EUROPEAN
COMMISSION

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Communication from the Commission to the European Parliament, the Council and the Court of Auditors - Annual accounts of the European Development Fund 2020

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CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2020 have been prepared in accordance with Title X of the Financial Regulation of the 11th European Development Fund and with the accounting principles, rules and methods set out in the notes to the financial statements.

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

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

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

Rosa ALDEA BUSQUETS

Accounting Officer

IMPLEMENTING AND ACCOUNTING FOR THE EDF RESOURCES

1. BACKGROUND

The European Union (hereinafter referred to as the 'EU') has cooperative relations with a large number of developing countries. The main objective is to promote economic, social and environmental development, with the primary aim of reducing and eradicating poverty in the long-term by providing beneficiary countries with development aid and technical assistance. To achieve this, the EU draws up, jointly with the partner countries, cooperation strategies and mobilises the financial resources to implement them. These resources allocated to development cooperation come from three sources:

- The EU budget;
- The European Development Fund;
- The European Investment Bank.

The European Development Fund (hereinafter referred to as the 'EDF') is the main instrument for providing aid for development cooperation to the African, Caribbean and Pacific (hereinafter referred to as the 'ACP') States and Overseas Countries and Territories (hereinafter referred to as the 'OCTs').

The EDF is not funded by the EU budget. It is established by an Internal Agreement of the Representatives of the Member States, sitting within the Council, and managed by a specific committee. The European Commission (hereinafter referred to as the 'Commission') is responsible for the financial implementation of the operations carried out with EDF resources. The European Investment Bank (hereinafter referred to as the 'EIB') manages the Investment Facility.

During the period 2014-2020, the geographic aid granted to ACP States and OCTs will continue to be mainly funded by the EDF. Each EDF is usually concluded for a period of around five years and is governed by its own Financial Regulation, which requires the preparation of financial statements for each individual EDF. Accordingly, financial statements are prepared separately for each EDF in respect of the part that is managed by the Commission. These financial statements are also presented in an aggregated way so as to provide a global view of the financial situation of the resources for which the Commission is responsible.

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

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

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

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

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

2. HOW IS THE EDF FUNDED?

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

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

The EDF resources are "ad hoc" contributions from the EU Member States. Approximately every five years, Member State representatives meet at intergovernmental level to decide on an overall amount that will be allocated to the fund and to oversee its implementation. The Commission then manages the fund in accordance with the Union policy on development cooperation. Since Member States have their own development and aid policies in parallel to the Union policy, the Member States must coordinate their policies with the EU to ensure they are complementary.

In addition to the above mentioned contributions, it is also possible for Member States to enter into co-financing arrangements or to make voluntary financial contributions to the EDF.

3. EDF ACTIVITIES AFTER 31 DECEMBER 2020

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 under the 11th EDF. As of 2021 no further financing agreements can be signed under the 11th EDF. However, specific contracts for the existing financing agreements will still be signed until 31 December 2023.

To ensure continuity of the development programmes, from 2021, the EDF programmes will be included in the EU multi-annual financial framework (MFF). This means that while so far 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 will be subject to the authorisation of the European Parliament and that the transactions will have to comply with the EU financial regulations in the same way as other EU funding programmes.

4. DEPARTURE OF UNITED KINGDOM FROM THE EUROPEAN UNION

On 1 February 2020, the United Kingdom ceased to be a Member State of the European Union. Following the conclusion of the Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "Withdrawal Agreement or WA) between the two parties, the United Kingdom committed to pay all its obligations under the current MFF and previous financial perspectives as if it were still a Member State. The UK continued involvement with the EDF is dealt with under Part Five, Chapter 5 of the WA.

According to Article 152 of the WA, 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. UK beneficiaries remain eligible to participate in projects under the 11th EDF and previous EDFs under the same conditions as before. The UK may participate, as an observer, without voting rights, in the EDF Committee and the Investment Facility Committee (Art. 152(2) WA). The UK share of the Investment Facility of the EDF shall be reimbursed to the UK as the investment matures. Unless agreed otherwise, the United Kingdom's capital share shall not be recommitted beyond the end of the 11th EDF commitment period or rolled over into subsequent periods (Art. 152(4) WA).

Where the amounts from projects under the 10th EDF or from previous EDFs have not been committed or have been decommitted on the date of entry into force of the Agreement, the United Kingdom's share of those amounts shall not be reused. The same applies to the United Kingdom share of funds not committed or decommitted amounts under the 11th EDF after 31 December 2020 (Art. 153).

The UK remains liable in respect of the guarantees provided under all EDFs. At the same time it is entitled to its share of any amount recovered under the terms of the Member States' guarantees and to the balance of its Member State Call Account in proportion to its respective participation in each guarantee agreement (Art. 154).

At the time of the transmission of these provisional accounts, and based on the WA concluded and already in operation, there is no financial impact to be reported in the EDF annual accounts.

5. YEAR-END REPORTING

5.1. ANNUAL ACCOUNTS

In accordance with Articles 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). The accounting rules adopted by the Accounting Officer of the Commission are applied by all the Institutions and bodies of the EU in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements. These EU accounting rules are also applied to the EDF while taking into account the specific nature of its activities.

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

The annual accounts are presented as follows:

Part I: Funds managed by the Commission

(i) Financial statements and explanatory notes of the EDF

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

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

(iv) Report on financial implementation of the EDF

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

(i) Financial statements of the Investment Facility

The part 'Financial statements of the European trust funds consolidated in the EDF' includes 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.

6. AUDIT AND DISCHARGE

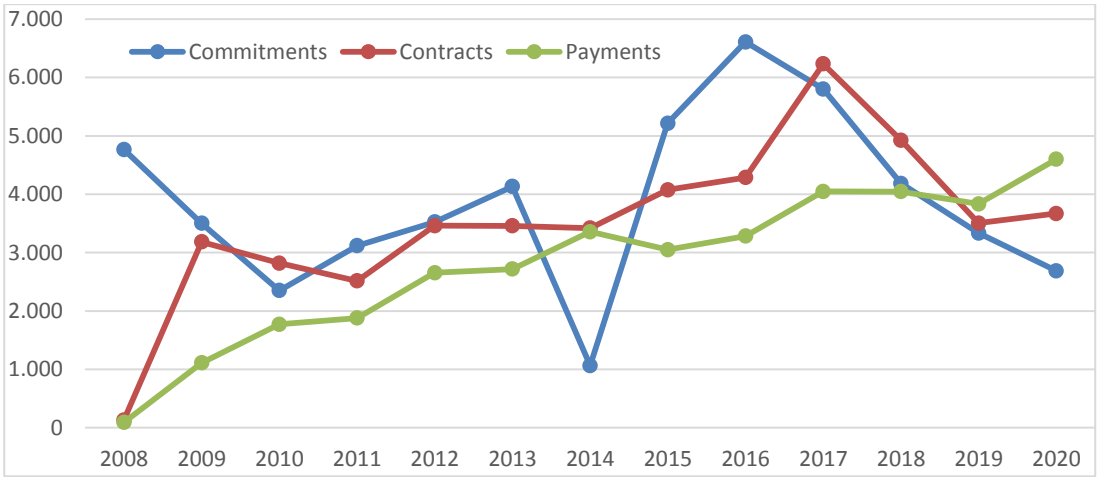
6.1. AUDIT

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.

6.2. 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 2020



* Net amount, only 10th & 11th EDF

Budget implementation

In 2020 the financial implementation (10th and 11th EDF) for decisions (global commitments: 2 687 million euros), contracts (individual commitments: 3 670 million euros) and payments (4 599 million euros) were all impacted by the EU response to the unpredicted crisis of COVID-19, which became a priority for the Commission. Therefore 2020 was a record year for payments, due to the increased disbursements to projects contributing to fighting the COVID crisis. This also led to the acceleration of the absorption period, which improved to 3 years in 2020. The sunset clause for the 11th EDF was reached on the 31st of December 2020. This means that as of 2021 there will be no further global commitments of projects under the 11th EDF (for the details please refer to Report on Financial Implementation section).

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**): an increase by EUR 29 million largely as a result of the new contracts signed and advances paid during 2020;

- The aid instrumens expenses (see note **3.3**): a substantial increase (by EUR 852 million) as a result of the increased activity during the year in order to combat the negative effects of the COVID-19 pandemic, in particular as projects were reoriented to deal with the crisis, but also due to the normal lifecycle of the EDF whereby the activities of the 11th EDF are peaking.

- Cash and cash equivalents (see note **2.5**): a decrease by EUR 451 million as a result of the significant increase in payments during the year to cover the augmented expenses and advances made on new contracts;

- Accrued charges (see note **2.8**): an increased by EUR 208 million as a result of the increase in the number of open contracts at the end of the year for which no cost claims were validated at the year end.

