The cash is held in banks with very high credit ratings, thus having very low default probabilities. Given the short duration and low default probabilities, the expected credit losses from cash and cash equivalents are negligible. As a result, no impairment allowance is recognised for cash equivalents.

(c) *Loans*

The ECL is measured with a three stage model that takes into account probability weighted default events during the lifetime of the financial asset and the evolution of credit risk since the origination of the financial asset. For loans, origination is the date of the irrevocable loan commitment

If there is no significant increase in credit risk since origination ('stage 1'), the impairment loss is the ECL from possible default events in the next 12 months from the reporting date ('12 months ECL'). If there is a significant increase in credit risk since origination ('stage 2') or if there is objective evidence of a credit impairment ('stage 3'), the impairment loss equals the ECL from possible default events over the whole lifetime of the financial asset ('lifetime ECL').

De-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. Sales of financial assets through surplus or deficit are recognised on their trade-date.

1.3.2. Pre-financing amounts

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

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

1.3.3. Receivables and recoverables

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

Receivables from exchange transactions meet the definition of financial instruments. The entity classified them as financial assets at amortised cost and measured them accordingly.

Recoverables from non-exchange transactions are carried at fair value as at the date of acquisition 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.

1.3.4. Cash and cash equivalents

Cash and cash equivalents are financial assets at amortised cost 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.

1.3.5. Payables

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

Where grants or other funding are provided to the beneficiaries, the cost claims are recorded as payables for the requested amount, at the moment 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. The corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the entity.

1.3.6. Financial liabilities

Financial liabilities are classified as financial liabilities carried at amortised cost, financial liabilities at fair value through surplus or deficit, or as financial guarantee contract liabilities.

Financial liabilities at amortised cost are initially recognised at fair value including transaction costs incurred and subsequently carried at amortised cost using the effective interest method. They are derecognised from the statement of financial position if and only if the obligation is discharged, waived, cancelled or expired.

Financial liabilities at fair value through surplus or deficit include derivatives where the fair value is negative. Where the guarantee contract requires the entity to make payments in response to changes in financial instruments prices or foreign exchange rates, the guarantee contract is a derivative. They follow the same accounting treatment as financial assets at fair value through surplus or deficit.

The entity recognises a financial guarantee contract liability when it enters into a contract that requires to make specified payments to reimburse the guarantee holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are initially recognised at fair value.

The subsequent measurement depends on the evolution of the credit risk exposure from the financial guarantee. If there is no significant increase in credit risk (‘stage 1’), financial guarantee liabilities are measured at the higher of the 12 months expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation. If there is a significant increase in credit risk (‘stage 2’), financial guarantee liabilities are measured at the higher of the lifetime expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation.

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date. Financial guarantee contracts are classified as current liabilities except if the entity has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

1.3.7. Accrued and deferred revenue and charges

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

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer. These 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, revenue is distinguished between:

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. For the EU entities, transfers mostly comprise funds received from the Commission (e.g. balancing subsidy to the traditional agencies, operating subsidy for the delegation agreements).

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.

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.

(a) *Interest revenue and expense*

Interest revenue and expense from financial assets and financial liabilities at amortised cost are recognised in the statement of financial performance using the effective interest method. This is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest revenue or interest expense over the relevant period.

(b) *Revenue from dividends*

Revenue from dividends and similar distributions is recognised when the right to receive payment is established.

(c) *Revenue and expense from financial assets at fair value through surplus or deficit*

This refers to the fair value gains (revenue) and fair value losses (expense) from these financial assets, including those stemming from foreign exchange translation. For interest-bearing financial assets, this also includes interest.

(d) *Revenue from financial guarantee contracts*

The revenue from financial guarantee contracts (guarantee premium) is recognised over the time the entity stands ready to compensate the holder of the financial guarantee contract for the credit loss it may incur.

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 the incurring of liabilities that result in decreases in net assets. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

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

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

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

1.5. CONTINGENT ASSETS AND LIABILITIES

1.5.1. Contingent assets

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

1.5.2. Contingent liabilities

A contingent liability is either a possible obligation 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 where it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A contingent liability also arises in the rare circumstances where a present obligation exists but cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts. They are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.6. FUND CAPITAL

The EDF member states provide contributions to the Fund for the implementation of EDF programmes as laid down in the Internal Agreement of each EDF. According to the applicable legal basis the capital calls, i.e. the requests for funding for a given year N, are decided by a Council Decision in year N-1, with the funds to be received clearly assigned to specified future periods.

The contributions meet the criteria of contribution from owners (EAR 1) and are thus treated as fund capital in the EDF financial statements. The fund capital represents the total amount of contributions to be received from the EDF members states. As the uncalled fund capital is openly deducted from the total fund capital (see Statement of Changes in Net Assets), only the called fund capital is recognised in the Balance Sheet.

As the agreed contributions are assigned to specified reporting periods, with the EDF's legal claim against the EDF member states arising only in these periods, any amounts received in advance are recognised as deferred capital contributions under payables rather than as called capital.

1.7. CO-FINANCING

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

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

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. FINANCIAL ASSETS

A financial asset is any asset that is:

(a) Cash;

(b) An equity instrument of another entity;

(c) A contractual right: to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) A contract that will or may be settled in the entity's own equity instruments.

Financial assets are classified in the following categories: financial assets at amortised cost ('AC'), financial assets at fair value through net assets/equity ('FVNA') or financial assets at fair value through surplus or deficit ('FVSD'). The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

The financial assets of the EDF comprise financial assets at FVSD and loans and are as follows:

EUR million

	31.12.2022	31.12.2021
Non-Current		
Financial assets at fair value through surplus or deficit (FVSD)	*61*	*38*
Loans	*5*	*1*
	67	**39**
Current		
Financial assets at fair value through surplus or deficit (FVSD)	*3*	*–*
	3	**–**
Total	**69**	**39**

The EUR 61 million of financial assets at FVSD relate to equity investments in the following areas:

- Renewable sustainable energy via Climate Investor One, ElectriFI and GEEREF;
- Promoting inclusive smallholder and rural SME finance via the ABC FUND;
- Financial inclusion in Uganda via the aBi Finance; and
- Creating jobs and sustainable growth in Africa via the Boost Africa intitiative.

The EUR 5 million of non-current loans concern two main areas: sustainable agriculture via the AgriFI and electricity access and generation from sustainable energy sources via ElectriFI investment facility.

EUR 3 million under the heading current financial assets relates entirely to an equity investment under the ElectriFI financial instrument which is aimed at financing early-stage and small-sized projects focusing on electricity access and generation from sustainable energy sources in emerging markets with a particular focus on sub-Saharan Africa.

2.2. PRE-FINANCING

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

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

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Non-current pre-financing	2.2.1	–	–	*221*	*267*	*488*	*671*
Current pre-financing	2.2.2	–	*14*	*427*	*955*	*1 396*	*1 453*
Total		**–**	**14**	**649**	**1 222**	**1 884**	**2 123**

The decrease in total pre-financing by EUR 239 million at 31 December 2022 can be largely explained by the decrease in pre-financing paid out to beneficiaries under the 11th EDF which fell from EUR 1 537 million in 2021 to EUR 1 222 million in 2022. This is in line with the life cycle of the EDF and is also related to the evolution of the number of open contracts. The 11th EDF reached maturity as the sunset clause came into effect at the end of 2020. Since 1 January 2021 no further financing agreements could be signed under the 11th EDF, however specific contracts for the exsisting agreements can still be signed until 31 December 2023. This led to a decrease in new contracts signed from EUR 2 118 million in 2021 to EUR 853 million in 2022.

On the other hand, pre-financing of the 10th EDF increased from EUR 572 in 2021 to EUR 649 in 2022. This is because, by means of Council Decision EU 2022/1223 EUR 600 million of decommitted funds from the 10th and 11th EDF were reused to finance actions addressing the food security crisis and economic shock in ACP countries following Russia's war against Ukraine.

2.2.1. Non-current pre-financing by management mode

EUR million

	31.12.2022	31.12.2021
Direct Management		
Implemented by:		
Commission	*11*	*72*
EU executive agencies	*10*	*8*
EU delegations	*7*	*15*
	28	**95**
Indirect Management		
Implemented by :		
EIB and EIF	*181*	*230*
International organisations	*221*	*278*
Private law bodies with a public service mission	*16*	*12*
Public law bodies	*25*	*40*
Third countries	*16*	*14*
EU bodies and Public Private Partnership	*1*	*1*
	460	**575**
Total	**488**	**671**

2.2.2. Current pre-financing

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Pre-financing (gross)	–	*23*	*1 041*	*4 553*	*5 616*	*5 711*
Cleared via cut-off	–	*(9)*	*(614)*	*(3 598)*	*(4 220)*	*(4 258)*
Total	**–**	**14**	**428**	**955**	**1 396**	**1 453**

2.2.3. Current pre-financing by management mode

EUR million

	31.12.2022	31.12.2020
Direct Management		
Implemented by:		
Commission	*85*	*61*
EU executive agencies	*10*	*11*
EU delegations	*105*	*159*
	200	**231**
Indirect Management		
Implemented by :		
EIB and EIF	*209*	*160*
International organisations	*642*	*642*
Private law bodies with a public service mission	*96*	*109*
Public law bodies	*116*	*119*
Third countries	*131*	*190*
EU bodies and Public Private Partnership	*2*	*1*
	1 196	**1 221**
Total	**1 396**	**1 453**

2.2.4. 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.

EUR million

	31.12.2022	31.12.2021
Guarantees for pre-financing	*37*	*44*

The majority of pre-financing is paid under the indirect management mode. In this case, the beneficiary of the guarantee is not the EDF but the contracting authority. Even though the EDF is not the beneficiary, those guarantees secure its assets. In 2022, those guarantees amounted to EUR 482 million.

2.3. TRUST FUND CONTRIBUTIONS

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

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

EUR million

	Net contribution at 31.12.2021	Contributions paid in 2022	Allocation of TF's net expenses 2022	Net contribution at 31.12.2022
Africa	*381*	*300*	*(438)*	*243*
Bêkou	*1*	*30*	*(20)*	*11*
Total	**382**	**330**	**(458)**	**254**

The decrease of contributions from EUR 634 million in 2021 to EUR 330 million in 2022 stems from the decline in Trust Funds expenses due to the winding down of both Trust Funds. At the end of 2021, the EUTF Africa and EUTF Bêkou had reached the peak of their activities as they reached the end of the contracting period. The winding down of the Trust Funds that started thereafter led to a decrease in the number of open contracts and thus a decrease in expenses.

2.4. NON-EXCHANGE RECOVERABLES AND EXCHANGE RECEIVABLES

Exchange transactions are transactions in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Non-exchange transactions are transactions in which an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

2.4.1. Non-current exchange receivables

As at 31.12.2022, EDF has EUR 7 million of long-term exchange receivables comprising mainly of deferred charges arising from several financial instruments.

2.4.2. Current non-exchange recoverables and exchange receivables

EUR million

	Note	31.12.2022	31.12.2021
Recoverables from non-exchange transactions	2.4.2.1	*15*	*26*
Receivables from exchange transactions	2.4.2.2	*12*	*9*
Total		**27**	**35**

2.4.2.1. Recoverables from non-exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Member States	–	–	–	–	–	–
Customers	–	*3*	*46*	*7*	*56*	*56*
Public bodies	–	*4*	*13*	*3*	*19*	*25*
Third states	–	*1*	*4*	*2*	*7*	*6*
Write down	–	*(7)*	*(54)*	*(5)*	*(67)*	*(66)*
Inter-company accounts with EU Institutions	–	–	–	–	–	*5*
Total	**–**	**0**	**9**	**7**	**15**	**26**

2.4.2.2. Receivables from exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Accrued income	-	-	-	*1*	*1*	-
Inter-EDF accounts	*180*	*(369)*	*803*	*(612)*	*1*	-
Other	–	–	–	*10*	*10*	*9*
Total	**180**	**(369)**	**803**	**(602)**	**12**	**9**

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

The heading “other” comprises mainly of receivables deriving from financial instrument receivables. Out of the EUR 10 million other receivables, an amount of EUR 4 million relates to a receivable from the Global Energy Efficiency and Renewable Energy Fund (GEEREF) and an amount of EUR 5 million relates to a receivable from Climate Investor One.

2.5. CASH AND CASH EQUIVALENTS[4]

Cash and cash equivalents are financial instruments at amortised cost and include cash at hand, deposits held at call or at short notice with banks (such as current accounts and savings accounts), and other short-term highly liquid investments with original maturities of three months or less.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Special accounts						
Central banks	–	–	–	*835*	*835*	*795*
	–	**–**	**–**	**835**	**835**	**795**
Current accounts						
Commercial banks	–	–	–	*161*	*161*	*165*
Cash belonging to financial instruments	–	–	–	*31*	*31*	*34*
	–	**–**	**–**	**192**	**192**	**199**
Total	**–**	**–**	**–**	**1 027**	**1 027**	**994**

The increase in cash and cash equivalents by EUR 34 million can be explained mainly by the decrease in payments made during the year. This is in line with the decrease in expenses (see note **3.4**) and the decrease in pre-financing (see note **2.2**). In fact, EDF net payments decreased by 30% in 2022 amounting to EUR 2 388 million.

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

LIABILITIES

2.6. FINANCIAL LIABILITIES

2.6.1. Financial Provisions

These provisions represent the estimated credit losses that will be incurred in relation to the loans given under different financial instruments.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Financial provisions	–	–	–	*1*	*1*	–

The amount of EUR 1 million represents the estimated loss in relation to the guarantee given under the following financial instruments: ElectriFI CW and ElectriFI CW II.

2.6.2. Financial Guarantees

These provisions represent the estimated losses that will be incurred in relation to the guarantees given under different financial instruments, whereby entrusted entities are empowered to issue guarantees in their own name but on behalf of, and at the risk of, the EDF. The financial risk of the EDF linked to the guarantees is capped and financial assets are gradually provisioned to cover for the future guarantee calls.

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

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Financial guarantee liability	*–*	*–*	*–*	*1*	*1*	*1*

The amount of EUR 1 million represents the estimated loss in relation to the guarantee given under the Euritz financial instrument of EUR 11 million (see note **3.2.1**).

2.6.3. Other Financial Liabilities

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Financial liabilities at fair value through surplus and deficit	*–*	*–*	*–*	*2*	*2*	*–*

The amount of EUR 2 million relates entirely to the payables arising from the financial instrument ElectriFI CW II.

2.6.4. Co-financing payables

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

At the year-end a case-by-case assessment of all co-financing payables is performed and all amounts that are unlikely to be used in the following 12 months are considered non-current. Current amounts are shown under note **2.7.2**.

EUR million

	Eighth	Ninth	10th	11th	31.12.2022	31.12.2021
Non-current co-financing payables	*–*	*–*	*–*	*3*	*3*	*6*
Current co-financing payables	*–*	*–*	*19*	*27*	*46*	*35*
Total	**–**	**–**	**20**	**29**	**49**	**41**

2.7. PAYABLES

Payables are liabilities to pay for goods or services that have been received or supplied and - unlike accrued charges - have already been invoiced or formally agreed with the supplier. Payables can relate to both exchange transactions (such as the purchase of goods and services) and non-exchange transactions (e.g. cost claims from beneficiaries of grants, pre-financing or other EU funding).

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Current payables	2.7.1	*–*	*-*	*17*	*213*	*230*	*263*
Sundry payables	2.7.2	*–*	*–*	*17*	*178*	*196*	*238*
Total		**–**	**–**	**34**	**391**	**426**	**501**

2.7.1. Current payables

EUR million

	Eighth	Ninth	10th	11th	31.12.2022	31.12.2021
Suppliers	–	-	*3*	*61*	*63*	*72*
Member States	–	–	–	–	–	*3*
Third states	–	–	–	*126*	*126*	*158*
Public bodies	– -		*(1)*	*41*	*41*	*51*
Institutions and Agencies	–	-	–	–	–	*4*
Other current payables	–	-	*14*	*(15)*	–	*(25)*
Total	**–**	**–**	**17**	**213**	**230**	**263**

Payables largely comprise cost statements received by the EDF in respect of grants provided to the beneficiaries. They are recorded at the moment when the cost statement is received and for the full amount of the cost statement. Following an eligibility check, only the eligible amounts are paid to the beneficiaries. At year-end, the outstanding cost claims are analysed and the estimated eligible amounts related to those cost claims are recognised in the statement of financial performance. The estimated non-eligible amounts are shown under other current payables.

The decrease in payables in particular to suppliers and third states is due to a decrease in invoices that have not yet been validated and paid before year-end. Included under payables to Third States is an amount of EUR 60 million of budget support to Ethiopia, which has been suspended since November 2020 due to the situation in the country.

2.7.2. Sundry payables

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Co-financing payables	2.6.4	–	–	*19*	*27*	*46*	*35*
Deferred capital contributions	2.7.2.1	–	–	–	*147*	*147*	*199*
Other sundry payables		–	–	*(2)*	*4*	*2*	*4*
Total		**–**	**–**	**17**	**178**	**196**	**238**

2.7.2.1. Deferred capital contributions

An amount of EUR 43 million of deferred capital contributions relates to a refund to Member States and the United Kingdom from decommitted or unused funds from projects under the Ninth EDF (see note **2.9.1**). The Member states agreed for the refund to be offset with the contributions from the 11th EDF during the first call for contributions in 2023.

In addition to the refund, an amount of EUR 105 million relates to the 1st instalment of 2023 paid in advance by the United Kingdom. According to Article 152 of the Withdrawal Agreement, the United Kingdom remains party to the EDF until the closure of the 11th EDF and all previous unclosed EDFs, and assumes the same obligations as the Member States in this respect (see note **2.9.1**).

2.8. ACCRUED CHARGES

Accruals are liabilities to pay for goods or services that have been received or supplied but - unlike payables - have not yet been invoiced or formally agreed with the supplier. The calculation of accruals is based on the open amount of budgetary commitments at year-end. The portion of the estimated accrued charges relating to pre-financing paid has been recorded as a reduction of the pre-financing amounts.

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is issued but the services have not yet been rendered or the goods have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Accrued charges	*–*	*7*	*119*	*1 004*	*1 130*	*1 007*
Other accruals and deferrals	*–*	*–*	*–*	*2*	*2*	*1*
Total	**–**	**7**	**119**	**1 006**	**1 131**	**1 008**

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

The increase in accrued charges is mainly driven by the increase of accrued charges under the 11th EDF from EUR 891 million in 2021 to EUR 1 006 million in 2022. This is because at the end of 2022 there were more on-going projects for which cost claims had not yet been received and validated and thus the underlying expenses had to be estimated during the closure.

NET ASSETS

2.9. FUND CAPITAL

The EDF Member States provide contributions to the Fund for the implementation of EDF programmes as laid down in the Internal Agreement of each EDF. According to the applicable legal basis the capital calls, i.e. the requests for funding for a given year N, are decided by a Council Decision in year N-1, with the funds to be received clearly assigned to specified future periods.

The contributions meet the criteria of contributions from owners (EAR 1) and are thus treated as fund capital in the EDF financial statements. The fund capital represents the total amount of contributions to be received from the EDF members states. As the uncalled fund capital is deducted from the total fund capital (see Statement of Changes in Net Assets), only the called fund capital is recognised in the Balance Sheet.

As the agreed contributions are assigned to specified reporting periods, with the EDF's legal claim against the EDF member states arising only in these periods, any amounts received in advance are recognised as deferred capital contributions under Payables rather than as called capital.

2.9.1. Called fund capital – active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Fund capital	*12 164*	*10 507*	*20 960*	*29 367*	*72 998*
Uncalled fund capital	*–*	*(15)*	*-*	*(10 340)*	*(10 355)*
Called fund capital 31.12.2021	**12 164**	**10 492**	**20 960**	**19 027**	**62 643**
Fund capital	*12 164*	*10 464*	*20 960*	*29 367*	*72 955*
Uncalled fund capital	*–*	*(15)*	*-*	*(7 840)*	*(7 855)*
Called fund capital 31.12.2022	**12 164**	**10 450**	**20 960**	**21 527**	**65 100**

The uncalled funds represent amounts not yet called from Member States. The called fund capital represents the contributions which have been called by the EDF and transferred to the treasury accounts by the Member States (see below **2.9.2.**).

By means of Council Decision (EU) 2022/2242, the Member States' contributions set out in the Internal Agreements of the Eighth and Ninth EDF were reduced accordingly for an amount of EUR 43 million from funds decommitted under the Ninth EDF. Refunds arising from this reduction have been compensated against additional call for funds under the 11th EDF. In fact, the refund will be used against the first instalment of 2023 which explains the EUR 43 million of deferred capital (see note **2.7.2.1**).

While the United Kingdom remains party to the EDF until the closure of all programmes, in accordance with Article 153 of the Withdrawal Agreement, its share of uncommitted and decommitted funds from the Eighth, Ninth and 10th EDF cannot be reused.

2.9.2. Called and uncalled fund capital by Member States and the UK

EUR million

Contributions 11th EDF	%	Uncalled capital 31.12.2021	Capital called in 2022	Uncalled capital 31.12.2022
Austria	*2.40*	*248*	*(60)*	*188*
Belgium	*3.25*	*336*	*(81)*	*255*
Bulgaria	*0.22*	*23*	*(5)*	*17*
Croatia	*0.23*	*23*	*(6)*	*18*
Cyprus	*0.11*	*12*	*(3)*	*9*
Czech Republic	*0.80*	*83*	*(20)*	*63*
Denmark	*1.98*	*205*	*(50)*	*155*
Estonia	*0.09*	*9*	*(2)*	*7*
Finland	*1.51*	*156*	*(38)*	*118*
France	*17.81*	*1 842*	*(445)*	*1 397*
Germany	*20.58*	*2 128*	*(514)*	*1 614*
Greece	*1.51*	*156*	*(38)*	*118*
Hungary	*0.61*	*64*	*(15)*	*48*
Ireland	*0.94*	*97*	*(24)*	*74*
Italy	*12.53*	*1 296*	*(313)*	*982*
Latvia	*0.12*	*12*	*(3)*	*9*
Lithuania	*0.18*	*19*	*(5)*	*14*
Luxemburg	*0.26*	*26*	*(6)*	*20*
Malta	*0.04*	*4*	*(1)*	*3*
Netherlands	*4.78*	*494*	*(119)*	*375*
Poland	*2.01*	*208*	*(50)*	*157*
Portugal	*1.20*	*124*	*(30)*	*94*
Romania	*0.72*	*74*	*(18)*	*56*
Slovakia	*0.38*	*39*	*(9)*	*29*
Slovenia	*0.22*	*23*	*(6)*	*18*
Spain	*7.93*	*820*	*(198)*	*622*
Sweden	*2.94*	*304*	*(73)*	*230*
United Kingdom	*14.68*	*1 518*	*(367)*	*1 151*
Total	**100.00**	**10 340**	**(2 500)**	**7 840**

Since the capital of the Eighth, Ninth and 10th EDF has been called up and received in its entirety in previous years, in 2022, an amount of EUR 2 500 million has been called which relates entirely to the 11th EDF.

