EUROPEAN
COMMISSION

Brussels, 25.6.2024
COM(2024) 273 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 2023

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CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2023 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

19 June 2024

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.

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.

The EDF is made up from individual EDFs. 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.

Up until 2021, when the 11th European Development Fund reached its final stage as the sunset clause came into effect on 31 December 2020, the European Development Fund (hereinafter referred to as 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.

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.

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.

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 EDF 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

While the 8th EDF was officially closed in 2021, with the closure of all contracts and financial decisions, this closure was not fully reflected in the 2021 accounts as several recovery orders, including litigations cases, were still outstanding. On 31 December 2022 the EDF had net assets of EUR 180 million. The capital and reserves were used to cover the cumulated losses of the 8th EDF with the remaining balances being transferred to the 9th EDF in accordance with the provisions of Part 3 of the financial regulation[1] applicable to the 9th EDF.

The Commission is currently working towards the closure of the 9th EDF. Currently there are still 10 ongoing contracts that should, in principle, come to an end in 2024. These contracts, funded under the 9th EDF, continue to be active and will reach their conclusion within the specified timeframe, contributing to the finalization of activities and projects associated with the 9th EDF. The full closure of the 9th EDF can only be accomplished once all contracts come to an end and following the completion of their evaluations and audits.

The closure of the 10th EDF is progressing well with 96.1% of its contracts already closed. However, the operational and financial closure of the remaining ones will take some time. The financial closure requires the launch and completion of all necessary evaluations, audits and recoveries.

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, the implementation of the ongoing projects funded by the 11th 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.

[1] OJ L 83, 1.4.2003, p. 27.

The preparation of the EDF annual accounts is entrusted to the Commission's Accounting Officer who is the Accounting Officer of the EDF and 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

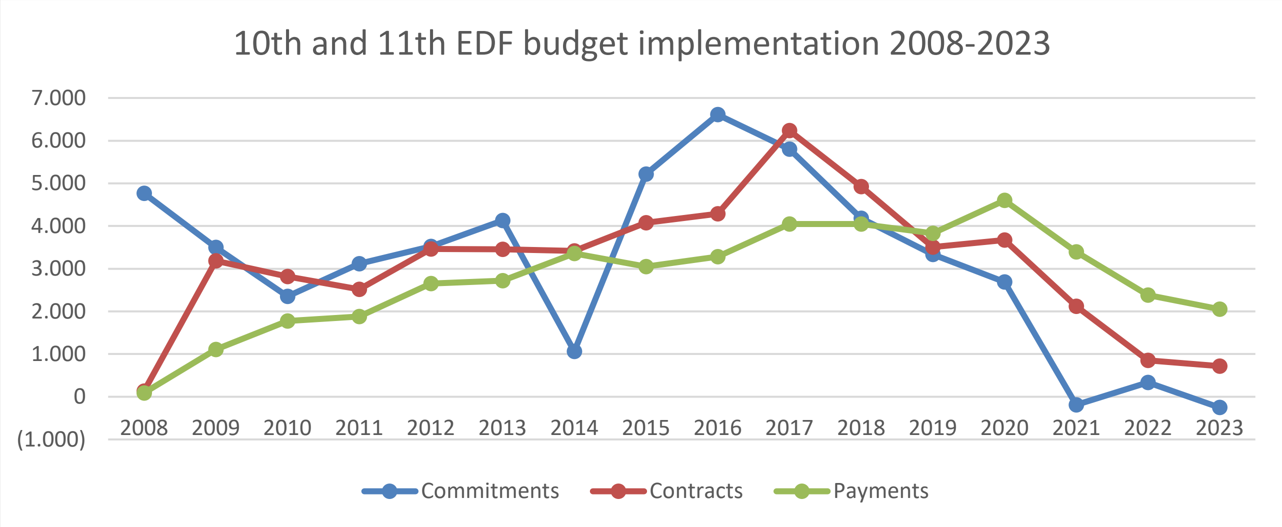
5.1. AUDIT

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 2023



* Net amount, only 10th & 11th EDF

Budget implementation

In 2023, individual commitments and net payments of EUR 720 million and EUR 2,053 million, respectively, were made under the 10th and 11th EDF. The total amount of gross payments for the EDF amounted to EUR 2,103.48 million, which represents 105.17% of the target of EUR 2,000 million communicated to the Member States.

In 2022, the Council unanimously decided to reuse EUR 600 million of de-committed funds from the 10th and 11th EDF to finance actions addressing the food security crisis and economic shock in ACP countries following Russia's war of aggression against Ukraine. The Commission had already committed this EUR 600 million and disbursed EUR 221 million in 2022, followed by EUR 87 million in 2023.

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 356 million largely as a result of fewer advances being paid out. This reduction is mainly due to the decline in the number of new contracts signed since 2021. In 2021, new contracts amounted to EUR 2 118 million, which noticeably decreased to EUR 853 million in 2022. In 2023, new contracts remained at this level, being EUR 860 million, as a result of the Council decision to redirect unused funds from the 10th and 11th EDF to aid ACP countries in response to Russia's war of aggression againt Ukraine;

- Cash and Cash equivalents (see note **2.5**): a decrease of EUR 426 million primarily due to the reduction in contributions from donors, which decreased from EUR 2 500 million in 2022 to EUR 1 800 million in 2023;

- Accrued Charges (see note **2.8**): a decrease of EUR 147 million as a result of the decrease in the number of open contracts at the end of the year for which no cost claims were validated by year-end; and

- Operating expenses (see note **3.4**): an overall decrease in operating expenses of EUR 608 million mainly as a result of the decrease in expenses relating to programmeable aid, Intra ACP projects and contributions to the Trust Funds. 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 of aggression against Ukraine in the ACP countries.

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	31.12.2023	31.12.2022
NON-CURRENT ASSETS			
Financial assets	2.1	*87*	*67*
Pre-financing	2.2	*574*	*488*
Trust Fund contributions	2.3	*216*	*254*
Exchange receivables	2.4	*5*	*7*
		883	**816**
CURRENT ASSETS			
Financial Assets	2.1	*3*	*3*
Pre-financing	2.2	*954*	*1 396*
Exchange receivables and non-exchange recoverables	2.4	*24*	*27*
Cash and cash equivalents	2.5	*601*	*1 027*
		1 583	**2 454**
TOTAL ASSETS		**2 466**	**3 270**
NON-CURRENT LIABILITIES			
Financial liabilities	2.6	*(5)*	*(7)*
		(5)	**(7)**
CURRENT LIABILITIES			
Payables	2.7	*(391)*	*(426)*
Accrued charges	2.8	*(984)*	*(1 131)*
		(1 375)	**(1 558)**
TOTAL LIABILITIES		**(1 380)**	**(1 565)**
NET ASSETS		**1 086**	**1 705**
FUNDS & RESERVES			
Called fund capital - active EDFs	2.9	*54 566*	*65 100*
Called fund capital from closed EDFs carried forward	2.9	*2 252*	*2 252*
Economic result carried forward from previous years		*(53 484)*	*(62 834)*
Economic result of the year		*(2 249)*	*(2 813)*
NET ASSETS		**1 086**	**1 705**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2023	2022
REVENUE			
Revenue from non-exchange transactions			
Recovery activities	3.1	*14*	*18*
		14	**18**
Revenue from exchange transactions			
Financial revenue	3.2	*9*	*2*
Other revenue	3.2	*43*	*77*
		52	**80**
Total Revenue		**65**	**98**
EXPENSES			
Implemented by other entities	3.3	*(3)*	*(1)*
Aid instruments	3.4	*(2 181)*	*(2 789)*
Co-financing expenses	3.5	*(8)*	*4*
Finance costs	3.6	*(7)*	*(6)*
Other expenses	3.7	*(116)*	*(119)*
Total Expenses		**(2 315)**	**(2 911)**
ECONOMIC RESULT OF THE YEAR		**(2 249)**	**(2 813)**

EDF CASHFLOW STATEMENT

EUR m

	Note	2023	2022
Economic result of the year		*(2 249)*	*(2 813)*
Operating activities			
Capital increase - contributions (net)		*1 630*	*2 458*
(Increase)/decrease in trust funds contributions		*37*	*128*
(Increase)/decrease in pre-financing		*356*	*239*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*4*	*5*
Increase/(decrease) in provisions		*2*	*1*
Increase/(decrease) in financial liabilities		*(3)*	*(1)*
Increase/(decrease) in payables		*(35)*	*(75)*
Increase/(decrease) in accrued charges and deferred income		*(148)*	*123*
Other non-cash movements		*–*	*–*
Investing activities			
(Increase)/decrease in non-derivative financial assets at fair value through		*(20)*	*(31)*
NET CASHFLOW		**(426)**	**34**
Net increase/(decrease) in cash and cash equivalents		*(426)*	*34*
Cash and cash equivalents at the beginning of the year	2.5	*1 027*	*994*
Cash and cash equivalents at year-end	2.5	*601*	*1 027*

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 31.12.2021	**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**
Capital increase - contributions	*(185)*	*(1 815)*	*1 630*	*–*	*–*		*1 630*
Closure of the 8th EDF	*(12 164)*		*(12 164)*	*12 164*	*–*		*(0)*
Economic result of the year	*–*	*–*	*–*	*(2 249)*	*–*		*(2 249)*
BALANCE AS AT 31.12.2023	**60 607**	**6 040**	**54 566**	**(55 732)**	**2 252**	**–**	**1 086**

BALANCE SHEET BY EDF

EUR million

		31.12.2023					31.12.2022				
	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	–	–	*14*	*73*	*87*	–	–	*(1)*	*67*	*67*
Pre-financing	2.2	–	–	*447*	*127*	*574*	–	–	*221*	*267*	*488*
Trust Fund contributions	2.3	–	*31*	*9*	*176*	*216*	–	*31*	*9*	*213*	*254*
Exchange receivables	2.4	–	–	–	*5*	*5*	–	–	–	*7*	*7*
		–	**31**	**470**	**381**	**883**	**–**	**31**	**229**	**555**	**816**
CURRENT ASSETS											
Financial Assets	2.1	–	–	–	*3*	*3*	–	–	–	*3*	*3*
Pre-financing	2.2	–	*5*	*113*	*835*	*954*	–	*14*	*427*	*954*	*1 396*
Exchange receivables and non-exchange recoverables	2.4	–	–	*10*	*14*	*24*	–	–	*10*	*16*	*27*
Inter-EDF accounts		–	*(200)*	*426*	*(226)*	–	*180*	*(369)*	*803*	*(612)*	–
Cash and cash equivalents	2.5	–	–	–	*601*	*601*	–	–	–	*1 027*	*1 027*
		–	**(195)**	**549**	**1 229**	**1 583**	**180**	**(355)**	**1 240**	**1 389**	**2 454**
TOTAL ASSETS		**–**	**(163)**	**1 020**	**1 610**	**2 466**	**180**	**(324)**	**1 469**	**1 945**	**3 270**
NON-CURRENT LIABILITIES											
Financial liabilities	2.6	–	–	–	*(5)*	*(5)*	–	–	*(0)*	*(7)*	*(7)*
		–	**–**	**–**	**(5)**	**(5)**	**–**	**–**	**(0)**	**(7)**	**(7)**
CURRENT LIABILITIES						–					
Payables	2.7	–	–	*(63)*	*(328)*	*(391)*	–	*(0)*	*(34)*	*(391)*	*(426)*
Accrued charges	2.8	–	–	*(129)*	*(855)*	*(984)*	–	*(7)*	*(119)*	*(1 006)*	*(1 131)*
		–	**–**	**(192)**	**(1 183)**	**(1 375)**	**–**	**(7)**	**(153)**	**(1 397)**	**(1 558)**
TOTAL LIABILITIES		**–**	**–**	**(192)**	**(1 188)**	**(1 380)**	**–**	**(7)**	**(153)**	**(1 404)**	**(1 565)**
NET ASSETS		**–**	**(163)**	**827**	**422**	**1 086**	**180**	**(331)**	**1 315**	**541**	**1 705**

EUR million

	Note	31.12.2023 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	31.12.2022 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Called fund capital - active EDFs	2.9	–	*10 442*	*20 834*	*23 290*	*54 566*	*12 164*	*10 450*	*20 960*	*21 527*	*65 100*
Called fund capital from closed EDFs carried forward	2.9	–	*2 252*	–	–	*2 252*	*627*	*1 625*	–	–	*2 252*
Called fund capital transfers between active EDFs	2.9	–	*(509)*	*(120)*	*628*	–	*(2 513)*	*2 010*	*(38)*	*541*	-
Economic result carried forward from previous years		–	*(12 350)*	*(19 607)*	*(21 527)*	*(53 484)*	*(10 098)*	*(14 410)*	*(19 325)*	*(19 001)*	*(62 834)*
Economic result of the year		–	*1*	*(280)*	*(1 970)*	*(2 249)*	–	*(6)*	*(282)*	*(2 526)*	*(2 813)*
NET ASSETS		**–**	**(163)**	**827**	**422**	**1 086**	**180**	**(331)**	**1 315**	**541**	**1 705**

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR million

		2023					2022				
	Note	Eighth	Ninth	10th	11th	Total	Eighth	Ninth	10th	11th	Total
REVENUE											
Revenue from non-exchange											
Recovery activities	3.1	–	–	*2*	*12*	*14*	–	*(1)*	*(8)*	*28*	*18*
		–	**–**	**2**	**12**	**14**	**–**	**(1)**	**(8)**	**28**	**18**
Revenue from exchange transactions											
Financial revenue	3.2	–	–	*(1)*	*10*	*9*	–	–	*2*	*1*	*2*
Other revenue	3.2	–	*2*	*4*	*37*	*43*	–	*3*	*8*	*66*	*77*
		–	**2**	**4**	**46**	**52**	**–**	**3**	**10**	**67**	**80**
Total revenue		**–**	**2**	**5**	**58**	**65**	**–**	**1**	**2**	**94**	**98**
EXPENSES											
Implemented by other entities	3.3	–	–	–	*(3)*	*(3)*	–	–	–	*(1)*	*(1)*
Aid instruments	3.4	–	*1*	*(276)*	*(1 906)*	*(2 181)*	–	*(5)*	*(295)*	*(2 489)*	*(2 789)*
Co-financing expenses	3.5	–	–	–	*(8)*	*(8)*	–	–	*22*	*(18)*	*4*
Finance costs	3.6	–	*1*	*(2)*	*(6)*	*(7)*	*1*	*2*	*(3)*	*(5)*	*(6)*
Other expenses	3.7	-	*(3)*	*(8)*	*(106)*	*(116)*	–	*(5)*	*(8)*	*(107)*	*(119)*
Total expenses		**–**	**(1)**	**(286)**	**(2 028)**	**(2 315)**	**1**	**(7)**	**(284)**	**(2 620)**	**(2 911)**
ECONOMIC RESULT OF THE YEAR		**–**	**1**	**(280)**	**(1 970)**	**(2 249)**	**1**	**(6)**	**(282)**	**(2 526)**	**(2 813)**

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 31.12.2021	**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**
Closure of the 8th EDF	*(12 164)*		*(12 164)*	*10 098*	*(627)*	*2 513*	*(180)*
BALANCE AS AT 31.12.2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**

EUR million

Ninth EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2021	**10 507**	**15**	**10 492**	**(14 410)**	**1 625**	**2 018**	**(274)**
Transfers to/from the 10th EDF		*–*	*–*				*–*
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)**
Capital increase - contributions		*(15)*	*15*				*15*
Transfers to/from the 10th and 11th			*–*			*(4)*	*(4)*
Refund to Member States	*(22)*		*(22)*				*(22)*
Closure of the 8th EDF				*2 066*	*627*	*(2 514)*	*179*
Economic result of the year			*–*	*1*		*–*	*1*
BALANCE AS AT 31.12.2023	**10 442**	**–**	**10 442**	**(12 348)**	**2 252**	**(509)**	**(163)**

EUR million

10th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Total Net Assets (C)+(D)+(E) +(F)
BALANCE AS AT 31.12.2021	**20 960**	**–**	**20 960**	**(19 324)**	**101**	**1 737**
Transfers to/from the Eighth and Ninth EDF			*–*		*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**
Transfers to/from the Eighth and Ninth EDF			*–*		*6*	*6*
Transfers to/from the 11th EDF		*–*	*–*		*(87)*	*(87)*
Refund to Member States	*(126)*	*–*	*(126)*		*–*	*(126)*
Economic result of the year		*–*	*–*	*(280)*	*–*	*(280)*
BALANCE AS AT 31.12.2023	**20 834**	**–**	**20 834**	**(19 886)**	**(120)**	**827**

EUR million

11th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E) +(F)+(G)
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**
Capital increase - contributions		*(1 800)*	*1 800*			*87*	*1 887*
Refund to Member States	*(36)*		*(36)*				*(36)*
Economic result of the year			*–*	*(1 970)*		*–*	*(1 970)*
BALANCE AS AT 31.12.2023	**29 331**	**6 040**	**23 290**	**(23 498)**	**–**	**628**	**422**

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	31.12.2023	31.12.2022	Currency	31.12.2023	31.12.2022
BGN	**1.9558**	1.9558	**PLN**	**4.3395**	4.6808
CZK	**24.724**	24.1160	**RON**	**4.9756**	4.9495
DKK	**7.4529**	7.4365	**SEK**	**11.096**	11.1218
GBP	**0.86905**	0.88693	**CHF**	**0.926**	0.9847
NOK	**11.2405**	10.5138	**JPY**	**156.33**	140.6600
HUF	**382.8**	400.8700	**USD**	**1.105**	1.0666

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 2023

There are no new EAR which became effective for annual periods beginning on or after 1 January 2023.