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	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Financial assets	2.1	*33*	*36*
Pre-financing	2.2	*873*	*910*
Trust Fund contributions	2.3	*394*	*266*
		1 300	**1 213**
CURRENT ASSETS			
Pre-financing	2.2	*1 355*	*1 288*
Exchange receivables and non-exchange recoverables	2.4	*140*	*123*
Cash and cash equivalents	2.5	*728*	*1 179*
		2 223	**2 590**
TOTAL ASSETS		**3 523**	**3 803**
NON-CURRENT LIABILITIES			
Financial liabilities	2.6	*(2)*	*(19)*
		(2)	**(19)**
CURRENT LIABILITIES			
Payables	2.7	*(615)*	*(516)*
Accrued charges and deferred income	2.8	*(1 527)*	*(1 319)*
		(2 143)	**(1 835)**
TOTAL LIABILITIES		**(2 145)**	**(1 854)**
NET ASSETS		**1 379**	**1 948**
FUNDS & RESERVES			
Fair value reserve	2.9	*(5)*	*(2)*
Called fund capital - active EDFs	2.10	*58 986*	*54 809*
Called fund capital from closed EDFs carried forward	2.10	*2 252*	*2 252*
Economic result carried forward from previous years		*(55 111)*	*(51 155)*
Economic result of the year		*(4 744)*	*(3 956)*
NET ASSETS		**1 379**	**1 948**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2020	2019
REVENUE			
Revenue from non-exchange transactions	3.1		
Recovery activities		*92*	*28*
		92	**28**
Revenue from exchange transactions	3.2		
Financial revenue		*6*	*7*
Other revenue		*37*	*39*
		43	**46**
Total Revenue		**135**	**74**
EXPENSES			
Aid instruments	3.3	*(4 607)*	*(3 755)*
Co-financing expenses	3.4	*(53)*	*(14)*
Finance costs	3.5	*(21)*	*(1)*
Other expenses	3.6	*(197)*	*(260)*
Total Expenses		**(4 878)**	**(4 030)**
ECONOMIC RESULT OF THE YEAR		**(4 744)**	**(3 956)**

EDF CASHFLOW STATEMENT

EUR million

	Note	2020	2019
Economic result of the year		*(4 744)*	*(3 956)*
Operating activities			
Capital increase - contributions (net)		*4 177*	*4 385*
(Increase)/decrease in trust funds contributions		*(127)*	*(65)*
(Increase)/decrease in pre-financing		*(29)*	*136*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*(17)*	*15*
Increase/(decrease) in financial liabilities		*(17)*	*2*
Increase/(decrease) in payables		*99*	*275*
Increase/(decrease) in accrued charges and deferred income		*209*	*37*
Other non-cash movements		*(3)*	*(2)*
Investing activities			
(Increase)/decrease in available for sale financial assets		*2*	*(36)*
NET CASHFLOW		**(452)**	**792**
Net increase/(decrease) in cash and cash equivalents		*(451)*	*792*
Cash and cash equivalents at the beginning of the year	2.5	*1 179*	*387*
Cash and cash equivalents at year-end	2.5	*728*	*1 179*

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 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**–**	**1 521**
Fair value movements						*(2)*	*(2)*
Capital increase - contributions	*–*	*(4 385)*	*4 385*	*–*	*–*		*4 385*
Economic result of the year	*–*	*–*	*–*	*(3 956)*	*–*		*(3 956)*
BALANCE AS AT 31.12.2019	**73 264**	**18 455**	**54 809**	**(55 111)**	**2 252**	**(2)**	**1 948**
Fair value movements						*(3)*	*(3)*
Capital increase - contributions	*(223)*	*(4 400)*	*4 177*	*–*	*–*		*4 177*
Economic result of the year	*–*	*–*	*–*	*(4 744)*	*–*		*(4 744)*
BALANCE AS AT 31.12.2020	**73 041**	**14 055**	**58 986**	**(59 854)**	**2 252**	**(5)**	**1 378**

BALANCE SHEET BY EDF

EUR million

	Note	31.12.2020 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	31.12.2019 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
NON-CURRENT ASSETS											
Financial assets	2.1	–	–	*(2)*	*35*	*33*	–	–	–	*36*	*36*
Pre-financing	2.2	–	*3*	*292*	*578*	*873*	–	*6*	*325*	*580*	*910*
Trust Fund contributions	2.3	–	*29*	*9*	*355*	*394*	–	–	–	*266*	*266*
		–	**33**	**299**	**969**	**1 300**	**–**	**6**	**325**	**882**	**1 213**
CURRENT ASSETS											
Pre-financing	2.2	–	*9*	*341*	*1 005*	*1 355*	–	*26*	*441*	*821*	*1 288*
Exchange receivables and non-exchange recoverables	2.4	*181*	*(177)*	*1 723*	*(1 586)*	*140*	*183*	*121*	*2 201*	*(2 382)*	*123*
Inter-EDF accounts		*181*	*(246)*	*1 663*	*(1 598)*	–	*182*	*53*	*2 160*	*(2 395)*	–
Cash and cash equivalents	2.5	–	–	–	*728*	*728*	–	–	–	*1 179*	*1 179*
		362	**(414)**	**3 726**	**(1 451)**	**2 224**	**365**	**201**	**4 801**	**(2 777)**	**2 590**
TOTAL ASSETS		**362**	**(381)**	**4 025**	**(483)**	**3 523**	**365**	**207**	**5 127**	**(1 896)**	**3 803**
NON-CURRENT LIABILITIES											
Financial liabilities	2.6	–	–	–	*(2)*	*(2)*	–	–	*(1)*	*(18)*	*(19)*
		–	**–**	**–**	**(2)**	**(2)**	**–**	**–**	**(1)**	**(18)**	**(19)**
CURRENT LIABILITIES						–					
Payables	2.7	–	*(1)*	*(62)*	*(554)*	*(615)*	–	*(5)*	*(108)*	*(404)*	*(516)*
Accrued charges and deferred income	2.8	–	*(67)*	*(217)*	*(1 244)*	*(1 527)*	–	*(96)*	*(240)*	*(983)*	*(1 319)*
		–	**(67)**	**(279)**	**(1 798)**	**(2 143)**	**–**	**(101)**	**(348)**	**(1 386)**	**(1 835)**
TOTAL LIABILITIES		**–**	**(67)**	**(279)**	**(1 800)**	**(2 145)**	**–**	**(101)**	**(349)**	**(1 405)**	**(1 854)**
						–					
NET ASSETS		**362**	**(448)**	**3 747**	**(2 282)**	**1 379**	**365**	**106**	**4 778**	**(3 300)**	**1 948**
Fair value reserves	2.9	–	–	*(2)*	*(4)*	*(5)*	–	–	–	*(2)*	*(2)*
Called fund capital - active EDFs	2.10	*12 164*	*10 535*	*20 960*	*15 327*	*58 986*	*12 164*	*10 758*	*20 960*	*10 927*	*54 809*
Called fund capital from closed EDFs carried forward	2.10	*627*	*1 625*	–	–	*2 252*	*627*	*1 625*	–	–	*2 252*
Called fund capital transfers between active EDFs	2.10	*(2 512)*	*2 041*	*188*	*283*	–	*(2 510)*	*2 109*	*265*	*136*	–

EUR million

	Note	31.12.2020 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	31.12.2019 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Economic result carried forward from previous years		*(10 098)*	*(14 440)*	*(18 606)*	*(11 966)*	*(55 111)*	*(10 098)*	*(14 406)*	*(18 077)*	*(8 573)*	*(51 155)*
Economic result of the year		*–*	*36*	*(457)*	*(4 324)*	*(4 744)*	*–*	*(34)*	*(529)*	*(3 393)*	*(3 956)*
NET ASSETS		**181**	**(203)**	**2 084**	**(683)**	**1 379**	**183**	**53**	**2 618**	**(905)**	**1 948**