2.9.3. Called fund capital transfers between active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2020	**(2 512)**	**2 041**	**188**	**283**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*–*	*(23)*	*23*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(110)*	*110*	*–*
Balance at 31.12.2021	**(2 512)**	**2 018**	**101**	**394**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(1)*	*(8)*	*9*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(148)*	*148*	*–*
Balance at 31.12.2022	**(2 513)**	**2 010**	**(38)**	**541**	**–**

This heading includes the resources transferred between the active EDFs.

Since the entry into force of the Cotonou Agreement, all the unspent funds in previous active EDFs are transferred to the most recently opened EDF after decommitment. The resources transferred from other

EDFs increase the appropriations of the receiving fund and reduce the appropriations of the fund of origin. Funds transferred to the performance reserve of the 10th and 11th EDFs can be committed only under specific conditions set out in the Internal Agreements.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR million

	Note	2022	2021
Revenue from non-exchange transactions	3.1	*18*	*27*
Revenue from exchange transactions	3.2	*80*	*48*
Total		**98**	**75**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions relates to transactions where the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange. The heading mainly includes amounts received from the Commission during the year and recoveries of operational expenses.

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Recovery of expenses		-	*(1)*	*9*	*10*	*17*	*8*
Co-financing revenue	3.1.1	–	–	*(22)*	*18*	*(4)*	*19*
Total		**–**	**(1)**	**(8)**	**28**	**18**	**27**

The increase in the recovery from expenses revenue can be largely explained by an increase in the number of recovery orders issued in 2022 compared to 2021.

The decrease in the co-financing revenue is due to the decrease in the co-financing expense (see note **3.5**).

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

EUR million

	2022	2021
Direct Management		
Implemented by:		
Commission	*1*	*1*
EU delegations	*(3)*	*7*
	(2)	**8**
Indirect Management		
Implemented by :		
Third countries	*13*	*27*
Public law bodies	*(3)*	*(13)*
International organisations	*7*	*3*
Private law bodies with a public service mission	*3*	*2*
	20	**19**
Total	**18**	**27**

3.1.1. Co-financing revenue

The co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under conditions and as such should not affect the statement of financial performance when received. The contributions remain under liabilities (see note **2.6.4** & **2.7.2**) until the conditions attached to the donated funds are met, i.e. eligible expenses are incurred (see note **3.5**). The corresponding amount is then recognised in the statement of financial performance as non-exchange revenue from co-financing. Consequently, the effect on the economic result of the year is zero.

3.2. REVENUE FROM EXCHANGE TRANSACTIONS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Financial revenue	*-*	*-*	*2*	*1*	*3*	*(26)*
Other revenue	*-*	*3*	*8*	*66*	*77*	*74*
Total	**–**	**3**	**10**	**67**	**80**	**48**

The EUR 3 million under the heading financial revenue mainly comprise accrued interest on unpaid recovery orders and financial revenue from financial assets held at fair value surplus and deficit (see note **2.1**).

Other revenue relates mainly to foreign exchange gains. The corresponding foreign exchange losses are recorded under other expenses (see note **3.7**).

EXPENSES

Included under this heading are expenses incurred in relation to operational activities.

3.3. EXPENSES IMPLEMENTED BY OTHER ENTITIES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Technical assistance expenses	*–*	*–*	*–*	*1*	*1*	*–*

The amount of EUR 1 million comprises of technical assistance expenses incurred by several financial instruments.

3.4. AID INSTRUMENTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Programmable aid	*–*	*–*	*41*	*1 266*	*1 307*	*1 244*
Macro-economic support	*–*	*4*	*–*	*–*	*4*	*7*
Sectoral policy	*–*	*–*	*–*	*–*	*(0)*	*(5)*
Intra ACP projects	*–*	*–*	*232*	*664*	*896*	*951*
Emergency aid	*–*	*1*	*21*	*96*	*118*	*6*
Other Aid programmes	*–*	*-*	*–*	*–*	*–*	*(1)*
Institutional support	*–*	*–*	*1*	*5*	*6*	*14*
Contributions to Trust Funds	*–*	*–*	*–*	*458*	*458*	*646*
Total	**–**	**5**	**295**	**2 489**	**2 789**	**2 864**

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

In 2022, the decrease in operational expenditure by EUR 74 million was mainly driven by the decrease in expenses under the 11th EDF (EUR 2 644 million in 2021 to EUR 2 489 million in 2022). This decrease can be largely explained by the decrease in the contributions to the Trust Funds (see note **2.3**). Despite this, expenses relating to emergency aid increased by EUR 112 million following the Council Decision to reuse funds from the 10^{th} and 11^{th} EDF to finance actions addressing food security crisis and economic shock in ACP countries resulting from Russia's war against Ukraine. This also led to an increase in expenses under the 10^{th} EDF from EUR 214 million in 2021 to EUR 295 million in 2022 (see note **2.2**).

The changes in expenses under the 9th EDF are in line with the lifecycle of the EDF and is also related to the evolution of the number of open contracts. Many contracts were completed and closed under the 9th and previous EDF's in 2022, which resulted in less expenses incurred under those EDFs.

3.5. CO-FINANCING EXPENSES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Co-financing	*–*	*–*	*(22)*	*18*	*(4)*	*19*

Included under this heading are the expenses incurred on co-financing projects in 2022. 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).

The negative amount of co-financing expenses is mainly due to the reversal of last year's closure bookings. In 2021 the estimated co-financing expenses were higher than that in 2022.

In order to better estimate the expenses, in 2022, the method of allocating expenses to the co-funding donors was improved by taking into account the recovery of unduly paid amounts. This led to a decrease in co-financing expenses to be recognised.

In line with the accounting rules on co-financing, the incurred amounts did not have any impact on the result of the year because they were recognised both in the co-financing expenses and in the co-financing revenue (see also note **3.1.1**).

AID INSTRUMENTS AND CO-FINANCING EXPENSES BY MANAGEMENT TYPE

EUR million

	2022	2021
Direct Management		
Implemented by:		
Commission	*70*	*168*
EU executive agencies	*6*	*4*
Trust Funds	*431*	*(515)*
EU delegations	*1 121*	*658*
	1 628	**315**
Indirect Management		
Implemented by:		
EIB and EIF	*39*	*113*
International organisations	*(544)*	*1 053*
Private law bodies with a public service mission	*325*	*204*
Public law bodies	*99*	*212*
Third countries	*1 234*	*983*
EU bodies with Public Private Partnership	*4*	*3*
	1 157	**2 568**
Total	**2 785**	**2 883**

3.6. FINANCE COSTS

EUR million

	Eighth	Ninth	10th EDF	11th EDF	2022	2021
Net impairment losses on loans and receivables	*–*	*(2)*	*3*	*2*	*2*	*18*
Loss on financial assets or liabilities at FVSD	*–*	*–*	*–*	*2*	*2*	*1*
Fee Subsidy	*–*	*–*	*–*	*1*	*1*	*–*
Impairment losses from financial guarantees	*–*	*–*	*–*	*1*	*1*	*–*
Total	-	**(2)**	**3**	**4**	**6**	**20**

At 31 December 2022, the net unrealised impairment loss relating to financial guarantee was EUR 1 million.

The EUR 2 million of financial expenses for financial assets at FVSD relate mainly to exchange differences, interest and fair value changes in particular for the ABC FUND and Boost AFRICA financial instruments.

The amount of EUR 1 million under the heading "fee subsidy" relates to expenses incurred under the Kulima financial instrument.

The negative amount under the 9th EDF for the heading "net impairement losses on loans and receivables" is mainly due to the reversal of last year's closure bookings. In 2022 the estimated expenses on irrecoverable amounts arising from aging recovery orders (over 2 years), bankruptcies and waivers were higher than that in 2021.

3.7. OTHER EXPENSES

Included under this heading are expenses of administrative nature such as external non IT services, operating leasing expenses, communications and publications, training costs etc.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2022	2021
Administrative and IT expenses	–	–	–	*56*	*56*	*98*
Realised losses on trade debtors	–	*2*	*1*	*1*	*4*	*7*
Exchange losses	–	*3*	*7*	*50*	*60*	*41*
Total	**–**	**5**	**8**	**107**	**119**	**145**

The heading Administrative and IT expenses includes amounts that are based on the EDF internal agreement with the Commission to cover the administrative expenditure incurred by both the Headquarters and the Delegations in respect of managing the EDF programmes. The so called "support expenditure" relates mainly to expenses for preparation, follow-up, monitoring, and evaluation of projects as well as expenses for computer networks, technical assistance, financial management and forecasting, etc.

The decrease under this heading is mainly driven by the decrease in administrative and IT expenses from EUR 98 million in 2021 to EUR 56 million in 2022.

The increase of foreign exchange losses is mostly due to the increase in unrealised losses from the revaluation of balances held in currencies at 31 December 2022.

4. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events, and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the entity.

EUR million

	Eighth	Ninth	10th	11th	31.12.2022	31.12.2021
Pre-financing guarantees	–	–	*2*	-	*37*	*44*
Performance guarantees	–	–	–	-	*1*	*11*
Retention guarantees	–	–	–	-	–	*9*
Total	**–**	**–**	**2**	**–**	**38**	**63**

Pre-financing guarantees are requested in certain cases from beneficiaries that are not Member States when making advance payments.

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

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

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

4.2. CONTINGENT LIABILITIES

Contingent liabilities are either possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or present obligations arising from past events where the outflow of resources is not probable or the amount cannot be measured reliably.

4.2.1. Guarantees given

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Guarantees given	–	–	–	*(25)*	*(25)*	*(7)*

The above table shows the extent of the exposure of the EDF to possible future payments linked to guarantees given to the EIB group or other financial institutions. The amounts are presented net of financial provisions or financial liabilities recognised for those programmes.

The amount of EUR 25 million comprise of guarantees under the following financial instruments: EUR 11 million under the EURITZ financial instrument, EUR 10 million under the KULIMA FUND and another 4 million under the ZAMBIA agriculture value chain facility.

4.2.2. Contingent liabilities relating to legal cases

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Pending legal cases	*–*	*–*	*(11)*	*(7)*	*(18)*	*–*

In 2022, 3 new legal cases were initiated against the European Commission.

Under this heading, EUR 11 million are contingent liabilities in connection with two actions under the EDF which are awaiting the oral hearing date or pending judgement of the nominated Arbitrator.

An amount of EUR 7 million relates to actions for damages currently being brought and which is pending the hearing date or pending judgement of the Brussels Court.

4.3. OTHER SIGNIFICANT DISCLOSURES

4.3.1. Outstanding commitments not yet expensed

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

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2022	31.12.2021
Outstanding commitments not yet expensed	*–*	*16*	*349*	*4 487*	*4 853*	*6 355*

The decrease in the RAL, is in line with the decrease in budgetary RAL which totalled EUR 6 459 million (2021: EUR 7 993 million), caused by the fewer number of individual commitments signed during the year.

5. FINANCIAL RISK MANAGEMENT

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

5.1. RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

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

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

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

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

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

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

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

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

5.2. CURRENCY RISK

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

EUR million

	31.12.2022				31.12.2021		
	USD	EUR	Other	Total	USD	EUR	Total
Financial assets							
Financial assets at amortised cost	–	6		6	–	–	–
*Financial assets at FVSD**	14	42	9	*65*	8	30	*39*
*Receivables***	6	*4*	–	*10*	–	*8*	*8*
Cash and cash equivalents	*7*	*1 015*	*5*	*1 027*	*3*	*991*	*994*
	27	**1 067**	**14**	**1 108**	**11**	**1 029**	**1 040**
Financial liabilities							
Financial guarantee liability	–	*3*	–	*3*	–	–	–
	–	**3**	**–**	**3**	**–**	**–**	**–**
Total	**27**	**1 069**	**14**	**1 110**	**11**	**1 029**	**1 040**

* As of 2021, reclassification of financial assets (in the scope of updated EAR11)

** As of 2021, receivables exclude deferred charges and accrued income (no currency risk) and recoverables are not displayed (not in the scope of updated EAR11)

*** As of 2021, payables are no longer disclosed as they are not exposing the EDF to significant currency risk (as vast majority is in EUR)

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

5.3. INTEREST RATE RISK

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

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

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

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

5.4. CREDIT RISK (COUNTERPARTY RISK)

Maximum credit risk exposure:
For financial assets, the reported amounts are net carrying amounts and represent the EDFs' exposure to credit risk at the end of the reporting period.

EUR million

	31.12.2022	31.12.2021
Financial assets		
Loans	*6*	*1*
Cash and cash equivalents	*1 027*	*994*
*Exchange receivables**	*11*	*8*
Guarantees given		–
Financial guarantee contracts	*12*	*8*
Total at 31.12.2022	**1 056**	**1 011**

** Excluding deferred charges*

Financial Instrument Loans: credit quality

EUR million

	31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Credit rating					
Premium and high grade	–	–	–	–	–
Upper medium grade	–	–	–	–	–
Lower medium grade	–	–	–	–	–
Non-investment grade and default	*7*	–	–	–	*7*
Gross carrying amount	**7**	**–**	**–**	**–**	**7**
Minus loss allowance	*1*	–	–	–	1
Net carrying amount	**6**	**–**	**–**	**–**	**6**

Cash and cash equivalents: credit quality

EUR million

	31.12.2022	31.12.2021
Credit rating		
Premium and high grade	*724*	*751*
Upper medium grade	*299*	*241*
Lower medium grade	*4*	*2*
Non-investment grade and default grade	*–*	*–*
Gross carrying amount	**1 027**	**994**
Minus loss allowance	*-*	*-*
Net carrying amount	**1 027**	**994**

Receivables: credit quality

EUR million

	31.12.2022					
	Not due	Past due 0-30 days	Past due 31-90 days	Past due 91 days - 1 year	Past due > 1 year	Total
Gross carrying amount	11	–	–	–	–	*11*
Minus loss allowance	–	–	–	–	–	*–*
Net carrying amount	**11**	**–**	**–**	**–**	**–**	*11*

Financial assets at FVSD: credit quality

In 2022 the financial assets at FVSD included in these financial statements relate to equity investments that are not subject to credit risk (see note **2.1**).

5.5. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

The finance liabilities and payables under this heading are disclosed by the carrying amounts from the Balance Sheet.

EUR million

	< 1 year	1-5 years	> 5 years	Total
Financial liabilities at 31.12.2022	*426*	*5*	*–*	*430*
Financial liabilities at 31.12.2021	*501*	*6*	*–*	*508*

Budget principles applied to the EDF ensure that overall cash resources for the budgetary period are always sufficient for the execution of payments. Indeed the total Member States' contributions equal the overall amount of payment appropriations for the relevant budgetary period.
Member States contributions to EDF, however, are paid in three instalments per year, while payments are subject to seasonality.

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

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

6. RELATED PARTY DISCLOSURES

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

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

EUR million

	2022	2021
ECONOMIC RESULT OF THE YEAR	**(2 813)**	**(2 974)**
Revenue		
Entitlements not affecting the budget result	*(5)*	–
Entitlements established in current year but not yet collected	*(3)*	(6)
Entitlements established in previous years and collected in current year	*19*	20
Net effect of pre-financing	*37*	13
Accrued revenue (net)	*(82)*	(69)
Other	–	–
Expenses		
Expenses of the current year not yet paid	*16*	*111*
Expenses of previous years paid in the current year	*(408)*	*(741)*
Net effect of pre-financing	*244*	*(295)*
Accrued expenses (net)	*607*	*539*
BUDGET RESULT OF THE YEAR	**(2 387)**	**(3 401)**

8.1. RECONCILING ITEMS - REVENUE

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

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

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

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

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

8.2. RECONCILING ITEMS – EXPENDITURE

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

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

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

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

FINANCIAL STATEMENTS OF THE EU TRUST FUNDS CONSOLIDATED IN EDF

FINANCIAL STATEMENTS OF THE BÊKOU EU TRUST FUND 2022

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

BACKGROUND INFORMATION

General background on Union Trust Funds

Establishment

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[5] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[6], the European Commission may establish Union trust funds for external actions ('EU trust funds/EUTFs'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

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

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

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

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The EUTF BÊKOU, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;
- The EUTF MADAD, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;
- The EUTF AFRICA, a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;
- The EUTF COLOMBIA, which supports the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

Mission

The EUTF Bêkou, was established, with the aim of promoting the stabilisation and reconstruction of the Central African Republic (CAR). Its main objective, as set out in the Constitutive Agreement, is "to provide consistent, targeted aid for the resilience of vulnerable groups and support for all aspects of the Central African Republic's exit from the crisis and reconstruction, to coordinate actions over the short, medium and long term and to help neighbouring countries cope with the consequences of the crisis".

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

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

Main operational activities

The Union trust fund pools together resources from different donors to finance programmes on the basis of agreed objectives. Since its creation in July 2014, the EUTF Bêkou has adopted 22 programmes and has reached more than 2.5 million beneficiaries. The programmes are to assist the Central African Republic (CAR) and its population in the aftermath of the 2013 crisis. More specifically, the EUTF Bêkou aims to ensure access to basic services (mainly health, water and sanitation), support economic recovery and job creation, and promote social cohesion and reconciliation.

Governance

The management of the EUTF Bêkou is ensured by the European Commission, which also acts as the secretariat of its two governing bodies – the Trust Fund Board and the Operational Board. The Trust Fund Board and the Operational Committee of the EUTF Bêkou are composed of representatives of the donors, of the Commission, of the European Parliament, a representative of the Central African Republic's authorities and observers. The rules for the composition of the board and its internal rules are laid down in the constitutive agreement of the Union trust fund.

The main task of the Board is to establish and review the overall strategy of the trust fund. The Operational Board is responsible for the selection of the actions financed by the Fund and supervises their implementation. It also approves the annual accounts and the annual reports on the activities financed by the trust fund.

Sources of financing

The EUTF Bêkou is financed through contributions from donors.

Annual accounts

Basis for preparation

The legal framework and the deadlines for the preparation of the annual accounts are set by the "Agreement establishing the European Union trust fund for the Central African Republic, "The Bêkou EU Trust Fund", and its internal rules" ('Constitutive Agreement'). As per this Constitutive Agreement, the annual accounts are prepared in accordance with the rules adopted by the Accounting Officer of the Commission (EU Accounting Rules, EAR), which are based on internationally accepted accounting standards for the public sector (IPSAS).

Accounting Officer

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

Composition of the annual accounts

The annual accounts cover the period from 1 January to 31 December and comprise the financial statements and the reports on the implementation of the budget. While the financial statements and the complementary notes are prepared on an accrual accounting basis, the budget implementation reports are primarily based on movements of cash.

Process from provisional accounts to discharge

The annual accounts are subject to independent external audit. The provisional annual accounts prepared by the Accounting Officer are transmitted, by the 15th of February of the following year, to the Operational Committee who then transmits them to the audit company selected by the entity following a tender procedure. Following the audit, the Accounting Officer prepares the final annual accounts and submits them to the Operational Committee for approval (Article 8.3.4(c)).

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

Operational highlights

Achievements of the year

The EU launched its first ever Trust Fund (EUTF), named Bêkou (meaning hope in the Sango language), in July 2014 to assist the Central African Republic (CAR) and its population in the aftermath of the 2013 crisis. The EUTF Bêkou aims to ensure access to basic services (mainly health and water and sanitation), support rural development and economic recovery, and promote reconciliation. Since its creation, the EUTF Bêkou has financed 22 programmes and has reached more than half of the country's population.

The security situation in CAR remained tense in 2022, although the intensity of armed action decreased in comparison to 2021. Disinformation and hate speech have kept spreading. The presence and the action of the Wagner Group in the country remains a concern for the EU – the group being under EU restrictive measures since December 2021. In addition, in the context of a proliferation of armed groups and militias, the peace process in the CAR remains deadlocked, despite the organisation of a "Republican Dialogue" in March. The year 2022 was also marked by the rise of political tensions around President Touadéra's proposed amendment to the Constitution, which would allow him to run for a third term. On the socio-economic side, basic item prices have been rising sharply in 2022 and the country has been going through a serious fuel crisis since June with important shortages. Rising food and energy prices in CAR have, as across the continent, been affected and exacerbated by the consequences of the war in Ukraine. The budgetary situation of the state is critical, and the adoption by the government of the crypto-currency as a legal tender raises concerns. In this extremely volatile context, around 3.1 million people, or 63% of the Central African population, were in urgent need of humanitarian assistance in 2022 according to United Nations Office for the Coordination of Humanitarian Affairs (OCHA).

Humanitarian access continues to face significant obstacles, notably due to insecurity, limitations on movement in the country, physical constraints of the environment (quality of roads, floods, etc.) and violence perpetrated against humanitarian personnel. During the first six months of the year, access improved slightly, mainly due to the lifting of certain administrative constraints on entering the country following the relaxation of COVID-19 measures. The shortage of fuel in the second half of the year affected the movement of implementing partners and EU staff in and into the country. It hampered the delivery of humanitarian aid and worsened the critical situation of vulnerable populations in dire need of this.