New EAR adopted but not yet effective at 31 December 2023

There are no new EAR adopted during 2023.

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 year-end.

(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 beneficiaries do not incur eligible expenditure, they have 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 costs', 'financial assets at fair value through surplus or deficit' and 'financial assets at fair value through net assets/equity'. 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

	31.12.2023	31.12.2022
Non-Current		
Financial assets at fair value through surplus or deficit (FVSD)	*70*	*61*
Loans	*16*	*5*
	87	**67**
Current		
Financial assets at fair value through surplus or deficit (FVSD)	*3*	*3*
	3	**3**
Total	**89**	**69**

The EUR 70 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 16 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 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 are disclosed as current pre-financing. As many of the EDF projects are long-term in nature, it is necessary that the related advances are available for more than one year. Thus some pre-financing amounts are shown as non-current assets.

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Non-current pre-financing	2.2.1	*–*	*–*	*447*	*127*	*574*	*488*
Current pre-financing	2.2.2	*–*	*5*	*113*	*836*	*954*	*1 396*
Total		**–**	**5**	**560**	**963**	**1 529**	**1 884**

The decrease in total pre-financing by EUR 356 million at 31 December 2023 can be largely explained by the decrease in pre-financing paid out to beneficiaries under the 11th EDF which fell from EUR 1 221 million in 2022 to EUR 963 million in 2023. 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. This, 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. This led to a decrease in new contracts signed from EUR 2 118 million in 2021 to EUR 853 million in 2022 and EUR 860 million in 2023.

Pre-financing from the 10^{th} EDF decreased from EUR 648 million in 2022 to EUR 560 million in 2023, aligning with the normal trend observed in 2021 and consistent with the life cycle of the EDF.

EUR 427 million of non-current pre-financing, relates to the open prefinancing for two contracts under the EU-Africa Infrastructure Trust Fund (AITF). The aim of this Trust Fund is to provide financial support with grants to infrastructure projects alongside long-term financing made available by Project Financiers. The provision of such grant funds leverages the provision of long-term financing by participating finance institutions. At the time of the signature of the contracts, the Trust Fund's type of actions were considered as adequately covered by the agreement (no template was yet available for financial instruments, nor did the Regulation mention this type of instrument). Consequently, payments made under these agreements were registered as pre-financing and not as a financial instrument component. Due to the long-term nature of the operations implemented by the Trust Fund, the annual clearing of the AITF's old pre-financing is very limited and spreads out over the years. Therefore, to better reflect the project conditions, the open pre-financing of EUR 427 million were reclassed to long term (see note **3.4**).

2.2.1. Non-current pre-financing by management mode

EUR million

	31.12.2023	31.12.2022
Direct Management		
Implemented by:		
Commission	*15*	*11*
EU executive agencies	*2*	*10*
EU delegations	*7*	*7*
	24	**28**
Indirect Management		
Implemented by :		
EIB and EIF	*436*	*181*
International organisations	*74*	*221*
Private law bodies with a public service mission	*16*	*16*
Public law bodies	*17*	*25*
Third countries	*7*	*16*
EU bodies and Public Private Partnership	*–*	*1*
	550	**460**
Total	**574**	**488**

2.2.2. Current pre-financing

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Pre-financing (gross)	*–*	*7*	*749*	*4 150*	*4 906*	*5 616*
Cleared via cut-off	*–*	*(2)*	*(636)*	*(3 314)*	*(3 952)*	*(4 220)*
Total	**–**	**5**	**113**	**835**	**954**	**1 396**

2.2.3. Current pre-financing by management mode

EUR million

	31.12.2023	31.12.2022
Direct Management		
Implemented by:		
Commission	*55*	*85*
EU executive agencies	*3*	*10*
EU delegations	*82*	*105*
	140	**200**
Indirect Management		
Implemented by :		
EIB and EIF	*87*	*209*
International organisations	*431*	*642*
Private law bodies with a public service mission	*78*	*96*
Public law bodies	*98*	*116*
Third countries	*119*	*131*
EU bodies and Public Private Partnership	*1*	*2*
	814	**1 196**
Total	**954**	**1 396**

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

	31.12.2023	31.12.2022
Guarantees for pre-financing	*32*	*37*

The EUR 32 million comprises guarantees intended to secure pre-financing paid under direct management, with the EDF being the beneficiary of the guarantee. However, the majority of pre-financing is paid under the indirect management mode, where 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 2023, the total value of such guarantees amounted to EUR 426 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 31.12.2022	Contributions paid in 2023	Allocation of TF's net expenses 2023	Net contribution at 31.12.2023
Africa	*243*	*231*	*(287)*	*186*
Bêkou	*11*	*43*	*(24)*	*30*
Total	**254**	**274**	**(311)**	**216**

The decrease in contributions paid from EUR 330 million in 2022 to EUR 274 million in 2023 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. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

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 31.12.2023, EDF has EUR 5 million of long-term exchange receivables comprising mainly of deferred charges arising from several financial instruments.

2.4.2. Current exchange receivables and non-exchange recoverables

EUR million

	Note	31.12.2023	31.12.2022
Recoverables from non-exchange transactions	2.4.2.1	*13*	*15*
Receivables from exchange transactions	2.4.2.2	*12*	*12*
Total		**24**	**27**

2.4.2.1. Recoverables from non-exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Customers	–	*3*	*44*	*9*	*55*	*56*
Public bodies	–	*4*	*13*	*2*	*19*	*19*
Third states	–	*1*	*4*	*1*	*6*	*7*
Write down	–	*(7)*	*(55)*	*(6)*	*(68)*	*(67)*
Total	**–**	**1**	**7**	**5**	**13**	**15**

2.4.2.2. Receivables from exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Accrued income	-	-	-	*1*	*1*	*1*
Inter-EDF accounts	–	*(200)*	*426*	*(225)*	–	*1*
Other	–	–	*4*	*7*	*11*	*10*
Total	**–**	**(200)**	**430**	**(218)**	**12**	**12**

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 instruments. Out of the EUR 11 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 7 million relates to a receivable from Climate Investor One.

2.5. CASH AND CASH EQUIVALENTS[2]

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	31.12.2023	31.12.2022
Special accounts						
Central banks	–	–	–	*341*	*341*	*835*
	–	**–**	**–**	**341**	**341**	**835**
Current accounts						
Commercial banks	–	–	–	*193*	*193*	*161*
Cash belonging to financial instruments	–	–	–	*67*	*67*	*31*
	–	**–**	**–**	**260**	**260**	**192**
Total	**–**	**–**	**–**	**601**	**601**	**1 027**

The decrease of EUR 426 million in cash and cash equivalents is mainly driven by the reduction in cash reserves held in central banks. This decline can be attributed to the decrease in called contributions which fell from EUR 2,500 million in 2022 to EUR 1,800 million in 2023. Additionally, Member States received a refund of EUR 43 million from the 9th EDF for the first instalment of 2023, while the UK requested that its contributions for the second and third instalments of 2023 amounting to EUR 154 million be offset from their outstanding share in the 10th and 11th EDF (see note **2.9.1**).

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

[2] 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.

LIABILITIES

2.6. FINANCIAL LIABILITIES

A financial liability is any liability that is:

(a) A contractual obligation: to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

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

Financial liabilities are classified in the following categories: 'financial liabilities at fair value through surplus or deficit', 'other financial liabilities measured at amortised cost' or financial guarantee contract liabilities.

EUR million

	Note	31.12.2023	31.12.2022
Non-Current			
Financial Provisions	2.6.1	*3*	*1*
Financial guarantee liability	2.6.2	*1*	*1*
Other Financial liabilities	2.6.3	*1*	*2*
Co-financing payables	2.6.4	*1*	*3*
Total		**5**	**7**

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	31.12.2023	31.12.2022
Financial provisions	–	–	–	*3*	*3*	*1*

The amount of EUR 3 million represents the estimated loss in relation to the loans given under the following financial instruments: ElectriFI CW and ElectriFI CW II and AgriFI Regional ACP.

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, where 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.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
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	31.12.2023	31.12.2022
Financial liabilities at fair value surplus and deficit	*–*	*–*	*–*	*1*	*1*	*2*

The amount of EUR 1 million relates mainly to the payables arising from the financial instrument ABI Finance.

2.6.4. Co-financing payables

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

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

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Non-current co-financing payables	*–*	*–*	*–*	*1*	*1*	*3*
Current co-financing payables	*–*	*–*	*18*	*23*	*41*	*46*
Total	**–**	**–**	**19**	**24**	**42**	**49**

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	31.12.2023	31.12.2022
Current payables	2.7.1	*–*	*-*	*50*	*210*	*260*	*230*
Sundry payables	2.7.2	*–*	*0*	*14*	*118*	*132*	*196*
Total		**–**	**0**	**63**	**328**	**391**	**426**

2.7.1. Current payables

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Suppliers	*–*	*2*	*7*	*89*	*98*	*63*
Third states	*–*	*–*	*3*	*29*	*32*	*126*
Public bodies	*–*	*–*	*19*	*110*	*129*	*41*
Other current payables	*–*	*(2)*	*20*	*(18)*	*–*	*–*
Total	**–**	**–**	**50**	**210**	**260**	**230**

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 increase in payables to public bodies and suppliers is due to a higher volume of invoices received that had not yet been paid before year-end. Conversely, payables to third states decreased primarily because an invoice totaling EUR 60 million for budget support to Ethiopia was cancelled in 2023. This invoice had 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	31.12.2023	31.12.2022
Co-financing payables	2.6.4	–	–	*18*	*23*	*41*	*46*
Deferred capital contributions	2.7.2.1	–	–	–	*88*	*88*	*147*
Other sundry payables		–	–	*(5)*	*7*	*3*	*2*
Total		**–**	**–**	**14**	**117**	**132**	**196**

2.7.2.1. Deferred capital contributions

An amount of EUR 7.8 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 against the contributions from the 11th EDF during the first call for contributions in 2024.

In addition to the refund, an amount of EUR 80 million relates to the 1st instalment of 2024 paid in advance by the United Kingdom. Out of this sum, EUR 8 million was deducted from the UK's remaining share of unused funds from the 10th and 11th EDFs. 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.

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Accrued charges	–	–	*129*	*854*	*983*	*1 130*
Other accruals and deferrals	–	–	–	*1*	*1*	*2*
Total	**–**	**–**	**129**	**855**	**984**	**1 131**

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 at the time of preparing the financial statements. It is noted that information from large-scale day-to-day activities, such as contract extensions signed after the reporting date, is not systematically considered, and the potential impact on the accrued charges cannot be reliably estimated. 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**).

The decrease in accrued charges of EUR 147 million is explained by the reduction in the number of contracts for which charges had to be estimated and accrued. This decrease is in line with the life cycle of the EDF and the underlying number of open contracts.

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 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 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*	*10 464*	*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**
Fund capital	*–*	*10 442*	*20 834*	*29 331*	*60 607*
Uncalled fund capital	*–*	*–*	*-*	*(6 040)*	*(6 040)*
Called fund capital 31.12.2023	**–**	**10 442**	**20 834**	**23 290**	**54 566**

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) 2023/2586, the Member States' contributions set out in the Internal Agreements of the Eighth and Ninth EDF were reduced accordingly for an amount of EUR 7.8 million from funds decommitted under the Ninth EDF. Refunds arising from this reduction have been compensated against additional calls for funds under the 11th EDF. In fact, the refund will be used against the first instalment of 2024 (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. In 2023, the UK requested that its second and third instalments for the year be compensated using its outstanding share in the reserve of the 10th and 11th EDFs. In addition, another 8 million was refunded to the UK towards its 1st instalment of 2024 (see note **2.7.2.1**). As a result, the fund capital of the 10th and 11th EDF was reduced by EUR 126 million and EUR 36 million respectively.

The closure of the 8th EDF effectively took place in 2021, with the completion of operational activities and closure of all financing decisions. Despite this, the closure of the 8th EDF had not been completely reflected in the 2021 financial statements. The aggregated statement of changes in net assets reflects the closure of the 8th EDF as a 2023 event. In 2023, the net assets of the 8th EDF, totalling EUR 180 million, were transferred to the 9th EDF, thereby concluding the accounting closure of the 8th EDF. Any remaining balances from the called capital and reserves were utilized to cover the economic result from previous years, with the remaining amounts transferred to the 9th EDF according to the provisions of Part 3 of the Financial Regulation applicable to the 9th EDF.

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

EUR million

Contributions 11th EDF	%	Uncalled capital 31.12.2022	Capital called in 2023	Uncalled capital 31.12.2023
Austria	*2.40*	*188*	*(43)*	*145*
Belgium	*3.25*	*255*	*(58)*	*196*
Bulgaria	*0.22*	*17*	*(4)*	*13*
Croatia	*0.23*	*18*	*(4)*	*14*
Cyprus	*0.11*	*9*	*(2)*	*7*
Czech Republic	*0.80*	*63*	*(14)*	*48*
Denmark	*1.98*	*155*	*(36)*	*120*
Estonia	*0.09*	*7*	*(2)*	*5*
Finland	*1.51*	*118*	*(27)*	*91*
France	*17.81*	*1 397*	*(321)*	*1 076*
Germany	*20.58*	*1 614*	*(370)*	*1 243*
Greece	*1.51*	*118*	*(27)*	*91*
Hungary	*0.61*	*48*	*(11)*	*37*
Ireland	*0.94*	*74*	*(17)*	*57*
Italy	*12.53*	*982*	*(226)*	*757*
Latvia	*0.12*	*9*	*(2)*	*7*
Lithuania	*0.18*	*14*	*(3)*	*11*
Luxemburg	*0.26*	*20*	*(5)*	*15*
Malta	*0.04*	*3*	*(1)*	*2*
Netherlands	*4.78*	*375*	*(86)*	*289*
Poland	*2.01*	*157*	*(36)*	*121*
Portugal	*1.20*	*94*	*(22)*	*72*
Romania	*0.72*	*56*	*(13)*	*43*
Slovakia	*0.38*	*29*	*(7)*	*23*
Slovenia	*0.22*	*18*	*(4)*	*14*
Spain	*7.93*	*622*	*(143)*	*479*
Sweden	*2.94*	*230*	*(53)*	*178*
United Kingdom	*14.68*	*1 151*	*(264)*	*887*
Total	**100.00**	**7 840**	**(1 800)**	**6 040**

Since the capital of the Eighth, Ninth and 10th EDF has been called up and received in its entirety in previous years, in 2023, an amount of EUR 1 800 million has been called which relates entirely to the 11th EDF. Called capital decreased from EUR 2 500 million in 2022 to EUR 1 800 million in 2023.

2.9.3. Called fund capital transfers between active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2021	**(2 512)**	**2 018**	**101**	**394**	**–**
Transfer of amounts to the 10th EDF performance	*(1)*	*(8)*	*9*	*–*	*–*
Transfer of amounts to the 11th EDF performance	*–*	*–*	*(148)*	*148*	*–*
Balance at 31.12.2022	**(2 513)**	**2 010**	**(38)**	**541**	**–**
Transfer of amounts to the 8th EDF performance	*2 762*	*(2 762)*		*–*	*–*
Transfer of amounts to the 10th EDF performance	*427*	*(432)*	*6*	*–*	*–*
Transfer of amounts to the 11th EDF performance	*(676)*	*676*	*(87)*	*87*	*–*
Balance at 31.12.2023	**–**	**(509)**	**(120)**	**628**	**–**

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.