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR million

	Note	2020 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	2019 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
REVENUE											
Revenue from non-exchange transactions	3.1										
Recovery activities		*(1)*	*5*	*69*	*19*	*92*	*–*	*-*	*18*	*10*	*28*
		(1)	**5**	**69**	**19**	**92**	**–**	**–**	**18**	**10**	**28**
Revenue from exchange transactions	3.2										
Financial revenue		*–*	*5*	*1*	*1*	*6*	*–*	*–*	*3*	*4*	*7*
Other revenue		*–*	*5*	*18*	*13*	*37*	*1*	*6*	*21*	*12*	*39*
		–	**10**	**19**	**13**	**43**	**1**	**6**	**24**	**16**	**46**
Total revenue		**(1)**	**15**	**88**	**32**	**135**	**1**	**6**	**42**	**26**	**74**
EXPENSES											
Aid instruments	3.3	*–*	*34*	*(462)*	*(4 179)*	*(4 607)*	*–*	*(35)*	*(579)*	*(3 141)*	*(3 755)*
Co-financing expenses	3.4	*–*	*–*	*(41)*	*(12)*	*(53)*	*–*	*–*	*(9)*	*(5)*	*(14)*
Finance costs	3.5	*1*	*(3)*	*(16)*	*(4)*	*(21)*	*–*	*2*	*(2)*	*(1)*	*(1)*
Other expenses	3.6	*-*	*(9)*	*(25)*	*(162)*	*(197)*	*(1)*	*(8)*	*20*	*(272)*	*(260)*
Total expenses		**1**	**21**	**(545)**	**(4 356)**	**(4 878)**	**(1)**	**(40)**	**(571)**	**(3 418)**	**(4 030)**
ECONOMIC RESULT OF THE YEAR		**-**	**36**	**(457)**	**(4 324)**	**(4 744)**	**-**	**(35)**	**(529)**	**(3 393)**	**(3 956)**

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 31.12.2018	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 509)**	**184**
Transfers to/from the 10th EDF			–			*(1)*	*(1)*
BALANCE AS AT 31.12.2019	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 510)**	**183**
Transfers to/from the 10th EDF			–			*(2)*	*(2)*
BALANCE AS AT 31.12.2020	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 512)**	**181**

EUR million

Ninth EDF	Fund	Uncalled	Called fund capital	Cumulative	Called fund	Called fund	Total Net
BALANCE AS AT 31.12.2018	**10 773**	**–**	**10 773**	**(14 406)**	**1 625**	**2 137**	**129**
Transfers to/from the 10th EDF		*15*	*(15)*				*(15)*
Transfers to/from the 10th EDF			–			*(27)*	*(27)*
Economic result of the year			–	*(34)*			*(34)*
BALANCE AS AT 31.12.2019	**10 773**	**15**	**10 758**	**(14 440)**	**1 625**	**2 109**	**53**
Capital increase - contributions		–	–				–
Transfers to/from the 10th EDF			–			*(69)*	*(69)*
Refund to Member States	*(223)*		*(223)*				
Economic result of the year			–	–		–	–
BALANCE AS AT 31.12.2020	**10 550**	**15**	**10 535**	**(14 440)**	**1 625**	**2 041**	**(203)**

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)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2018	**20 960**	**–**	**20 960**	**(18 077)**	**–**	**55**	**2 938**
Transfers to/from the Eighth and Ninth EDF			–			*28*	*28*
Transfers to/from the 11th EDF			–			*181*	*181*
Economic result of the year			–	*(529)*			*(529)*
BALANCE AS AT 31.12.2019	**20 960**	**–**	**20 960**	**(18 606)**	**–**	**265**	**2 618**
Transfers to/from the Eighth and Ninth EDF			–			*71*	*71*
Transfers to/from the 11th EDF			–			*(147)*	*(147)*
Economic result of the year			–	*(457)*		–	*(457)*
BALANCE AS AT 31.12.2020	**20 960**	**–**	**20 960**	**(19 063)**	**–**	**188**	**2 084**

EUR million

11th EDF	Fund	Uncalled	Called fund	Cumulative	Called fund	Called fund	Fair value	Total Net
BALANCE AS AT 31.12.2018	**29 367**	**22 840**	**6 527**	**(8 573)**	**–**	**317**	**–**	**(1 729)**
Fair value movements						–	*(2)*	*(2)*
Capital increase - contributions		*(4 400)*	*4 400*					*4 400*
Transfers to/from the Eighth,			–		–	*(181)*		*(181)*
Economic result of the year			–	*(3 393)*		–		*(3 393)*
BALANCE AS AT 31.12.2019	**29 367**	**18 440**	**10 927**	**(11 966)**	**–**	**136**	**(2)**	**(905)**
Fair value movements							*(2)*	*(2)*
Capital increase - contributions		*(4 400)*	*4 400*			*147*		*4 547*
Economic result of the year			–	*(4 324)*		–		*(4 324)*
BALANCE AS AT 31.12.2020	**29 367**	**14 040**	**15 327**	**(16 290)**	**–**	**283**	**(4)**	**(683)**

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 thousands of 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	31.12.2020	31.12.2019	Currency	31.12.2020	31.12.2019
BGN	**1.9558**	*1.9558*	**PLN**	**4.5597**	*4.2568*
CZK	**26.2420**	*25.4080*	**RON**	**4.8683**	*4.783*
DKK	**7.4409**	*7.4715*	**SEK**	**10.0343**	*10.4468*
GBP	**0.8990**	*0.8508*	**CHF**	**1.0802**	*1.0854*
HRK	**7.5519**	*7.4395*	**JPY**	**126.4900**	*121.9400*
HUF	**363.8900**	*330.5300*	**USD**	**1.2271**	*1.1234*

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, accrued and deferred revenue and charges, provisions, financial risk on accounts receivable, contingent assets and liabilities, and degree of impairment of assets. 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 amended European Union Accounting Rules (EAR)

New EAR which are effective for annual periods beginning on or after 1 January 2020

There are no new EAR which became effective for annual periods beginning on or after 1 January 2020.

New EAR adopted but not yet effective at 31 December 2020

On 17 December 2020 the Accounting Officer of the European Commission adopted the revised EAR 11 'Financial Instruments', which is effective for accounting periods beginning on or after 1 January 2021. The revised EAR 11 has been updated in line with the new IPSAS 41 'Financial Instruments' and establishes the principles for the financial reporting of the financial assets and financial liabilities held by the EU entities. For more information please refer to the EU annual accounts of 2020. No material impact of this change is expected due to the small amount of financial instruments in the financial statements of the entity.

1.3. BALANCE SHEET

1.3.1. Financial assets

Financial assets are classified in the following categories: 'financial assets at fair value through surplus or deficit', 'loans and receivables', 'held-to-maturity investments' and 'available for sale financial assets'. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) *Financial assets at fair value through surplus or deficit*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also presented in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date. Loans and receivables include term deposits with the original maturity above three months.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

(iv) *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the entity expects to hold them, which is usually the maturity date. During this financial year, the entity did not hold any investments in this category.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on their trade date, i.e. the date on which the entity commits to purchase or sell the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit, transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

Financial assets at fair value through surplus or deficit are subsequently carried at fair value, with gains and losses arising from changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in the fair value reserve. Interest on available for sale financial assets, calculated using the effective interest method, is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

1.3.2. Pre-financing amounts

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

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

1.3.3. Receivables and recoverables

The EU accounting rules require a 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 and are thus classified as loans and receivables and measured accordingly.

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

1.3.4. Cash and cash equivalents

Cash and cash equivalents are financial instruments and include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.3.5. 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. 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:

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions are taxes and transfers, because the transferor provides resources to the recipient entity, without the recipient entity providing approximately equal value directly in exchange. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. 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.

(ii) Revenue from exchange transactions

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or 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

The financial assets of the EDF amounted to EUR 33 million at 31 December 2020 (2019: 36 million). They comprise available for sale financial assets that are almost entirely investments in equity instruments.

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	31.12.2020	31.12.2019
Non-current pre-financing	2.2.1	*–*	*3*	*292*	*578*	*873*	*910*
Current pre-financing	2.2.2	*–*	*9*	*341*	*1 005*	*1 355*	*1 288*
Total		**–**	**12**	**633**	**1 583**	**2 228**	**2 199**

The increase in total pre-financing by EUR 29 million at 31 December 2020 is a combined effect of the increase of pre-financing of the 11th EDF (2019: EUR 1 401 million) and decrease of pre-financing of the 10th EDF (2019: EUR766 million).

The increase of pre-financing in the 11th EDF can be largely explained by increase of advances paid out on new contracts signed during the year. The 11th EDF started in 2015 and in 2020 the contracting for the EDF activities reached a peak. As a result, the number of open contracts increased from around 3 400 in 2019 to 3 550 in 2020. This increase in pre-financing led to an increase in cash outflows and therefore to a decrease in cash and cash equivalents (see note **2.5**).

The decrease of pre-financing in the 10th EDF is a consequence of the normal lifecycle of the EDF. As a result of phasing out of the 10th EDF many contracts were completed and closed. The number of open contracts under this EDF dropped from approximately 2 600 in 2019 to circa 2 500 in 2020. Consequently, the level of pre-financing payments made to beneficiaries decreased while the clearing of pre-financing increased.