An exceptional event worth mentioning due to its influence on the work of the EU in CAR, including the Trust Fund, was a fire on the night of 18 December 2022 ravaging the premises of the EU Delegation. Luckily, it did not cause any human casualties, but it caused significant material damage.

Key achievements in specific focus areas

Key achievements of 2022 presented below reflect the main specific objectives/areas of intervention of the Trust Fund.

In the area of access to services, Trust Fund Bêkou continued its support to Health and WASH (Water, Sanitation and Hygiene) sectors. Under Health, it funded 408,398 medical or preventive consultations and health interventions, mainly curative (63%) and maternal and child health consultations (15%). EUTF Projects also supported the rehabilitation and building of medical infrastructure and training of personnel and community relays. In the field of WASH, due to EUTF Bêkou's support, 104,597 Central Africans benefitted from improved access to a source of drinking water or sanitation facilities, 119 boreholes were rehabilitated or constructed, while behavioural change and sustainability of actions were reinforced, through training of 20 repair artisans and sensitization of 31,021 individuals on hygiene & sanitation.

In the area of social cohesion, most of the activities implemented with EUTF Bêkou's support aimed to empower women and to combat gender-based violence (GBV), as well as to strengthen the media in the country. 3,243 survivors of GBV received either psychosocial or medical assistance or other support depending on their needs. Thus, 4,985 support services were provided to survivors in 2022. In addition, 50,415 Central Africans directly benefitted from peacebuilding and conflict prevention interventions, mainly awareness-raising workshops related to the fight against GBV. EUTF Bêkou has also continued its work with national and community radio stations, providing technical and financial support to 19 radio stations, enabling the production and diffusion of broadcasts related to reconciliation and social cohesion.

In the area of supporting economic and productive sectors' recovery, EUTF Bêkou assisted both productive and subsistence-oriented agriculture, supporting agricultural groups and smallholders, fostering job creation (both labour-intensive work, vocational training, development of income-generating activities) and facilitating access to financial services for small businesses and individuals. For example, 2,733 Central Africans benefitted from skills development through entrepreneurial, financial, or vocational training. A further 2,188 individuals benefitted from easier access to financial services through village savings and loans associations.

Budget and budget implementation

By the end of 2022, the contributions to EUTF Bêkou amounted to over EUR 310 million, as in the previous year 2021. The Trust fund finalised the commitment and contracting of all received contributions on 31 December 2021, with the exception of funds reserved for monitoring, evaluation, audit and communication that can still be contracted after this date.

All certified contributions from the EU budget, Member States, and other donors were paid for a total amount of more than EUR 267 million with the exception of EUR 43 million from the EDF that still needs to be paid, this to reduce the negative interest on the treasury.

In terms of contracts, the EUTF Bêkou signed 10 new contracts including 6 contracts of expenditures verification/audit and 4 contracts concerning programmes evaluation and communication activities, for a total amount of a little more than EUR 1.241 million[7].

Last but not least, more than EUR 30 million was paid in 2022; total disbursements have reached more than EUR 263 million since the creation of the EUTF Bêkou.

Impact of the activities in the financial statements

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

- Operating expenses: decreased by kEUR 25 770 as a result of the winding down of the Trust Fund and a consequent decrease in the number of open contracts;
- Pre-financing: decreased by kEUR 811 due to the fact that the clearing of the pre-financing for ongoing or ended projects was higher than the amounts of new pre-financing stemming from new contracts signed in 2022: in 2022 only 10 contracts were signed relating to audit, evaluation and communication activities for an amount of kEUR 1 241;
- The significantly lower number of open contracts at the end of 2022 caused by the winding down of the Trust Fund resulted in a substantial decrease of accrued charges by kEUR 12 239;
- Financial liabilities: increased by kEUR 9 385 mainly due to the fact that the cashed contributions from the donors were higher than the net expenses allocated to donors.

[7] The total amount of 1.241 million includes the committed and decommitted amounts during the year 2022.

BALANCE SHEET

EUR '000

	Note	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
Pre-financing	*2.1*	*336*	*214*
		336	**214**
CURRENT ASSETS			
Pre-financing	*2.1*	*10 829*	*11 762*
Exchange receivables and non-exchange recoverables	*2.2*	*3 595*	*4 446*
Cash and cash equivalents	*2.3*	*4 316*	*3 792*
		18 740	**20 000**
TOTAL ASSETS		**19 076**	**20 214**
NON-CURRENT LIABILITIES			
Financial liabilities	*2.4*	*(12 552)*	*(3 167)*
		(12 552)	**(3 167)**
CURRENT LIABILITIES			
Payables	*2.5*	*(4 563)*	*(2 847)*
Accrued charges	*2.6*	*(1 961)*	*(14 200)*
		(6 524)	**(17 047)**
TOTAL LIABILITIES		**(19 076)**	**(20 214)**
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2022	2021
REVENUE			
Revenue from non-exchange transactions			
Revenue from donations	*3.1*	*21 504*	*46 995*
Recovery of expenses	*3.2*	*42*	*–*
		21 546	**46 995**
Revenue from exchange transactions			
Financial revenue	*3.3*	*40*	*–*
		40	**–**
Total revenue		**21 586**	**46 995**
EXPENSES			
Operating expenses	*3.4*	*(20 251)*	*(46 021)*
Finance costs	*3.5*	*(12)*	*(48)*
Other expenses	*3.6*	*(1 323)*	*(925)*
Total expenses		**(21 586)**	**(46 995)**
ECONOMIC RESULT OF THE YEAR		**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2022	2021
Economic result of the year	*–*	*–*
(Increase)/decrease in pre-financing	*811*	*5 924*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*851*	*894*
Increase/(decrease) in financial liabilities	*9 385*	*(14 671)*
Increase/(decrease) in payables	*1 716*	*2 052*
Increase/(decrease) in accrued charges	*(12 240)*	*2 254*
NET CASHFLOW	**524**	**(3 547)**
Net increase/(decrease) in cash and cash equivalents	*524*	*(3 547)*
Cash and cash equivalents at the beginning of the year	*3 792*	*7 339*
Cash and cash equivalents at year-end	*4 316*	*3 792*

FINANCIAL STATEMENTS OF THE EUTF AFRICA 2022

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

BACKGROUND INFORMATION ON THE EUTF AFRICA

General background on Union Trust Funds

Establishment

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[8] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[9], the European Commission may establish Union trust funds for external actions ('EU trust funds/EUTFs'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

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

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

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

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The EUTF BÊKOU, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;
- The EUTF MADAD, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;
- The EUTF AFRICA, a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;
- The EUTF COLOMBIA, which supports the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

Mission

The main objectives of the EUTF Africa are to support all aspects of stability and contribute to better migration management as well as addressing the root causes of destabilisation, forced displacement and irregular migration, in particular by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses.

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

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

Main operational activities

The Union trust fund pools together resources from different donors to finance an action on the basis of agreed objectives. EUTF Africa operates in three main geographic areas, namely the Sahel region and Lake Chad area, the Horn of Africa and the North of Africa. The neighbouring countries of the eligible countries may benefit, on a case by case basis, from the trust fund's projects. The trust fund is established for a limited period, in order to provide a short and medium-term response to the challenges of the regions.

Governance

The management of the EUTF Africa is ensured by the European Commission, which also acts as the secretariat of its two governing bodies – the Trust Fund Board and the Operational Board. The Trust Fund Board and the Operational Committee of the EUTF Africa are composed of representatives of the donors and of the Commission, as well as representatives of non-contributing EU Member States, authorities of eligible countries' and regional organisations as observers. The rules for the composition of the board and its internal rules are laid down in the constitutive agreement of the Union trust fund.

The main task of the Board is to establish and review the overall strategy of the trust fund. The Operational Board is responsible for the selection of the actions financed by the Fund and supervises their implementation. It also approves the annual accounts and the annual reports on the activities financed by the trust fund.

Sources of financing

The EUTF Africa is financed through contributions from donors. Annual accounts

Basis for preparation

The legal framework and the deadlines for the preparation of the annual accounts are set by 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'). As per this Constitutive Agreement, the annual accounts are prepared in accordance with the rules adopted by the Accounting Officer of the Commission (EU Accounting Rules, EAR), which are based on internationally accepted accounting standards for the public sector (IPSAS).

Accounting Officer

Based on the Constitutive Agreement, the Accounting Officer of the Commission serves as the Accounting Officer of the Trust Fund.

Composition of the annual accounts

The annual accounts cover the period from 1 January to 31 December and comprise the financial statements and the reports on the implementation of the budget. While the financial statements and the complementary notes are prepared on an accrual accounting basis, the budget implementation reports are primarily based on movements of cash.

Process from provisional accounts to discharge

The annual accounts are subject to independent external audit. The provisional annual accounts prepared by the Accounting Officer are transmitted, by the 15th of February of the following year, to the Operational Committee who then transmits them to the audit company selected by the entity following a tender procedure. Following the audit, the Accounting Officer prepares the final annual accounts and submits them to the Operational Committee for approval.

The annual accounts of the EUTF Africa are consolidated in the annual accounts of the European Development Fund.

Operational highlights

Achievements of the year

In line with the end of the contracting period on 31 December 2021, as of January 2022 the EUTF for Africa will not fund new financial commitments or budgetary top-ups. Financial commitments related to administrative activities such as audits, evaluations, monitoring and communication activities are the only ones that can be contracted. The EUTF Africa programmes will continue being implemented up to end 2025.

In the course of 2022, the EUTF Africa further demonstrated that it is a swift and effective implementation tool, facilitating policy dialogue with African partner countries, applying innovative approaches, and producing tangible results across the three regions (Sahel and Lake Chad, Horn of Africa and North of Africa).

The EUTF Africa further consolidated its achievements in partnership with EU Member States development agencies, UN organisations, NGOs and partner countries. In line with the end date of contractualisation of the Trust Fund at the end of 2021, the total amount of approved operational programmes has remained the same as in 2021 (EUR 4 935.1 million). At the end of 2022 and since the beginning of the Trust Fund, 248 programmes have been approved. By the end of 2022, cumulative operational payments had reached approximately EUR 4 176 million.

In 2022, the EUTF Africa continued to support stability, and to address migration and forced displacement challenges, including their root causes, and opportunities, in close cooperation with African partners in the Sahel and Lake Chad, Horn of Africa and North of Africa regions. This support includes the fight against smuggling of migrants and trafficking in human beings, and the support to voluntary return to, and sustainable reintegration of migrants in, their country of origin.

During the past year, the overall pledge for the EUTF Africa remained the same as in 2021, amounting to over EUR 5 061.7 million, of which EUR 623.2 million by EU Member States and other donors (United Kingdom, Norway and Switzerland).

Accountability and transparency have been ensured through regular communication activities including updates on the EUTF Africa website, publishing posts on social media and organising communication events. As in previous years, the Monitoring and Learning System (MLS) reports (available on the EUTF Africa website) on the Sahel and Lake Chad and the Horn of Africa continued to show the tangible results achieved by the EUTF Africa in different areas of work. The Monitoring & Learning system of the North of Africa region was taken over by a different implementing partner at the end of 2021. It delivered its first annual report presenting cumulative results in the region to report progresses against the set of Trust Fund common output indicators.

In the course of 2022, countries of the three regions faced rising food and energy prices and migration flows triggered by a combination of socio-political and economic factors exacerbated by the growing effects of climate change. While the impact of the COVID-19 pandemic was still tangible, the Russian aggression on Ukraine has led to a surge in food and fuel import costs. This economic inflation combined with severe droughts, floods and local conflicts negatively impacted the economy, food security and in turm migration and mobility within the continent.

The security situation of the Sahel and Lake Chad region remained of concern with high levels of violence and intercommunal tensions in addition to unstable political situation (in particular in Mali, Burkina Faso and Chad). The rise of commodity and food prices combined with severe droughts, floods, and conflicts have plunged the Sahel and Lake Chad region in its worst food crisis in over a decade. As of June 2022, an estimated 38 million people might be suffering from hunger in West Africa. In parallel, internal displacement continued to increase with 4.6 million people being displaced or refugees in Burkina Faso, Mali, Niger, Chad and Mauritania in the first semester of 2022 (up from 4.2 million in December 2021). The total funding approved in the Sahel and Lake Chad region since the beginning of the EUTF for Africa amounts to EUR 2 217.8 million.

In the Horn of Africa region, drought and environmental degradation exacerbated by skyrocketing food and fuel prices, led to a food security crisis notably in Ethiopia, Kenya and Somalia with about 20 million people struggling to survive and an estimated 55 million people in the whole region currently facing food insecurity. Floods have also significantly contributed to displacement, notably in Sudan and South Sudan. While persisting instability and conflicts further worsened the situation in the region, encouraging political developments took place: in Ethiopia with the signing of a cessation of hostilities agreement, in Kenya with a relative calm general election, and in Sudan with the signing of a Framework Agreement towards the formation of a transitional Government. The funding approved in the Horn of Africa region since the beginning of the EUTF for Africa amounts to EUR 1 810 million.

In the North of Africa region, food and energy scarcity, combined with the destabilising impact of the Russian aggression on Ukraine and the still tangible economic and social impact of COVID-19, exacerbated by the growing effects of climate change, formed a 'stress nexus' that affected countries in the region. North African countries are countries of origin, transit and destination for migration. On the Central Mediterranean route, over 90 000 migrants and refugees arrived in Europe in 2022 departing mainly from Libya and Tunisia, and originating primarily from Egypt, Tunisia, and Bangladesh. This represents an increase of over 50% in comparison to 2021 and an increase in migrants from Asia and North Africa. Since the beginning of the EUTF for Africa a total of funding EUR 907.3 million has been approved in the North of Africa region.

Budget and budget implementation

In 2022, no new programmes or budgetary top-ups took place in either of the three regions of the EUTF for Africa, in line with the end of the contracting period on 31 December 2021.

The total amount committed for operational and administrative expenditure since the beginning of the EUTF for Africa amounted to EUR 5 056.31 million, considering the total committed deducted from the decommitted amount.

34 new contracts for an amount of 3.32 million were contracted in 2022, considering net committed amount and no de-commitments, compared to EUR 112 million in 2021. These contracts were only related to administrative activities (audit, evaluation, communication, monitoring) as operational programmes or activities cannot be funded any longer since January 2022.

The payments in the reporting period reached EUR 442 million, which was EUR 306 million lower than in 2021 (EUR 748 million). Payments are lower in 2022, due to several projects reaching the end of their implementation period; they are in line with the trends of the annual forecast.

In 2022, the total budget implementation in terms of available commitment appropriations used by commitments reached 99% (including recoveries and de-committed amounts).

In 2022, the COVID-19 pandemic continued to have an impact on the countries benefitting from the EUTF Africa, though not as severely as in 2021. The funding re-oriented in 2021 and 2020 to provide the necessary response to the pandemic continued being used to address the negative economic and social consequences of COVID-19, including prevention activities or socioeconomic mitigation measures.

Since the onset of Russian aggression on Ukraine global food and commodity prices have rapidly increased, seriously affecting African countries. For most African countries that are vastly dependent on food and fuel imports, the impact of rising global commodity prices on national budgets as well as on domestic food, energy, and consumer prices is critical. The economic inflation affected the implementation of EUTF projects, lessening the purchasing power of partners and beneficiaries, having a significant effect on interventions providing social transfers (in-kind or cash activities) to mention one example.

Impact of the activities in the financial statements

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

- **Pre-financing**: decreased by kEUR 173 980 due to the fact that the clearing of the pre-financing with expenses incurred for ongoing or ended projects was higher than the amounts of new pre-financing stemming from new contracts signed in 2022. In 2022, only 30 contracts were signed, relating to administrative activities: audit, evaluation, communication and monitoring for an amount of EUR 2.69 million;

- **Financial liabilities**: decreased by kEUR 190 739 mainly due to the fact that contributions cashed in the year were not sufficient to cover the net expenses allocated to the donors. This led to a decrease in the cash and cash equivalents;

- **Operating expenses**: decreased by kEUR 265 746 as a result of the winding down of the Trust Fund. 2022 marked the first year following the end of the contracting period, which led to a decrease in the number of open contracts and thus to a decrease in expenses.

BALANCE SHEET

EUR '000

	Note	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
Financial Assets	*2.1*	*1 943*	*–*
Pre-financing	*2.2*	*14 927*	*55 305*
		16 870	**55 305**
CURRENT ASSETS			
Pre-financing	*2.2*	*304 055*	*437 657*
Exchange receivables and non-exchange recoverables	*2.3*	*35 914*	*45 339*
Cash and cash equivalents	*2.4*	*157 587*	*179 759*
		497 556	**662 755**
TOTAL ASSETS		**514 426**	**718 061**
NON-CURRENT LIABILITIES			
Financial liabilities	*2.5*	*(334 791)*	*(525 530)*
		(334 791)	**(525 530)**
CURRENT LIABILITIES			
Payables	*2.6*	*(30 975)*	*(53 143)*
Accrued charges	*2.7*	*(148 660)*	*(139 388)*
		(179 635)	**(192 531)**
TOTAL LIABILITIES		**(514 426)**	**(718 061)**
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2022	2021
REVENUE			
Revenue from non-exchange transactions			
Revenue from donations	*3.1*	*605 739*	*871 456*
Recovery of expenses	*3.2*	*754*	*16*
		606 493	**871 472**
Revenue from exchange transactions			
Financial revenue	*3.3*	*251*	*131*
Other exchange revenue	*3.4*	*18 902*	*16 340*
		19 152	**16 471**
Total revenue		**625 645**	**887 943**
EXPENSES			
Operating expenses	*3.5*	*(590 545)*	*(856 291)*
Finance cost	*3.6*	*(643)*	*(550)*
Other expenses	*3.7*	*(34 457)*	*(31 103)*
Total expenses		**(625 645)**	**(887 943)**
ECONOMIC RESULT OF THE YEAR		**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2022	2021
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*173 980*	*159 078*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*9 425*	*(38 992)*
Increase/(decrease) in financial liabilities	*(190 739)*	*(20 849)*
Increase/(decrease) in payables	*(22 168)*	*7 765*
Increase/(decrease) in accrued charges	*9 272*	*14 786*
Investing activities		
Increase/decrease in non-derviative financial assets at fair value through surplus or deficit	*(1 943)*	–
NET CASHFLOW	**(22 172)**	**121 788**
Net increase/(decrease) in cash and cash equivalents	*(22 172)*	*121 788*
Cash and cash equivalents at the beginning of the year	*179 759*	*57 971*
Cash and cash equivalents at year-end	*157 587*	*179 759*

CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE EU TRUST FUNDS

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

CONSOLIDATED BALANCE SHEET

EUR million

	31.12.2022	31.12.2021
NON-CURRENT ASSETS		
Financial assets	*69*	*39*
Pre-financing	*503*	*726*
Exchange receivables	*7*	*4*
	580	**770**
CURRENT ASSETS		
Financial assets	*3*	*–*
Pre-financing	*1 711*	*1 902*
Exchange receivables and non-exchange recoverables	*66*	*85*
Cash and cash equivalents	*1 189*	*1 177*
	2 970	**3 164**
TOTAL ASSETS	**3 550**	**3 934**
NON-CURRENT LIABILITIES		
Financial liabilities	*(101)*	*(154)*
	(101)	**(154)**
CURRENT LIABILITIES		
Payables	*(462)*	*(557)*
Accrued charges and deferred income	*(1 282)*	*(1 162)*
	(1 744)	**(1 719)**
TOTAL LIABILITIES	**(1 845)**	**(1 873)**
NET ASSETS	**1 705**	**2 061**
FUNDS & RESERVES		
Called fund capital - active EDFs	*65 100*	*62 643*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(62 834)*	*(59 860)*
Economic result of the year	*(2 813)*	*(2 974)*
NET ASSETS	**1 705**	**2 061**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	2022	2021
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*19*	*27*
Revenue from trust funds donations	*169*	*272*
	188	**300**
Revenue from exchange transactions		
Financial revenue	*3*	*(25)*
Other revenue	*96*	*90*
	99	**64**
Total Revenue	**287**	**364**
EXPENSES		
Aid instruments	*(2 331)*	*(2 218)*
Expenses implemented by other entities	*(1)*	*–*
Expenses implemented by trust funds	*(611)*	*(902)*
Co-financing expenses	*4*	*(19)*
Finance costs	*(7)*	*(21)*
Other expenses	*(155)*	*(178)*
Total Expenses	**(3 100)**	**(3 338)**
ECONOMIC RESULT OF THE YEAR	**(2 813)**	**(2 974)**

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	2022	2021
Economic result of the year	*(2 813)*	*(2 974)*
Operating activities		
Capital increase - contributions	*2 458*	*3 657*
(Increase)/decrease in trust funds contributions	*(0)*	*–*
(Increase)/decrease in pre-financing	*414*	*266*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*16*	*66*
Increase/(decrease) in provisions	*1*	*0*
Increase/(decrease) in financial liabilities	*(54)*	*(19)*
Increase/(decrease) in payables	*(96)*	*(104)*
Increase/(decrease) in accrued charges and deferred income	*120*	*(502)*
Other non-cash movements	*–*	*-*
Investing activities		
(Increase)/decrease in available for sale financial assets	*(33)*	*(7)*
NET CASHFLOW	**12**	**384**
Net increase/(decrease) in cash and cash equivalents	12	384
Cash and cash equivalents at the beginning of the year	1 177	793
Cash and cash equivalents at year-end	1 189	1 177

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Fair value reserve (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2020	**73 041**	**14 055**	**58 986**	**(59 854)**	**2 252**	**(5)**	**1 379**
Impact of revised EAR 11	–	–	–	*(5)*		*5*	
Balances as at 01.01.2021	**73 041**	**14 055**	**58 986**	**(59 860)**	**2 252**	**-**	**1 379**
Capital increase - contributions	*(43)*	*(3 700)*	*3 657*	–	–		*3 657*
Economic result of the year	–	–	–	*(2 974)*	–		*(2 974)*
BALANCE AS AT 31.12.2021	**72 998**	**10 355**	**62 643**	**(62 834)**	**2 252**	**–**	**2 061**
Capital increase - contributions	*(43)*	*(2 500)*	*2 457*				*2 457*
Economic result of the year			–	*(2 813)*			*(2 813)*
BALANCE AS AT 31.12.2022	**72 955**	**7 855**	**65 100**	**(65 647)**	**2 252**	**–**	**1 705**

EDF REPORT ON FINANCIAL IMPLEMENTATION

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1. BACKGROUND

Launched in 1959, the European Development Fund is the main instrument for providing EU aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). Its primary objective is to reduce and ultimately eradicate poverty.