While the 8^{th} EDF was officially closed in 2021, this closure was not reflected in the 2021 accounts. In 2023, any reserves and losses from previous EDFs were transferred to the 9^{th} EDF (see note **2.9.1** above).

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR million

	Note	2023	2022
Revenue from non-exchange transactions	3.1	*14*	*18*
Revenue from exchange transactions	3.2	*52*	*80*
Total		**65**	**98**

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	2023	2022
Recovery of expenses		–	–	*1*	*4*	*6*	*17*
Co-financing revenue	3.1.1	–	–	–	*8*	*8*	*(4)*
Total		**–**	**–**	**2**	**12**	**14**	**18**

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

EUR million

	2023	2022
Direct Management		
Implemented by:		
Commission	–	*1*
EU delegations	*5*	*(3)*
	5	**(2)**
Indirect Management		
Implemented by:		
Third countries	*6*	*13*
Public law bodies	–	*(3)*
International organisations	*3*	*7*
Private law bodies with a public service mission	–	*3*
	9	**20**
Total	**14**	**18**

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	2023	2022
Financial revenue	–	–	(1)	10	9	3
Other revenue	–	2	4	37	43	77
Total	**–**	**2**	**4**	**46**	**52**	**80**

The EUR 9 million under the heading financial revenue mainly consists of accrued interest on unpaid recovery orders, interest on pre-financing and revenue from financial instruments.

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

EXPENSES

3.3. EXPENSES IMPLEMENTED BY OTHER ENTITIES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2023	2022
Technical assistance expenses	–	–	–	3	3	1

The amount of EUR 3 million comprises technical assistance expenses incurred by several financial instruments.

3.4. AID INSTRUMENTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2023	2022
Programmable aid	–	–	33	808	841	1 307
Macro-economic support	–	7	–	–	7	4
Sectoral policy	–	(1)	–	–	(1)	–
Intra ACP projects	–	–	128	651	779	896
Emergency aid	–	(7)	113	124	230	118
Institutional support	–	–	–	12	12	6
Compensation Export Receipts	–	–	2	–	2	–
Contributions to Trust Funds	–	–	–	311	311	458
Total	**–**	**(1)**	**276**	**1 906**	**2 181**	**2 789**

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

In 2023, the decrease in operational expenditure by EUR 608 million was mainly driven by the decrease in expenses under the 11th EDF (EUR 2 489 million in 2022 to EUR 1 906 million in 2023). This decrease can be largely explained by the decrease in expenses relating to programmable aid, Intra ACP projects and the contributions to the Trust Funds (see note **2.3**). Despite this, expenses relating to emergency aid increased by EUR 105 million. This increase follows the Council Decision of 12 July 2022 to reuse funds from the 10th and 11th EDF to finance actions addressing food security crisis and economic shock in ACP countries resulting from Russia's war of aggression against Ukraine.

The decrease in expenses relating to INTRA-ACP projects is explained by the reduction in accrued charges for two projects under the AITF. Since there is no regular implementation for these two projects and in the absence of a report, the open pre-financing has been reclassed to long term and no accrued charges have been calculated for these projects for 2023. However, the expenses related to INTRA-ACP projects have been impacted by the reversal of last year's accruals, which amounted to EUR 130 million (see note **2.2**).

The changes in expenses under the 9th and 10th 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 these EDF's in 2023, which resulted in less expenses incurred under those EDFs.

The negative amount under the 9th EDF relating to the emergency aid programme is due to the reversal of the 2022 accruals for a contract that was decommitted in 2023.

3.5. CO-FINANCING EXPENSES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2023	2022
Co-financing	–	–	–	*8*	*8*	*(4)*

Included under this heading are the expenses incurred on co-financing projects in 2023. 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).

In 2023, co-financing expenses increased by EUR 12 million mainly because in 2022, co-financing expenses were unusually low. The decrease of co-financing expenses in 2022 was due to enhancements made in the method of allocating expenses to co-funding donors, which now take into account the recovery of unduly paid amounts.

In line with the accounting rules on co-financing, the incurred amounts did not have any impact on the EDF's 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

	2023	2022
Direct Management		
Implemented by:		
Commission	*50*	*70*
EU executive agencies	*16*	*6*
Trust Funds	*290*	*431*
EU delegations	*235*	*1 121*
	591	**1 628**
Indirect Management		
Implemented by:		
EIB and EIF	*(45)*	*39*
International organisations	*994*	*(544)*
Private law bodies with a public service mission	*201*	*325*
Public law bodies	*147*	*99*
Third countries	*297*	*1 234*
EU bodies with Public Private Partnership	*3*	*4*
	1 597	**1 157**
Total	**2 189**	**2 785**

3.6. FINANCE COSTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2023	2022
Net impairment losses on loans and receivables	–	(1)	1	2	2	2
Loss on financial assets or liabilities at FVSD	–	–	1	2	3	2
Fee Subsidy	–	–	–	1	1	1
Impairment losses from financial guarantees	–	–	–	–	–	1
Total	-	**(1)**	**1**	**5**	**7**	**6**

Net impairment losses on loans and receivables comprise impairment losses on financial instruments and estimated expenses on irrecoverable amounts arising from ageing recovery orders (over 2 years), bankruptcies and waivers.

The EUR 3 million of financial expenses for financial assets at FVSD relates mainly to exchange differences, interest and fair value changes for several financial instruments.

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

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	2023	2022
Administrative and IT expenses	–	-	2	49	51	56
Provision for risks and charges	–	-	–	2	1	–
Realised losses on trade debtors	–	–	–	–	–	4
Exchange losses	–	2	5	55	62	60
Foreign exchange losses on Financial instruments	–	–	–	1	1	–
Total	**–**	**3**	**7**	**106**	**116**	**119**

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 increase of foreign exchange losses is mostly due to the increase in unrealised losses from the revaluation of balances held in currencies at year-end.

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 EDF	Ninth EDF	10th EDF	11th EDF	31.12.2023	31.12.2022
Prefinancing guarantees	–	–	2	30	32	37
Performance guarantees	–	–	–	–	–	1
Total	**–**	**–**	**2**	**30**	**32**	**38**

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.

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	Ninth	10th	11th	31.12.2023	31.12.2022
Guarantees given	–	–	–	28	28	25

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 28 million relates to guarantees under the following financial instruments: EUR 11 million under the EURITZ financial instrument, EUR 10 million under the KULIMA FUND and another 7 million under the ZAMBIA agriculture value chain facility.

4.2.2. Contingent liabilities relating to legal cases

EUR million

	Eighth	Ninth	10th	11th	31.12.2023	31.12.2022
Pending legal Cases	–	–	–	7	7	18

At the end of 2023, there were only two pending cases, totalling EUR 7 million. During the year, two legal cases were closed for a total of EUR 11 million.

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	31.12.2023	31.12.2022
Outstanding commitments not yet expensed	*–*	*16*	*216*	*3 217*	*3 449*	*4 853*

The decrease in the RAL is largely driven by the decrease in budgetary RAL which totalled EUR 5 116 million (2022: EUR 6 459 million). This is in line with the life cycle of the EDF and is also related to the evolution of the number of open contracts (see note **2.2**).

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

	31.12.2023				31.12.2022			
	USD	EUR	Other	Total	USD	EUR	Other	Total
Financial assets								
Financial assets at amortised cost	*7*	7	3	*17*	–	6	–	*6*
*Financial assets at FVSD**	16	49	8	*73*	14	42	9	*65*
*Receivables***	*7*	*4*	–	*11*	*6*	*4*	–	*10*
Cash and cash equivalents	*6*	*595*	–	*601*	*7*	*1 015*	*5*	*1 027*
	36	**655**	**11**	**704**	**27**	**1 067**	**14**	**1 108**
Financial liabilities								
Financial guarantee liability and provisions	–	*2*	*2*	*4*	–	*3*	–	*3*
	–	**2**	**2**	**4**	**–**	**3**	**–**	**3**
Total	**36**	**657**	**13**	**706**	**27**	**1 069**	**–**	**1 110**

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 bank accounts. The Commission, on behalf of the EDF, has therefore put in place measures to ensure that interest earned regularly reflects market interest rates as well as their possible fluctuation.

Contributions to the EDF budget are credited by each Member State to a special account opened with the financial institution designed by it. To address the risk of negative remuneration, which existed a couple of years ago, 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

	31.12.2023	31.12.2022
Financial assets		
Loans	*16*	*6*
Cash and cash equivalents	*601*	*1 027*
*Exchange receivables**	*11*	*11*
Guarantees given		–
Financial guarantee contracts	*14*	*12*
Total at 31.12.2023	**642**	**1 056**

** Excluding deferred charges*

Financial Instrument Loans: credit quality

EUR million

	31.12.2023				
	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 grade	*18*	*1*	–	–	*19*
Gross carrying amount	**18**	**1**	**–**	**–**	**19**
Minus loss allowance	*2*	*1*	–	–	3
Net carrying amount	**16**	**–**	**–**	**–**	**16**

Cash and cash equivalents: credit quality

	EUR million 31.12.2023	EUR million 31.12.2022
Credit rating		
Premium and high grade	*514*	*724*
Upper medium grade	*77*	*299*
Lower medium grade	*11*	*4*
Non-investment grade and default grade	–	–
Gross carrying amount	**601**	**1 027**
Minus loss allowance	-	-
Net carrying amount	**601**	**1 027**

Receivables: credit quality

EUR million

	31.12.2023 Not due	Past due 0-30 days	Past due 31-90 days	Past 91 days - 1 year	Past > 1 year	Total
Gross carrying amount	11	–	–	–	–	*11*
Minus loss allowance	–	–	–	–	–	–
Net carrying amount	**11**	**–**	**–**	**–**	**–**	*11*

Financial assets at FVSD: credit quality

In 2023 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	*391*	*2*	–	*393*
Financial liabilities at	*426*	*5*	–	*431*

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 signature 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

	2023	2022
ECONOMIC RESULT OF THE YEAR	**(2 249)**	**(2 813)**
Revenue		
Entitlements not affecting the budget result	*(11)*	*(5)*
Entitlements established in current year but not yet collected	*(2)*	*(3)*
Entitlements established in previous years and collected in current year	*12*	*19*
Net effect of pre-financing	*36*	*37*
Accrued revenue (net)	*(54)*	*(82)*
Expenses		
Expenses of the current year not yet paid	*(55)*	*16*
Expenses of previous years paid in the current year	*(349)*	*(408)*
Net effect of pre-financing	*556*	*244*
Accrued expenses (net)	*59*	*607*
BUDGET RESULT OF THE YEAR	**(2 056)**	**(2 387)**

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 2023

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)[3] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[4], 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".

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

[3] 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.
[4] 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.

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 Committee. 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.

In 2023, the security situation in CAR was characterised by an increase in the number of incidents linked to clashes between the Central African Armed Forces (FACA) and the Coalition of Patriots for the Central African Republic (CPC), but the number of deaths associated with armed violence is decreasing. Moreover, the majority of the fighting taking place in the outlying regions of the country shows a considerable reduction in violence against civilians.

Politically, a new Constitution has been adopted in August and progress has been made in the fight against impunity advocated by President TOUADERA. For example, the Special Criminal Court arrested and sentenced for war crimes Abdoulaye HISSENE, a head of war and politician from the Central African Republic.

In 2023, the destabilisation of neighbouring countries increased political and security tensions in the CAR. The conflict in Sudan has led to a massive influx of displaced persons in the VAKAGA prefecture. Finally, the establishment of two new Chadian armed groups in the far north of the CAR increases tensions between the two countries and causes population displacements.

In this persistently volatile context, 3.4 million people were in need of humanitarian assistance in August 2023, representing 56 % of the Central African population. Although worrying, this situation is stable compared to 2022. The sectors with the highest number of people in need in 2023 are water, hygiene and sanitation (WASH), food safety, health and protection. With conflicts moving away from the country's main urban areas, the number of internally displaced persons (IDPs) in CAR continues to decrease for the third year in a row. It has thus reached its lowest level since 2016, with 489 000 displaced persons on 31 August 2023 (down by 515 700 in 2022).

Key achievements in specific focus areas

Key achievements of 2023 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 sectors.

In 2023, an additional 44 566 people benefited from improved access to water, hygiene and sanitation services (EHA – indicator 1.1), bringing the total to 1 068 695 beneficiaries since the start of the Fund.

During 2023, 55 289 medical consultations and health interventions were provided (indicator 1.2), a significant decrease compared to previous years due to the closure of projects associated with the third strand of the HEALTH programme at the end of 2022. Medical consultations accounted for 63 % of health interventions provided and psychosocial support 24 %. It should be noted that the number of consultations and interventions related to maternal and child health and vaccinations dropped dramatically in 2023, although they had a constant proportion from one year to the next since the start of the HEALTH projects.

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. In 2023, 32 529 girls or women benefited from socio-economic empowerment activities in 13 of the country's 20 prefectures (indicator 2.1) of which more than half of the beneficiaries (58 %) received economic support, 30 % received socio-economic support and 12 % social support. 4 092 survivors of the GBV were supported by Bêkou (indicator 2.2) with psychosocial support, medical care, legal assistance, delivery of dignity kits, etc.

At national level, technical assistance to the Ministry of Women, Family and Child Protection (MPFFPE) and to the relevant sectoral ministries contributes to formalising, strengthening and harmonising awareness-raising efforts on GBV.

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. In 2023, 28 093 people received support for the establishment of an income-generating activity (indicator 3.4), representing 30 % of the total indicator since the start of the Fund. In addition, 5 551 small farmers were supported to increase their production in a sustainable manner (indicator 3.3) by the RELSUDE ACTED and PAPEUR Rural projects in 2023. The PAPEUR Rural project continued to support the 35 cooperatives set up in previous years and in this context reached 5 498 additional co-operators with various types of assistance. 3 469 people benefited during the year from vocational training activities (indicator 3.6), an increase of 40 % compared to the previous year. The gradual finalisation of the rehabilitation activities of the training and train-the-trainers centres under DEVRUR II project, allowed the acceleration of training activities for beneficiaries in 2023.

Budget and budget implementation

By the end of 2023, the contributions to EUTF Bêkou amounted to over EUR 310 million. The Trust Fund finalised the commitments 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.

Five new contracts for a total amount of EUR 128 303 were contracted in 2023. These contracts were related to audit and communication activities.

More than EUR 19 million was paid in 2023; total disbursements have reached more than EUR 283 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:

- Pre-financing: decreased by kEUR 7 420 as a result of the winding down of the Trust Fund and the consequent decrease in the number of new contracts: in 2023 only 4 contracts were signed relating to audit, evaluation and communication activities for an amount of kEUR 111;

- Financial liabilities: increased by kEUR 18 449 mainly due to the fact that the cashed contributions from the donors were higher than the net expenses allocated to donors;

- Operating expenses: increased by kEUR 4 027 as a result of the increase in the estimated expenses of 3 programmes: Reconstruction Relief and Rehabilitation, Basic Health care and Urban Development.

BALANCE SHEET

EUR '000

	31.12.2023	31.12.2022
NON-CURRENT ASSETS		
Pre-financing	–	336
	–	**336**
CURRENT ASSETS		
Pre-financing	3 745	10 829
Exchange receivables and non-exchange recoverables	3 462	3 595
Cash and cash equivalents	28 420	4 316
	35 627	**18 740**
TOTAL ASSETS	**35 627**	**19 076**
NON-CURRENT LIABILITIES		
Financial liabilities	(31 001)	(12 552)
	(31 001)	**(12 552)**
CURRENT LIABILITIES		
Payables	–	(4 563)
Accrued charges	(4 626)	(1 961)
	(4 626)	**(6 524)**
TOTAL LIABILITIES	**(35 627)**	**(19 076)**
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

		EUR '000
	2023	2022
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*24 550*	*21 504*
Recovery of expenses	*717*	*42*
	25 268	**21 546**
Revenue from exchange transactions		
Financial revenue	*636*	*40*
	636	**40**
Total revenue	**25 904**	**21 586**
EXPENSES		
Operating expenses	*(24 278)*	*(20 251)*
Finance costs	*–*	*(12)*
Other expenses	*(1 626)*	*(1 323)*
Total expenses	**(25 904)**	**(21 586)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

		EUR '000
	2023	2022
Economic result of the year	*–*	*–*
(Increase)/decrease in pre-financing	*7 420*	*811*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*132*	*851*
Increase/(decrease) in financial liabilities	*18 450*	*9 385*
Increase/(decrease) in payables	*(4 563)*	*1 716*
Increase/(decrease) in accrued charges	*2 665*	*(12 240)*
NET CASHFLOW	**24 104**	**524**
Net increase/(decrease) in cash and cash equivalents	*24 104*	*524*
Cash and cash equivalents at the beginning of the year	*4 316*	*3 792*
Cash and cash equivalents at year-end	*28 420*	*4 316*

FINANCIAL STATEMENTS OF THE EUTF AFRICA 2023

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)[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 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.