2.2.1. Non-current pre-financing by management mode

EUR million

	31.12.2020	31.12.2019
Direct Management		
Implemented by:		
Commission	*139*	*190*
EU executive agencies	*8*	*6*
EU delegations	*25*	*49*
	171	**244**
Indirect Management		
Implemented by :		
EIB and EIF	*266*	*313*
International organisations	*347*	*291*
Private law bodies with a public service mission	*28*	*22*
Public law bodies	*49*	*22*
Third countries	*11*	*17*
EU bodies and Public Private Partnership	*1*	*1*
	702	**666**
Total	**873**	**910**

2.2.2. Current pre-financing

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Pre-financing (gross)	–	*98*	*1 527*	*3 472*	*5 097*	*5 030*
Cleared via cut-off	–	*(89)*	*(1 186)*	*(2 467)*	*(3 742)*	*(3 742)*
Total	**–**	**9**	**341**	**1 005**	**1 355**	**1 288**

2.2.3. Current pre-financing by management mode

EUR million

	31.12.2020	31.12.2019
Direct Management		
Implemented by:		
Commission	*(40)*	*80*
EU executive agencies	*14*	*15*
EU delegations	*206*	*188*
	180	**283**
Indirect Management		
Implemented by :		
EIB and EIF	*224*	*50*
International organisations	*572*	*569*
Private law bodies with a public service mission	*73*	*86*
Public law bodies	*146*	*119*
Third countries	*155*	*180*
EU bodies and Public Private Partnership	*4*	*1*
	1 175	**1 005**
Total	**1 355**	**1 288**

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

	31.12.2020	31.12.2019
Guarantees for Pre-financing	*49*	*46*

The increase of the pre-financing guarantees is a consequence of increase of pre-financing.

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

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 Commission under the direct management mode.

EUR million

	Net contribution at 31.12.2019	Contributions paid in 2020	Allocation of TF's net expenses 2020	Net contribution at 31.12.2020
Africa	*263*	*771*	*(649)*	*385*
Bêkou	*4*	*29*	*(24)*	*9*
Total	**266**	**800**	**(673)**	**394**

The contributions to the trust funds increased from EUR 600 million in 2019 to EUR 800 million in 2020. The increase of the funding was necessary to cover the increased activity of the trust funds resulting in higher expenses in this area.

2.4. NON-EXCHANGE RECOVERABLES AND EXCHANGE RECEIVABLES

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

EUR million

	Note	31.12.2020	31.12.2019
Recoverables from non-exchange transactions	2.4.1	*48*	*32*
Receivables from exchange transactions	2.4.2	*92*	*91*
Total		**140**	**123**

2.4.1. Recoverables from non-exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Member States	–	–	–	–	–	*1*
Customers	–	*5*	*50*	*5*	*61*	*27*
Public bodies	–	*11*	*14*	*2*	*27*	*21*
Third states	–	*1*	*2*	*1*	*4*	*7*
Write down	–	*(15)*	*(28)*	*(4)*	*(49)*	*(27)*
Inter-company accounts with EU institutions	–	–	–	*4*	*4*	*5*
Total	**–**	**2**	**38**	**8**	**48**	**32**

2.4.2. Receivables from exchange transactions

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Accrued income	–	*67*	*21*	–	*88*	*88*
Inter-EDF accounts	*181*	*(246)*	*1 663*	*(1 598)*	–	–
Other	–	–	–	*4*	*4*	*4*
Total	**181**	**(179)**	**1 684**	**(1 594)**	**92**	**91**

Included under accrued income are amounts of accrued interest on pre-financing, namely an amount of EUR 62.6 million relating to a debt relief project with the World Bank and EUR 18 million relating to the EU Africa Infrastructure Fund with the EIB.

The heading "other" entirely comprises a receivable to the Global Energy Efficiency and Renewable Energy Fund (GEEREF).

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.

Inter-EDF accounts are presented only in the individual EDFs. The total of inter-EDF accounts is zero.

2.5. CASH AND CASH EQUIVALENTS[3]

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Special accounts						
Central banks	–	–	–	*693*	*693*	*729*
	–	**–**	**–**	**693**	**693**	**729**
Current accounts						
Commercial banks	–	–	–	*8*	*8*	*421*
Cash belonging to financial instruments	–	–	–	*27*	*27*	*30*
	–	**–**	**–**	**35**	**35**	**450**
Total	**–**	**–**	**–**	**728**	**728**	**1 179**

The decrease of amounts under this heading of EUR 451 million can be explained mainly by the increase in payments made from the commercial bank accounts which is in line with the increase in expenses (see note **3.3**) and the increase in pre-financing (see note **2.2**). EDF net payments reached a record high of EUR 4 605 million in 2020 (2019: EUR 3 910 million), mostly due to the impact of the COVID-19 pandemic. As a response to the pandemic, the EU is adapting its priorities and programmes with partner countries, which led to the increased disbursements, in particular to projects aimed at fighting the COVID crisis.

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

LIABILITIES

2.6. FINANCIAL LIABILITIES

2.6.1. Co-financing payables

Co-financing payables represent funds received by the EDF in relation 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 they are disclosed as current or non-current.

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

EUR million

	Eighth	Ninth	10th	11th	31.12.2020	31.12.2019
Non-current co-financing payables	–	–	–	*2*	*2*	*19*
Current co-financing payables	–	–	*10*	*32*	*42*	*69*
Total	**–**	**–**	**10**	**34**	**44**	**88**

The decrease in total co-financing payables of EUR 44 million is mainly due to the increase in expenses incurred in respect of co-financed projects (EUR 53.2 million), namely related to 11th EDF (see note 3.4) which was partially offset by new co-financing projects of EUR 9 million. The substantial decrease of the non-current co-financing is in line with the life cycle of the co-financing projects: at the year-end a case by case analysis of the open co-financing is performed and only the amounts that will not be expensed next year are classified under non-current co-financing.

[3] 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.

2.7. PAYABLES

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Current payables	2.7.1	–	*1*	*53*	*291*	*345*	*182*
Sundry payables	2.7.2	–	–	*8*	*262*	*270*	*334*
Total		**–**	**1**	**62**	**553**	**615**	**516**

2.7.1. Current payables

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Suppliers	–	*4*	*44*	*93*	*141*	*97*
Member States	–	–	–	–	–	*2*
Third states	–	–	*2*	*187*	*189*	*78*
Public bodies	–	–	*21*	*79*	*100*	*92*
Other current payables	–	*(4)*	*(13)*	*(68)*	*(85)*	*(88)*
Total	**–**	**–**	**53**	**291**	**345**	**182**

Payables largely comprise cost statements received by the EDF in relation to 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 the 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 in particular for suppliers and third states is due to several invoices that have not been validated and paid before year-end.

2.7.2. Sundry payables

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Co-financing payables	2.6.1	–	–	*10*	*32*	*42*	*69*
Deferred capital contributions	2.7.2.1	–	–	–	*223*	*223*	*264*
Other sundry payables		–	–	*(2)*	*7*	*5*	*1*
Total		**–**	**–**	**8**	**262**	**270**	**334**

2.7.2.1. Deferred capital contributions

At 31 December 2020, the entire amount of EUR 223 million relates to a refund to Member States from decommitted or unused funds from projects under the Eight and Ninth EDF (see note **2.10.1**). The Member states agreed for the refund to be offset with the contributions from the 11th EDF during the first call for contributions in 2021.

At 31 December 2020 apart from the refund, there were no capital contributions paid in advance.

2.8. ACCRUED CHARGES AND DEFERRED INCOME

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Accrued charges	–	*67*	*217*	*1 243*	*1 526*	*1 318*
Other accruals and deferrals	–	–	–	*1*	*1*	*1*
Total	**–**	**67**	**217**	**1 244**	**1 527**	**1 319**

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

The increase under this heading is a combined effect of an increase of accrued charges under the 11th EDF (2019: EUR 983 million) and a decrease of accrued charges under the 10th EDF (2019: EUR 240 million). This is in line with the lifecycle of the EDF and also related to the evolution of the number of open contracts under these EDFs: the 11th EDF was at full cruising speed in 2020 and there were thus significantly more open contracts at 31 December 2020, for which charges had to be estimated and accrued (see note **2.2**).

NET ASSETS

2.9. FAIR VALUE RESERVE

In accordance with the accounting rules, the adjustment to fair value of available for sale financial assets is accounted for through the fair value reserve.