The EDF is established by an Internal Agreement of the Representatives of the Member States and managed by a specific committee. The EDF resources are "ad hoc" contributions from the EU Member States, who decide on an overall amount that will be allocated to the fund (over a period of five years). In addition to these contributions, it is also possible for Member States to enter into co-financing arrangements or to make voluntary financial contributions to the EDF. The European Commission is responsible for the financial implementation of the operations carried out with EDF resources. The European Investment Bank manages the Investment Facility.

The EDF is a fund operating based on multiannuality. Each EDF is concluded for a period of around five years and it 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.

The Internal Agreement establishing the last EDF, the 11th EDF (2014-2020), came into force on 1 March 2015. As of 2021, the cooperation with the ACP countries is included in the Neighbourhood, Development and International Cooperation Instrument (NDICI). However, the ongoing projects, funded under the EDF, will continue their implementation, under the respective EDF legal basis.

This report is produced in accordance with Article 39 of the Financial Regulation of 11th EDF[10]. It provides information on the revenue and expenditure operations of the EDF, with the focus on important events that had a significant impact on financial implementation of year 2020.

Given that there are no ongoing operations under previous EDFs[11], this report includes figures only for the 10th and 11th EDF.

1.1. Previous EDFs

6TH AND 7TH EDF

The 6th EDF was closed in 2006 and the 7th EDF was closed in 2008. In 2019, the Commission closed the remaining outstanding transactions of the 8th EDF projects.

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

8TH AND 9TH EDF

The year 2021 marked the financial and operational closure of the 8th EDF for a total amount of expenditure of EUR 10 374 million. The Commission announced the closure of the 8th EDF to the Member States in the Communication that was presented to the Council in October 2021.

All 8th EDF activities have been completed, all checks and controls have been performed, and all contracts and financial decisions are closed in the EDF accounts. All recovery orders, which were still open after the operational closure, were cashed or waived with the exception of 10 recovery orders (including 6 litigation cases followed by the Legal Service). In line with the Commission's Decision C(2003)19044, these 10 ROs were transferred to the 9th EDF.

The closure of the 9th EDF is progressing well. There are still 19 contracts open, out of which 12 concern actions in Southern Sudan (Council decision 2011/315/EU). These were decided after the 9th EDF sunset clause and should, in principle, be closed by 2024.

[10] COUNCIL REGULATION (EU) 2018/1877

[11] Except for operations in South-Sudan

From 2015 to 2022, the Commission carried out three refunds of 8th/9thEDF credits for a total amount of EUR 1 868.6[12] million. A balance of EUR 43 million was refunded in January 2023 in the context of the payment of the 1st instalment of MS contributions to the EDF.

1.2. 10th and 11th EDF

The ACP-EC Partnership Agreement was 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). It entered into force on 1 April 2003 (establishing the 9th EDF). The Cotonou Agreement was amended twice, firstly by the agreement signed in Luxembourg on 25 June 2005 (establishing the 10th EDF), secondly by the agreement signed in Ouagadougou on 22 June 2010 (establishing the 11th EDF).

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 multi-annual 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, for the second period (2008-2013), the 10th EDF has an overall budget of EUR 22 682 million. Of this amount:

- EUR 21 966 million were allocated to the ACP countries;
- EUR 286 million to the OCT; and
- EUR 430 million to the Commission as support expenditure for programming and implementation of the EDF.

The amount for the ACP countries is divided accordingly:

- EUR 17 766 million to national and regional indicative programmes;
- EUR 2 700 million to intra-ACP and intra-regional cooperation; and
- EUR 1 500 million to Investment Facilities.

Notably, an increased share of the budget is devoted to regional programmes, thereby emphasising the importance of regional economic integration as the basic framework for national and local development. An innovation in the 10th EDF was the creation of ‘incentive amounts’ for each country.

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 EUR 359.5 million is managed by the European Commission; and
- 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.

[12] 1.402,57 million Bridging facility (Council Decision 2015/0246), 200 million (Council Decision 2017/1206), 223 million (Council decision 2020/1708) and 43 million (Council Decision 2021/1941)

2. FINANCIAL IMPLEMENTATION

2.1. FINANCIAL OUTTURN

EVOLUTION OF 10th EDF APPROPRIATIONS

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2022
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2021	INCREASE OR DECREASE IN RESOURCES IN 2022	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Co-financing*	*0*	*202*			*202*
	Regular MS Contributions	*20.896*	*(391)*	*337*		*20.842*
	SUB TOTAL ACP	20.896	(189)	337		21.044
OCT	*Regular MS Contributions*	*0*	*240*	*(0)*		*240*
	SUB TOTAL OCT	0	240	(0)		240
	TOTAL 10th EDF	20.896	51	337		21.284

EVOLUTION OF 11th EDF APPROPRIATIONS

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2022
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2021	INCREASE OR DECREASE IN RESOURCES IN 2022	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Co-financing*	*0*	*88*	*2*		*89*
	EC Internal SLA	*0*	*1*			*1*
	Regular MS Contributions	*29.008*	*308*	*(602)*		*28.713*
	SUB TOTAL ACP	29.008	395			28.804
OCT	*Co-financing*	*0*	*0*			*0*
	EC Internal SLA	*0*	*0*			*0*
	Regular MS Contributions	*0*	*352*	*1*		*353*
	SUB TOTAL OCT	0	352			353
	TOTAL 11th EDF	29.008	870	(721)		29.157

EVOLUTION OF COMMITMENTS, ASSIGNED FUNDS AND PAYMENTS FOR 10TH EDF

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2022
CLASS OF AID

ACP + PTOM - 10 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										
ACP	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	12.370	12.325	(67)	100%	12.283	(50)	100%	12.162	19	99%
ACP	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	1.966	1.965	(6)	100%	1.961	(3)	100%	1.959	(0)	100%
ACP	SUB TOTAL: FOOD SECURITY	343	484	484	141%	316	316	65%	232	232	73%
ACP	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	527	526		100%	526		100%	522		99%
ACP	SUB TOTAL: INTRA-ACP ALLOCATIONS	3.628	3.618	(37)	100%	3.549	(3)	98%	3.323	84	94%
ACP	SUB TOTAL: REGIONAL ALLOCATIONS	1.960	1.810	(15)	92%	1.778	(16)	98%	1.694	2	95%
ACP	Co-financing										
ACP	Allocations										
ACP	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	185	178	(1)	96%	175	(2)	98%	172	8	98%
ACP	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5		111%	5		100%	4	1	78%
ACP	SUB TOTAL: INTRA-ACP ALLOCATIONS	12	11		91%	11		100%	11		100%
ACP	Non-mobilisable reserve										
ACP	SUB TOTAL: NON-MOBILISABLE RESERVE 10th EDF	137									
OCT	Regular MS Contributions										
OCT	Allocations										
OCT	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	186	186	(1)	100%	183	0	99%	170	1	93%
OCT	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	14	14	(0)	100%	14		100%	14		100%
OCT	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5		100%	5		100%	5		100%
OCT	SUB TOTAL: REGIONAL ALLOCATIONS	34	34		100%	34		99%	34	0	100%
OCT	Non-mobilisable reserve										
OCT	SUB TOTAL: NON-MOBILISABLE RESERVE 10TH EDF	17									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	21.389	21.162	356	99%	20.841	241	98%	20.302	347	97%

EVOLUTION OF COMMITMENTS, ASSIGNED FUNDS AND PAYMENTS FOR 11TH EDF

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2022
CLASS OF AID

ACP + PTOM - 11 th EDF

(EUR million)

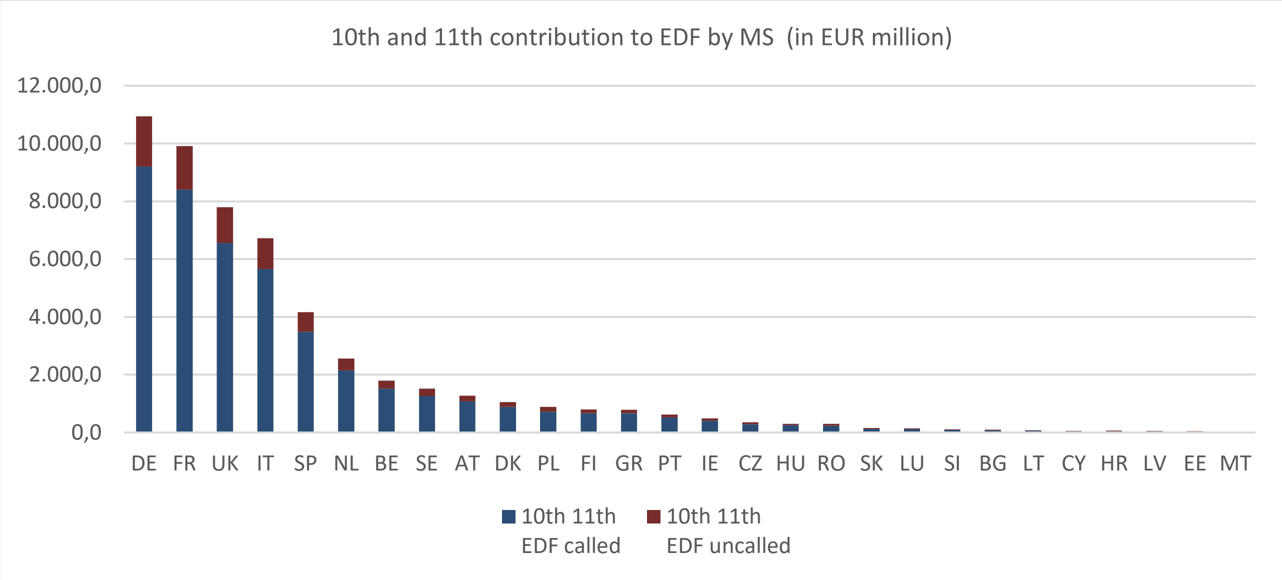
		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	Regular MS Contributions										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	15.449	15.421	(110)	100%	14.413	391	93%	11.062	1.086	77%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	1.060	1.060	(3)	100%	1.039	22	98%	980	115	94%
	SUB TOTAL: BRIDGING FACILITY	0									
	SUB TOTAL: FOOD SECURITY	112	112	112	100%	21	21	19%	3	3	15%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	1.067	1.067	(3)	100%	1.063	(0)	100%	910	54	86%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	4.009	3.907	(1)	97%	3.822	120	98%	3.186	218	83%
	SUB TOTAL: REGIONAL ALLOCATIONS	7.293	7.286	(14)	100%	7.047	56	97%	5.452	526	77%
	Co-financing										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	46	46		100%	45	(0)	98%	26	8	59%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	4	4		100%	4		100%	0		10%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	33	33		100%	33		100%	27	4	83%
	SUB TOTAL: REGIONAL ALLOCATIONS	8	6	2	75%	6	2	100%	4		67%
	Non-mobilisable reserve										
	SUB TOTAL: NON-MOBILISABLE RESERVE 11TH EDF	75									
	EC Internal SLA										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	1	1		52%	1		100%	1		100%
OCT	Regular MS Contributions										
	Allocations										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	211	211	(1)	100%	194	(1)	92%	192	9	99%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	12	12		100%	12		100%	12		99%
	SUB TOTAL: BRIDGING FACILITY	0									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	8	8	(0)	100%	6		77%	5	0	84%
	SUB TOTAL: REGIONAL ALLOCATIONS	103	102	(0)	100%	102	0	100%	52	15	51%
	Non-mobilisable reserve										
	SUB TOTAL: NON-MOBILISABLE RESERVE 11TH EDF	2									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	29.491	29.275	(18)	99%	27.806	611	95%	21.912	2.039	79%

2.2. REVENUE

Nature of Revenue

The main revenue of the EDF is the Member States contributions. Three times per year, the European Commission and the European Investment Bank call the Member States to contribute to the EDF. The amount of the contributions called each year reflects the amount of payment to be covered during the year.

Overview of contributions by Member State



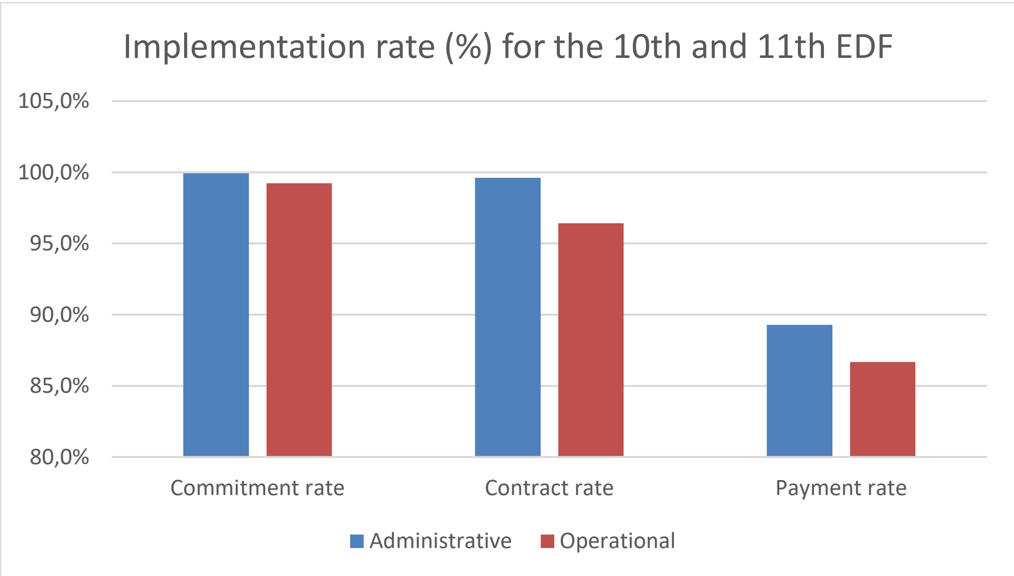
2.3. Operational Expenditure and specific programmes

Nature of Expenditure

The amount available under the multiannual financial framework consists of 3% allocated to Commission for support expenditure and 97% allocated to the implementation of EDF projects. Amounts are set by each Internal Agreement and can be increased by voluntary contributions and income yielded from operations.

Breakdown of Committed, Contracted and Paid amount per nature of expenditure:

	CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
		AGGREG	ANNUAL	%	AGGREG	ANNUAL	%	AGGREG.	ANNUAL	%
	(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
IMPLEMENTATION COSTS AND INTERESTS REVENUES 10th + 11th EDF	1.630	1.629	11	99,9%	1.622	13	99,6%	1.448	57	89,3%
OPERATIONAL IMPLEMENTATION (A+B) 10th + 11th EDF	50.442	50.049	338	99,2%	48.260	853	96,4%	41.827	2.286	86,7%
TOTAL 10+11th EDF: ACP + OCT (A+B)	52.071	51.677	349	99,2%	49.882	866	96,4%	43.276	2.343	86,8%



Breakdown of committed, contracted and paid amount per region and country

EDF CUMULATIVE ACCOUNTS AT 31 DECEMBER 2022 BY COUNTRY % APPR								
10th + 11 th EDF		TOTAL 10th and 11th EDF (EUR in million)						
Cumulative 2022		Appropriations	Decisions	% of Appr	Assigned funds	% of Appr	Payments	% of Appr
ACP	General / enveloppe administrative/intér	1.621	1.615	100%	1.615	100%	1.440	89%
	Réserve / Non réparti par pays	2.671	2.553	96%	2.553	96%	2.403	90%
	All ACP countries	4.292	4.168	97%	4.168	97%	3.842	90%
	Angola	348	348	100%	345	99%	289	83%
	Bénin	738	736	100%	719	97%	667	90%
	Botswana	129	129	100%	127	98%	123	95%
	Burkina Faso	1.306	1.302	100%	1.299	99%	1.249	96%
	Burundi	569	569	100%	550	97%	514	90%
	Cameroun	521	521	100%	507	97%	461	89%
	Cap Vert	146	146	100%	146	100%	144	99%
	Comores	79	79	100%	76	95%	67	85%
	Congo (Brazzaville)	163	163	100%	159	97%	107	65%
	Congo (République démocratique du)	1.422	1.421	100%	1.358	96%	1.162	82%
	Côte d'Ivoire	706	705	100%	701	99%	663	94%
	Djibouti	186	186	100%	175	94%	140	75%
	Erythrée	215	215	100%	215	100%	35	16%
	Ethiopie	1.614	1.609	100%	1.585	98%	1.375	85%
	Gabon	33	33	100%	32	97%	29	89%
	Gambie	314	314	100%	312	99%	253	81%
	Ghana	791	787	99%	782	99%	709	90%
	Guinée Bissau	186	186	100%	185	100%	162	87%
	Guinée (Conakry)	503	503	100%	495	98%	426	85%
	Ile Maurice	82	82	100%	82	100%	81	99%
	Kenya	871	867	100%	856	98%	696	80%
	Lesotho	259	256	99%	247	95%	191	74%
	Libéria	489	489	100%	443	91%	422	86%
	Madagascar	788	788	100%	732	93%	518	66%
	Malawi	1.025	1.023	100%	943	92%	856	84%
	Mali	1.424	1.423	100%	1.402	98%	1.200	84%
	Mauritanie	345	344	100%	340	99%	305	88%
	Mozambique	1.460	1.453	100%	1.266	87%	1.044	72%
	Namibie	189	188	100%	177	94%	166	88%
	Niger	1.279	1.275	100%	1.257	98%	1.194	93%
	Nigeria	1.141	1.110	97%	1.099	96%	1.008	88%
	Ouganda	991	991	100%	978	99%	791	80%
	République centrafricaine	610	610	100%	584	96%	529	87%
	Rwanda	840	840	100%	836	100%	808	96%
	Sao Tomé-et-Principe	56	56	100%	54	96%	46	82%
	Sénégal	666	666	100%	660	99%	606	91%
	Seychelles	23	23	100%	23	99%	22	96%
	Sierra Leone	663	663	100%	629	95%	572	86%
	Somalie	901	899	100%	896	99%	884	98%
	Soudan	298	298	100%	298	100%	298	100%

	South Sudan	**90**	90	100%	90	100%	90	100%
	Swaziland	**128**	126	98%	114	89%	100	78%
	Tanzanie	**1.172**	1.172	100%	1.114	95%	993	85%
	Tchad	**936**	936	100%	880	94%	756	81%
	Togo	**378**	378	100%	375	99%	351	93%
	Zambie	**834**	834	100%	773	93%	593	71%
	Zimbabwe	**470**	470	100%	467	99%	444	94%
	*** Total Africa**	**28.377**	**28.304**	**100%**	**27.379**	**96%**	**24.139**	**85%**
	Antigua et Barbuda	**15**	15	100%	15	100%	14	93%
	Barbade	**22**	22	100%	22	99%	20	91%
	Belize	**43**	43	100%	41	96%	31	74%
	Dominique	**41**	41	100%	41	99%	40	98%
	Grenade	**21**	21	100%	20	99%	20	97%
	Guyane	**79**	79	100%	76	97%	76	97%
	Haïti	**1.013**	1.012	100%	891	88%	754	74%
	Jamaïque	**236**	236	100%	233	99%	219	93%
	République Dominicaine	**283**	283	100%	281	99%	274	97%
	Sainte-Lucie	**32**	32	100%	32	100%	29	91%
	Saint Kitts et Nevis	**8**	8	100%	8	99%	6	72%
	Saint-Vincent -et-les-Grenadines	**26**	26	100%	26	99%	22	83%
	Surinam	**27**	27	100%	27	99%	20	74%
	Trinité et Tobago	**29**	29	100%	28	99%	22	76%
	*** Total Caribbean**	**1.875**	**1.873**	**100%**	**1.742**	**93%**	**1.550**	**83%**
	Fidji	**49**	49	100%	48	99%	46	96%
	Iles Cook	**5**	5	100%	5	100%	5	100%
	Iles Salomon	**69**	69	100%	68	99%	61	89%
	Kiribati	**42**	42	100%	42	99%	30	71%
	Marshall Island	**17**	17	100%	17	100%	14	86%
	Micronésie	**23**	23	100%	22	97%	11	46%
	Nauru	**4**	4	100%	4	99%	4	98%
	Nioué	**3**	3	100%	3	100%	3	100%
	Palau	**5**	5	100%	4	70%	4	68%
	Papouasie-Nouvelle Guinée	**244**	240	98%	232	95%	178	73%
	Samoa Occidentale	**67**	67	100%	67	100%	66	99%
	Timor Leste	**174**	174	100%	172	99%	150	86%
	Tonga	**28**	28	100%	28	100%	28	99%
	Tuvalu	**13**	13	100%	13	99%	13	96%
	Vanuatu	**55**	55	100%	52	96%	46	83%
	*** Total Pacific**	**798**	**794**	**99%**	**777**	**97%**	**659**	**83%**
	Intra ACP Allocations	**8.118**	8.005	99%	7.589	93%	6.663	82%
	PALOP	**61**	61	100%	59	98%	54	89%
	Région Afrique Australe FED 10	**137**	137	100%	137	100%	134	98%
	REGION AFRIQUE CENTRALE	**573**	570	99%	538	94%	389	68%
	REGION AFRIQUE EST ET AUSTRALE	**3.109**	3.106	100%	2.968	95%	2.213	71%
	Région Afrique Occidentale	**1.960**	1.957	100%	1.930	98%	1.515	77%
	Région Caraïbes	**540**	539	100%	505	94%	363	67%
	Région Pacifique	**327**	323	99%	285	87%	196	60%
	*** Total regional cooperation ACP**	**14.826**	**14.699**	**99%**	**14.012**	**95%**	**11.526**	**78%**
OCT	ACP	50.168	49.837	99%	48.078	96%	41.716	83%