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

[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.

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 Committee. 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.

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 Africa has not funded any 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 2023, 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).

In the Horn of Africa (HoA) region, the continued consequences of climate change persisted in 2023. Severe flooding in Somalia, Kenya, Ethiopia, and South Sudan killed dozens of people and caused the displacement of over 2 million people, while the food insecurity crisis deteriorated throughout the region. The economic, social and security challenges are high and unceasing, and the armed conflict erupting in Sudan in April 2023 has impacted the whole region. As a consequence, Sudan is now the country with the largest number of displaced people and the largest child displacement crisis in the world as per UNHCR. Nevertheless, the security situation in Somalia appears to be cautiously improving, while Kenya and Djibouti continue their path towards stability despite the ongoing challenges.

In this difficult context, the EUTF has reported, in the first semester of 2023, the highest semestrial output on nutrition assistance since the beginning of the EUTF in HoA. Indeed, in these first six months, 433 728 people have benefitted from the delivery of nutrition assistance from the EUTF, i.e. 15% of the total beneficiaries to date (2 833 594 people). This output level was reached notably through distribution of multiple micronutrient powder to children under five and through on-site school feeding in Sudan.

Similarly, the EUTF has reported this semester the largest biannual output of assisted or protected migrants, refugees, returnees and internal displaced persons (mainly for Sudan), 103 436 people out of 198 826 supported to date.

The EUTF has also supported stabilisation and peacebuilding efforts in the region with a total of 65 369 staff from state and non-state actors benefitting from capacity building activities on peace, security and governance related skills, including 2 392 new beneficiaries in the first semester of 2023. This year the outputs come in their majority from the Gambella region of Ethiopia and from South Sudan.

The Sahel and Lake Chad region was confronted with numerous economic and humanitarian challenges in 2023, such as inflation, decelerated economic growth, debt distress, food crisis, displacement, migration, security crisis, and violence.

Investing in human capital was a major approach of the EUTF in supporting job creation in the region. In the first half of 2023, EUTF-funded programmes created or supported 11 087 jobs, most of them in Niger, Guinea and Senegal. Technical and vocational education and training (TVET) and skills development are key to improve labour productivity, and 23 266 people benefitted from TVET and skills development.

Also in the first semester of 2023, EUTF funded activities focused on raising awareness on the risks associated with irregular migration, reaching 2 943 412 people. The EUTF supported 420 voluntary returns and the reintegration of 509 returning migrants. Since EUTF's launch, 73 215 returning migrants have benefitted from voluntary return assistance and 91 642 from reintegration assistance in the SLC region.

In a very tense situation, with the security crisis in the region intensifying, in the first half of 2023 EUTF-funded programmes trained 11 520 people on governance, conflict prevention, and human rights across the Sahel and Lake Chad region. A notable achievement of the semester was the training of 8 823 people in Mali to support the referendum process which led to the adoption of a new Constitution in June. In addition, 1 397 417 people participated in conflict prevention and human rights activities. Finally, EUTF-funded programmes provided 10 034 pieces of equipment to civilian institutions and security forces, to strengthen governance and security.

While still impacted by the consequences of the Russian war of aggression against Ukraine, 2023 was marked by several unforeseen crises affecting countries in the North of Africa and their neighbours, including Sudan, Niger and most recently the Palestinian territories, leading to continued political and economic downturn in the region as well as further tensions and migratory movements. In 2023, irregular border crossings on the Central Mediterranean route, from Tunisia and Libya to Italy and Malta, have increased by 50% in 2023 compared to 2022, with a total of 157 951 arrivals. Tunisia remains the top country of departure towards Italy (and the EU) in 2023, followed by Libya. In 2023, Guinea and Tunisia remained the primary nationalities of arrival to Italy, each accounting for over 17,000 arrivals, followed by Cote d'Ivoire and Bangladesh. Similarly, pressure on the Western Mediterranean and Atlantic routes has substantially increased compared to the same period last year, with a total of 56 039 arrivals (+95% compared to 2022).

Budget and budget implementation

In 2023, no new programmes or budgetary top-ups took place in neither of the three regions of the EUTF 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 Africa amounts to EUR 5 053.27 million. The amount of approved operational programmes since the beginning of the EUTF Africa amounts to EUR 1 810 million for the Horn of Africa region; EUR 2 217.8 million for the Sahel and Lake Chad region and EUR 907.3 million for the North of Africa region.

28 new contracts for a total amount of EUR 5.08 million were contracted in 2023. These contracts were only related to administrative activities (audit, evaluation, communication, monitoring), as operational programmes or activities cannot be funded any longer since 31 December 2021.

The payments in 2023 reached EUR 332.4 million, which was EUR 110 million lower than in 2022 (EUR 442 million). Payments are lower in 2023 due to several projects reaching the end of their implementation period.

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 122 362 as a result of the winding down of the Trust Fund and the consequential decrease in the number of new contracts: in 2023 only 28 contracts were signed relating to administrative activities: audit, evaluation, communication and monitoring for an amount of EUR 5.08 million;

- **Financial liabilities**: decreased by kEUR 70 236 mainly due to the fact that contributions cashed in the year were lower than the net expenses allocated to the donors;

- **Operating expenses**: decreased by kEUR 203 251 as a result of the winding down of the Trust Fund which led to a decrease in the number of open contracts and thus to a decrease in expenses.

BALANCE SHEET

EUR '000

	31.12.2023	31.12.2022
NON-CURRENT ASSETS		
Financial Assets	*3 949*	*1 943*
Pre-financing	*18 254*	*14 927*
	22 204	**16 870**
CURRENT ASSETS		
Pre-financing	*178 366*	*304 055*
Exchange receivables and non-exchange recoverables	*22 396*	*35 914*
Cash and cash equivalents	*177 553*	*157 587*
	378 315	**497 556**
TOTAL ASSETS	**400 519**	**514 426**
NON-CURRENT LIABILITIES		
Financial liabilities	*(264 555)*	*(334 791)*
	(264 555)	**(334 791)**
CURRENT LIABILITIES		
Payables	*(14 261)*	*(30 975)*
Accrued charges	*(121 704)*	*(148 660)*
	(135 965)	**(179 635)**
TOTAL LIABILITIES	**(400 519)**	**(514 426)**
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	2023	2022
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*408 274*	*605 739*
Recovery of expenses	*179*	*754*
	408 453	**606 493**
Revenue from exchange transactions		
Financial revenue	*4 865*	*251*
Other exchange revenue	*13 446*	*18 902*
	18 311	**19 152**
Total revenue	**426 764**	**625 645**
EXPENSES		
Operating expenses	*(387 294)*	*(590 545)*
Finance cost	*(434)*	*(643)*
Other expenses	*(39 036)*	*(34 457)*
Total expenses	**(426 764)**	**(625 645)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2023	2022
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*122 362*	*173 980*
(Increase)/decrease in exchange receivables and non-exchange	*13 517*	*9 425*
Increase/(decrease) in financial liabilities	*(70 236)*	*(190 739)*
Increase/(decrease) in payables	*(16 715)*	*(22 168)*
Increase/(decrease) in accrued charges	*(26 956)*	*9 272*
Investing activities		
Increase/decrease in non-derivative financial assets at fair value through	*(2 007)*	*(1 943)*
NET CASHFLOW	**19 966**	**(22 172)**
Net increase/(decrease) in cash and cash equivalents	*19 966*	*(22 172)*
Cash and cash equivalents at the beginning of the year	*157 587*	*179 759*
Cash and cash equivalents at year-end	*177 553*	*157 587*

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

	31.12.2023	31.12.2022
NON-CURRENT ASSETS		
Financial assets	*91*	*69*
Pre-financing	*592*	*503*
Exchange receivables	*5*	*7*
	689	**580**
CURRENT ASSETS		
Financial assets	*3*	*3*
Pre-financing	*1 137*	*1 711*
Exchange receivables and non-exchange recoverables	*50*	*66*
Cash and cash equivalents	*807*	*1 189*
	1 997	**2 970**
TOTAL ASSETS	**2 686**	**3 550**
NON-CURRENT LIABILITIES		
Financial liabilities	*(85)*	*(101)*
	(85)	**(101)**
CURRENT LIABILITIES		
Payables	*(406)*	*(462)*
Accrued charges and deferred income	*(1 110)*	*(1 282)*
	(1 516)	**(1 744)**
TOTAL LIABILITIES	**(1 600)**	**(1 845)**
NET ASSETS	**1 086**	**1 705**
FUNDS & RESERVES		
Called fund capital - active EDFs	*54 566*	*65 100*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(53 484)*	*(62 834)*
Economic result of the year	*(2 249)*	*(2 813)*
NET ASSETS	**1 086**	**1 705**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	2023	2022
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*15*	*19*
Revenue from trust funds donations	*122*	*169*
	136	**188**
Revenue from exchange transactions		
Financial revenue	*14*	*3*
Other revenue	*56*	*96*
	70	**99**
Total Revenue	**207**	**287**
EXPENSES		
Aid instruments	*(1 870)*	*(2 331)*
Expenses implemented by other entities	*(3)*	*(1)*
Expenses implemented by trust funds	*(412)*	*(611)*
Co-financing expenses	*(8)*	*4*
Finance costs	*(7)*	*(7)*
Other expenses	*(157)*	*(155)*
Total Expenses	**(2 456)**	**(3 100)**
ECONOMIC RESULT OF THE YEAR	**(2 249)**	**(2 813)**

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	2023	2022
Economic result of the year	*(2 249)*	*(2 813)*
Operating activities		
Capital increase - contributions	*1 630*	*2 458*
(Increase)/decrease in trust funds contributions	*–*	*–*
(Increase)/decrease in pre-financing	*486*	*414*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*18*	*16*
Increase/(decrease) in provisions	*2*	*1*
Increase/(decrease) in financial liabilities	*(18)*	*(54)*
Increase/(decrease) in payables	*(56)*	*(96)*
Increase/(decrease) in accrued charges and deferred income	*(172)*	*120*
Other non-cash movements	*–*	*-*
Investing activities		
(Increase)/decrease in available for sale financial assets	*(22)*	*(33)*
NET CASHFLOW	**(382)**	**12**
Net increase/(decrease) in cash and cash equivalents	(382)	12
Cash and cash equivalents at the beginning of the year	1 189	1 177
Cash and cash equivalents at year-end	807	1 189

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)	Total Net Assets (C)+(D)+(E)+(F)
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**
Capital increase - contributions	*(185)*	*(1 815)*	*1 630*			*1 630*
Closure of the 8th EDF	*(12 164)*		*(12 164)*	*12 164*		–
Economic result of the year			–	*(2 249)*		*(2 249)*
BALANCE AS AT 31.12.2023	**60 607**	**6 040**	**54 566**	**(55 733)**	**2 252**	**1 086**

EDF REPORT ON FINANCIAL IMPLEMENTATION

CONTENTS

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. 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[7]. It provides information on the revenue and expenditure operations of the EDF, with the focus on important events that had a significant impact on the financial implementation of the year.

Given that there are no ongoing operations under previous EDFs[8], 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 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 Eighth 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 ROs were transferred to the 9th EDF.

The closure of the 9th EDF is progressing well. There are still 10 contracts open, out of which 6 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 during 2024.

From 2015 to 2023, the Commission carried out five refunds of 8th/9thEDF credits for a total amount of EUR 1911.1[9] million. A balance of EUR 7.8 million was refunded in January 2024[10] in the context of the payment of the 1st instalment of MS contributions to the EDF for the year 2024.

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[7] COUNCIL REGULATION (EU) 2018/1877

[8] Except for operations in South-Sudan

[9] 1.402,57 million Bridging facility (Council Decision 2015/0246), 200 million (Council Decision 2017/1206), 223 million (Council decision 2020/1708)m 43 million (Council Decision 2021/1941) and 42.5 million((Council Decision 2022/2242)

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 had an overall budget of EUR 22 682 million. Of this amount:

- EUR 21 966 million was 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 as follows:

- 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 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.

[10] COUNCIL DECISION (EU) 2023_2586 of 13 November 2023

2. FINANCIAL IMPLEMENTATION

2.1. FINANCIAL OUTTURN

EVOLUTION OF 10th EDF APPROPRIATIONS

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2023
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

INSTRUMENT		INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2022	INCREASE OR DECREASE IN RESOURCES IN 2023	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Co-financing*	*0*	*202*			*202*
	Regular MS Contributions	*21.326*	*(526)*	*(95)*		*20.705*
	SUB TOTAL ACP	21.326	(324)	(95)		20.907
OCT	*Regular MS Contributions*	*0*	*240*	*(0)*		*239*
	SUB TOTAL OCT	0	240	(0)		239
	TOTAL 10th EDF	21.326	(84)	(96)		21.146

EVOLUTION OF 11th EDF APPROPRIATIONS

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2023
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

INSTRUMENT		INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2022	INCREASE OR DECREASE IN RESOURCES IN 2023	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Co-financing*	*0*	*89*	*0*		*89*
	EC Internal SLA	*0*	*1*			*1*
	Regular MS Contributions	*30.060*	*(822)*	*(74)*		*29.164*
	SUB TOTAL ACP	30.060	(732)			29.255
OCT	*Co-financing*	*0*	*0*			*0*
	EC Internal SLA	*0*	*0*			*0*
	Regular MS Contributions	*0*	*355*	*(4)*		*351*
	SUB TOTAL OCT	0	355			351
TOTAL 11th EDF		30.060	(526)	71		29.605

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

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2023
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**										
	Allocations										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	12.297	12.288	(36)	100%	12.264	(19)	100%	12.199	37	99%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	1.965	1.962	(4)	100%	1.961	(0)	100%	1.960	1	100%
	SUB TOTAL: FOOD SECURITY	343	484		141%	482	166	100%	306	74	64%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	527	526	(0)	100%	526		100%	522		99%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	3.612	3.596	(22)	100%	3.572	23	99%	3.384	60	95%
	SUB TOTAL: REGIONAL ALLOCATIONS	1.948	1.792	(18)	92%	1.768	(10)	99%	1.692	(2)	96%
	Co-financing										
	Allocations										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	185	175	(3)	95%	175	(0)	100%	173	1	99%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5	(0)	110%	5	(0)	100%	5	1	100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	12	11		91%	11		100%	11		100%
	Non-mobilisable reserve										
	SUB TOTAL: NON-MOBILISABLE RESERVE 08/09TH EDF	14									
OCT	**Regular MS Contributions**										
	Allocations										
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	186	186		100%	182	(1)	98%	172	2	95%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	14	14		100%	14		100%	14		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5		100%	5		100%	5		100%
	SUB TOTAL: REGIONAL ALLOCATIONS	34	34		100%	34	(0)	99%	34	(0)	100%
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	21.146	21.078	(84)	100 %	20.999	158	100 %	20.477	175	98%

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

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2023
CLASS OF AID

ACP + PTOM - 11 th EDF

(EUR million)