EUR million

	31.12.2020	31.12.2019
Fair value reserve	*5*	*2*

2.10. FUND CAPITAL

2.10.1. Called fund capital – active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Fund capital	*12 164*	*10 773*	*20 960*	*29 367*	*73 264*
Uncalled fund capital	–	*(15)*	-	*(18 440)*	*(18 455)*
Called fund capital 31.12.2019	**12 164**	**10 758**	**20 960**	**10 927**	**54 809**
Fund capital	*12 164*	*10 550*	*20 960*	*29 367*	*73 041*
Uncalled fund capital	–	*(15)*	-	*(14 040)*	*(14 055)*
Called fund capital 31.12.2020	**12 164**	**10 535**	**20 960**	**15 327**	**58 986**

The fund capital represents the total amount of contributions from Member States for the relevant EDF fund as laid down in each of the Internal Agreements. The uncalled funds represent 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).

By means of Council Decision (EU) 2020/1708 the Member States' contributions set out in the Internal Agreements of the Eighth and Ninth EDF were reduced accordingly for an amount of EUR 223 million from funds decommitted under the Eighth and the Ninth EDF. As the funds decommitted under the Eighth EDF have been already transferred to the other EDFs, EUR 223 million was deducted from the capital of the Ninth EDF. Refunds arising from this reduction have been compensated against additional call for funds

under the 11th EDF. In fact, the refund will be used against the first instalment of 2021 which explains the EUR 223 million of deferred capital (see note **2.7.2**).

On 1 February 2020, the United Kingdom ceased to be a Member State of the European Union. While the United Kingdom remains party to the EDF until the closure of all programs, and assumes the same obligations as the Member States, in accordance with Article 153 of the Withdrawal Agreement, its share of uncommitted and decommitted funds from the Eight, Ninth and 10th EDF cannot be reused.

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

EUR million

Contributions 11th EDF	%	Uncalled capital 31.12.2019	Capital called in 2020	Uncalled capital 31.12.2020
Austria	*2.40*	*442*	*(105)*	*337*
Belgium	*3.25*	*599*	*(143)*	*456*
Bulgaria	*0.22*	*40*	*(10)*	*31*
Croatia	*0.23*	*42*	*(10)*	*32*
Cyprus	*0.11*	*21*	*(5)*	*16*
Czech Republic	*0.80*	*147*	*(35)*	*112*
Denmark	*1.98*	*365*	*(87)*	*278*
Estonia	*0.09*	*16*	*(4)*	*12*
Finland	*1.51*	*278*	*(66)*	*212*
France	*17.81*	*3 285*	*(784)*	*2 501*
Germany	*20.58*	*3 795*	*(906)*	*2 889*
Greece	*1.51*	*278*	*(66)*	*212*
Hungary	*0.61*	*113*	*(27)*	*86*
Ireland	*0.94*	*173*	*(41)*	*132*
Italy	*12.53*	*2 311*	*(551)*	*1 759*
Latvia	*0.12*	*21*	*(5)*	*16*
Lithuania	*0.18*	*33*	*(8)*	*25*
Luxemburg	*0.26*	*47*	*(11)*	*36*
Malta	*0.04*	*7*	*(2)*	*5*
Netherlands	*4.78*	*881*	*(210)*	*671*
Poland	*2.01*	*370*	*(88)*	*282*
Portugal	*1.20*	*221*	*(53)*	*168*
Romania	*0.72*	*132*	*(32)*	*101*
Slovakia	*0.38*	*69*	*(17)*	*53*
Slovenia	*0.22*	*41*	*(10)*	*32*
Spain	*7.93*	*1 463*	*(349)*	*1 114*
Sweden	*2.94*	*542*	*(129)*	*413*
United Kingdom	*14.68*	*2 707*	*(646)*	*2 061*
Total	**100.00**	**18 440**	**(4 400)**	**14 040**

Since the capital of the Eighth, Ninth and 10th EDF has been called up and received in its entirety in previous years, in 2020, an amount of EUR 4 400 million has been called which relates entirely to the 11th EDF.

2.10.3. Called fund capital from closed EDFs carried forward

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Funds transferred from closed EDFs	*627*	*1 625*	*–*	*–*	*2 252*	*2 252*

This heading includes the resources transferred from closed EDFs to the Eighth and Ninth EDFs.

2.10.4. Called fund capital transfers between active EDFs

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2018	**(2 509)**	**2 137**	**55**	**317**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(1)*	*(27)*	*28*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*181*	*(181)*	*–*
Balance at 31.12.2019	**(2 510)**	**2 109**	**265**	**136**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(2)*	*(69)*	*71*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(147)*	*147*	*–*
Balance at 31.12.2020	**(2 512)**	**2 041**	**188**	**283**	**–**

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, as set out in the Internal Agreements.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR million

	Note	2020	2019
Revenue from non-exchange transactions	3.1	*92*	*28*
Revenue from exchange transactions	3.2	*43*	*46*
Total		**135**	**74**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR million

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2020	2019
Recovery of expenses		*(1)*	*5*	*28*	*7*	*39*	*13*
Co-financing revenue	3.1.1	*–*	*–*	*41*	*12*	*53*	*14*
Total		**(1)**	**5**	**69**	**19**	**92**	**28**

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

EUR million

	2020	2019
Direct Management		
Implemented by:		
Commission	*2*	*1*
EU delegations	*11*	*6*
	13	**6**
Indirect Management		
Implemented by :		
Third countries	*42*	*15*
Public law bodies	*13*	
International organisations	*17*	*5*
Private law bodies with a public service mission	*7*	*2*
	79	**22**
Total	**92**	**28**

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. The contributions remain under liabilities (see note **2.6.1** & **2.7.2**) until the conditions attached to the donated funds are met, i.e. eligible expenses are incurred (see note **3.4**). The corresponding amount is then recognised 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	2020	2019
Financial revenue	–	*5*	*1*	*1*	*6*	*7*
Other revenue	–	*5*	*18*	*13*	*37*	*39*
Total	**–**	**10**	**19**	**14**	**43**	**46**

Financial revenue comprises essentially accrued interest on overdue recovery orders (EUR 1.5 million) and interest on pre-financing (EUR 4.7 million). Other revenue relates mainly to foreign exchange gains. The corresponding foreign exchange losses are recorded under other expenses (see note **3.6**).

EXPENSES

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

3.3. AID INSTRUMENTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2020	2019
Programmable aid	–	–	*244*	*2 646*	*2 889*	*2 120*
Macro-economic support	–	*(8)*	–	–	*(8)*	*29*
Sectoral policy	–	*3*	–	–	*3*	*(0)*
Intra ACP projects	–	*(22)*	*212*	*829*	*1 019*	*951*
Emergency aid	–	*(7)*	*5*	*21*	*19*	*112*
Institutional support	–	–	*2*	*10*	*13*	*7*
Contributions to Trust Funds	–	–	–	*673*	*673*	*535*
Total	**–**	**(33)**	**462**	**4 179**	**4 607**	**3 755**

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

In 2020, operational expenditure increased significantly by EUR 852 million mainly as a result of the increase in expenses under the 11th EDF (kEUR 3 141 in 2019 to kEUR 4 179 in 2020). The COVID-19 crisis led to an increase in expenses under the 11th EDF in particular as projects were reoriented to deal with the crisis. In addition, the changes in expenses under the 10th and 11th EDF are also in line with the lifecycle of the EDF and related to the evolution of the number of open contracts under these EDFs. The 11th EDF has reached maturity in 2020, which means that at year-end there were significantly more contracts under which expenses were incurred (see note **2.2**). Conversely, many contracts were completed and closed under the 10th and previous EDF's in 2020, which resulted in less expenses incurred under those EDF's.

Under the 11th EDF, the increase in expenses comes mainly from the increase in the programmable aid (increase from kEUR 2 120 in 2019 to kEUR 2 889 in 2020) and the Contributions to the Trust funds (increase from EUR 535 million in 2019 to EUR 673 million in 2020). On the other hand expenses relating to emergency aid decreased by EUR 92 million. As noted above, primarily under the 11th EDF the structure of the aid instruments expenses changed compared to 2019 so as to address the needs triggered by the COVID 19 pandemic.

The negative amount under the Ninth EDF is mainly due to the reversal of 2019 closure bookings.

3.4. CO-FINANCING EXPENSES

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2020	2019
Co-financing	–	–	*41*	*12*	*53*	*14*

Included under this heading are the expenses incurred on co-financing projects in 2020. 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 2020, many co-financed projects under the 11th EDF have been finalised or reached maturity, which led to an increase in expenses and a decrease in co-financing liabilities (see note **2.6.1** & **2.7.2**).