	Réserve / Non réparti par par pays/terri	32	13	41%	11	35%	10	32%
	All OCT countries	32	13	41%	11	35%	10	32%
	Anguilla	28	28	100%	27	99%	27	99%
	Iles Falklands (Malouines)	10	10	100%	10	100%	10	100%
	Iles Pitcairn	5	5	100%	5	100%	5	100%
	Iles Turks-et-Caicos	32	32	100%	32	100%	32	100%
	Iles Vierges britanniques	2	2	100%	2	98%	2	90%
	Montserrat	33	33	100%	33	100%	33	100%
	Sainte Hélène	38	38	100%	38	100%	38	100%
	* Total British OCT	147	147	100%	146	100%	146	100%
	Antilles néerlandaises	41	40	99%	23	57%	20	49%
	Antilles néerlandaises - Bonaire	4	4	100%	4	98%	2	56%
	Antilles néerlandaises - Saba	3	3	100%	3	100%	3	100%
	Antilles néerlandaises - Sint-Eustatius	2	2	100%	2	100%	2	100%
	Aruba	21	21	100%	21	99%	19	91%
	Sint Maarten	14	14	100%	8	55%	5	33%
	* Total Dutch OCT	86	85	99%	62	72%	52	61%
	Iles Wallis et Futuna	39	39	100%	37	95%	27	71%
	Mayotte	29	29	100%	29	100%	29	100%
	Nouvelle-Calédonie	50	50	100%	50	100%	50	100%
	Polynésie française	51	51	100%	50	98%	49	97%
	Saint-Pierre-et-Miquelon	47	47	100%	47	100%	47	100%
	* Total French OCT	215	215	100%	212	99%	202	94%
	Réserve/non réparti par région	137	137	100%	136	99%	86	63%
	* Total regional cooperation OCT	137	137	100%	136	99%	86	63%
	OCT	617	597	97%	568	92%	497	81%
TOTAL: ACP+OCT		50.785	50.435	99%	48.646	96%	42.213	83%

Breakdown of Committed, Contracted and Paid amount by spending area for the 11th EDF

11TH EDF Breakdown of committed, contracted and paid amount by spending area (DAC sector codes)[13]

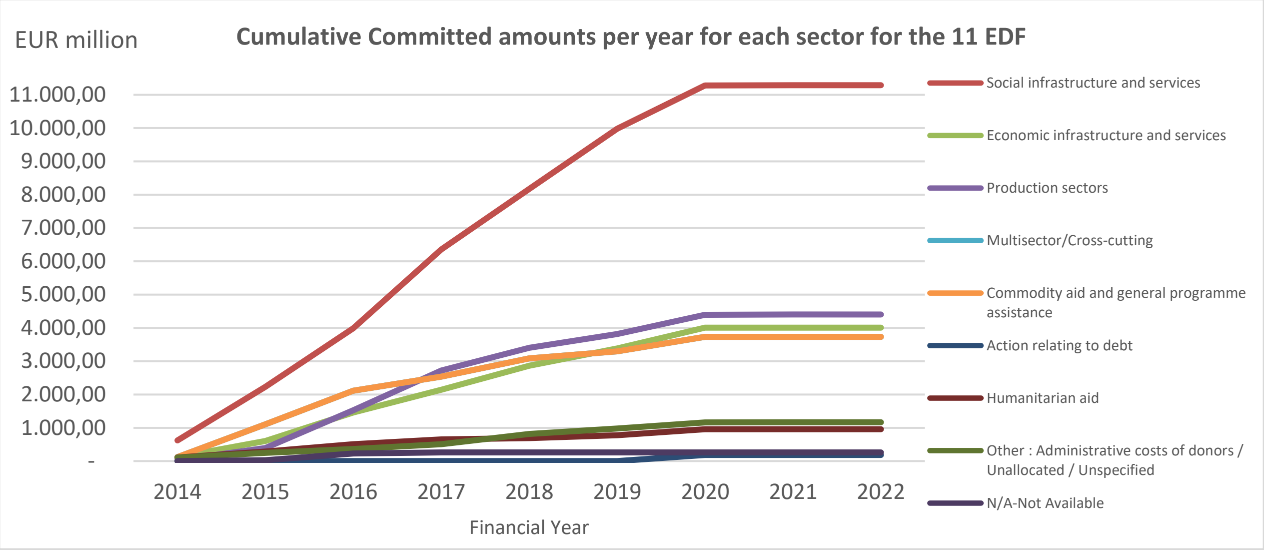
(EUR million)

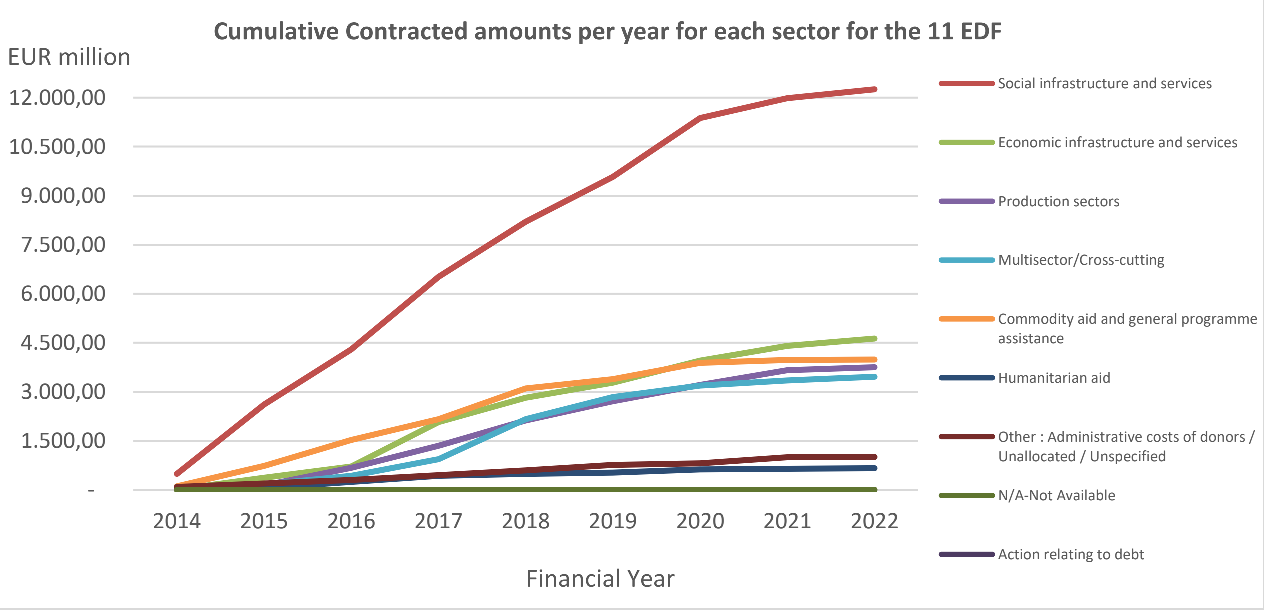
Sector	Committed	Contracted	Paid
Social infrastructure and services			
110-Education	1.192,46	1.133,56	958,72
120-Health	2.131,40	2.485,23	2.201,03
130-Population policies/programmes and reproductive health	352,44	50,67	30,23
140-Water and sanitation	788,50	833,83	479,83
150-Government and civil society	5.826,12	6.373,64	5.426,96
160-Other social infrastructure and services	996,71	1.377,42	1.301,39
Social infrastructure and services TOTAL	11.287,63	12.254,35	10.398,17
Economic infrastructure and services			
210-Transport and storage	1.425,48	2.162,30	990,95
220-Communications	140,96	143,99	101,70
230-Energy	2.015,13	1.893,12	1.065,10
240-Banking and financial services	82,03	118,10	68,99
250-Business and other services	343,43	313,63	170,94
Economic infrastructure and services TOTAL	4.007,01	4.631,15	2.397,68
Production sectors			
310-Agriculture, forestry and fishing	3.252,66	2.886,40	2.074,39
320-Industry, mineral resources and mining, construction	641,59	450,66	224,19
330-Trade and tourism	507,49	416,58	230,57
Production sectors TOTAL	4.401,74	3.753,65	2.529,15
Multisector/Cross-cutting			
410-General environmental protection	989,82	901,85	594,87
430-Other multisector	3.882,47	2.560,60	1.861,88
Multisector/Cross-cutting TOTAL	4.872,29	3.462,45	2.456,75
Commodity aid and general programme assistance			
510-General budget support	3.116,32	3.598,77	2.837,52
520-Developmental food assistance	614,50	389,97	354,32
Commodity aid and general programme assistance TOTAL	3.730,82	3.988,75	3.191,84
Action relating to debt			
600-Action relating to debt	183,00	183,00	183,00
Action relating to debt TOTAL	183,00	183,00	183,00
Humanitarian aid			
720-Emergency response	746,19	473,49	465,38
730-Reconstruction relief and rehabilitation	137,83	64,96	35,79
740-Disaster preparedness	72,79	126,50	84,60
Humanitarian aid TOTAL	956,81	664,95	585,77
Administrative costs of donors / Unallocated / Unspecified			
910-Administrative costs of donors	982,02	967,20	820,72
998-Unallocated / Unspecified	183,74	41,41	29,70
N/A-Not Available	260,50	5,98	2,02
Administrative costs of donors / Unallocated / Unspecified TOTAL	1.426,26	1.014,59	852,44
GRAND TOTAL OF 11TH EDF	**30.865,56**	**29.952,88**	**22.594,80**

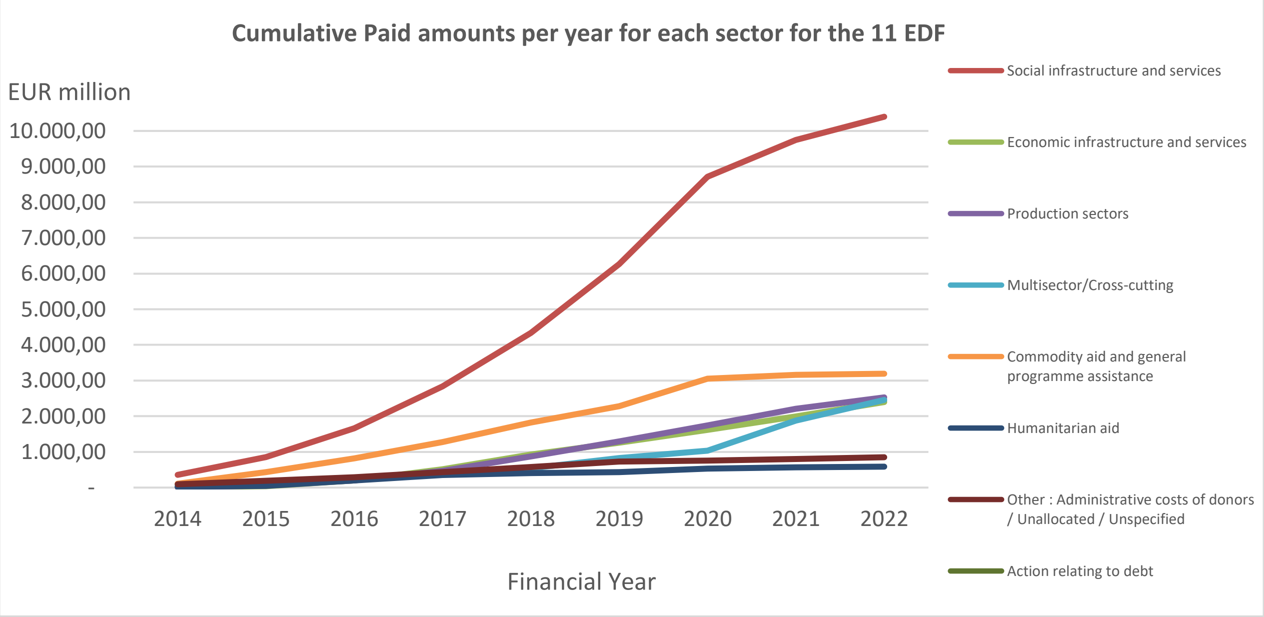
[13] Gross amounts (i.e. excluding decommitments and recovery orders)

Amounts in columns Committed, Contracted, Paid are colour weighted

Evolution of cumulative Committed, Contracted and Paid amount by spending area for the 11th EDF







3. GLOSSARY

Administrative appropriations

Appropriations to cover the running costs of the entities (staff, buildings, office equipment).

Adopted budget

Draft budget becomes the adopted budget as soon as approved by the budgetary authority.

Amending budget

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

Appropriations

Budget funding.

The budget forecasts both commitments (legal pledges to provide finance) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses.

Assigned revenue

Revenue dedicated to finance specific items of expenditure.

Budget result

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

For agencies, the resulting amount will have to be reimbursed to the funding authority.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

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

Budgetary commitment

Operation by which the authorising officer responsible reserves the budget appropriations necessary to cover for subsequent payments to honour legal commitments.

Cancellation of appropriations

Appropriations which have not been used by the end of the financial year and which cannot be carried over, shall be cancelled.

Carryover of appropriations

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

Commitment appropriations

Commitment appropriations cover the total value of legal obligations (contracts, grant agreements or decisions) that could be signed in the current financial year.

De-commitment

Operation whereby the authorising officer responsible cancels wholly or partly the reservation of appropriations previously made by means of a budgetary commitment.

Differentiated appropriations

Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year.

Economic result

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

Entitlements established

Right to collect income from a debtor as recognised through the issuing of a recovery order.

Exchange rate difference

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

Expenditure

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

Grants

Direct financial contributions from the budget to third-party beneficiaries, engaged in activities that serve Union policies.

Lapsing appropriations

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

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

Legal basis / basic act

The legal act adopted by the legislative authority (usually the Council and European Parliament) specifying the objective of a Union spending programme, the purpose of the appropriations, the rules for intervention, expiry date and the relevant financial rules to serve as a legal basis for the implementation of the spending programme.

Legal commitment

The act whereby the Authorising Officer enters into an obligation towards third parties which results in a charge for the Union budget.

Common forms of legal commitments are contracts in the case of procurement, grant agreements and grant decisions.

Non-differentiated appropriations

Appropriations which meet annual needs and must therefore be committed during the budget year. Only amounts qualifying for automatic carryover can be disbursed in the following year. Non-differentiated appropriations which have not been used, i.e. committed, by the end of the year, are cancelled (unless, exceptionally, permission is given by a Commission decision for a non-automatic carryover). Non-differentiated appropriations apply to administrative expenditure and commitment appropriations equal payment appropriations.

Operational appropriations

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

Outstanding commitments

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

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years.

RAL (Reste à liquider)

Amount remaining to be paid on a budgetary commitment at a given moment. Cf. Outstanding commitments

Surplus

Positive difference between revenue and expenditure, which has to be returned to the funding authority. Cf. Budget result

Transfer between budget lines

Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification.

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

EUROPEAN INVESTMENT BANK

CA/561/23

29 March 2023

B O A R D   O F   D I R E C T O R S

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

(1) Statement of financial position
(2) Statement of profit or loss and other comprehensive income
(3) Statement of changes in contributors' resources
(4) Statement of cash flows
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(in EUR'000)

	Notes	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	5	1,451,970	1,358,564
Amounts receivable from contributors	9/17	85,321	85,210
Treasury financial assets	10	73,003	-
Derivative financial instruments	6	75,852	7
Loans and advances	7	1,849,786	1,986,281
Shares and other variable yield securities	8	797,341	697,631
Other assets	11	950	1,086
Total assets		**4,334,223**	**4,128,779**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	-	18,835
Deferred income	12	52,417	48,432
Provisions for loan commitments	14	16,583	16,602
Amounts owed to third parties	15	190,927	239,639
Other liabilities	16	2,419	2,333
Total liabilities		**262,346**	**325,841**
CONTRIBUTORS' RESOURCES			
Facility Member States Contribution called	17	3,701,695	3,471,695
Retained earnings		370,182	331,243
Total contributors' resources		**4,071,877**	**3,802,938**
Total liabilities and contributors' resources		**4,334,223**	**4,128,779**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(in EUR'000)

	Notes	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Interest and similar income*	19	93,786	86,456
Interest and similar expenses	19	-5,479	-10,436
Net interest and similar income		**88,307**	**76,020**
Fee and commission income	20	511	2,219
Fee and commission expenses	20	-761	-175
Net fee and commission income		**-250**	**2,044**
Fair value change of derivative financial instruments		94,680	-51,770
Net result on shares and other variable yield securities	21	24,432	123,627
Net result on loans and advances measured at FVTPL	7	-3,080	3,568
Net foreign exchange result		-140,104	33,676
Net result on financial operations		**-24,072**	**109,101**
Change in impairment on loans and advances, net of reversals	7	8,562	42,974
Change in provisions for guarantees, net of reversals	13	-	851
Change in provisions for loan commitments, net of reversals	14	20	16,616
General administrative expenses	22	-33,628	-53,136
Profit for the year		**38,939**	**194,470**
Total comprehensive income profit for the year		**38,939**	**194,470**

* For the year ended 31 December 2022, Interest and similar income includes EUR 85.8 million (2021: EUR 77.5 million) calculated on assets held at amortised cost based on the effective interest method.

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES FOR THE YEAR ENDED 31 DECEMBER 2022

(in EUR'000)

		Contribution called	Retained earnings	Total
At 1 January 2022	**Notes**	**3,471,695**	**331,243**	**3,802,938**
Member States contribution called during the year	17	230,000	-	230,000
Profit for the year 2022		-	38,939	38,939
Changes in contributors' resources		**230,000**	**38,939**	**268,939**
At 31 December 2022		**3,701,695**	**370,182**	**4,071,877**

		Contribution called	Retained earnings	Total
At 1 January 2021		**3,221,695**	**136,773**	**3,358,468**
Member States contribution called during the year	17	250,000	-	250,000
Profit for the year 2021		-	194,470	194,470
Changes in contributors' resources		**250,000**	**194,470**	**444,470**
At 31 December 2021		**3,471,695**	**331,243**	**3,802,938**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

(in EUR'000)

	Notes	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
OPERATING ACTIVITIES			
Profit for the year		38,939	194,470
Adjustments made for			
Net result in fair value on shares and other variable yield securities	8	-9,271	-130,991
Change in impairment on loans and advances, net of reversals	7	-8,562	-42,974
Net result on loans and advances measured at FVTPL	7	3,080	-3,568
Change in accrued interest and amortised cost on loans and advances		2,291	6,462
Net change in provisions for guarantees issued, net of reversals	13	-	-851
Net change in provisions for loan commitments, net of reversals		-19	-16,550
Fair value changes on derivatives		-94,680	51,770
Change in accrued interest and amortised cost on treasury financial assets	10	321	-1,271
Change in deferred income		3,985	18,700
Effect of exchange rate changes on loans	7	-53,747	-84,893
Effect of exchange rate changes on shares and other variable yield securities	8	-25,463	-27,230
Effect of exchange rate changes on cash held		-12,006	-9,875
(Loss) on operating activities before changes in operating assets and liabilities		**-155,132**	**-46,801**
Loan disbursements	7	-260,493	-515,212
Repayments of loans	7	458,381	339,944
Change in accrued interest on cash and cash equivalents	5	1,822	-304
Acquisition of treasury financial assets	10	-920,290	-2,333,691
Maturities of treasury financial assets	10	847,608	2,684,293
Increase in shares and other variable yield securities	8	-139,935	-84,224
Net proceeds from shares and other variable yield securities		90,219	77,749
Decrease in other assets		136	977
Increase in other liabilities		86	1,113
(Decrease) / Increase in amounts payable to the European Investment Bank		-58,093	34,598
Net cash flows (used in) / from operating activities		**-135,691**	**158,442**
FINANCING ACTIVITIES			
Contribution received from Member States		238,450	250,444
Amounts received from Member States with regard to interest subsidies and technical assistance		61,450	63,254
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-60,619	-27,337
Net cash flows from financing activities		**239,281**	**286,361**
Net increase in cash and cash equivalents		**103,590**	**444,803**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**1,359,005**	**924,077**
Net cash flows (used in) / from:			
Operating activities		-135,691	158,442
Financing activities		239,281	286,361
Effects of exchange rate changes on cash and cash equivalents		-12,006	-9,875
Cash and cash equivalents at the end of financial year		**1,450,589**	**1,359,005**
Cash and cash equivalents are composed of:			
Cash in hand	5	328,079	434,064
Term deposits (excluding accrued interest)	5	963,004	672,730
Commercial papers	5	159,506	252,211
		1,450,589	**1,359,005**

Notes to the financial statements as at 31 December 2022

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:

(iv) the Facility, a EUR 3,685.5 million risk-bearing revolving fund geared to fostering private sector investment in ACP States of which EUR 48.5 million are allocated to Overseas Countries and territories ("OCT countries");

(v) grants for the financing of interest subsidies worth max. EUR 1,220.85 million for ACP States and max. EUR 8.5 million for OCT countries. Up to 15% of these subsidies can be used to fund project-related technical assistance ("TA").

The EU and ACP sides agreed to amend the decision on transitional measures in order to extend the application of the provisions of the ACP-EU Partnership Agreement until 30 June 2023, or until the entry into force of the new Agreement or the provisional application between the Union and the ACP States of the new Agreement, whichever comes first (Decision No 3/2019 of the ACP EU Committee of Ambassadors to adopt transitional measures pursuant to Article 95(4) of the ACP EU Partnership Agreement which was subsequently amended by the Decision No 3/2021 of the ACP-EU Committee of Ambassadors of 26 November 2021 to amend and the Decision No 970/2022 of the ACP-EU Committee of Ambassadors of 16 June 2022).