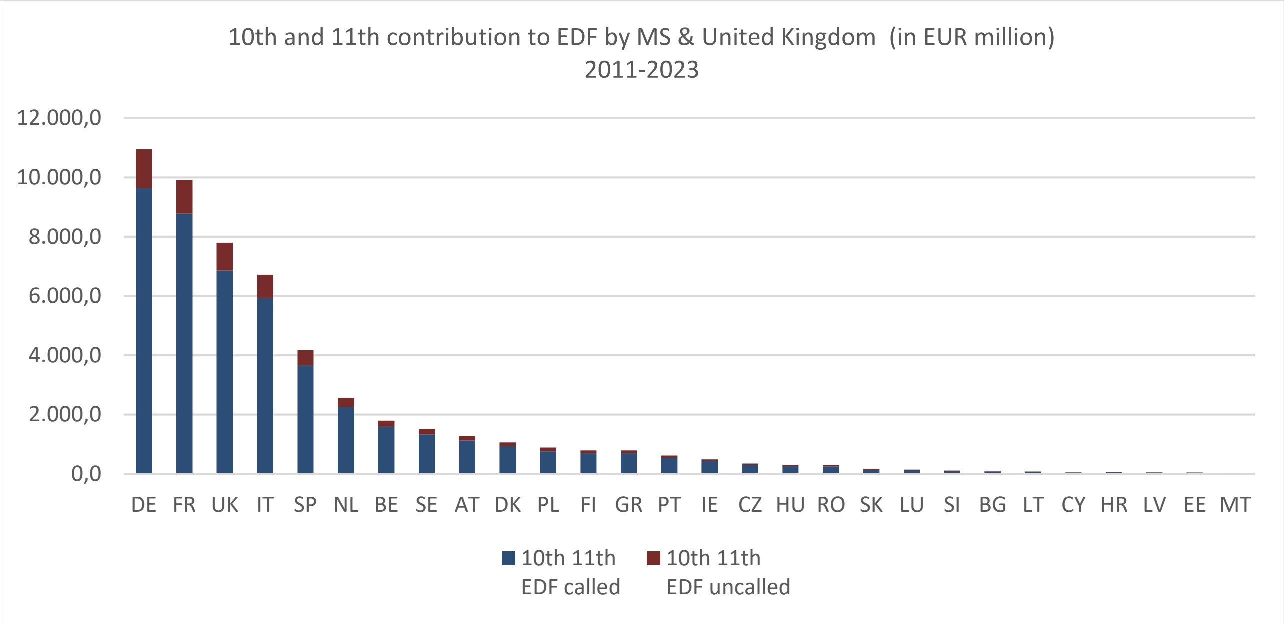
		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
ACP	Allocations										
ACP	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	15.369	15.329	(92)	100%	14.723	311	96%	12.124	1.061	82%
ACP	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	1.060	1.059	(0)	100%	1.053	13	99%	1.007	27	96%
ACP	SUB TOTAL: FOOD SECURITY	112	112		100%	112	91	100%	41	37	36%
ACP	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	1.072	1.066	(1)	99%	1.062	(0)	100%	958	48	90%
ACP	SUB TOTAL: INTRA-ACP ALLOCATIONS	4.004	3.894	(13)	97%	3.926	104	101%	3.340	155	85%
ACP	SUB TOTAL: REGIONAL ALLOCATIONS	7.253	7.227	(59)	100%	7.090	44	98%	5.964	512	84%
ACP	**Co-financing**										
ACP	Allocations										
ACP	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	46	45	(1)	99%	45		100%	40	14	89%
ACP	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	4	4		100%	4		100%	4	3	100%
ACP	SUB TOTAL: INTRA-ACP ALLOCATIONS	33	33		100%	33	(0)	100%	28	0	85%
ACP	SUB TOTAL: REGIONAL ALLOCATIONS	8	6		75%	6		100%	6	2	100%
ACP	**Non-mobilisable reserve**										
ACP	Reserves										
ACP	SUB TOTAL: NON-MOBILISABLE RESERVE 10TH EDF	128									
ACP	SUB TOTAL: NON-MOBILISABLE RESERVE 11TH EDF	167									
ACP	**EC Internal SLA**										
ACP	Reserves										
ACP	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	1	1		52%	1		100%	1		100%
OCT	**Regular MS Contributions**										
OCT	Allocations										
OCT	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	211	211	(0)	100%	194	0	92%	193	1	100%
OCT	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	12	12		100%	12		100%	12	0	99%
OCT	SUB TOTAL: BRIDGING FACILITY	0									
OCT	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	8	7	(2)	79%	6	(0)	96%	6	1	94%
OCT	SUB TOTAL: REGIONAL ALLOCATIONS	102	102		100%	102		100%	69	17	67%
OCT	**Non-mobilisable reserve**										
OCT	Reserves										
OCT	SUB TOTAL: NON-MOBILISABLE RESERVE 10TH EDF	15									
OCT	SUB TOTAL: NON-MOBILISABLE RESERVE 11TH EDF	1									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**29.605**	**29.106**	**(168)**	**98%**	**28.368**	**562**	**97%**	**23.791**	**1.878**	**84%**

2.2. RESOURCES

Nature of Resources

The main resources of the EDF are 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 payments to be covered during the year.

Overview of contributions by Member State



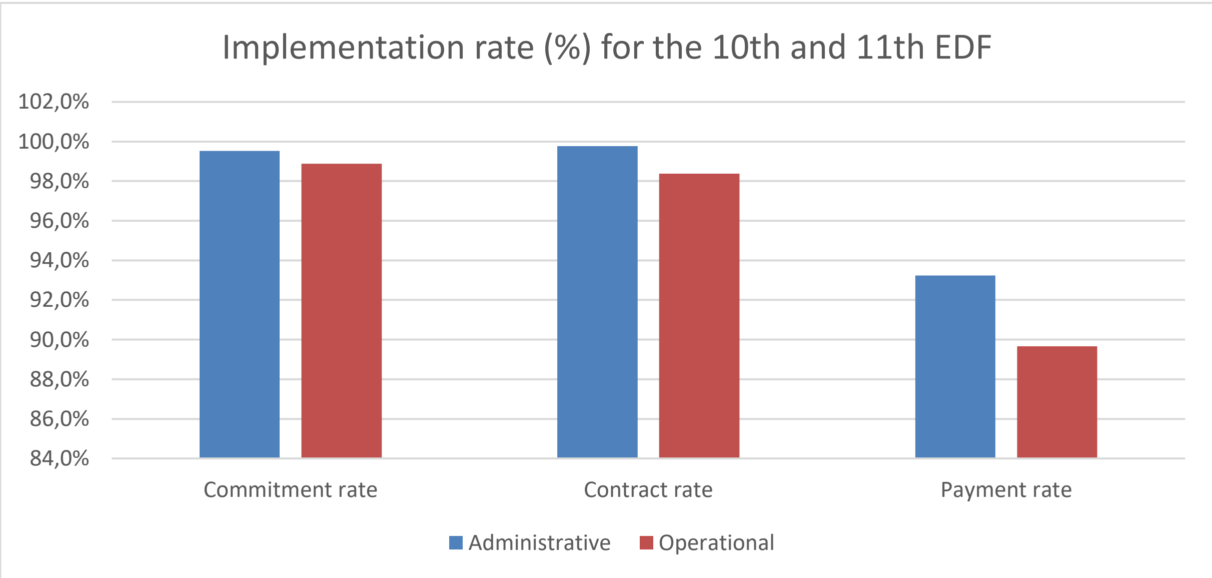
2.3. OPERATIONAL EXPENDITURE AND SPECIFIC PROGRAMMES

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	1.620	1.612	(3)	99,5%	1.608	(1)	99,8%	1.499	53	93,2%
OPERATIONAL IMPLEMENTATION (A+B) 10th + 11th EDF	50.751	50.184	(252)	98,9%	49.367	720	98,4%	44.268	2.053	89,7%



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

EDF CUMULATIVE ACCOUNTS AT 31 DECEMBER 2023 BY COUNTRY % APPR								
10th + 11 th EDF		TOTAL 10th and 11th EDF (EUR in million)						
Cumulative 2023		Appropriations	Decisions	% of Appr	Assigned funds	% of Appr	Payments	% of Appr
ACP	General/administrative envelope/interests	**1.624**	1.614	99%	1.615	99%	1.494	92%
	Reserve/Not distributed by country	**2.862**	2.553	89%	2.553	89%	2.553	89%
	All ACP countries	**4.486**	**4.167**	**93%**	**4.168**	**93%**	**4.047**	**90%**
	Angola	**346**	346	100%	344	99%	300	87%
	Benin	**735**	732	100%	720	98%	679	92%
	Botswana	**129**	127	98%	126	97%	126	97%
	Burkina Faso	**1.302**	1.302	100%	1.297	100%	1.261	97%
	Burundi	**569**	567	100%	564	99%	541	95%
	Cameroon	**521**	520	100%	519	100%	482	93%
	Cape Verde	**145**	145	100%	144	100%	144	100%
	Comoros	**78**	77	99%	76	98%	72	92%
	Congo (Brazzaville)	**163**	163	100%	159	98%	139	85%
	Congo (Democratic Republic of)	**1.409**	1.407	100%	1.371	97%	1.219	87%
	Ivory Coast	**705**	705	100%	701	100%	676	96%
	Djibouti	**181**	181	100%	178	98%	156	86%
	Eritrea	**215**	215	100%	215	100%	75	35%
	Ethiopia	**1.604**	1.603	100%	1.594	99%	1.400	87%
	Gabon	**33**	33	99%	32	97%	30	91%
	Gambia	**314**	303	96%	301	96%	277	88%
	Ghana	**787**	786	100%	782	99%	726	92%
	Guinea Bissau	**186**	186	100%	185	100%	175	94%
	Guinea (Conakry)	**502**	502	100%	494	98%	434	86%
	Mauritius	**82**	82	100%	82	100%	82	100%
	Kenya	**863**	863	100%	855	99%	753	87%
	Lesotho	**250**	249	100%	248	99%	197	79%
	Liberia	**488**	487	100%	443	91%	436	89%
	Madagascar	**782**	782	100%	730	93%	591	76%
	Malawi	**1.020**	1.020	100%	970	95%	883	87%
	Mali	**1.423**	1.421	100%	1.414	99%	1.230	86%
	Mauritania	**344**	344	100%	341	99%	321	93%
	Mozambique	**1.455**	1.448	100%	1.391	96%	1.124	77%
	Namibia	**188**	188	100%	178	95%	169	90%
	Niger	**1.275**	1.275	100%	1.259	99%	1.247	98%
	Nigeria	**1.101**	1.100	100%	1.097	100%	1.025	93%
	Uganda	**989**	989	100%	983	99%	834	84%
	Central African Republic	**610**	610	100%	609	100%	584	96%
	Rwanda	**840**	840	100%	831	99%	816	97%
	Sao Tome and Principe	**56**	56	100%	54	96%	49	88%
	Senegal	**663**	663	100%	659	99%	620	94%
	Seychelles	**23**	23	100%	23	100%	22	98%
	Sierra Leone	**662**	659	99%	646	98%	597	90%
	Somalia	**900**	898	100%	895	99%	889	99%
	Sudan	**298**	298	100%	298	100%	298	100%
	South Sudan	**91**	91	100%	91	100%	91	100%
	Eswatini (Swaziland)	**125**	124	99%	122	97%	108	86%
	Tanzania	**1.172**	1.171	100%	1.161	99%	1.060	90%
	Chad	**936**	936	100%	902	96%	794	85%
	Togo	**377**	377	100%	375	99%	355	94%

	Zambia	**830**	830	100%	784	94%	648	78%
	Zimbabwe	**469**	462	99%	460	98%	453	97%
	*** Total Africa**	**28.235**	28.185	100%	27.703	98%	25.192	89%
	Antigua and Barbuda	**15**	15	100%	15	100%	15	95%
	Barbados	**22**	22	99%	22	99%	21	94%
	Belize	**42**	42	100%	41	96%	35	83%
	Dominica	**41**	41	100%	40	98%	40	98%
	Grenada	**21**	21	100%	21	100%	20	98%
	Guyana	**79**	79	100%	77	97%	77	97%
	Haïti	**1.009**	1.002	99%	876	87%	773	77%
	Jamaica	**236**	236	100%	233	99%	222	94%
	Dominican Republic	**283**	281	99%	280	99%	278	98%
	Saint Lucia	**32**	32	100%	32	100%	31	96%
	Saint Kitts and Nevis	**8**	8	100%	6	72%	6	72%
	Saint Vincent and the Grenadines	**26**	26	100%	26	99%	22	84%
	Suriname	**27**	27	100%	27	99%	26	96%
	Trinidad and Tobago	**29**	28	99%	28	99%	24	85%
	*** Total Caribbean**	**1.870**	1.861	100%	1.724	92%	1.590	85%
	Fiji	**48**	48	100%	48	99%	48	98%
	Cook Islands	**5**	5	100%	5	100%	5	100%
	Solomon Islands	**68**	68	100%	68	100%	61	90%
	Kiribati	**42**	42	100%	41	98%	37	87%
	Marshall Island	**17**	17	100%	17	100%	16	98%
	Micronesia	**23**	23	100%	22	97%	16	68%
	Nauru	**4**	4	98%	4	98%	4	98%
	Niue	**3**	3	100%	3	100%	3	100%
	Palau	**5**	5	100%	4	70%	4	68%
	Papua New Guinea	**239**	239	100%	233	97%	202	84%
	Western Samoa	**67**	67	100%	67	99%	67	99%
	Timor Leste	**174**	171	98%	169	97%	157	90%
	Tonga	**28**	28	100%	28	100%	28	100%
	Tuvalu	**13**	13	100%	13	99%	13	97%
	Vanuatu	**55**	55	100%	54	99%	49	90%
	*** Total Pacific**	**793**	789	100%	776	98%	709	89%
	Intra ACP Allocations	**8.097**	7.970	98%	7.973	98%	6.988	86%
	PALOP	**60**	60	100%	60	99%	55	91%
	Southern Africa Region FED 10	**137**	135	99%	135	99%	132	96%
	Central Africa region	**558**	554	99%	546	98%	422	76%
	Eastern and Southern Africa region	**3.092**	3.066	99%	2.973	96%	2.383	77%
	Western Africa Region	**1.946**	1.943	100%	1.917	99%	1.613	83%
	Caribbean Region	**539**	538	100%	526	98%	397	74%
	Pacific Region	**323**	321	99%	299	93%	224	69%
	Reserve/Not distributed by region	**0**	0	0	0	0	0	0
	*** Total regional cooperation ACP**	**14.752**	14.587	99%	14.429	98%	12.213	83%
	ACP	**50.137**	49.589	99%	48.801	97%	43.750	87%
	Reserve/Not distributed by country/territory	**30**	12	39%	11	38%	11	36%
	All OCT countries	**30**	12	39%	11	38%	11	36%
OCT	Anguilla	**28**	27	99%	27	99%	27	99%
	Falklands Islands	**10**	10	100%	10	100%	10	100%
	Pitcairn Islands	**5**	5	100%	5	100%	5	100%
	Turks and Caicos Islands	**32**	32	100%	32	100%	32	100%
	British Virgin Islands	**2**	2	100%	2	98%	2	93%
	Montserrat	**33**	33	100%	33	100%	33	100%

	Saint Helena	**38**	38	100%	38	100%	38	100%
	*** Total British OCT**	**147**	146	100%	146	100%	146	100%
	Netherlands Antilles	**40**	40	100%	23	56%	20	51%
	Netherlands Antilles - Bonaire	**4**	4	100%	4	98%	2	56%
	Netherlands Antilles - Saba	**3**	3	100%	3	100%	3	100%
	Netherlands Antilles - Sint-Eustatius	**2**	2	100%	2	100%	2	100%
	Aruba	**21**	21	100%	21	99%	21	96%
	Sint Maarten	**14**	14	100%	8	55%	5	33%
	*** Total Dutch OCT**	**85**	85	100%	61	72%	54	63%
	Wallis and Futuna Islands	**39**	39	100%	37	95%	29	75%
	Mayotte	**29**	29	100%	29	100%	29	100%
	New Caledonia	**50**	50	100%	50	100%	50	100%
	French Polynesia	**51**	51	100%	49	97%	49	97%
	Saint Pierre and Miquelon	**47**	47	100%	47	100%	47	100%
	*** Total French OCT**	**215**	215	100%	212	98%	204	95%
	region	**137**	137	100%	136	99%	103	75%
	*** Total regional cooperation OCT**	**137**	137	100%	136	99%	103	75%
	OCT	**614**	595	97%	566	92%	517	84%