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

AID INSTRUMENTS AND CO-FINANCING EXPENSES BY MANAGEMENT TYPE

EUR million

	2020	2019
Direct Management		
Implemented by:		
Commission	*168*	*86*
EU executive agencies	*14*	*(13)*
Trust Funds	*19*	*483*
EU delegations	*1 969*	*1 141*
	2 170	**1 697**
Indirect Management		
Implemented by:		
EIB and EIF	*(67)*	*145*
International organisations	*1 268*	*1 003*
Private law bodies with a public service mission	*243*	*126*
Public law bodies	*248*	*184*
Third countries	*795*	*613*
EU bodies with Public Private Partnership	*2*	*1*
	2 490	**2 073**
Total	**4 660**	**3 770**

3.5. FINANCE COSTS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2020	2019
Write-down of receivables	*(1)*	*3*	*16*	*4*	*21*	*1*

The increase under this heading is due to the increase in the estimated expenses on irrecoverable amounts arising from ageing recovery orders (over 2 years), bankruptcies and waivers.

3.6. OTHER EXPENSES

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

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2020	2019
Administrative and IT expenses	*–*	*–*	*–*	*120*	*120*	*220*
Provision for risks and charges	*–*	*–*	*–*	*–*	*–*	*–*
Realised losses on trade debtors	*–*	*4*	*1*	*–*	*4*	*3*
Exchange losses	*–*	*6*	*24*	*42*	*72*	*37*
Total	**(0)**	**9**	**25**	**162**	**196**	**260**

The decrease under this heading is a combined effect of the significant decrease in the year-end estimation of administrative and IT expenses (2019: EUR 220 million) and the increase of expenses relating to exchange losses (2019: EUR 37 million).

4. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

EUR million

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2020	31.12.2019
Performance guarantees	*–*	*7*	*4*	*–*	*12*	*15*
Retention guarantees	*–*	*5*	*3*	*–*	*9*	*9*
Total	**–**	**13**	**7**	**–**	**21**	**24**

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

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

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

4.2. OTHER SIGNIFICANT DISCLOSURES

4.2.1. Outstanding commitments not yet expensed

The amount disclosed below is the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the statement of financial performance. The budgetary RAL is an amount representing the 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	31.12.2020	31.12.2019
Outstanding commitments not yet expensed	*–*	*42*	*580*	*6 602*	*7 224*	*8 564*

At 31 December 2020 the budgetary RAL totalled EUR 9 286 million (2019: EUR 10 270 million).

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

	31.12.2020							31.12.2019						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	*65*	*–*	*–*	*–*	*69*	*6*	*140*	*–*	*–*	*–*	*–*	*115*	*8*	*123*
Cash and cash equivalents	*2*	*–*	*–*	*–*	*726*	*–*	*728*	*1*	*–*	*–*	*–*	*1 178*	*–*	*1 179*
	67	**–**	**–**	**–**	**795**	**6**	**868**	**1**	**–**	**–**	**–**	**1 293**	**8**	**1 302**
Financial liabilities														
Non-current financial liabilities	*–*	*–*	*–*	*–*	*(2)*	*–*	*(2)*	*–*	*–*	*–*	*–*	*(19)*	*–*	*(19)*
Payables	*(16)*	*–*	*(6)*	*–*	*(603)*	*10*	*(615)*	*(7)*	*–*	*–*	*–*	*(509)*	*–*	*(516)*
	(16)	**–**	**(6)**	**–**	**(605)**	**10**	**(617)**	**(7)**	**–**	**–**	**–**	**(528)**	**–**	**(535)**
Total	**51**	**–**	**(6)**	**–**	**190**	**16**	**251**	**(6)**	**–**	**–**	**–**	**765**	**8**	**767**

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 credit interest rate risk. However, since the ECB deposit facility rate is negative (-0.5% since September 2019), deposits in EUR generate negative interests.

Contributions to the EDF budget are credited by each Member State to a special account opened with the financial institution designated by it. 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 however subject to negative interest charges. The Commission, on behalf of the EDF, has therefore put in place cash management procedures to minimise balances kept on these accounts and limit as much as possible the negative interest costs. Interest charges are calculated based on variable market rates to which a contractual margin (positive or negative) is applied. Controls are in place to ensure that these interest charges are in line with contractual agreements.

5.4. CREDIT RISK (COUNTERPARTY RISK)

Financial assets that are neither past due nor impaired:

EUR million

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Exchange receivables and non-exchange recoverables	*140*	*124*	*7*	*9*	*–*
Total at 31.12.2020	**140**	**124**	**7**	**9**	**–**
Exchange receivables and non-exchange recoverables	*123*	*100*	*16*	*7*	*–*
Total at 31.12.2019	**123**	**100**	**16**	**7**	**–**

Financial assets by risk category:

EUR million

	31.12.2020			31.12.2019		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*9*	*372*	*381*	*7*	*958*	*965*
Upper medium grade	*–*	*211*	*211*	*–*	*220*	*220*
Lower medium grade	*–*	*145*	*145*	*–*	*1*	*1*
Non- investment grade	*–*	*–*	*–*	*–*	*–*	*–*
	9	**728**	**737**	**7**	**1 179**	**1 186**
Counterparties without external credit rating						
Group 1 (debtors without defaults in the past)	*131*	*–*	*131*	*116*	*–*	*116*
Group 2 (debtors with defaults in the past)	*–*	*–*	*–*	*–*	*–*	*–*
Total	**131**	**–**	**131**	**116**	**–**	**116**
Total	**140**	**728**	**868**	**123**	**1 179**	**1 302**

Funds in the categories *non-investment grade* and *lower medium grade* relate mainly to Member State contributions to the EDF paid to the special accounts opened by Member States in accordance with Article 20(3) of the EDF FR. According to this regulation, the amount of such contributions must remain in those special accounts until the payments need to be made.

Most of the EDF's treasury resources are kept, in accordance with the EDF FR, in the special accounts opened by Member States for the payment of their contributions. The majority of such accounts are held with Member States' treasuries or national central banks. These institutions carry the lowest counterparty risk for the EDF (exposure is with its Member States).

For the part of the EDF's treasury resources kept with commercial banks in order to cover the execution of payments, replenishment of these accounts is executed on a just-in-time basis and is automatically managed by the Commission treasury's cash management system. Minimum cash levels, proportional to the average amount of daily payments made from it, are kept on each account. Therefore the amounts kept overnight on these accounts remain constantly at low levels which ensure the EDF's risk exposure is limited.

In addition, specific guidelines are applied for the selection of commercial banks in order to minimise counterparty risk to which the EDF is exposed.

All commercial banks are selected by calls for tender. The minimum short-term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent (S&P A-1 or Fitch F1). A lower level may be accepted in specific and duly justified circumstances.

5.5. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

EUR million

	< 1 year	1-5 years	> 5 years	Total
Financial liabilities at 31.12.2020	*615*	*2*	*–*	*617*
Financial liabilities at 31.12.2019	*516*	*2*	*17*	*535*

Budget principles applied to the EDF ensure that overall cash resources for the budgetary period are always sufficient for the execution of payments. Indeed the total Member States' contributions equal the overall amount of payment appropriations for the relevant budgetary period.

Member States contributions to EDF, however, are paid in three instalments per year, while payments are subject to seasonality.

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

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

6. RELATED PARTY DISCLOSURES

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

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

7. EVENTS AFTER THE BALANCE SHEET DATE

At the date of transmission of these accounts, no material issues had come to the attention of or were reported to the Accounting Officer of the EDF that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above.

8. RECONCILIATION OF ECONOMIC RESULT AND BUDGET RESULT

The economic result of the year is calculated based on accrual accounting principles. The budget result is however based on cash accounting rules. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconciliable. 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

	2020	2019
ECONOMIC RESULT OF THE YEAR	**(4 744)**	**(3 956)**
Revenue		
Entitlements not affecting the budget result	*(2)*	*–*
Entitlements established in current year but not yet collected	*(23)*	*(16)*
Entitlements established in previous years and collected in current year	*13*	*23*
Net effect of pre-financing	*61*	*53*
Accrued revenue (net)	*(33)*	*(67)*
Other	*–*	*(3)*
Expenses		
Expenses of the current year not yet paid	*119*	*107*
Expenses of previous years paid in the current year	*(817)*	*(672)*
Net effect of pre-financing	*(281)*	*(44)*
Accrued expenses (net)	*1 102*	*719*
BUDGET RESULT OF THE YEAR	**(4 604)**	**(3 856)**

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 2020

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 BÊKOU EU TRUST FUND

1.1. 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)[4] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[5], the European Commission may establish Union trust funds for external actions ('EU trust funds'). 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; to support 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".

[4] 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.

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

Main operational activities

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

Governance

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

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

Sources of financing

The EUTF Bêkou is financed through contributions from donors.