The NDICI - Global Europe Regulation, which entered into force on 14 June 2021 (Regulation (EU) 2021/947 of 9 June 2021), provides the primary legal basis for EU assistance outside the EU in 2021-2027, and the governance for the Bank's new institutional mandate for operations outside the European Union, including the ACP region. This includes the integration of the current extra-budgetary EDF into the EU budget. The NDICI Regulation provides the legal basis for the Commission to entrust future EU mandates to the EIB for its activity outside the EU. It will also provide the external investment framework for the Union to cooperate with partner institutions through grants or guarantees from the EU budget.

On 23 December 2020, the Council decided to extend the ACP Investment Facility commitment period by at least six months. Going forward, reflows from the ACP IF shall be deployed within the NDICI framework through a combination of a dedicated ACP private sector window under the European Fund for Sustainable Development (EFSD+) and a Trust Fund.

Following, the extension of the Investment Facility commitment period, the Bank approved operations in line with its Mandate until 30 June 2021 (Council Decision 2020/2233 of 23 December 2020 concerning the commitment of the funds stemming from reflows under the ACP Investment Facility from operations under the 9th, 10th and 11th European Development Funds - L 437/188, 28.12.2020).

The financial statements have been prepared on a going concern basis, which assumes that the Investment Facility will be able to meet all monies payables under any operations. The duration of the Investment Facility is not determined. The 11th EDF Internal Agreement remains in force (pursuant to Article 14(3) thereof) so long as is necessary for all the operations financed under the ACP-EU Partnership Agreement, the Overseas Association Decision and the multi-annual financial framework to be fully executed.

The present financial statements cover the period from 1 January 2022 to 31 December 2022.

On a proposal from the Management Committee, the Board of Directors adopted the Financial Statements on 29 March 2023 and authorised their submission to the Board of Governors for approval by 25 April 2023.

2 Significant accounting policies

2.2 Basis of preparation – Statement of compliance

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

2.2 Significant accounting judgments and estimates

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

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

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

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

- **Impairment losses on loans and advances**

The expected credit loss ("ECL") measurement requires management to apply significant judgments, in particular, the assessment of a significant increase in credit risk since initial recognition, the incorporation of forward looking information and further the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, which can result in significant changes to the timing and amount of allowance for credit loss to be recognised (Note 2.4.2). Relevant assumptions on the effects on impairment resulting from the general context of uncertainty and various risks building up as a result of the Russian invasion of Ukraine are detailed under Note 2.4.2.2 and Note 3.2.3.7.

- **Valuation of unquoted equity investments**

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

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

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

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

The EIB 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.

- **Uncertainty arising from inter-bank offered rates ("IBOR") reform**

For benchmark ceasing to exist immediately after 30 June 2023, namely USD LIBOR, the Facility applies the International Accounting Standards Board ("IASB") Phase 1 amendments related to the uncertainty.

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.

New and amended standards adopted by the Facility

The following amendments to existing standards, became effective for the Facility`s financial statements as of 1 January 2022:

- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments, and interpretations not yet adopted by the Facility

As at 31 December 2022, the following Standards and amendments to existing Standards had been issued but were not mandatory for annual reporting periods ending on 31 December 2022:

Standards and amendments to existing Standards endorsed by the EU, and which are effective for annual periods beginning on or after 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to existing Standards not / not yet endorsed by the EU:

- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
  - Non-current Liabilities with Covenants (issued on 31 October 2022)

At the date of authorisation of these financial statements none of the above listed Standards or amendments to existing Standards have been adopted early by the Facility and no Interpretations have been issued that are applicable and need to be taken into consideration by the Facility at either reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement, and that there will be not 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.

2.4.2 Financial assets other than derivatives

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

Classification and measurement

Financial assets

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

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

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

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

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

Solely payment of principal and interests ("SPPI") criteria

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

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

Derecognition

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

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

In the context of IBOR reform, the Facility's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. As per the amendments issued by the IASB, the Facility does not derecognise a financial instrument, which contractual cash flows are modified as a direct consequence from the reform and the change is economically equivalent to the previous basis for determining the contractual cash flows (i.e., the basis immediately before the change).

Reclassification

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

Modification

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

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

A contractual modification is deemed substantial if the discounted present value of the cash flows under the revised terms (discounted using the original effective interest rate) is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. Qualitative factors such as a change in the currency on which the financial asset is denominated and conversion features are also considered.

In the context of IBOR reform, the Facility's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. The Facility updates the effective interest rate, without modifying the carrying amount of the financial instrument if the basis for determining the contractual cash flows of the financial instrument, measured at amortised cost, changes as a direct consequence from the reform and if the change is economically equivalent to the previous basis (i.e., the basis immediately before the change).

Measurement of fair values of financial instruments

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

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

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

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

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

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

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

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

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

Impairment on financial assets

IFRS 9 is based on a forward-looking expected credit loss ("ECL") model. The EIB has established a framework to calculate "expected credit loss" conditional on the state of the macro-economy. It involves the construction of point-in-time ("PIT"") credit risk parameters (Probability of default – "PD" and Loss given default – " LGD") based on a systematic factor (credit cycle) that is driven by the macro-economy and projected via macroeconomic forecasts or scenarios. The final ECL is a probability weighted average of the respective macro-economic scenario ECLs. This forward-looking impairment model is applied to financial assets measured at AC, to financial guarantee contracts, as well as to off-balance sheet commitments.

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

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

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

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

The Bank's assessment of the IFRS9 staging is based on a sequential approach which is using counterparty or instrument specific information consistent to internal guidelines and procedures, notably covering early warning triggers, internal rating (a decrease of 3 notches or more when compared to the historical internal rating for counterparties which current internal rating is below investment grade) and arrears (more than 30 days past due).

In line with guidance issued by standard setters and market practises, the EIB has considered that the application of COVID-19 short-term forbearance measures to performing counterparties (applied until June 2021), aimed at addressing the adverse systemic economic impact of the COVID-19 pandemic, should not be considered by themselves as an automatic trigger to conclude that SICR has occurred. As disclosed under Note 3.2.3.8, the EIB applies expert judgement when assessing the credit risk of such counterparties.

The EIB considers that the effects on impairment resulting from the general context of uncertainty and various risks building up as a result of the Russian invasion of Ukraine are reflected within the existing forward-looking ECL model which is deemed sufficiently robust to factor in such extreme events. Notably, the respective impacts have been directly captured through the macroeconomic projections and the PD terms structures.

The EIB considers that the existing forward-looking ECL model is deemed sufficiently robust to factor in extreme economic events, which have been directly captured through the macroeconomic projections and the PD terms structures. As disclosed under Note 3.2.3.8, the EIB applies expert judgement when assessing the credit risk of such counterparties.

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

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

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

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

Measuring ECL – Inputs, Assumptions and Techniques

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

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

- Credit rating and PIT Probability of default ("PD"),
- PIT Loss Given default ("LGD"),
- Exposure at default ("EAD").

The credit rating of a counterpart is determined at a certain date, using score-sheet models tailored to the various categories of counterparties and exposures.

Each credit rating is mapped to a specific PD that represents the likelihood of a counterpart defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. Hence, ratings are primary input into the determination of the PIT term structure of PD for exposures. The EIB collects performance and default information about the Facility's credit risk exposures. The collected data are segmented by type of industry and by type of region. Different industries and regions reacting in a homogenous manner to credit cycles are analysed together.

The EIB employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change because of the passage of time and given specific macro-economic scenarios.

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

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

For the measurement of ECL, the EIB has developed a conditional modelling approach, called the PIT PD model, for calculating PD term structures involving:

- the definition of an economically reasonable link function between the credit cycle and macroeconomic variables, and
- a set of three macro-economic scenarios (one baseline and two scenarios reflecting downturn and upturn in the economy) with multi-year potential realisation for the GDP and their associated likelihoods.

To generate macroeconomic scenarios, the EIB uses a macro semi-structural multi-country and multi-equation model of the global economy with country specific blocks. The central / baseline scenario is designed to be consistent with the most recent European Commission forecasts. The positive and negative scenarios are designed around the central scenario by deploying of the multi-country/multi-equation model. The scenarios are derived by shocking the GDP, which is the key measure of economic activity. The shocks to real GDP are calibrated to replicate the observed volatility of the variable. Also expert judgment is applied, when appropriate, to refine the size and persistency of GDP shocks. As a result, shocks are determined together with a decay function to determine the impact of the shocks over time. Probabilities attached to each scenario are defined reflecting market (volatility) indicators and internally developed indicators/trackers deployed in a consistent manner over time to capture uncertainty.

The EIB's PIT PD and PIT LGD models use the same projected values of the credit cycle as the main input under different macroeconomic scenarios. The credit cycle is calculated from an external rating agency's downgrade rates and the projections of annual growth rates of real GDP as well as the spread between long and short-term interest rates.

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

2.4.2.1 Cash and cash equivalents

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

2.4.2.2 Treasury financial assets

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

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

2.4.2.3 Loans and advances

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

Loans and advances include:

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

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

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

The impairment policy on loans and advances is described under Note 2.4.2.

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

For the impact of the IBOR reform on remeasurement of loans and advances at amortised cost, please refer to the dedicated paragraphs in Note 2.4.2 – Classification and Measurement / Modification.

2.4.2.4 Shares and other variable yield securities

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

The undrawn but committed part of these investments is recorded as consolidated off-balance sheet commitments at their nominal value.

Measurement of fair values of financial instruments

The fair value is determined by applying the aggregated net asset value ('NAV') method (thereby assuming that, despite the absence of readily ascertainable market value, NAV is the best estimate of the fair value). For unquoted investment, when the fair value cannot be derived from active markets, the fair value is determined by applying recognised valuation techniques (Note 4.2.1).

The attributable NAV is adjusted for events occurring between the date of the latest available NAV and the balance sheet date to the extent that such adjustment is considered to be material by the Management Committee. Material adjustments are amended until the Board of Directors adopt the Financial Statements for the year. In that respect, following the general context of uncertainty, various risks building up as a result of the Russian invasion of Ukraine and the volatility observed in terms of performance, the Bank enhanced its valuation techniques to estimate any adjustment on the fair value of the equity investments for the NAVs not reported by the fund managers at the reporting date of the Facility financial statements.

For specific investments where NAVs cannot readily be determined, other guidelines for example the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines, as published by the IPEV Board might be used and more detailed monitoring and review will be required. In accordance with this method, the funds are internally classified into three categories:

- Category I – funds that have adopted the fair value requirements of IFRS 13 or IPEV Guidelines for which a specific review is performed to ensure that the NAV is a reliable estimate of fair value;
- Category II – funds that have adopted other valuation guidelines (such as the former 2001 EVCA) or standards that can be considered to be in line with IFRS 13, for which an equivalent NAV can be calculated; and
- Category III – funds that have not adopted the fair value requirements of IFRS 13 or any other valuation guidelines in line with IFRS 13.

Significant influence assessment

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

2.4.3 Financial guarantees

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

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

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

The accounting policy for derivatives is disclosed under Note 2.4.5.

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

Subsequent to initial recognition, financial guarantees are measured at the higher of:
- The amount of the loss allowance as determined under IFRS 9; and
- The premium initially recognised less income recognised in accordance with the principles of IFRS 15.

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

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

2.4.4 Financial liabilities other than derivatives

Classification and measurement

Financial liabilities

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

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

2.4.5 Derivative financial instruments

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

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

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

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

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

Under IFRS 9, bifurcation requirements regarding embedded derivatives have been eliminated for financial assets or financial liabilities and therefore, the hybrid contract is treated as a whole for classification of financial assets or financial liability accordingly.
The cash flows of derivatives were accordingly determined using the ISDA fallback rates in replacement of LIBOR benchmarks[14]. For the impact of the IBOR reform on the derivative instruments, please refer to the Note 6.

2.4.6 Contributions

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

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

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

[14] Cash flows referenced to USD LIBOR are defined using the LIBOR benchmarks when the USD LIBOR settings are not yet terminated.

2.4.7 Interest and similar income

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

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

Interest subsidies received for the Facility's resources are deferred and recognised as an adjustment to the effective yield, being recorded under "Interest and similar income" in the income statement over the period from disbursement to repayment of the subsidised loan.

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

2.4.8 Interest subsidies and technical assistance

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

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

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

2.4.9 Interest income on cash and cash equivalents

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

2.4.10 Fees, commissions and dividends

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

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

2.4.11 Taxation

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

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[15];
- 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 EIB adapts the IF`s risk management framework on an ongoing basis.

The Risk Management Directorate of the 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 Office and provides second opinion on all proposals made by the Front Office having risk implications.

At EIB level, the Group Chief Risk Officer ("GCRO") reports on Group Risks to the EIB Management Committee under the oversight of the MC member in charge of risk. The GCRO has direct access to the Risk Policy Committee and can write directly to and communicate with the EIB Board of Directors on any matter of his/her field of attribution.

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, the EIB assesses the credit risk and expected loss with a view to quantify and price the risk. The 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, Financial Institutions, etc.). Taking into consideration both, Best Banking Practice applicable to the EIB 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 PD following an in-depth analysis of the counterpart's business and financial risk profile and its country risk operating context. Expert adjustments are made when necessary under the consideration of the legal entities' parental or government support, and the final rating allows for overrides to reflect information (e.g. market pricing) not considered in the scoring sheet.

The credit assessment of project finance and other structured limited recourse operations uses 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. Finally, Non-EU sovereigns are rated by the Economics Department based on a statistical model.

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

Specific transaction-level and counterpart size limits are applicable to non-sovereign operations, as relevant. Counterpart limits are set at consolidated group exposure level, where applicable. Such limits typically reflect, amongst others, 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 including amongst others counterparty or project related securities, guarantees and contractual clauses depending of the nature of the borrower and type of operation.

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

[15] Settlement risk is defined as the risk of potential losses due to transactions which remain unsettled after their due delivery date and/or due to transactions that are settled later than the applicable market standard. Due to the nature of the Facilty's operations, the most relevant instruments affected by settlement risk are those derivatives entered into by the Bank which imply an exchange of foreign currencies. Settlement risk management is covered in the Financial Risk Guidelines.

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)	**31.12.2022**	**31.12.2021**
ASSETS		
Cash and cash equivalents	1,451,970	1,358,564
Amounts receivable from contributors	85,321	85,210
Treasury financial assets	73,003	-
Derivative financial instruments	75,852	7
Loans and advances	1,849,786	1,986,281
Other assets	950	1,086
Total	**3,536,882**	**3,431,148**
Provisions for loan commitments	**-16,583**	**-16,602**
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	-	1,499,675
Commitments		
- Undisbursed loans	1,671,851	1,677,411
- Non-issued guarantees	49,378	256,299
Total off balance sheet	**1,721,229**	**3,433,385**
Total credit exposure	**5,241,528**	**6,847,931**

3.2.3 Credit risk on loans and advances

3.2.3.1 Credit risk measurement for loans and advances

Loans and advances or guarantees undertaken by the Facility benefit from a comprehensive risk assessment and quantification of expected loss estimates that are reflected in a Loan Grading ("LG"). Operations under the IFE (as described in Note 24), with the exception of intermediated loans, are subject to the general Mandate Risk Principles as envisaged in the EIB credit and equity risk guidelines. LGs are established according to generally accepted criteria, based on the quality of the borrower, the maturity of the loan, the guarantee and, where appropriate, the guarantor.

The loan grading system comprises the methodologies, processes, databases and IT systems supporting the assessment of credit risk in lending operations and the quantification of expected loss estimates. It summarises a large amount of information with the purpose of offering a relative ranking of loans' credit risks. LGs reflect the present value of the estimated level of the "expected loss", this being the product of the PD of the main obligors, the EAD 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 an indicator of credit risk variations for the purposes of prioritising monitoring efforts;
- as a description of the loan's portfolio quality at any given date; and
- as an input in risk-pricing decisions.

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 III Internal Ratings Based Approach chosen, the Bank has developed an internal rating methodology (IRM) to determine the internal ratings of borrowers and guarantors. This is based on a set of scoring sheets specific to defined counterparty types.

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

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

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

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

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

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

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

"A0" comprising loans to or guaranteed by an EU Member State which have an expected loss of 0%.

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

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

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

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

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

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

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

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 (net carrying amount) to credit risk on loans and advances signed (disbursed and undisbursed) by nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2022 in EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	64,625	-	1,095,467	**1,160,092**	**63%**
Corporates	182,460	-	285,216	**467,676**	**25%**
Public authorities	18,902	-	218	**19,120**	**1%**
States	-	311	202,587	**202,898**	**11%**
Total disbursed	**265,987**	**311**	**1,583,488**	**1,849,786**	**100%**
Undisbursed	**149,506**	**-**	**1,505,762**	**1,655,268**	
Total disbursed and undisbursed	**415,493**	**311**	**3,089,250**	**3,505,054**	

At 31.12.2021 in EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	74,086	-	1,115,656	**1,189,742**	**60%**
Corporates	211,067	-	368,877	**579,944**	**29%**
Public authorities	20,776	-	664	**21,440**	**1%**
States	-	917	194,238	**195,155**	**10%**
Total disbursed	**305,929**	**917**	**1,679,435**	**1,986,281**	**100%**
Undisbursed	**193,663**	**-**	**1,467,146**	**1,660,809**	
Total disbursed and undisbursed	**499,592**	**917**	**3,146,581**	**3,647,090**	

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

3.2.3.3 Credit quality analysis per type of borrower

The tables below show the credit quality analysis of the Facility's loan portfolio as at 31 December 2022 and 31 December 2021 by the Loan Grading applications, based on the exposure signed (disbursed and undisbursed):

At 31.12.2022 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	Financial institutions	293,458	349,628	103,133	1,030,131	-	**1,776,350**	**51%**
	Corporates	96,413	52,092	-	703,374	226,750	**1,078,629**	**31%**
	Public authorities	-	18,902	-	-	218	**19,120**	**1%**
	States	51,976	2,771	8,363	567,845	-	**630,955**	**17%**
Total		**441,847**	**423,393**	**111,496**	**2,301,350**	**226,968**	**3,505,054**	**100%**

*Loan operations measured at FVTPL

At 31.12.2021 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	Financial institutions	285,924	109,219	443,921	1,130,146	-	**1,969,210**	**54%**
	Corporates	108,621	49,059	12,253	532,735	315,011	**1,017,679**	**28%**
	Public institutions	-	20,776	-	-	664	**21,440**	**1%**
	States	917	2,529	3,360	631,955	-	**638,761**	**17%**
Total		**395,462**	**181,583**	**459,534**	**2,294,836**	**315,675**	**3,647,090**	**100%**

*Loan operations measured at FVTPL

3.2.3.4 Risk concentrations of loans and advances

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	31.12.2022	31.12.2021
Kenya	338,790	321,069
Egypt	309,312	345,810
Nigeria	266,294	237,992
Ethiopia	107,988	96,391
Rwanda	94,247	64,169
Mauritius	93,509	101,446
Barbados	82,735	85,058
Regional-ACP	69,920	208,795
Zambia	56,729	52,345
Cameroon	56,586	42,097
Uganda	51,388	61,033
Senegal	38,153	42,968
Congo (Democratic Republic)	36,772	48,766
Tanzania	33,431	46,423
New Caledonia	31,684	37,098
Dominican Republic	25,879	19,076
Zimbabwe	23,147	14,708
Jamaica	18,902	20,776
Guinea	15,242	18,972
Mauritania	11,029	11,921
Ivory Coast	10,976	-
Mali	9,856	12,120
Malawi	9,587	14,898
Cape Verde	9,016	11,718
Ghana	8,648	15,835
Cayman Islands	8,521	8,692
Mozambique	7,094	9,107
Burkina Faso	4,767	3,581
Saint Lucia	4,674	-
French Polynesia	3,118	5,783
Benin	2,958	4,023
Seychelles	2,933	2,529
Micronesia	2,811	2,872
Eswatini	1,515	1,792
Samoa	645	909
Vanuatu	525	866
Haiti	332	1,208
Congo	73	-
Angola	-	12,253
Niger	-	1,182
Total	**1,849,786**	**1,986,281**

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 "Tertiary and other" (in EUR'000):

Industry sector of borrower	**31.12.2022**	**31.12.2021**
Financial Services	1,160,133	1,190,407
Public Administration	202,898	195,154
Electricity	193,597	211,761
Chemicals	108,652	111,251
Telecommunications	62,862	12,253
Healthcare	36,833	170,000
Business Services, IT and Media	31,127	34,306
Air and Maritime Transport Infrastructure	18,902	20,776
Pharmaceuticals and Medical Equipment	12,388	13,684
Investment Goods	8,853	9,269
Metals and Mining	8,415	8,667
Waste Recuperation and Recycling	4,577	5,326
Multi-Utilities	525	866
Tertiary and other	24	2,561
Total	**1,849,786**	**1,986,281**

3.2.3.5 Credit risk exposure for each internal risk rating

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

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

		2022					
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	56,320	-	-	-	**56,320**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	82,745	-	-	-	-	**82,745**
Internal Rating 3 - low credit risk	A1 - A3	421	-	-	-	-	**421**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	346,538	-	-	-	-	**346,538**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	82,126	-	-	-	-	**82,126**
Internal Rating 6 - high credit risk	B1 - B3	679,725	189,519	-	-	-	**869,244**
Internal Rating 7 - very high credit risk	below Caa1	41,450	273,167	-	-	-	**314,617**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	63,474	-	-	**63,474**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**142,263**	**142,263**
Loss allowance and FV adjustment		**-11,370**	**-28,817**	**-21,303**	-	**-46,472**	**-107,962**
Carrying amount of loans and advances		**1,221,635**	**490,189**	**42,171**	**-**	**95,791**	**1,849,786**
Loan commitments							
Internal Rating 1 - minimal credit risk	Aaa	-	-	-	-	-	**-**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	86,796	-	-	-	-	**86,796**
Internal Rating 3 - low credit risk	A1 - A3	316,707	-	-	-	-	**316,707**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	109,095	-	-	-	-	**109,095**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	175,880	-	-	-	-	**175,880**
Internal Rating 6 - high credit risk	B1 - B3	538,504	50,000	-	-	-	**588,504**
Internal Rating 7 - very high credit risk	below Caa1	62,966	105,669	-	-	-	**168,635**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	50,000	-	-	**50,000**
No internal rating*		44,982	-	-	-	-	**44,982**
Loans and advances at FVTPL		-	-	-	-	**131,252**	**131,252**
Loss allowance and FV adjustment		**-4,834**	**-11,749**	-	-	-	**-16,583**
Carrying amount of loan commitments		**1,330,096**	**143,920**	**50,000**	**-**	**131,252**	**1,655,268**

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

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

		2021					
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	64,876	-	-	-	**64,876**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	85,059	-	-	-	-	**85,059**
Internal Rating 3 - low credit risk	A1 - A3	1,056	-	-	-	-	**1,056**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	46,507	-	-	-	-	**46,507**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	435,300	12,288	-	-	-	**447,588**
Internal Rating 6 - high credit risk	B1 - B3	556,705	237,898	-	-	-	**794,603**
Internal Rating 7 - very high credit risk	below Caa1	55,928	258,220	-	-	-	**314,148**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	69,180	-	-	**69,180**
Loans and advances at FVTPL		-	-	-	-	**272,917**	**272,917**
Loss allowance and FV adjustment		**-3,565**	**-33,268**	**-30,169**	-	**-42,651**	**-109,653**
Carrying amount of loans and advances		**1,176,990**	**540,014**	**39,011**	**-**	**230,266**	**1,986,281**
Loan commitments							
Internal Rating 2 - very low credit risk	Aa1 - Aa3	86,796	-	-	-	-	**86,796**
Internal Rating 3 - low credit risk	A1 - A3	87,000	-	-	-	-	**87,000**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	61,060	-	-	-	-	**61,060**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	173,963	-	-	-	-	**173,963**
Internal Rating 6 - high credit risk	B1 - B3	777,195	18,595	-	-	-	**795,790**
Internal Rating 7 - very high credit risk	below Caa1	45,955	167,782	-	-	-	**213,737**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	10,000	-	-	**10,000**
No internal rating*		129,669	27,365	-	-	-	**157,034**
Loans and advances at FVTPL		-	-	-	-	**92,031**	**92,031**
Loss allowance and FV adjustment		**-1,693**	**-14,909**	-	-	-	**-16,602**
Carrying amount of loan commitments		**1,359,945**	**198,833**	**10,000**	-	**92,031**	**1,660,809**

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

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

3.2.3.6 Arrears on loans and impairments

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

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

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

	Loans and advances	**Loans and advances**
	31.12.2022	**31.12.2021**
Carrying amount	**1,849,786**	**1,986,281**
Lifetime ECL credit- impaired		
Gross amount	63,474	69,180
Impairment- loss allowance	-21,303	-30,169
Carrying amount of lifetime ECL credit-impaired	**42,171**	**39,011**
Past due but not credit- impaired		
Past due comprises		
0-30 days	670	2,334
30-90 days	118	9
90-180 days	95	-
more than 180 days	25	-
Carrying amount past due but not credit- impaired	**908**	**2,343**
Carrying amount neither past due nor credit- impaired	**1,806,707**	**1,944,927**
Total carrying amount loans and advances	**1,849,786**	**1,986,281**

3.2.3.7 Sensitivity on ECL to future economic conditions (in EUR'000)

The ECL is sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios. The EIB performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The forecasts of future economic conditions (via macroeconomic scenarios) are inputs to forecasting model producing conditional risk parameters, which are an input to loss allowance calculation.