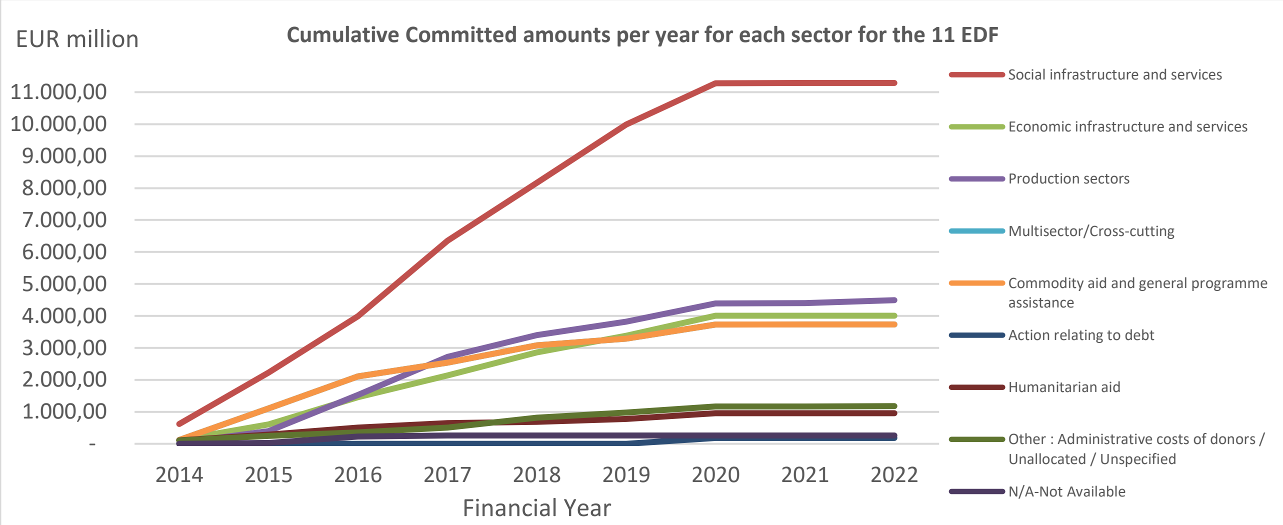
TOTAL: ACP+OCT		**50.751**	50.184	99%	49.367	97%	44.268	87%

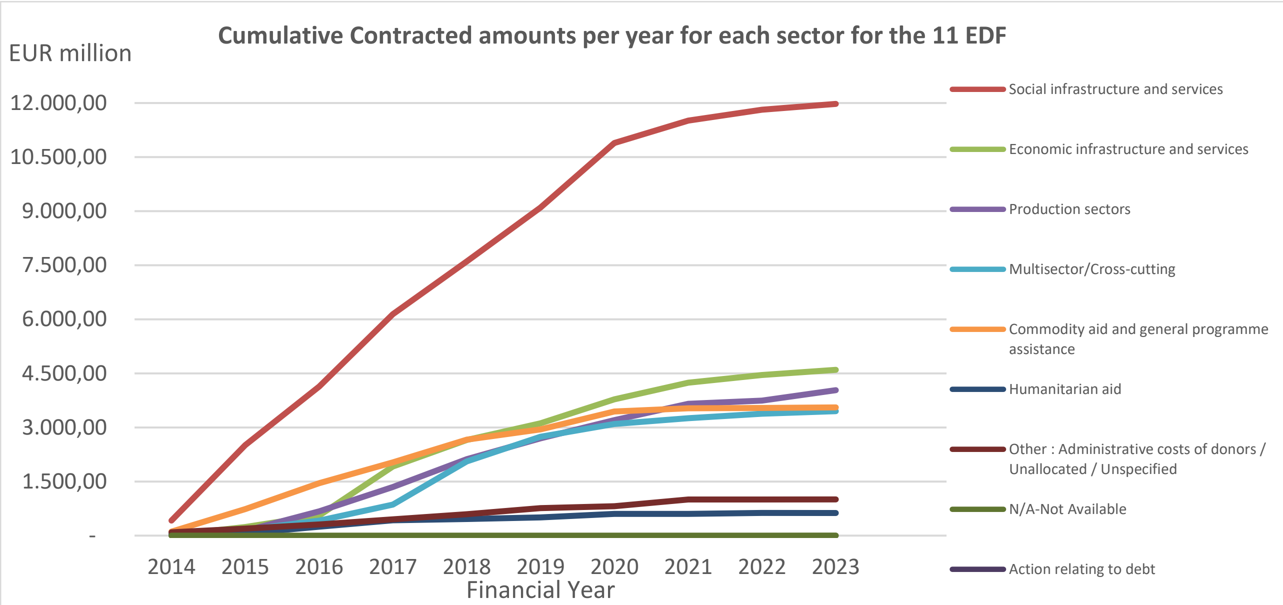
Breakdown of Committed, Contracted and Paid amount by spending area for the 11th EDF

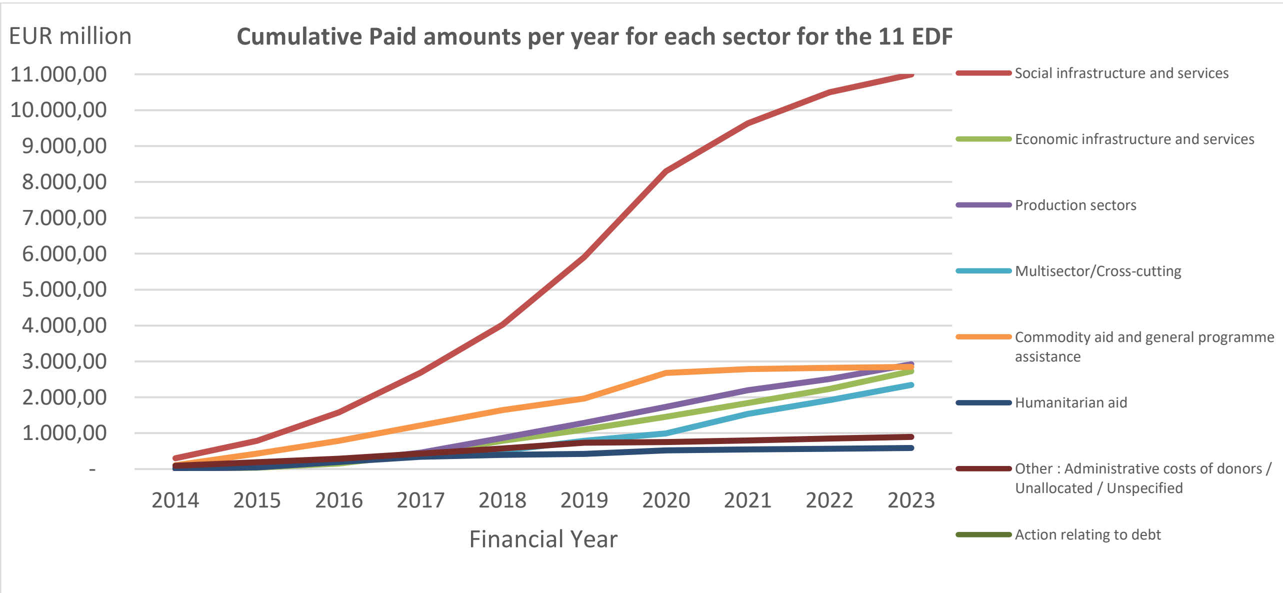
11TH EDF Breakdown of committed, contracted and paid amount by spending area (DAC sector codes)[11] (EUR million)			
Sector	Committed	Contracted	Paid
Social infrastructure and services			
110-Education	1.192,46	1.132,83	995,48
120-Health	2.131,40	2.510,72	2.263,73
130-Population policies/programmes and reproductive health	352,44	50,31	35,95
140-Water and sanitation	788,50	848,83	547,53
150-Government and civil society	5.826,37	6.047,02	5.540,34
160-Other social infrastructure and services	996,71	1.385,46	1.611,09
Social infrastructure and services TOTAL	11.287,88	11.975,17	10.994,13
Economic infrastructure and services			
210-Transport and storage	1.425,48	2.055,09	1.083,29
220-Communications	140,96	146,96	114,64
230-Energy	2.015,13	1.943,06	1.220,76
240-Banking and financial services	82,03	129,29	83,97
250-Business and other services	343,43	324,93	223,51
Economic infrastructure and services TOTAL	4.007,01	4.599,33	2.726,17
Production sectors			
310-Agriculture, forestry and fishing	3.344,16	3.105,92	2.351,62
320-Industry, mineral resources and mining, construction	641,59	492,66	297,21
330-Trade and tourism	507,49	436,11	272,06
Production sectors TOTAL	4.493,24	4.034,69	2.920,88
Multisector/Cross-cutting			
410-General environmental protection	989,82	841,85	658,36
430-Other multisector	3.886,22	2.610,66	1.685,71
Multisector/Cross-cutting TOTAL	4.876,04	3.452,51	2.344,07
Commodity aid and general programme assistance			
510-General budget support	3.116,32	3.165,05	2.480,30
520-Developmental food assistance	617,50	391,67	367,06
Commodity aid and general programme assistance TOTAL	3.733,82	3.556,73	2.847,36
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	452,54	451,93
730-Reconstruction relief and rehabilitation	137,83	65,05	42,29
740-Disaster preparedness	72,79	110,05	93,41
Humanitarian aid TOTAL	956,81	627,64	587,63
Administrative costs of donors / Unallocated / Unspecified			
910-Administrative costs of donors	995,52	948,63	857,45
998-Unallocated / Unspecified	183,74	56,05	38,45
N/A-Not Available	260,50	1,64	1,21
Administrative costs of donors / Unallocated / Unspecified TOTAL	1.439,76	1.006,32	897,11
GRAND TOTAL OF 11TH EDF	**30.977,56**	**29.435,38**	**23.500,34**

[11] 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

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

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2023

(1) Independent auditor's report
(2) Statement of financial position
(3) Statement of profit or loss and other comprehensive income
(4) Statement of changes in contributors' resources
(5) Statement of cash flows
(6) Notes to the financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(in EUR'000)

	Notes	31.12.2023	31.12.2022
ASSETS			
Cash and cash equivalents	5	1,376,824	1,451,970
Amounts receivable from contributors	9/16	85,321	85,321
Treasury financial assets	10	-	73,003
Derivative financial instruments	6	55,765	75,852
Loans and advances	7	1,683,312	1,849,786
Shares and other variable yield securities	8	820,713	797,341
Other assets	11	616	950
Total assets		**4,022,551**	**4,334,223**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Deferred income	12	48,515	52,417
Provisions for loan commitments	13	19,038	16,583
Amounts owed to third parties	14	427,828	190,927
Other liabilities	15	3,338	2,419
Total liabilities		**498,719**	**262,346**
Contributors' resources	16/17	**3,523,832**	**4,071,877**
Total liabilities and contributors' resources		**4,022,551**	**4,334,223**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(in EUR'000)

	Notes	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
Interest and similar income*	19	148,336	93,786
Interest and similar expenses	19	-	-5,479
Net interest and similar income		**148,336**	**88,307**
Fee and commission income	20	25	511
Fee and commission expenses	20	-62	-761
Net fee and commission income		**-37**	**-250**
Fair value change of derivative financial instruments	6	-20,087	94,680
Net result on shares and other variable yield securities	21	-8,457	24,432
Net result on loans and advances measured at FVTPL	7	-8,932	-3,080
Net foreign exchange result	22	-67,885	-140,104
Net result on financial operations		**-105,361**	**-24,072**
Change in impairment on loans and advances, net of reversals	7.2	9,055	8,562
Change in provisions for loan commitments, net of reversals	13	-2,470	20
General administrative expenses	23	-29,655	-33,628
Profit for the year		**19,868**	**38,939**
Total comprehensive income profit for the year		**19,868**	**38,939**

* For the year ended 31 December 2023, Interest and similar income includes EUR 118.5 million (2022: EUR 85.8 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 2023

(in EUR'000)

		Contribution called	Contributions paid out	Retained earnings	Total
At 1 January 2023	**Notes**	**3,701,695**	**-**	**370,182**	**4,071,877**
Member States contributions called during the year	16	20,000	-	-	**20,000**
Member States contributions paid out during the year	17	-	-587,913	-	**-587,913**
Profit for the year 2023		-	-	19,868	**19,868**
Changes in contributors' resources		**20,000**	**-587,913**	**19,868**	**-548,045**
At 31 December 2023		**3,721,695**	**-587,913**	**390,050**	**3,523,832**

	Contribution called	Contributions paid out	Retained earnings	Total
At 1 January 2022	**3,471,695**	**-**	**331,243**	**3,802,938**
Member States contribution called during the year	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**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

(in EUR'000)

	Notes	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
OPERATING ACTIVITIES			
Profit for the year		**19,868**	**38,939**
Adjustments made for:			
Net result in fair value on shares and other variable yield securities	8	15,142	-9,271
Change in impairment on loans and advances, net of reversals	7.2	-9,055	-8,562
Net result on loans and advances measured at FVTPL	7	8,932	3,080
Change in accrued interest and amortised cost on loans and advances		708	2,291
Net change in provisions for loan commitments, net of reversals		2,455	-19
Fair value changes on derivatives		20,087	-94,680
Change in accrued interest and amortised cost on treasury financial assets	10	-248	321
Change in deferred income		-3,902	3,985
Effect of exchange rate changes on loans	7.1	86,765	-53,747
Effect of exchange rate changes on shares and other variable yield securities	8	30,026	-25,463
Effect of exchange rate changes on cash held		-8,031	-12,006
Profit / (Loss) on operating activities before changes in operating assets and liabilities		**162,747**	**-155,132**
Loan disbursements	7	-207,237	-260,493
Repayments of loans	7	288,155	458,381
Change in accrued interest on cash and cash equivalents	5	4,039	1,822
Acquisition of treasury financial assets	10	-348,523	-920,290
Maturities of treasury financial assets	10	421,278	847,608
Increase in shares and other variable yield securities	8	-101,100	-139,935
Net proceeds from shares and other variable yield securities		39,246	90,219
Decrease in other assets		334	136
Increase in other liabilities		919	86
Increase / (Decrease) in amounts payable to the European Investment Bank		33,951	-58,093
Net cash flows (used in) / from operating activities		**293,809**	**-135,691**
FINANCING ACTIVITIES			
Contributions received from Member States		79,710	238,450
Amounts received from Member States with regard to interest subsidies and technical assistance		220,290	61,450
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-77,050	-60,619
Contributions paid out on behalf of Member States	17	-587,913	-
Net cash flows from financing activities		**-364,963**	**239,281**
Net increase in cash and cash equivalents		**-71,154**	**103,590**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**1,450,589**	**1,359,005**
Net cash flows (used in) / from:			
Operating activities		293,809	-135,691
Financing activities		-364,963	239,281
Effects of exchange rate changes on cash and cash equivalents		-8,031	-12,006
Cash and cash equivalents at the end of financial year		**1,371,404**	**1,450,589**
Cash and cash equivalents are composed of:			
Cash in hand	5	146,494	328,079
Term deposits (excluding accrued interest)	5	625,403	963,004
Commercial papers	5	599,507	159,506
		1,371,404	**1,450,589**

Notes to the financial statements as at 31 December 2023

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").

On 23 December 2020, the Council decided for the extension of the Investment Facility commitment period by at least six months. Following the extension, 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 EDF - L 437/188, 28.12.2020).

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 31 December 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 2/2019 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, the Decision No 970/2022 of the ACP-EU Committee of Ambassadors of 16 June 2022 and the Decision 2/2023 of the ACP-EU Committee of Ambassadors of 25 October 2023).

The financial statements have been prepared on a going concern basis, which assumes that the Facility will be able to meet all monies payables under any operations for the foreseeable future. The duration of the 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 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.

Going forward, reflows from the 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. On 15 February 2023, a transfer agreement between the EIB and the European Commission was signed ("Transfer Agreement"). The purpose of this agreement is the transfer of the funds stemming from reflows, under the Facility, as they become available, in accordance with decision (EU) 2020/2233 ("ACP IF Reflows") and Decision (EU) 2021/1764 ("OCT IF Reflows", and together with ACP IF Reflows, the "Reflows"). For more details please refer to the Note 2.4.6 and Note 17.

The present financial statements cover the period from 1 January 2023 to 31 December 2023.

On a proposal from the Management Committee, the Board of Directors adopted the Financial Statements on 21 March 2024 and authorised their submission to the Board of Governors for approval by 26 April 2024.

2 Material accounting policies

2.1 Basis of preparation – Statement of compliance

The Facility's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements as at 31 December 2023 include the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in contributors' resources, the statement of cash flows, and the notes.

2.2 Significant accounting judgments, assumptions and estimates

The preparation of financial statements requires to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions estimates are recognized prospectively.