Annual accounts

Basis for preparation

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

Accounting Officer

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

Composition of the annual accounts

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

Process from provisional accounts to discharge

The annual accounts are subject to independent external audit. The provisional annual accounts prepared by the Accounting Officer are transmitted, by the 1st of March of the following year, 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 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 adopted 23 programmes and has reached more than 2.8 million beneficiaries.

Despite the presence of a democratically elected government and the signature of a peace agreement in February 2019, the security situation in the CAR remains volatile. It is in this complex and fragile context that the EUTF Bêkou deploys its comparative advantages of flexibility and adaptability to changing circumstances. Additionally, the EUTF Bêkou remains currently the only instrument building resilience for both the population and the State, in a true LRRD (linking relief, rehabilitation and development) approach.

Operational highlights of the year 2020 include:

- In April, the EUTF Bêkou adopted three new programmes by written procedure. These include the third phase of the Gender programme, the second phase of the Reconciliation action, which envisages the continuation of the support to Central African radios and notably Radio Ndeke Luka, as well as a new programme on Vocational Training in the rural sector.

- In response to the COVID-19 outbreak, the EUTF Bêkou made substantial efforts to re-orient, accelerate and prioritise actions for the most effective response to the crisis. In this context, the Health and Water and Sanitation programmes were of critical importance for supporting the Team Europe's response to the crisis that amplified existing needs in the two sectors. In June, the EUTF Bêkou approved a revision of the two actions, increasing the budget of the Health programme by EUR 2.2 million and that of the Water and Sanitation action by EUR 2 million.

- In December, the EUTF Bêkou adopted a programme supporting the deployment of civil protection for a total amount of EUR 4 million. Moreover, in order to avoid any financing gap in the all-important health sector, the EUTF Bêkou increased again the budget of the on-going health programme (phase III) (additional EUR 10 million).

- The implementation of EUTF Bêkou projects were marked by the volatile security context (localised conflicts in Bangui and the hinterland followed by periods of relative stability), as well as incertitude as the presidential elections of December 2020 were approaching.

In December 2020, following an official request from the EUTF Board, the EU decided an extension of the EUTF Bêkou until 31 December 2021, thus bringing its total duration from 78 months to 90 months. This will allow the EUTF Bêkou to commit and contract all received contributions in a timely way and responding to CAR's needs. This is the second and last extension of the EUTF.

Budget and budget implementation

On the financial side, by the end of 2020, pledges by EUTF contributors amounted to nearly EUR 308.3 million. This is an increase of EUR 12.5 million compared to 2019. EUR 1 million out of these EUR 308.3 million is still to be certified.

In terms of contracts, the EUTF Bêkou signed 7 new contracts and 9 cost-extension contract riders in 2020 for a total amount of nearly EUR 53 million. They contribute to the implementation of its programmes in the sectors of health, water and sanitation, rural development and economic recovery, and reconciliation.

Last but not least, more than EUR 46 million was paid in 2020 on top of payments made during previous years; total disbursements have reached nearly EUR 197 million since the creation of the EUTF Bêkou.

The main impact of COVID-19 on the budget implementation of EUTF Bêkou in 2020 is a follows:

- Less contracts as a result of difficulties to prepare actions;

- Reduced expenses as a result of inability to implement projects and of difficulties to finalise financial reports and expenditure verification reports.

Impact of the activities in the financial statements

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

- Operating expenses (see note **3.3**): which have overall decreased by kEUR 661; however the expenses relating to basic health have increased as a result of the increase in the budget in response to the additional challenges brought about by the COVID-19 pandemic;

- Pre-financing (see notes **2.1**): decreased by kEUR 3 685 as a result of less advances being paid out due to fewer contracts being signed (7 new contracts in 2020 compared to 11 in 2019);

- Financial liabilities (see note **2.4**): decreased by kEUR 11 889 mainly due to the fact that the cashed contributions from the donors are not sufficient to cover the yearly payment outflows. This also led to the shrinking of the cash and cash equivalents (see note **2.3**).

BALANCE SHEET

EUR '000

	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Pre-financing	*2.1*	*2 418*	*3 273*
		2 418	**3 273**
CURRENT ASSETS			
Pre-financing	*2.1*	*15 482*	*18 312*
Exchange receivables and non-exchange recoverables	*2.2*	*5 340*	*1 853*
Cash and cash equivalents	*2.3*	*7 339*	*17 432*
		28 161	**37 597**
TOTAL ASSETS		**30 579**	**40 870**
NON-CURRENT LIABILITIES			
Financial liabilities	*2.4*	*(17 838)*	*(29 727)*
		(17 838)	**(29 727)**
CURRENT LIABILITIES			
Payables	*2.5*	*(795)*	*(10)*
Accrued charges	*2.6*	*(11 947)*	*(11 133)*
		(12 741)	**(11 143)**
TOTAL LIABILITIES		**(30 579)**	**(40 870)**
NET ASSETS		**–**	**–**
FUNDS & RESERVES			
Contribution from Members		–	–
Accumulated surplus		–	–
Economic result of the year		–	–
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2020	2019
REVENUE			
Revenue from non-exchange transactions			
Revenue from donations	*3.1*	*47 889*	*48 343*
Recovery of expenses	*3.2*	*115*	*68*
		48 004	**48 410**
Revenue from exchange transactions			
Financial revenue		*–*	*(2)*
		–	**(2)**
Total revenue		**48 004**	**48 408**
EXPENSES			
Operating expenses	*3.3*	*(46 959)*	*(47 620)*
Finance costs	*3.4*	*(68)*	*–*
Other expenses	*3.5*	*(978)*	*(789)*
Total expenses		**(48 004)**	**(48 408)**
ECONOMIC RESULT OF THE YEAR			

CASHFLOW STATEMENT

EUR '000

	2020	2019
(Increase)/decrease in pre-financing	*3 685*	*11 405*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(3 487)*	*(715)*
Increase/(decrease) in financial liabilities	*(11 889)*	*(13 010)*
Increase/(decrease) in payables	*784*	*(908)*
Increase/(decrease) in accrued charges	*814*	*6 734*
NET CASHFLOW	**(10 093)**	**3 506**
Net increase/(decrease) in cash and cash equivalents	*(10 093)*	*3 506*
Cash and cash equivalents at the beginning of the year	*17 432*	*13 926*
Cash and cash equivalents at year-end	*7 339*	*17 432*

FINANCIAL STATEMENTS OF THE EUTF AFRICA 2020

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)[6] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[7], the European Commission may establish Union trust funds for external actions ('EU trust funds'). 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; to support 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

[6] 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.
[7] 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.

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

Governance

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

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

Sources of financing

The EUTF Africa is financed through contributions from donors.

Annual accounts

Basis for preparation

The legal framework and the deadlines for the preparation of the annual accounts are set by the "Agreement establishing the European Union emergency trust fund for stability and addressing root causes of irregular migration and displaced persons in Africa and its internal rules" ("Constitutive Agreement"). As per this Constitutive Agreement, the annual accounts are prepared in accordance with the rules adopted by the Accounting Officer of the Commission (EU Accounting Rules, EAR), which are based on internationally accepted accounting standards for the public sector (IPSAS).

Accounting Officer

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

Composition of the annual accounts

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

Process from provisional accounts to discharge

The annual accounts are subject to independent external audit. The provisional annual accounts prepared by the Accounting Officer are transmitted, by the 1st of March of the following year, 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 Developement Fund.

Operational highlights

Achievements of the year

In 2020, EUTF Africa further demonstrated itself to be a swift and effective implementation tool. It facilitated policy dialogue with African partner countries, applied innovative approaches, and produced tangible results across the three regions of the EUTF Africa (Sahel and Lake Chad, Horn of Africa and North of Africa) by pooling funding and expertise from a wide range of stakeholders.

The EUTF Africa further consolidated its achievements in partnership with EU Member States development agencies, UN organisations, NGOs and partner countries, with the approval of an additional 37 programmes and 26 'top-ups' across the three regions by the operational committees for a total of EUR 560 million . This brings the total number of approved programmes to 254 including 4 cross-window programmes, for a total budget of over EUR 4.8 billion. New contracts worth over EUR 1 billion were signed in 2020 with implementing partners, bringing the total amount of signed contracts to over EUR 4.5 billion. By the end of 2020, payments had reached approximately EUR 3 billion.

In 2020, the EUTF Africa continued addressing the twin goals of fostering stability and handling the root causes of forced displacement and irregular migration in the Sahel and Lake Chad, Horn of Africa and North of Africa regions. The EUTF Africa continued to pursue a balanced approach in addressing the challenges of irregular migration, focusing on areas of mutual interest for the EU and Africa. These include the fight against smuggling of migrants and trafficking of human beings, and the support to voluntary return to, and sustainable reintegration of migrants in, their country of origin.