The scenarios are derived shocking GDP, which is the key measurement of economic activity. The shocks to real GDP are calibrated to replicate the past volatility of the variable. In addition, expert judgment is applied, when appropriate, to refine the size and persistency of GDP shocks. As a result, shocks are determined together with a decay function to determine the impact of the shocks over time. Probabilities attached to each scenario are defined reflecting market (volatility) indicators and internally developed indicators/trackers consistently deployed over time to capture uncertainty. The weighting of positive and negative shocks depends on the balance of risks in the economy, on average negative and positive shocks EUR -9,908 (2021: EUR -15,250) and EUR 8,356 (2021: EUR 11,780) were respectively applied on quarterly projections in the past exercise.

The table below shows the loss allowance on loans and advances under Stage 1 and 2. Each forward-looking scenario (e.g. baseline, positive and negative) was weighted 100% instead of applying scenario probability weights across the three scenarios.

	2022		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	3,229,247	3,229,247	3,229,247
Loss allowance	43,821	52,177	62,085

	2021		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	3,319,800	3,319,800	3,319,800
Loss allowance	37,862	49,642	64,892

3.2.3.8 Loan renegotiation and forbearance

The EIB considers loans to be forborne loans (i.e. loans, debt securities and loan commitments) in respect of which forbearance measures have been extended. Forbearance measures consist of "concessions" that the EIB decides to make towards an obligor who is considered unable to comply with the contractual debt service terms and conditions due to its financial difficulties, in order to enable the obligor to service the debt or to refinance, totally or partially, the contract. Exposures shall be treated as forborne if a concession has been made, irrespective of whether any amount is past-due, or the exposure is classified as defaulted. Exposures shall not be treated as forborne when the obligor is not in financial difficulties.

In the normal course of business, the deterioration of the loans in question would have been detected via the provisions of the Bank's guidelines and procedures and would have been monitored before renegotiation. Once renegotiated, the EIB would continue to closely monitor these loans. In the case of the financial instrument would be credit impaired it will be moved to Stage 3. The loan will be monitored regularly in line with the Bank's framework.

The Bank has provided a number of supportive measures available to its borrowers in response to the specific economic effects of the Covid-19, which include, among other things, (i) the temporary easing (including waivers) of financial covenants and other key clauses, (ii) the re-profiling of cash flows by setting new repayment schedules or the temporary standstill of repayment obligations and (iii) certain other complementary supportive measures, such as the signing of new contracts, accelerating loan disbursements and increasing amounts lent to borrowers. The Bank assessed requests for such measures on a case-by-case basis within the limits of certain specific conditions. These measures were intended to be extended to borrowers Which were not experiencing any structural financial difficulties or solvency issues and were considered to be a going concern at the time of granting such measures. If, as a result of the assessment, a borrower did not meet these requirements or the Bank identified risks for the long-term sustainability of the client's business model, it has considered any other appropriate measures and, if necessary, follow the EIB's standard restructuring processes.

Such supportive measures are not made available by the Group any longer since June 2021.

Forbearance measures and practices undertaken by the EIB as part of its restructuring activities during the reporting period include, but are not limited to, extension of maturities, deferral of capital only, deferral of capital and interest, breach of material covenants and capitalisation of arrears.

3.2.3.8 Loan renegotiation and forbearance (continued)

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

in EUR'000	31.12.2022		31.12.2021	
	Performing	Non-Performing	Performing	Non-Performing
Number of contracts subject to forbearance practices	12	7	16	9
Carrying values (incl. interest and amounts in arrears)	144,399	45,497	210,553	58,742
ECL allowance recognised	16,008	14,323	16,124	20,475
Interest income in respect of forborne contracts	7,745	2,280	11,583	3,563

		Forbearance measures					
in EUR'000	31.12.2021	Extension of maturities	Deferral of capital and interest	Breach of material financial covenants	Other	Contractual repayment, termination and/or write off	31.12.2022
Financial institutions	149,326	-	-	4,119	-	-67,694	85,751
Corporates	119,969	-	-	-	-	-15,824	104,145
Total	**269,295**	**-**	**-**	**4,119**	**-**	**-83,518**	**189,896**

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 2022, and 31 December 2021, 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. 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 2022 and 31 December 2021 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. All credit exposure limit breaches have been reported to the mandators. As at 31 December 2022 and as at 31 December 2021 all term deposits, commercial papers and cash in hand held by the treasury portfolio of the Facility had a minimum rating of at least P-2 (Moody's equivalent) at settlement day.

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)	31.12.2022		31.12.2021	
P-1	Aaa	200,167	14%	299,814	22%
P-1	Aa2	24,955	2%	160,066	12%
P-1	Aa3	4,992	0%	67,036	5%
P-1	A1	300,627	21%	82,730	6%
P-1	A2	340,252	22%	199,879	15%
P-1	A3	491,224	34%	444,064	32%
P-2	A3	29,956	2%	104,975	8%
P-2	Baa1	59,797	4%	-	0%
P-2		**1,451,970**	**100%**	**1,358,564**	**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 EIB with an external counterpart. The swaps are arranged by the same Master Swap Agreements and Credit Support Annexes signed between the EIB and its external counterparts.

3.2.5.2 Credit risk measurement for derivatives

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

The EIB measures the credit risk exposure related to swaps and derivatives transactions using the Current Unsecured Exposure and Potential Future Exposure approach for reporting and limit monitoring. These metrics fully include the derivatives related to the Investment Facility.

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 1,790.0 million as at 31 December 2022 against EUR 1,530.0 million as at 31 December 2021. The fair value of FX swaps amounts to EUR 71.1 million as at 31 December 2022 against EUR -16.3 million as at 31 December 2021.

The Facility enters into cross currency swaps contracts in order to hedge currency risk on loan disbursements in currencies other than EUR. Cross currency swaps have a long-term maturity. The notional amount of FX swaps stood at EUR 47.0 million as at 31 December 2022 against EUR 51.9 million as at 31 December 2021. The fair value of FX swaps amounts to EUR 4.8 million as at 31 December 2022 against EUR -2.6 million as at 31 December 2021.

3.2.6 Credit risk on treasury financial assets

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

in EUR ‘000

Minimum short-term rating (Moody’s term)	Minimum long-term rating (Moody’s term)	31.12.2022		31.12.2021	
P-1	Aa2	32,974	45%	-	0%
P-1	Aa3	4	0%	-	0%
P-1	A3	39,843	55%	-	0%
P-2	A3	182	0%	-	0%
Total		**73,003**	**100%**	**-**	**0%**

3.3 Liquidity risk

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

3.3.1 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 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 PIT forecasted cash disbursements, as communicated periodically by the 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 line with the Council Decision 2020/2233, reflows from the ACP IF shall be deployed within the NDICI framework. However, the availability of those reflows to be transferred is conditional to sustaining an adequate level of liquidity under the ACP IF.

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 undisbursed portions of the credit under signed loan agreements, of undisbursed portions of signed capital subscription/investment agreements, of loan guarantees granted, or of committed interest subsidies and TA.

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 undisbursed 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 undisbursed portion of signed TA contracts. The disbursement time pattern is subject to a significant degree of uncertainty. Cash outflows classified in the "3 months or less" bucket represent the amount of outstanding invoices received by the reporting date.

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.

3.3.2 Liquidity risk measurement (continued)

Maturity profile of non-derivative financial liabilities **in EUR'000 as at 31.12.2022**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
Outflows for committed but undisbursed loans	87,210	21,208	-	-	1,563,433	1,671,851
Outflows for committed investment funds and share subscription	4,676	-	-	-	406,496	411,172
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	49,378	49,378
Outflows for committed interest subsidies	-	-	-	-	350,282	350,282
Outflows for committed TA	924	-	-	-	32,149	33,073
Total	**92,810**	**21,208**	**-**	**-**	**2,401,738**	**2,515,756**

Maturity profile of non-derivative financial liabilities **in EUR'000 as at 31.12.2021**	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
Outflows for committed but undisbursed loans	-	-	-	-	1,677,411	1,677,411
Outflows for committed investment funds and share subscription	6,322	-	-	-	466,678	473,000
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,755,974	1,755,974
Outflows for committed interest subsidies	-	-	-	-	379,620	379,620
Outflows for committed TA	1,519	-	-	-	37,617	39,136
Total	**7,841**	**-**	**-**	**-**	**4,317,300**	**4,325,141**

Maturity profile of derivative financial liabilities **in EUR'000 as at 31.12.2022**	**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 – Inflows	88	9,474	38,431	147	48,140
CCS – Outflows	-108	-11,965	-30,450	-146	-42,669
Short-term currency swaps – Inflows	1,790,000	-	-	-	1,790,000
Short-term currency swaps – Outflows	-1,724,227	-	-	-	-1,724,227
Total	**65,753**	**-2,491**	**7,981**	**1**	**71,244**

Maturity profile of derivative financial liabilities **in EUR'000 as at 31.12.2021**	**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	82	3,340	34,870	9,394	47,686
CCS and CCIRS – Outflows	-115	-8,470	-47,250	-10,329	-66,164
Short-term currency swaps – Inflows	1,530,000	-	-	-	1,530,000
Short-term currency swaps – Outflows	-1,547,698	-	-	-	-1,547,698
Total	**-17,731**	**-5,130**	**-12,380**	**-935**	**-36,176**

3.3.3 Long term financial assets and liabilities

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

in EUR'000	31.12.2022	31.12.2021
Financial assets:		
Loans and advances	1,922,784	2,074,642
Shares and other variable yield securities	797,341	697,631
Other assets	-	1,086
Total	**2,720,125**	**2,773,359**
Financial liabilities:		
Amount owed to third parties*	136,867	179,593
Provisions for loan commitments	16,583	16,602
Total	**153,450**	**196,195**

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

3.4 Market risk

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 EUR 3 month swap curve. The NPV of the loans' cash flows denominated in non-EUR currencies is determined by using the EUR 3 month swap plus the cross currency swap basis. For those non-EUR currencies for which a reliable and sufficiently complete discount curve is not available, either the EUR or USD discount curve is used instead.

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.

3.4.2 Interest rate risk (continued)

As shown in the following table the net present value of the loan portfolio including related micro-hedging swaps as at 31 December 2022 would decrease by EUR 500k (as at 31 December 2021: decrease by EUR 769k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value in EUR'000 As at 31.12.2022	**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	-34	-98	-154	-162	-50	-2	**-500**

Basis point value in EUR'000 As at 31.12.2021	**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	-120	-371	-218	-14	-	**-769**

IBOR Reform:

Nature and extend of Risk and Risk Management

Interest rate benchmarks, such as the London InterBank Offered Rate ('LIBOR') are widely used in financial contracts. In recent years, confidence in their reliability and robustness has been undermined, and regulators across the globe have been pushing for a reform of interest rate benchmarks. The global transition to alternative interest rate benchmark rates is one of the most challenging reforms to be undertaken in the financial markets.

In February 2018, the Bank's Assets & Liabilities Committee (ALCO) set up a dedicated sub-ALCO working group on IBORs, the IBOR Working Group to proactively follow and monitor the developments related to the transition to alternative interest rates.
The objectives of the IBOR Working Group included closely monitoring the developments related to the interest rate benchmark reform, evaluating the extent to which the transition to the alternative rates advanced. It covered, among others, the progress on contracts amendments, bilateral negotiations with clients, IT systems and applications updates, introduction of fallback language in new contracts, regular monitoring of the exposure to IBORs per currency and asset class.
The progress in the implementation of the established workplan has been regularly monitored and discussed at the ALCO, and periodically reported to the Bank's Senior Management.

The main risks to which the Facility has been exposed as a result of IBOR reform are operational. For example, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, adjustments to settlement and payment infrastructures. Financial risk is predominantly limited to interest rate risk.

The risks did not result in a change of the Facility's risk management strategy.

Exposure per financial instruments class and transition status

As part of its lending, the Facility is mainly exposed to the IBOR Reform on Floating Rates Loans denominated in USD. Floating rates assets are mainly reported at amortised cost in the Facility's statement of financial position. In addition, the Facility uses derivative instruments to micro hedge fixed rates loans and borrowings operations as well as for monitoring its global interest rate and foreign exchange positions.

As at 31 December 2021, through the application of the ISDA fallback protocol, the Facility has migrated the whole portfolio of its derivatives referring to LIBORs. Therefore, there is no impact on the financial statements ended as at 31 December 2022.

Loans are the second largest asset class directly exposed to IBOR rates. During 2022, the Bank has pursued the migration of the loans indexed to USD LIBOR. Majority of borrowers have already expressed their product preference and relevant repapering is expected to be signed early 2023. Most of the exposures is expected to be migrated by the first interest payment date after the cessation date of 30 June 2023, a partial reliance on synthetic LIBOR is likely to be needed. In parallel to the migration, the Bank has adapted its lending products portfolio for new loan origination.

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 in either EUR or USD.

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

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

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

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

3.4.2.2.1. Hedging of operations denominated in USD

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

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

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

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

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

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

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

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

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

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

As at 31 December 2022		**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	-318,423	-11,114	-329,537	844,247
*Local currencies (under synthetic hedge)**				
KES	129,513	36,883	166,396	-
TZS	7,355	123	7,478	-
DOP	24,533	301	24,834	-
UGX	32,632	489	33,121	-
RWF	75,037	698	75,735	-
*Local currencies (not under synthetic hedge)**				-
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	86,929	-479	86,450	-
Total non-EUR currencies	**37,576**	**26,901**	**64,477**	**844,247**
EUR	**-**	**4,009,151**	**4,009,151**	**1,726,301**
Total EUR and non-EUR	**37,576**	**4,036,052**	**4,073,628**	**2,570,548**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.2.3 Foreign exchange position (in EUR'000) (continued)

As at 31 December 2021		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	-130,383	-29,399	-159,782	756,190
*Local currencies (under synthetic hedge)**				
KES	90,567	7,138	97,705	-
TZS	16,478	333	16,811	-
DOP	18,783	301	19,084	-
UGX	36,935	978	37,913	-
RWF	49,667	365	50,032	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	96,450	-517	95,933	-
Total non-EUR currencies	**178,497**	**-20,801**	**157,696**	**756,190**
EUR	**-**	**3,645,241**	**3,645,241**	**628,913**
Total EUR and non-EUR	**178,497**	**3,624,440**	**3,802,937**	**1,385,103**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2022 a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 7.2 million (31 December 2021: EUR 17.5 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 -5.9 million (31 December 2021: EUR -14.3 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2022 and 31 December 2021:

	31 December 2022	31 December 2021
Non-EU currencies		
Botswana Pula (BWP)	13.59	13.27
Dominican Republic Pesos (DOP)	59.84	64.83
Fiji Dollars (FJD)	2.32	2.36
Haitian Gourde (HTG)	154.37	113.16
Jamaican Dollar (JMD)	161.59	173.48
Kenya Shillings (KES)	131.68	128.26
Mauritania Ouguiyas (MRU)	39.04	40.99
Mauritius Rupees (MUR)	46.83	49.30
Mozambican Metical (MZN)	67.54	71.70
Nigerian Naira (NGN)	478.02	467.07
Rwanda Francs (RWF)	1,132.20	1,162.53
Tanzania Shillings (TZS)	2,487.37	2,610.48
Uganda Shillings (UGX)	3,965.00	4,027.00
United States Dollars (USD)	1.07	1.13
Franc CFA Francs (XAF/XOF)	655.96	655.96
South Africa Rand (ZAR)	18.10	18.06
Zambia Kvacha (ZMW)	19.28	18.88

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 effect on the Facility's contributors' resources (as a result of a change in the fair value of the equity instruments portfolio) due to a +/-10% change in the value of individual direct equity and venture capital investments, with all other variables held constant, is EUR 79.7 million and EUR -79.7 million respectively as at 31 December 2022 (EUR 69.8 million and EUR -69.8 million respectively as at 31 December 2021).

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 measured at AC as the carrying amount is a reasonable approximation of fair value.

At 31 December 2022	Carrying amount						Fair value			
in EUR'000	Derivative financial instruments	Shares and other variable yield securities	Cash, loans and advances	Treasury financial assets	Other financial assets/liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	75,852	-	-	-	-	**75,852**	-	75,852	-	**75,852**
Venture Capital Fund	-	684,564	-	-	-	**684,564**	-	-	684,564	**684,564**
Direct Equity Investments	-	112,777	-	-	-	**112,777**	-	-	112,777	**112,777**
Loans and advances	-	-	95,604	-	-	**95,604**	-	-	95,604	**95,604**
Total financial assets mandatorily measured at FVTPL	**75,852**	**797,341**	**95,604**	**-**	**-**	**968,797**	**-**	**75,852**	**892,945**	**968,797**
Financial assets measured at AC										
Cash and cash equivalents	-	-	1,451,970	-	-	**1,451,970**				
Loans and advances	-	-	1,754,182	-	-	**1,754,182**				
Amounts receivable from contributors	-	-	85,321	-	-	**85,321**				
Treasury financial assets	-	-	-	73,003	-	**73,003**				
Other assets	-	-	-	-	950	**950**				
Total financial assets measured at AC	**-**	**-**	**3,291,473**	**73,003**	**950**	**3,365,426**				
Total financial assets	**75,852**	**797,341**	**3,387,077**	**73,003**	**950**	**4,334,223**				
Financial liabilities measured at FVTPL										
Derivative financial instruments	-	-	-	-	-	**-**	-	-	-	**-**
Total financial liabilities measured at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-	**-**				
Provisions for loan commitments	-	-	-	-	-16,583	**-16,583**				
Amounts owed to third parties	-	-	-	-	-190,927	**-190,927**				
Other liabilities	-	-	-	-	-2,419	**-2,419**				
Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-209,929**	**-209,929**				
Total financial liabilities	**-**	**-**	**-**	**-**	**-209,929**	**-209,929**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

As at 31 December 2021	Carrying amount						Fair value			
in EUR'000	Derivative financial instruments	Shares and other variable yield securities	Cash, loans and advances	Treasury financial assets	Other financial assets/liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	7	-	-	-	-	**7**	-	7	-	**7**
Venture Capital Fund	-	590,570	-	-	-	**590,570**	-	-	590,570	**590,570**
Direct Equity Investment	-	107,061	-	-	-	**107,061**	-	-	107,061	**107,061**
Loans and advances	-	-	229,991	-	-	**229,991**	-	-	229,991	**229,991**
Total financial assets mandatorily measured at FVTPL	**7**	**697,631**	**229,991**	**-**	**-**	**927,629**	**-**	**7**	**927,622**	**927,629**
Financial assets at AC										
Cash and cash equivalents	-	-	1,358,564	-	-	**1,358,564**				
Loans and advances	-	-	1,756,290	-	-	**1,756,290**				
Amounts receivable from contributors	-	-	85,210	-	-	**85,210**				
Treasury financial assets	-	-	-	-	-	**-**				
Other assets	-	-	-	-	1,086	**1,086**				
Total financial assets measured at AC	**-**	**-**	**3,200,064**	**-**	**1,086**	**3,201,150**				
Total financial assets	**7**	**697,631**	**3,430,055**	**-**	**1,086**	**4,128,779**				
Financial liabilities mandatorily measured at FVTPL										
Derivative financial instruments	-18,835	-	-	-	-	**-18,835**	-	-18,835	-	**-18,835**
Total financial liabilities measured at FVTPL	**-18,835**	**-**	**-**	**-**	**-**	**-18,835**	**-**	**-18,835**	**-**	**-18,835**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-	**-**				
Provisions for loan commitments	-	-	-	-	-16,602	**-16,602**				
Amounts owed to third parties	-	-	-	-	-239,639	**-239,639**				
Other liabilities	-	-	-	-	-2,333	**-2,333**				
Total financial liabilities measured at AC	**-**	-	-	-	**-258,574**	**-258,574**				
Total financial liabilities	**-18,835**	**-**	**-**	**-**	**-258,574**	**-277,409**				

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. Discount for lack of marketability (liquidity) determined by reference to previous transaction prices for similar equities in the country/region, ranging from 5 to 30%.	The higher the marketability discount, the lower the fair value.
Loans at fair value (IFE)	For going concern borrowers: Discounted cash flow using contractual/expected future cash flows discounted with appropriate risk-adjusted discount rate that captures the risk inherent to the loan (including credit risk of the borrower). The discount rate is compared/assessed with any relevant market benchmark. For borrowers not going concern: Net assets approach (liquidation value approach).	Components of the discount rate to reflect the credit risk of borrower compared to the risk-free market rates.	The higher the discount rate the lower the fair value

4.2.2 Valuation techniques and significant unobservable inputs (continued)

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

With the application of IFRS 13, valuation adjustments are included in the fair value of derivatives as at 31 December 2022 and 2021, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -12.8k as at 31 December 2022 and to EUR -167.8k as at 31 December 2021.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +11.7k as at 31 December 2022 and EUR +2.7k as at 31 December 2021.