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

- **Fair value of financial instruments**

Where the fair values of financial instruments recorded on the balance sheet 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 judgment 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 the turbulence which occurred in 2022 and carried on in 2023 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 judgements that none of the entities in which it holds interest, are controlled by the Facility. This is due to the fact that in all such entities, either the General Partner or the Fund Manager or the Management Board have the sole responsibility for the management and control of the activities and affairs of the partnership and have the power and authority to do all things necessary to carry out the purpose and objectives of the partnership complying with the investment and policy guidelines.

2.3 Changes in accounting standards

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 new standards and amendments to existing standards, became effective for the Facility's financial statements as of 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;

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

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

As at 31 December 2023, the following amendments to existing Standards had been issued but were not mandatory for annual reporting periods ending on 31 December 2023:

Amendments to existing Standards endorsed by the EU, and which are effective for annual periods beginning on or after 1 January 2024:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.

Amendments to existing Standards not yet endorsed by the EU:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Supplier Finance Arrangements;
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture.

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 material 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") 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).

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 25.

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).

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 business model or 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.

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:

- are mandatorily measured at fair value through profit or loss (e.g. derivative liabilities); and
- that are designated as measured at fair value through profit or loss.

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 or loss and other comprehensive income under “Fair value change of derivative financial instruments”.

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

2.4.6 Contributions

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

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

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

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

Member States Contributions paid out represent Available Reflows paid out to the EC and the UK. As per the Transfer Agreement, as of year 2023 and until year 2027, not later than 31 March of each year, the EIB shall report, in writing, the amount of available ACP IF Reflows, and the amount of available OCT IF Reflows, accumulated respectively as of 31 December of the preceding year (the “Report on Available Reflows”). The Report on Available Reflows shall distinguish between the Reflows that are to be transferred to the Commission (ACP and OCT Reflows), and the Reflows that are to be transferred to the United Kingdom (“UK”). Available Reflows are recognised in the statement of financial position when corresponding payment request is sent to the Facility.

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 declared 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[12];
- 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.

[12] 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 Facility'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)	31.12.2023	31.12.2022
ASSETS		
Cash and cash equivalents	1,376,824	1,451,970
Amounts receivable from contributors	85,321	85,321
Treasury financial assets	-	73,003
Derivative financial instruments	55,765	75,852
Loans and advances	1,683,312	1,849,786
Other assets	616	950
Total	**3,201,838**	**3,536,882**
Provisions for loan commitments	**-19,038**	**-16,583**
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	985	-
Commitments		
- Undisbursed loans	883,092	1,671,851
- Non-issued guarantees	46,764	49,378
Total off balance sheet	**930,841**	**1,721,229**
Total credit exposure	**4,113,641**	**5,241,528**

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 25), 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 31.12.2023 in EUR'000	**Guaranteed**	**Other credit enhancements**	**Not guaranteed**	**Total**	**% of Total disbursed**
Financial institutions	54,290	-	952,740	**1,007,030**	**60%**
Corporates	155,653	-	293,302	**448,955**	**27%**
Public authorities	15,138	-	-	**15,138**	**1%**
States	-	-	212,189	**212,189**	**13%**
Total disbursed	**225,081**	**-**	**1,458,231**	**1,683,312**	**100%**
Undisbursed	**43,200**	**-**	**820,854**	**864,054**	
Total disbursed and undisbursed	**268,281**	**-**	**2,279,085**	**2,547,366**	

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**	

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 2023 and 31 December 2022 by the Loan Grading applications, based on the exposure signed (disbursed and undisbursed):

At 31.12.2023 **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	270,520	276,133	268,648	508,180	-	**1,323,481**	**52%**
	Corporates	51,505	53	564	347,992	194,441	**594,555**	**23%**
	Public authorities	-	15,138	-	-	-	**15,138**	**1%**
	States	50,858	2,164	12,907	548,263	-	**614,192**	**24%**
Total		**372,883**	**293,488**	**282,119**	**1,404,435**	**194,441**	**2,547,366**	**100%**

*Loan operations measured at FVTPL.

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**	**50%**
	Corporates	96,413	52,092	-	703,374	226,750	**1,078,629**	**31%**
	Public institutions	-	18,902	-	-	218	**19,120**	**1%**
	States	51,976	2,771	8,363	567,845	-	**630,955**	**18%**
Total		**441,847**	**423,393**	**111,496**	**2,301,350**	**226,968**	**3,505,054**	**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	31.12.2023	31.12.2022
Egypt	260,529	309,312
Kenya	248,823	338,790
Nigeria	218,521	266,294
Ethiopia	121,126	107,988
Regional-ACP	86,505	69,920
Mauritius	84,331	93,509
Togo	80,267	-
Barbados	72,036	82,735
Rwanda	71,525	94,247
Zambia	66,947	56,729
Cameroon	48,616	56,586
Zimbabwe	35,546	23,147
Uganda	33,365	51,388
Congo (Democratic Republic)	29,803	36,772
Senegal	28,729	38,153
New Caledonia	26,425	31,684
Tanzania	21,394	33,431
Dominican Republic	16,768	25,879
Benin	16,742	2,958
Jamaica	15,138	18,902
Guinea	12,926	15,242
Ivory Coast	9,644	10,976
Mauritania	9,374	11,029
Madagascar	9,287	-
Mali	8,158	9,856
Cayman Islands	6,575	8,521
Malawi	6,476	9,587
Eswatini	6,453	1,515
Cape Verde	6,254	9,016
Mozambique	5,142	7,094
Saint Lucia	4,565	4,674
Burkina Faso	4,389	4,767
Ghana	4,074	8,648
Micronesia	2,342	2,811
Seychelles	2,037	2,933
French Polynesia	1,838	3,118
Samoa	344	645
Vanuatu	177	525
Haiti	121	332
Congo	-	73
Total	**1,683,312**	**1,849,786**

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	31.12.2023	31.12.2022
Financial Services	1,012,001	1,160,133
Public Administration	212,189	202,898
Electricity	187,701	193,597
Chemicals	91,786	108,652
Telecommunications	60,182	62,862
Healthcare	36,833	36,833
Business Services, IT and Media	33,638	31,127
Pharmaceuticals and Medical Equipment	18,526	12,388
Air and Maritime Transport Infrastructure	15,138	18,902
Metals and Mining	7,236	8,415
Investment Goods	4,103	8,853
Waste Recuperation and Recycling	3,802	4,577
Multi-Utilities	177	525
Tertiary and other	-	24
Total	**1,683,312**	**1,849,786**

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.

	2023					
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**FVTPL**	**Total**
Loans and advances at AC						
Internal Rating 1 - minimal credit risk	Aaa	-	47,534	-	-	**47,534**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	72,051	-	-	-	**72,051**
Internal Rating 3 - low credit risk	A1 - A3	10,428	-	-	-	**10,428**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	33,439	263,036	3,802	-	**300,277**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	75,418	-	-	-	**75,418**
Internal Rating 6 - high credit risk	B1 - B3	533,775	206,438	20,349	-	**760,562**
Internal Rating 7 - very high credit risk	below Caa1	77,010	246,682	-	-	**323,692**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	17,860	-	**17,860**
Loans and advances at FVTPL		-	-	-	**182,080**	**182,080**
Loss allowance and FV adjustment		**-10,964**	**-24,674**	**-14,976**	**-55,976**	**-106,590**
Carrying amount of loans and advances		**791,157**	**739,016**	**27,035**	**126,104**	**1,683,312**
Loan commitments						
Internal Rating 2 - very low credit risk	Aa1 - Aa3	86,796	-	-	-	**86,796**
Internal Rating 3 - low credit risk	A1 - A3	1,687	-	-	-	**1,687**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	10,000	-	-	-	**10,000**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	82,770	-	-	-	**82,770**
Internal Rating 6 - high credit risk	B1 - B3	327,995	45,990	-	-	**373,985**
Internal Rating 7 - very high credit risk	below Caa1	28,089	30,537	-	-	**58,626**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	50,000	111,000	-	**161,000**
No internal rating*		39,940	-	-	-	**39,940**
Loans and advances at FVTPL		-	-	-	**68,288**	**68,288**
Loss allowance and FV adjustment		**-2,715**	**-16,323**	-	-	**-19,038**
Carrying amount of loan commitments		**574,562**	**110,204**	**111,000**	**68,288**	**864,054**

* 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)

		2022				
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**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 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.

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 31.12.2023	Loans and advances 31.12.2022
Carrying amount	**1,683,312**	**1,849,786**
Lifetime ECL credit-impaired		
Gross amount	17,860	63,474
Impairment-loss allowance	-14,976	-21,303
Carrying amount of lifetime ECL credit-impaired	**2,884**	**42,171**
Past due but not credit-impaired		
Past due comprises		
0-30 days	-	670
30-90 days	23	118
90-180 days	315	95
more than 180 days	-	25
Carrying amount past due but not credit-impaired	**338**	**908**
Carrying amount neither past due nor credit-impaired	**1,680,090**	**1,806,707**
Total carrying amount loans and advances	**1,683,312**	**1,849,786**

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 -7,247 (2022: EUR -9,908) and EUR 6,007 (2022: EUR 8,356) 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.

	2023		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	2,258,365	2,258,365	2,258,365
Loss allowance	45,603	51,610	58,857

	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

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.

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	31.12.2023		31.12.2022	
	Performing	Non-Performing	Performing	Non-Performing
Number of contracts subject to forbearance practices	13	6	12	7
Carrying values (incl. interest and amounts in arrears)	112,554	46,432	144,399	45,497
ECL allowance recognised	1,654	22,151	16,008	14,323
Interest income in respect of forborne contracts	8,594	1,776	7,745	2,280

in EUR'000	31.12.2022	Forbearance measures					31.12.2023
		Extension of maturities	Deferral of capital and interest	Breach of material financial covenants	Other	Contractual repayment, termination and/or write off	
Financial institutions	85,751	-	-	12,275	-	-29,671	68,355
Corporates	104,145	-	-	-	-	-13,514	90,631
Total	**189,896**	**-**	**-**	**12,275**	**-**	**-43,185**	**158,986**

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 2023, and 31 December 2022, 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 S. A. where the Facility has its operational cash accounts. The short-term credit limit for Societe Generale S. A. as at 31 December 2023 and 31 December 2022 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 2023 and as at 31 December 2022 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)	31.12.2023		31.12.2022	
P-1	Aaa	140,592	10%	200,167	14%
P-1	Aa2	29,951	2%	24,955	2%
P-1	Aa3	89,682	7%	4,992	0%
P-1	A1	360,831	26%	300,627	21%
P-1	A2	204,179	15%	340,252	23%
P-1	A3	346,275	25%	491,224	34%
P-2	A3	205,314	15%	29,956	2%
P-2	Baa1	-	0%	59,797	4%
Total		**1,376,824**	**100%**	**1,451,970**	**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 1,640.0 million as at 31 December 2023 against EUR 1,790.0 million as at 31 December 2022. The fair value of FX swaps amounts to EUR 45.8 million as at 31 December 2023 against EUR 71.1 million as at 31 December 2022.

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 43.3 million as at 31 December 2023 against EUR 47.0 million as at 31 December 2022**.** The fair value of FX swaps amounts to EUR 10.0 million as at 31 December 2023 against EUR 4.8 million as at 31 December 2022.

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)	31.12.2023		31.12.2022	
P-1	Aa2	-	0%	32 974	45%
P-1	Aa3	-	0%	4	0%
P-1	A3	-	0%	39 843	55%
P-2	A3	-	0%	182	0%
Total		**-**	**0%**	**73 003**	**100%**

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 IF.

It is worth highlighting that capital is managed solely from a liquidity perspective, as described above.

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.

3.3.2 Liquidity risk measurement (continued)

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

Maturity profile of non-derivative financial liabilities **in EUR'000 as at 31.12.2023**	**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	49,019	6,000	-	-	828,073	883,092
Outflows for committed investment funds and share subscription	-	-	-	-	297,534	297,534
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	47,749	47,749
Outflows for committed interest subsidies	4,235	-	-	-	343,282	347,517
Outflows for committed TA	849	-	-	-	25,343	26,192
Total	**54,103**	**6,000**	**-**	**-**	**1,541,981**	**1,602,084**

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 derivative financial liabilities **in EUR'000 as at 31.12.2023**	**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	192	10,909	32,186	1,706	44,993
CCS – Outflows	-90	-10,212	-23,783	-1,828	-35,913
Short-term currency swaps – Inflows	1,640,000	-	-	-	1,640,000
Short-term currency swaps – Outflows	-1,597,068	-	-	-	-1,597,068
Total	**43,034**	**697**	**8,403**	**-122**	**52,012**

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 and CCIRS – Inflows	88	9,474	38,431	147	48,140
CCS and CCIRS – 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**

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	31.12.2023	31.12.2022
Financial assets:		
Loans and advances	1,755,831	1,922,784
Shares and other variable yield securities	820,713	797,341
Total	**2,576,544**	**2,720,125**
Financial liabilities:		
Amount owed to third parties*	389,116	136,867
Provisions for loan commitments	19,038	16,583
Total	**408,154**	**153,450**

* 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 2023 would decrease by EUR 491k (as at 31 December 2022: decrease by EUR 500k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value in EUR'000	Money Market	Very Short	Short	Medium	Long	Extra Long	Total
As at 31.12.2023	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**More than 20 years**	
Total sensitivity of loans and micro hedging swaps	-39	-97	-153	-153	-47	-2	**-491**

Basis point value in EUR'000	Money Market	Very Short	Short	Medium	Long	Extra Long	Total
As at 31.12.2022	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**More than 20 years**	
Total sensitivity of loans and micro hedging swaps	-34	-98	-154	-162	-50	-2	**-500**

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 authorised 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)".

In addition, for loans denominated in currencies other than EUR, USD or currencies for which hedging through cross-currency swap contracts is not possible, the IF charges an additional interest component called "FX premium" to mitigate the risk of potential local currency depreciation.

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 2023		**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	-194,166	-16,111	-210,277	306,161
*Local currencies (under synthetic hedge)**				
KES	87,829	-4,832	82,997	-
TZS	1,071	19	1,090	-
DOP	16,663	122	16,785	-
UGX	20,283	221	20,504	-
RWF	55,837	367	56,204	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	67,992	-1,136	66,856	-
Total non-EUR currencies	**55,509**	**-21,350**	**34,159**	**306,161**
EUR	**-**	**3,489,673**	**3,489,673**	**1,344,972**
Total EUR and non-EUR	**55,509**	**3,468,323**	**3,523,832**	**1,651,133**

* 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 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.

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2023 a 10 percent depreciation of EUR versus all non-EUR currencies would result in an increase of the contributors' resources and profit amounting to EUR 2.9 million (31 December 2022: EUR 7.2 million). A 10 percent appreciation of the EUR versus all non-EUR currencies would result in a decrease of the contributors' resources and profit amounting to EUR -2.4 million (31 December 2022: EUR -5.9 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022
Non-EU currencies		
Botswana Pula (BWP)	14.78	13.59
Dominican Republic Pesos (DOP)	64.08	59.84
Fiji Dollars (FJD)	2.39	2.32
Haitian Gourde (HTG)	143.68	154.37
Jamaican Dollar (JMD)	168.22	161.59
Kenya Shillings (KES)	173.20	131.68
Mauritania Ouguiyas (MRU)	43.35	39.04
Mauritius Rupees (MUR)	48.56	46.83
Mozambican Metical (MZN)	69.98	67.54
Nigerian Naira (NGN)	975.04	478.02
Rwanda Francs (RWF)	1,385.07	1,132.20
Tanzania Shillings (TZS)	2,772.53	2,487.37
Uganda Shillings (UGX)	4,178.00	3,965.00
United States Dollars (USD)	1.11	1.07
Franc CFA Francs (XAF/XOF)	655.96	655.96
South Africa Rand (ZAR)	20.35	18.10
Zambia Kvacha (ZMW)	28.45	19.28

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 82.1 million and EUR -82.1 million respectively as at 31 December 2023 (EUR 79.7 million and EUR -79.7 million respectively as at 31 December 2022).