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 2022 and 2021 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[16] for the year ended 31 December 2022 and 31 December 2021:

in EUR'000	Shares and other variable yield securities
Balance as at 1 January 2022	**697,631**
Gains or losses included in profit or loss:	
Equity swap	99
Net fair value change on shares and other variable yield securities	9,172
Total	**9,271**
Disbursements	139,935
Repayments	-74,959
Foreign exchange rates differences	25,463
Balance as at 31 December 2022	**797,341**

in EUR'000	Shares and other variable yield securities
Balance as at 1 January 2021	**526,810**
Gains or losses included in profit or loss:	
Derecognition of fair value adjustment due to sales	13,489
Net fair value change on shares and other variable yield securities	117,502
Total	**130,991**
Disbursements	84,224
Repayments	-71,624
Foreign exchange rates differences	27,230
Balance as at 31 December 2021	**697,631**

In 2022 and 2021 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

[16] loans measured at FVTPL are presented in the Note 7.

5 Cash and cash equivalents

The cash and cash equivalents are composed of:

in EUR'000	31.12.2022	31.12.2021
Cash in hand	328,079	434,064
Term deposits	963,004	672,730
Commercial papers	159,506	252,211
Cash and cash equivalents in the cash flow statement	**1,450,589**	**1,359,005**
Accrued interest	1,381	-441
Cash and cash equivalents in the statement of financial position	**1,451,970**	**1,358,564**

6 Derivative financial instruments

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

As at 31 December 2022	Fair Value		Notional amount
in EUR'000	Assets	Liabilities	
Cross currency swaps	4,778	-	47,033
FX swaps	71,074	-	1,790,000
Total derivative financial instruments	**75,852**	**-**	**1,837,033**

As at 31 December 2021	Fair Value		Notional amount
in EUR'000	Assets	Liabilities	
Cross currency interest rate swaps	7	-2,568	51,865
FX swaps	-	-16,267	1,530,000
Total derivative financial instruments	**7**	**-18,835**	**1,581,865**

Following the discontinuation of EONIA and the evolution of the markets, the Bank switched from EONIA discounting to ESTER discounting in December 2022, resulting in a profit and loss impact of EUR 18,966.

7 Loans and advances

7.1 Loans and advances

The following table shows the reconciliation from the opening to the closing balance of loans and advances:

in EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2022	**1,260,960**	**549,115**	**-**	**-**	**1,810,075**
Disbursements	186,211	68,638	-	-	**254,849**
Write offs	-	-	-	-	**-**
Repayments	-246,403	-74,267	-	-	**-320,670**
Interest capitalised	-	-	-	-	**-**
Foreign exchange rates differences	36,119	19,791	-	-	**55,910**
Nominal of loans at AC as at 31 December 2022	**1,236,887**	**563,277**	**-**	**-**	**1,800,164**
Impairment - loss allowance as at 1 January 2022	**-43,723**	**-22,191**	**-**	**-**	**-65,914**
Net changes of the 12 month ECL	-7,009	-750	-	-	**-7,759**
Net changes of lifetime ECL not credit-impaired	4,305	1,176	-	-	**5,481**
Lifetime ECL credit-impaired	-	-393	-	-	**-393**
Reversal of lifetime ECL credit-impaired	11,082	151	-	-	**11,233**
Foreign exchange rates differences	-2,259	-791	-	-	**-3,050**
Impairment - loss allowance as at 31 December 2022	**-37,604**	**-22,798**	**-**	**-**	**-60,402**
Loans and advances at AC as at 31 December 2022	**1,199,283**	**540,479**	**-**	**-**	**1,739,762**
Nominal of loans at FVTPL as at 1 January 2022	**1,080**	**70,936**	**200,000**	**-**	**272,016**
Disbursements	-	5,644	-	**-**	**5,644**
Repayments	-	-4,544	-133,167	**-**	**-137,711**
Foreign exchange rates differences	-	887	-	**-**	**887**
Nominal of loans at FVTPL as at 31 December 2022	**1,080**	**72,923**	**66,833**	**-**	**140,836**
Fair value adjustment as at 1 January 2022	**-1,080**	**-24,613**	**-16,332**	**-**	**-42,025**
Net FV change	-	-1,680	-1,400	-	**-3,080**
Foreign exchange rates differences	-	-127	-	-	**-127**
Fair value adjustment as at 31 December 2022	**-1,080**	**-26,420**	**-17,732**	**-**	**-45,232**
Loans and advances at FVTPL as at 31 December 2022	**-**	**46,503**	**49,101**	**-**	**95,604**
Amortised Cost	-3,450	-3,718	-	-	**-7,168**
Interest	11,809	9,741	38	-	**21,588**
Loans and advances as at 31 December 2022	**1,207,642**	**593,005**	**49,139**	**-**	**1,849,786**

* Including agency agreements

7 Loans and advances (continued)

7.1 Loans and advances (continued)

In EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2021	**1,151,398**	**572,864**	**-**	**-**	**1,724,262**
Disbursements	274,020	62,869	-	-	**336,889**
Write offs	-	-	-	-	**-**
Repayments	-225,990	-113,215	-	-	**-339,205**
Foreign exchange rates differences	61,532	26,597	-	-	**88,129**
Nominal of loans at AC as at 31 December 2021	**1,260,960**	**549,115**	**-**	**-**	**1,810,075**
Impairment - loss allowance as at 1 January 2021	**-68,243**	**-35,550**	**-**	**-**	**-103,793**
Net changes of the 12 month ECL	6,509	6,836	-	-	**13,345**
Net changes of lifetime ECL not credit-impaired	6,327	6,045	-	-	**12,372**
Lifetime ECL credit-impaired	-249	-742	-	-	**-991**
Reversal of lifetime ECL credit-impaired	15,875	2,373	-	-	**18,248**
Foreign exchange rates differences	-3,942	-1,153	-	-	**-5,095**
Impairment - loss allowance as at 31 December 2021	**-43,723**	**-22,191**	**-**	**-**	**-65,914**
Loans and advances at AC as at 31 December 2021	**1,217,237**	**526,924**	**-**	**-**	**1,744,161**
Nominal of loans at FVTPL as at 1 January 2021	**1,080**	**61,493**	**30,000**	**-**	**92,573**
Disbursements	-	8,323	170,000	-	**178,323**
Repayments	-	-739	-	-	**-739**
Foreign exchange rates differences	-	1,859	-	-	**1,859**
Nominal of loans at FVTPL as at 31 December 2021	**1,080**	**70,936**	**200,000**	**-**	**272,016**
Fair value adjustment as at 1 January 2021	**-1,080**	**-25,893**	**-18,291**	**-**	**-45,264**
Net FV change	-	1,609	1,959	-	**3,568**
Foreign exchange rates differences	-	-329	-	-	**-329**
Fair value adjustment as at 31 December 2021	**-1,080**	**-24,613**	**-16,332**	**-**	**-42,025**
Loans and advances at FVTPL as at 31 December 2021	**-**	**46,323**	**183,668**	**-**	**229,991**
Amortised Cost	-3,151	-3,736	-	-	**-6,887**
Interest	10,295	8,686	35	-	**19,016**
Loans and advances as at 31 December 2021	**1,224,381**	**578,197**	**183,703**	**-**	**1,986,281**

* Including agency agreements

7.2 Impairment on loans and advances – Loss allowances

in EUR'000	2022				
		Lifetime ECL			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Loans and advances at AC					
Balance as at 1 January 2022	**3,565**	**33,268**	**29,081**	**-**	**65,914**
Transfer to 12-month ECL	2,293	-7,061	-	-	**-4,768**
Transfer to lifetime ECL not credit-impaired	-489	3,160	-	-	**2,671**
Transfer to lifetime ECL credit-impaired	-	-617	393	-	**-224**
Net measurement of loss allowance	4,101	-2,472	-6,045	-	**-4,416**
New financial assets originated or purchased	1,878	1,670	-	-	**3,548**
Financial assets that have been derecognised	-24	-160	-5,189	-	**-5,373**
Foreign exchange rates differences	46	1,029	1,975	-	**3,050**
Balance as at 31 December 2022	**11,370**	**28,817**	**20,215**	**-**	**60,402**

in EUR'000	2021				
		Lifetime ECL			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Loans and advances at AC					
Balance as at 1 January 2021	**16,389**	**43,976**	**43,428**	**-**	**103,793**
Transfer to 12-month ECL	-	-	-	-	**-**
Transfer to lifetime ECL not credit-impaired	-5,008	-1,019	-	-	**-6,027**
Transfer to lifetime ECL credit-impaired	-	-77	249	-	**172**
Net measurement of loss allowance	-8,480	-8,912	-15,309	-	**-32,701**
New financial assets originated or purchased	504	1,039	-	-	**1,543**
Financial assets that have been derecognised	-361	-3,405	-2,195	-	**-5,961**
Write offs	-	-	-	-	**-**
Foreign exchange rates differences	521	1,666	2,908	-	**5,095**
Balance as at 31 December 2021	**3,565**	**33,268**	**29,081**	**-**	**65,914**

8 Shares and other variable yield securities

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

in EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2022	**493,161**	**77,478**	**570,639**
Disbursements	139,935	-	139,935
Repayments / sales	-74,959	-	-74,959
Equity swap	-	3,598	3,598
Foreign exchange rates differences	22,397	635	23,032
Cost as at 31 December 2022	**580,534**	**81,711**	**662,245**
Unrealised gains and losses as at 1 January 2022	**97,409**	**29,583**	**126,992**
Net change in unrealised gains and losses	4,149	5,023	9,172
Derecognition of fair value adjustment due to equity swap	-	-3,499	-3,499
Foreign exchange rates differences	2,472	-41	2,431
Unrealised gains and losses as at 31 December 2022	**104,030**	**31,066**	**135,096**
Shares and other variable yield securities as at 31 December 2022	**684,564**	**112,777**	**797,341**

in EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2021	**452,161**	**76,258**	**528,419**
Disbursements	84,224	-	84,224
Repayments / sales	-71,624	-	-71,624
Foreign exchange rates differences	28,400	1,220	29,620
Cost as at 31 December 2021	**493,161**	**77,478**	**570,639**
Unrealised gains and losses as at 1 January 2021	**-15,019**	**13,410**	**-1,609**
Net change in unrealised gains and losses	101,418	16,084	117,502
Derecognition of fair value adjustment due to sales	13,489	-	13,489
Foreign exchange rates differences	-2,479	89	-2,390
Unrealised gains and losses as at 31 December 2021	**97,409**	**29,583**	**126,992**
Shares and other variable yield securities as at 31 December 2021	**590,570**	**107,061**	**697,631**

9 Amounts receivable from contributors

The amounts of EUR 85.3m (2021: EUR 85.2m) receivable from contributors are entirely composed of Member States contribution called but not paid.

10 Treasury financial assets

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

in EUR'000	
Acquisitions	920,290
Maturities	-847,608
Change in amortisation of premium/discount	247
Change in accrued interest	74
Balance as at 31 December 2022	**73,003**

in EUR'000	
Balance as at 1 January 2021	**351,873**
Acquisitions	2,333,691
Maturities	-2,684,293
Change in amortisation of premium/discount	301
Change in accrued interest	-1,572
Balance as at 31 December 2021	**-**

11 Other assets

The main components of other assets are as follows:

in EUR'000	**31.12.2022**	**31.12.2021**
Amount receivable from the EIB	940	877
Financial guarantees	10	209
Total other assets	**950**	**1,086**

12 Deferred income

The main components of deferred income are as follows:

in EUR'000	**31.12.2022**	**31.12.2021**
Deferred interest subsidies	51,498	47,981
Deferred commissions on loans and advances	919	451
Total deferred income	**52,417**	**48,432**

13 Provisions for guarantees issued, net of reversals

The following tables show the reconciliation from the opening to the closing balance of the provision for financial guarantees.

	2022			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**-**	**-**	**-**	**-**
Net measurement of loss allowance	-	-	-	**-**
Balance as at 31 December	**-**	**-**	**-**	**-**

	2021			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**851**	**-**	**-**	**851**
Net measurement of loss allowance	-851	-	-	**-851**
Balance as at 31 December	**-**	**-**	**-**	**-**

14 Provisions for loan commitments

The following tables show the reconciliation from the opening to the closing balance of the loss allowance for undisbursed loans (loan commitments):

	2022			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January	**1,693**	**14,909**	**-**	**16,602**
Transfer to lifetime ECL not credit-impaired	-302	4,687	-	**4,385**
Net measurement of loss allowance	3,147	-6,797	-	**-3,650**
New financial assets originated or purchased	428	354	-	**782**
Financial assets that have been derecognised	-142	-1,395	-	**-1,537**
Foreign exchange rates differences	1	-	-	**1**
Balance as at 31 December	**4,825**	**11,758**	**-**	**16,583**

	2021			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January	**6,817**	**26,335**	**-**	**33,152**
Net measurement of loss allowance	-4,089	-7,013	-	**-11,102**
New financial assets originated or purchased	869	3,015	-	**3,884**
Financial assets that have been derecognised	-1,942	-7,456	-	**-9,398**
Foreign exchange rates differences	38	28	-	**66**
Balance as at 31 December	**1,693**	**14,909**	**-**	**16,602**

15 Amounts owed to third parties

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

in EUR'000	**31.12.2022**	**31.12.2021**
Net general administrative expenses payable to the EIB	33,628	53,136
Other amounts payable to the EIB	1,460	40,045
Interest subsidies and TA not yet disbursed owed to Member States	155,839	146,458
Total amounts owed to third parties	**190,927**	**239,639**

16 Other liabilities

The main components of other liabilities are as follows:

in EUR'000	31.12.2022	31.12.2021
Loan repayments received in advance	1,790	1,793
Deferred income from interest subsidies	629	540
Total other liabilities	**2,419**	**2,333**

17 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	94,197	13,448	107,645	2,398
Belgium	137,519	19,343	156,862	3,249
Bulgaria	2,616	749	3,365	219
Croatia	1,081	338	1,419	225
Cyprus	1,544	437	1,981	112
Czech Republic	9,538	2,728	12,266	797
Denmark	76,883	11,088	87,971	1,980
Estonia	975	279	1,254	86
Finland	54,813	8,139	62,952	1,509
France	815,190	109,410	924,600	17,813
Germany	819,351	115,484	934,835	20,580
Greece	49,970	7,909	57,879	1,507
Hungary	9,107	2,574	11,681	615
Ireland	27,733	4,755	32,488	940
Italy	467,727	69,791	537,518	12,530
Latvia	1,341	384	1,725	116
Lithuania	2,212	632	2,844	181
Luxembourg	10,344	1,480	11,824	255
Malta	518	147	665	38
Netherlands	186,958	26,881	213,839	4,777
Poland	24,190	6,916	31,106	2,007
Portugal	39,011	6,206	45,217	1,197
Romania	7,590	2,189	9,779	718
Slovakia	4,156	1,195	5,351	376
Slovenia	3,092	878	3,970	225
Spain	248,728	41,237	289,965	7,932
Sweden	102,172	15,331	117,503	2,939
United Kingdom	503,139	79,048	582,187	-
Total as at 31 December 2022	**3,701,695**	**548,996**	**4,250,691**	**85,321**
Total as at 31 December 2021	**3,471,695**	**478,996**	**3,950,691**	**85,210**

* On 14 November 2022, the Council fixed the amount of financial contributions to be paid by each Member State as of 23 January 2023. As at 31 December 2022 EUR 85.3m were not yet paid in.

18 Commitments and contingent liabilities

in EUR'000	31.12.2022	31.12.2021
Commitments		
Undisbursed loans	1,671,851	1,677,411
Undisbursed commitment in respect of shares and other variable yield securities	411,172	473,000
Issued guarantees	-	1,499,675
Interest subsidies and technical assistance	441,630	478,011
Contingent liabilities		
Signed non-issued guarantees	49,378	256,299
Total commitments and contingent liabilities	**2,574,031**	**4,384,396**

19 Interest and similar income and expenses

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

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Cash and cash equivalents	1,999	-
Loans and advances	82,162	80,395
Interest subsidies	9,625	6,061
Total interest and similar income	**93,786**	**86,456**

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

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Derivative financial instruments	-5,080	-4,800
Cash and cash equivalents	-	-3,598
Treasury financial assets	-399	-2,038
Total interest and similar expenses	**-5,479**	**-10,436**

20 Fee and commission income and expenses

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

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Fee and commission on loans and advances	42	1,702
Fee and commission on financial guarantees	469	517
Total fee and commission income	**511**	**2,219**

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

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Commission paid to third parties with regard to shares and other variable yield securities	-761	-175
Total fee and commission expenses	**-761**	**-175**

21 Net result on shares and other variable yield securities

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

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Net proceeds	35	4,310
Dividend income	15,225	1,815
Net fair value change	9,172	117,502
Net result on shares and other variable yield securities	**24,432**	**123,627**

22 General administrative expenses

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

The main components of general administrative expenses are as follows:

in EUR'000	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021
Actual cost incurred by the EIB	-34,841	-55,924
Income from appraisal fees directly charged to clients of the Facility	1,213	2,788
Total general administrative expenses	**-33,628**	**-53,136**

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

Definition of a structured entity

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

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

Unconsolidated structured entities

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

Definition of Interests in structured entities:

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

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

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

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

		31.12.2022		31.12.2021	
Type of structured entity	**Caption**	**Carrying amount**	**Maximum exposure to loss**	**Carrying amount**	**Maximum exposure to loss**
Venture capital funds	Shares and other variable yield securities	684,564	1,091,122	590,570	1,054,831
Total		**684,564**	**1,091,122**	**590,570**	**1,054,831**

No support is provided to structured entities by the Facility beyond the respective financing.

24 Impact financing envelope (in EUR'000)

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

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

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

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

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

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

The IFE also allows diversification into new sectors, such as health and education, agriculture and food security, and the development of new and innovative risk-sharing instruments. In 2016, the IFE financing capacity was increased to EUR 800m by making the IFE partially revolving.

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.

24 Impact financing envelope (in EUR'000) (continued)

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2022	Loss allowance / FV adj. amount as at 31.12.2022	Carrying amount as at 31.12.2022	Undisbursed amount as at 31.12.2022	OFF BS ECL adj. amount as at 31.12.2022
Loans to financial intermediaries	Loans and advances	AC	79,778	-3,454	76,324	64,345	-632
Direct loan operations	Loans and advances	FVTPL	104,709	-45,224	59,485	67,215	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	94,385	23,802	118,187	79,393	-
Direct equity participations	Shares and other variable yield securities	FVTPL	59,429	26,939	86,368	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	46,878	-
Total			**338,301**	**2,063**	**340,364**	**257,845**	**-632**

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2021	Loss allowance/FV adj. amount as at 31.12.2021	Carrying amount as at 31.12.2021	Undisbursed amount as at 31.12.2021	OFF BS ECL adj. amount as at 31.12.2021
Loans to financial intermediaries	Loans and advances	AC	68,228	-1,981	66,247	29,272	-242
Direct loan operations	Loans and advances	FVTPL	101,840	-41,403	60,437	92,031	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	61,611	9,866	71,477	106,675	-
Direct equity participations	Shares and other variable yield securities	FVTPL	58,523	23,608	82,131	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	44,146	-
Total			**290,202**	**-9,910**	**280,292**	**272,138**	**-242**

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

The EIB is applying the General Mandate Risk Principles to IFE direct loan operations (excluding Loans to financial intermediaries), as envisaged in the EIB's Credit and Equity Risk Guidelines, and to monitor and report the risk associated with the IFE direct loan operations on the basis of their fair value. According to the methodology, the Bank performs a Qualitative Risk Assessment (QRA) aiming to assess the soundness of the investment rationale and plausible business viability of such operations.

25 Subsequent events

There have been no material events after the balance sheet date that would require adjustment of, or disclosure in, the financial statements as at 31 December 2022.

In the context of the Russian invasion of Ukraine and its broader economic consequences, the Bank continues to monitor the situation closely notably as part of the subsequent event review.