4 Fair values of financial instruments

4.1 Accounting classifications and fair values

The following tables 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 2023	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	55,765	-	-	-	-	**55,765**	-	55,765	-	**55,765**
Venture Capital Fund	-	693,042	-	-	-	**693,042**	-	-	693,042	**693,042**
Direct Equity Investments	-	127,671	-	-	-	**127,671**	-	-	127,671	**127,671**
Loans and advances	-	-	124,323	-	-	**124,323**	-	-	124,323	**124,323**
Total financial assets mandatorily measured at FVTPL	**55,765**	**820,713**	**124,323**	**-**	**-**	**1,000,801**	**-**	**55,765**	**945,036**	**1,000,801**
Financial assets measured at AC										
Cash and cash equivalents	-	-	1,376,824	-	-	**1,376,824**				
Loans and advances	-	-	1,558,989	-	-	**1,558,989**				
Amounts receivable from contributors	-	-	85,321	-	-	**85,321**				
Treasury financial assets	-	-	-	-	-	**-**				
Other assets	-	-	-	-	616	**616**				
Total financial assets measured at AC	**-**	**-**	**3,021,134**	**-**	**616**	**3,021,750**				
Total financial assets	**55,765**	**820,713**	**3,145,457**	**-**	**616**	**4,022,551**				
Financial liabilities at AC										
Provisions for loan commitments	-	-	-	-	-19,038	**-19,038**				
Amounts owed to third parties	-	-	-	-	-427,828	**-427,828**				
Other liabilities	-	-	-	-	-3,338	**-3,338**				
Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-450,204**	**-450,204**				
Total financial liabilities	**-**	**-**	**-**	**-**	**-450,204**	**-450,204**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

As 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 Investment	-	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 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 at AC										
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**				

4.2 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.	Curves used in estimation and discounting of cashflows are calibrated to market data, and the swaps in the portfolio have maturities that do not exceed the longest tenor available in the inputs. Therefore, there are no unobservable inputs.	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

4.2.1 Valuation techniques and significant unobservable inputs (continued)

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

With the application of IFRS 13, valuation adjustments are included in the fair value of derivatives as at 31 December 2023 and 2022, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -6.1k as at 31 December 2023 and to EUR -6.1k as at 31 December 2022.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +7.2k as at 31 December 2023 and EUR +7.2k as at 31 December 2022.

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 2023 and 2022 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[13] for the year ended 31 December 2023 and 31 December 2022:

in EUR'000	**Shares and other variable yield securities**
Balance as at 1 January 2023	**797,341**
Gains or losses included in profit or loss:	
Derecognition of fair value adjustment due to sales	-
Net fair value change on shares and other variable yield securities	-15,142
Total	**-15,142**
Disbursements	101,100
Repayments	-32,560
Foreign exchange rates differences	-30,026
Balance as at 31 December 2023	**820,713**

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:	
Derecognition of fair value adjustment due to sales	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 2023 and 2022 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

Sensitivity analysis

The effects on the Facility's contributors' resources, and statement of profit or loss and other comprehensive income due to a +/- 10% change in the value of direct equity and venture capital investments, with all other variables held constant is EUR 82.1 million and EUR -82.1 million, respectively as at 31 December 2023 (EUR 79.7 million and EUR -79.7 million, respectively as at 31 December 2022).

[13] Loans measured at FVTPL are presented in Note 7.

5 Cash and cash equivalents

The cash and cash equivalents are composed of:

in EUR'000	31.12.2023	31.12.2022
Cash in hand	146,494	328,079
Term deposits	625,403	963,004
Commercial papers	599,507	159,506
Cash and cash equivalents in the cash flow statement	**1,371,404**	**1,450,589**
Accrued interest	5,420	1,381
Cash and cash equivalents in the statement of financial position	**1,376,824**	**1,451,970**

6 Derivative financial instruments

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

As at 31 December 2023	Fair Value		Notional amount
in EUR'000	Assets	Liabilities	
Cross currency swaps	9,983	-	43,250
FX swaps	45,782	-	1,640,000
Total derivative financial instruments	**55,765**	**-**	**1,683,250**

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

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	Total
Nominal of loans at AC as at 1 January 2023	**1,236,887**	**563,277**	**-**	**1,800,164**
Disbursements	154,587	11,986	-	**166,573**
Write offs	-	-	-	**-**
Repayments	-219,739	-67,902	-	**-287,641**
Interest capitalised	-	-	-	**-**
Foreign exchange rates differences	-73,614	-12,024	-	**-85,638**
Nominal of loans at AC as at 31 December 2023	**1,098,121**	**495,337**	**-**	**1,593,458**
Impairment - loss allowance as at 1 January 2023	**-37,604**	**-22,798**	**-**	**-60,402**
Net changes of the 12 month ECL	-287	-92	-	**-379**
Net changes of lifetime ECL not credit-impaired	-1,060	4,887	-	**3,827**
Lifetime ECL credit-impaired	-	-	-	**-**
Reversal of lifetime ECL credit-impaired	5,205	402	-	**5,607**
Foreign exchange rates differences	1,348	402	-	**1,750**
Impairment - loss allowance as at 31 December 2023	**-32,398**	**-17,199**	**-**	**-49,597**
Loans and advances at AC as at 31 December 2023	**1,065,723**	**478,138**	**-**	**1,543,861**
Nominal of loans at FVTPL as at 1 January 2023	**1,080**	**72,923**	**66,833**	**140,836**
Disbursements	-	37,092	3,572	**40,664**
Repayments	-	-514	-	**-514**
Foreign exchange rates differences	-	-2,925	48	**-2,877**
Nominal of loans at FVTPL as at 31 December 2023	**1,080**	**106,576**	**70,453**	**178,109**
Fair value adjustment as at 1 January 2023	**-1,080**	**-26,420**	**-17,732**	**-45,232**
Net FV change	-	-8,941	9	**-8,932**
Foreign exchange rates differences	-	378	-	**378**
Fair value adjustment as at 31 December 2023	**-1,080**	**-34,983**	**-17,723**	**-53,786**
Loans and advances at FVTPL as at 31 December 2023	**-**	**71,593**	**52,730**	**124,323**
Amortised Cost	-3,518	-4,040	-	**-7,558**
Interest	11,560	10,876	250	**22,686**
Loans and advances as at 31 December 2023	**1,073,765**	**556,567**	**52,980**	**1,683,312**

* Including agency agreements

7 Loans and advances (continued)

7.1 Loans and advances (continued)

In EUR'000	Global loans*	Senior loans	Subordinated loans	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**
Repayments	-246,403	-74,267	-	**-320,670**
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

7.2 Impairment on loans and advances – Loss allowances

	2023			
		Lifetime ECL		
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans and advances at AC				
Balance as at 1 January 2023	**11,370**	**28,817**	**20,215**	**60,402**
Transfer to 12-month ECL	869	-4,217	-	**-3,348**
Transfer to lifetime ECL not credit-impaired	-927	3,593	-	**2,666**
Net measurement of loss allowance	-993	-4,333	-2,873	**-8,199**
New financial assets originated or purchased	1,470	1,188	-	**2,658**
Financial assets that have been derecognised	-41	-57	-2,734	**-2,832**
Foreign exchange rates differences*	-784	-317	-649	**-1,750**
Balance as at 31 December 2023	**10,964**	**24,674**	**13,959**	**49,597**

	2022			
		Lifetime ECL		
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**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**

* Foreign exchange movements are excluded from the amounts reported in the Statement of Profit or Loss and Other Comprehensive Income as well as the Statement of Changes in Contributors' Resources.

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 2023	**580,534**	**81,711**	**662,245**
Disbursements	101,100	-	**101,100**
Repayments / sales	-32,560	-	**-32,560**
Foreign exchange rates differences	-15,727	-8,256	**-23,983**
Cost as at 31 December 2023	**633,347**	**73,455**	**706,802**
Unrealised gains and losses as at 1 January 2023	**104,030**	**31,066**	**135,096**
Net change in unrealised gains and losses	-43,652	28,510	**-15,142**
Derecognition of fair value adjustment due to equity swap	-	-	**-**
Foreign exchange rates differences	-683	-5,360	**-6,043**
Unrealised gains and losses as at 31 December 2023	**59,695**	**54,216**	**113,911**
Shares and other variable yield securities as at 31 December 2023	**693,042**	**127,671**	**820,713**

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 sales	-	-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**

9 Amounts receivable from contributors

The amounts of EUR 85.3 million (2022: EUR 85.3 million) receivable from contributors are entirely composed of Member States contributions 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	
Balance as at 1 January 2023	**73,003**
Acquisitions	348,523
Maturities	-421,278
Change in amortisation of premium/discount	-248
Change in accrued interest	-
Balance as at 31 December 2023	**-**

in EUR'000	
Balance as at 1 January 2022	**-**
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**

11 Other assets

The main components of other assets are as follows:

in EUR'000	**31.12.2023**	**31.12.2022**
Amount receivable from the EIB	616	940
Financial guarantees	-	10
Total other assets	**616**	**950**

12 Deferred income

The main components of deferred income are as follows:

in EUR'000	**31.12.2023**	**31.12.2022**
Deferred interest subsidies	47,313	51,498
Deferred commissions on loans and advances	1,202	919
Total deferred income	**48,515**	**52,417**

13 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):

	2023			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loan commitments				
Balance as at 1 January	**4,825**	**11,758**	**-**	**16,583**
Transfer to lifetime ECL not credit-impaired	-163	1,955	-	**1,792**
Net measurement of loss allowance	466	8,206	-	**8,672**
New financial assets originated or purchased	-1,295	-1,461	-	**-2,756**
Financial assets that have been derecognised	-1,120	-4,118	-	**-5,238**
Foreign exchange rates differences	2	-17	-	**-15**
Balance as at 31 December	**2,715**	**16,323**	**-**	**19,038**

	2022			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loan 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**

14 Amounts owed to third parties

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

in EUR'000	**31.12.2023**	**31.12.2022**
Net general administrative expenses payable to the EIB	29,655	33,628
Other amounts payable to the EIB	39,384	1,460
Interest subsidies and TA not yet disbursed owed to Member States	358,789	155,839
Total amounts owed to third parties	**427,828**	**190,927**

15 Other liabilities

The main components of other liabilities are as follows:

in EUR'000	**31.12.2023**	**31.12.2022**
Loan repayments received in advance	2,727	1,790
Deferred income from interest subsidies	611	629
Total other liabilities	**3,338**	**2,419**

16 Member States Contribution called (in EUR’000)

Member States	Contribution to the Facility	Contribution to interest subsidies and technical assistance	Total Contributed	Called and not paid*
Austria	94,677	20,161	114,838	2,398
Belgium	138,169	28,441	166,610	3,249
Bulgaria	2,660	1,361	4,021	219
Croatia	1,126	969	2,095	225
Cyprus	1,566	750	2,316	112
Czech Republic	9,697	4,961	14,658	797
Denmark	77,279	16,633	93,912	1,980
Estonia	992	521	1,513	86
Finland	55,115	12,364	67,479	1,509
France	818,754	159,285	978,039	17,813
Germany	823,467	173,107	996,574	20,580
Greece	50,271	12,130	62,401	1,507
Hungary	9,230	4,295	13,525	615
Ireland	27,921	7,387	35,308	940
Italy	470,233	104,875	575,108	12,530
Latvia	1,364	709	2,073	116
Lithuania	2,248	1,138	3,386	181
Luxembourg	10,395	2,194	12,589	255
Malta	526	253	779	38
Netherlands	187,913	40,256	228,169	4,777
Poland	24,591	12,537	37,128	2,007
Portugal	39,250	9,557	48,807	1,197
Romania	7,734	4,200	11,934	718
Slovakia	4,231	2,248	6,479	376
Slovenia	3,137	1,507	4,644	225
Spain	250,314	63,448	313,762	7,932
Sweden	102,760	23,561	126,321	2,939
United Kingdom	506,075	120,148	626,223	-
Total as at 31 December 2023	**3,721,695**	**828,996**	**4,550,691**	**85,321**
Total as at 31 December 2022	**3,701,695**	**548,996**	**4,250,691**	**85,321**

* On 15 November 2023, the Council fixed the amount of financial contributions to be paid by each Member State as of 21 January 2024. As at 31 December 2023 EUR 85.3 million were not yet paid in.

17 Member States Contributions paid out

in EUR'000	European Commission ACP	European Commission OCT	European Commission Total	UK	Total
Member States Contributions paid out as at 1 January 2023	**-**	**-**	**-**	**-**	**-**
Reflows in relation to year 2021	251,000	7,000	**258,000**	44,386	**302,386**
Reflows in relation to year 2022	236,883	6,732	**243,615**	41,912	**285,527**
Member States Contributions paid out as at 31 December 2023	**487,883**	**13,732**	**501,615**	**86,298**	**587,913**

As per the Transfer Agreement, as of year 2023 and until 31 December 2027, the Facility shall transfer annually to the EC the amount of available ACP IF Reflows and OCT IF Reflows. The indicative amount of the available ACP IF Reflows and OCT IF Reflows amounts to EUR 1,000 million and EUR 35 million respectively. In addition, the Facility shall transfer to the UK the amounts corresponding to the UK's share of these available Reflows. The above table presents the Reflows already disbursed.

18 Commitments and contingent liabilities

in EUR'000	31.12.2023	31.12.2022
Commitments		
Undisbursed loans	883,092	1,671,851
Undisbursed commitment in respect of shares and other variable yield securities	297,534	411,172
Issued guarantees	985	-
Interest subsidies and technical assistance	422,758	441,630
Contingent liabilities		
Signed non-issued guarantees	46,764	49,378
Total commitments and contingent liabilities	**1,651,133**	**2,574,031**

19 Interest and similar income and expenses

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

in EUR'000	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
Cash and cash equivalents	36,668	1,999
Loans and advances	95,137	82,162
Interest subsidies	10,029	9,625
Treasury financial assets	3,584	-
Derivative financial instruments	2,918	-
Total interest and similar income	**148,336**	**93,786**

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

in EUR'000	From 01.01. 2023 to 31.12.2023	From 01.01. 2022 to 31.12.2022
Derivative financial instruments	-	-5,080
Treasury financial assets	-	-399
Total interest and similar expenses	**-**	**-5,479**

20 Fee and commission income and expenses

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

in EUR'000	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
Fee and commission on loans and advances	1	42
Fee and commission on financial guarantees	24	469
Total fee and commission income	**25**	**511**

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

in EUR'000	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
Commission paid to third parties with regard to shares and other variable yield securities	-62	-761
Total fee and commission expenses	**-62**	**-761**

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 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
Net proceeds	130	35
Dividend income	6,555	15,225
Net fair value change	-15,142	9,172
Net result on shares and other variable yield securities	**-8,457**	**24,432**

22 Net foreign exchange results

The main components of the net foreign exchange results are as follows:

in EUR'000	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022
FX positions revaluation		
Cash and cash equivalents	-123	6,687
Derivative financial instruments	86,071	-194,033
Loans and advances	-89,458	50,951
Shares and other variable yield securities	-30,026	25,464
Other	3,479	-934
Total FX positions revaluation	**-30,057**	**-111,865**
Realised results on FX swaps (cost of hedging)	**-37,828**	**-28,239**
Net foreign exchange result	**-67,885**	**-140,104**

23 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.

As at 31 December 2023 total general administrative expense amounted to EUR -29.7 million (31 December 2022: EUR -33.6 million).

24 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.

		31.12.2023		31.12.2022	
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	693,042	725,781	684,564	1,091,122
Total		**693,042**	**725,781**	**684,564**	**1,091,122**

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

25 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 800 million 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.

25 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 31.12.2023	Loss allowance / FV adj. amount as at 31.12.2023	Carrying amount as at 31.12.2023	Undisbursed amount as at 31.12.2023	OFF BS ECL adj. amount as at 31.12.2023
Loans to financial intermediaries	Loans and advances	AC	73,423	-1,522	71,901	7,749	-334
Direct loan operations	Loans and advances	FVTPL	152,155	-58,759	93,396	68,288	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	110,572	9,936	120,508	58,572	-
Direct equity participations	Shares and other variable yield securities	FVTPL	58,889	41,490	100,379	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	44,264	-
Total			**395,039**	**-8,855**	**386,184**	**178,887**	**-334**

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2022	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.

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.

26 Related party disclosures

The Facility has identified EIB as a related party in the context of IAS 24, as EIB has been mandated by the EU Member States to manage the Facility in accordance with the provisions of the applicable legal framework, including the monitoring of its operations until full reimbursement and provides key management personnel services (EIB Management Committee and EIB Audit Committee). In this regard, EIB is entitled to recover its actual costs incurred for managing the Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Facility. For more details on the remuneration please refer to the Note 23.

27 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 2023.

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.