During the past year, the EUTF Africa benefitted from additional financial pledges of EUR 361.9 million, including EUR 29.2 million from EU Member States and other donors. As a result, the overall resources pledged to the EUTF Africa as of 31 December 2020 amounted to over EUR 5 billion, of which EUR 619.7 million were pledged by EU Member States and other donors (Norway and Switzerland).

The EUTF Africa has continued working in solid partnership with a wide range of implementing partners (agencies from Member States, UN and international organisations, local and international NGOs) along the same lines as in 2019.

The Mid-Tem Evaluation of the EUTF for Africa, launched in 2019 to provide the EU external co-operation services and the wider public with an overall independent mid-term assessment of the EUTF for Africa, was fully carried out in the course of 2020. The scope of the evaluation included over 200 out of 600 projects implemented between 2016 and 2019. All relevant Commission services, EEAS and EU Delegations across the three regions were consulted. Field visits were conducted in six countries: Ethiopia, Libya, Morocco, Niger, Senegal, and Somalia. The Final Report completed in 2020 will be published in spring 2021.

Throughout the year, the monitoring and learning system reports on the Sahel and Lake Chad and the Horn of Africa continued to show the tangible results achieved by the EUTF Africa in different areas of work. The Monitoring & Learning system of the North of Africa region generated two Monitoring Reports available on the EUTF website whose purpose is to analyze how EUTF-funded projects are contributing to the five strategic objectives of the EUTF in the North of Africa region

Accountability and transparency have been improved through increased communications including regular updates on the EUTF Africa website, publishing posts on social media and organising communication events.

In 2020, the COVID-19 pandemic had a profound impact, including in Africa. In response to the outbreak of the COVID-19 pandemic, in April 2020 the Commission adopted a Joint Communication on the Global EU response to COVID-19 that called to focus on the most vulnerable people, including migrants, refugees, internally displaced persons and their host communities. The EU and its Member States, acting together as 'Team Europe', took comprehensive and decisive actions to tackle the destructive impact of COVID-19, adapting priorities and programmes, including EUTF for Africa programmes, with partner countries to address the crisis.

In the Sahel and Lake Chad region, massive displacement, combined with climate change, uncontrollable population growth, endemic poverty and the COVID-19 pandemic aggravated the pre-existing pressure and had an increasing impact on migration and conflict. Throughout the year, increasing violence and mass forced displacement have led to rising levels of insecurity in the region. Against this background, the EUTF Africa's operational committee has approved 15 new programmes and 10 top-ups, for a total of

EUR 225.9 million . In order to improve governance and enhance social cohesion, 57% of the EUTF for Africa actions approved in 2020 have been directed towards this stabilisation effort. Special attention has been dedicated also to helping stranded migrants and internally displaced populations. 24% of new EUTF for Africa actions have been committed to strengthening resilience of beneficiaries by supporting food and nutrition security, protecting vulnerable livelihoods and promoting social protection schemes for the most vulnerable as well as IDPs, refugees and their host communities.

The onset of the COVID-19 pandemic in early 2020 further exacerbated fragilities across the Horn of Africa region already affected by consecutive droughts and floods; conflicts and insecurity; protracted refugee and internal displacement crises; and the worst desert locust outbreak in decades. All countries in the region suffered from a serious shortage of medical care and equipment, access to basic services was hampered by curfews and lockdowns, and several political developments were postponed, including general elections in Ethiopia. Several existing projects reoriented activities to combat the spread of the virus and mitigate economic effects of the pandemic. New commitments, reallocations and top-ups were made with this challenge in mind. Overall, 12 new programmes and 13 top-ups were approved by the operational committee in 2020 for a total of EUR 212.15 million .

In 2020, the EUTF for Africa had to respond comprehensively to challenges in the North of Africa region to save lives, protect the most vulnerable, support host communities, provide opportunities for safe and organised mobility and tackle the consequences of the COVID-19 pandemic. The North of Africa window has continued to work according to the strands of action agreed by the EUTF Strategic Board including support to improve migration governance; support for labour migration and mobility; protection of vulnerable migrants, voluntary return and sustainable reintegration as well as community stabilisation; and integrated border management. Overall, 10 new actions for a total of EUR 113.6 million were adopted in 2020 by the operational committee. This includes also EUR 30 million re-allocated funds from the Libya Border Management Programme (phase II) whose amount was reduced to EUR 15 million. In addition, EUR 12.3 million were adopted by the operational committee through three budgetary top-ups to existing actions.

Budget and budget implementation

The total amount of budgetary commitments in 2020 amounted to EUR 740.7 million, compared to EUR 722.7 million in 2019. The total amount contracted in 2020 amounted to EUR 1.1 billion, whereas it reached EUR 951.3 million in 2019.

In 2020, the budget implementation in terms of available commitments used by contracts reached 99 %, whereas payments in the reporting period exceeded EUR 1 billion. Total payments in 2020 were EUR 143 million higher than in 2019.

In the Sahel / Lake Chad, the combined effect of COVID-19 and rising violence put a significant strain on health services, and several EUTF programmes have been created or engaged in activities that aimed to support the pandemic response and address its economic consequences. Overall, EUR 377.6 million have been allocated to strengthen the health systems of partner countries, put in place emergency response and prevention and support the economic response to the COVID-19 pandemic.

In the Horn of Africa, right at the start of the pandemic, several EUTF for Africa projects reoriented activities to combat the spread of the virus, mitigate economic effects and support these vulnerable populations, including refugees and stranded migrants. In the region, the EUTF for Africa provided a total of EUR 56.1 million to hold up the health systems and EUR 144.05 million to address the economic impact of COVID-19.

In the face of the challenging situation created by COVID-19, the EUTF Africa has ensured the continuity of its ongoing actions in North Africa, including quick re-allocation of existing actions and adoption of new actions to address the consequences of the pandemic. In particular, the EUTF Africa has adopted very quickly a EUR 20 million COVID-19 response programme for Libya and a EUR 10 million Emergency Response Facility to coronavirus to cover North African countries focusing on the most vulnerable populations.

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 **2.1**): an increase by kEUR 184 933 as a result of the new contracts signed and advances paid during 2020;

- Operating expenses (see note **3.4**): an increase by kEUR 133 110 as a result of the increased activity during the year in particular to combat the negative effects of the COVID pandemic;

- Revenue from donations (see note **3.1**): increased substiantially (increase of kEUR 146 923 compared to 2019) to fund the increase in expenses;

- Financial liabilities (see note **2.4**): increased by kEUR 161 968 mainly due to the increase in the cashed contributions received from donors during the year.

BALANCE SHEET

EUR '000

	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Pre-financing	*2.1*	*92 655*	*48 539*
		92 655	**48 539**
CURRENT ASSETS			
Pre-financing	*2.1*	*559 386*	*418 569*
Exchange receivables and non-exchange recoverables	*2.2*	*6 346*	*18 471*
Cash and cash equivalents	*2.3*	*57 971*	*26 915*
		623 703	**463 955**
TOTAL ASSETS		**716 359**	**512 495**
NON-CURRENT LIABILITIES			
Financial liabilities	*2.4*	*(546 379)*	*(384 411)*
		(546 379)	**(384 411)**
CURRENT LIABILITIES			
Payables	*2.5*	*(45 377)*	*(25 969)*
Accrued charges	*2.6*	*(124 602)*	*(102 114)*
		(169 979)	**(128 083)**
TOTAL LIABILITIES		**(716 359)**	**(512 495)**
NET ASSETS		**–**	**–**
FUNDS & RESERVES			
Contribution from Members		–	–
Accumulated surplus		–	–
Economic result of the year		–	–
NET ASSETS		**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2020	2019
REVENUE			
Revenue from non-exchange transactions			
Recovery of expenses		*–*	*467*
Revenue from donations	*3.1*	*921 014*	*774 090*
		921 014	**774 557**
Revenue from exchange transactions			
Financial revenue		*–*	*(7)*
Other exchange revenue	*3.2*	*2 883*	*1 855*
		2 883	**1 848**
Total revenue		**923 897**	**776 405**
EXPENSES			
Operating expenses	*3.3*	*(889 014)*	*(755 904)*
Finance cost	*3.4*	*(518)*	*(9)*
Other expenses	*3.5*	*(34 365)*	*(20 492)*
Total expenses		**(923 897)**	**(776 405)**
ECONOMIC RESULT OF THE YEAR		**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2020	2019
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(184 933)*	*(159 750)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*12 125*	*(1 815)*
Increase/(decrease) in financial liabilities	*161 968*	*14 412*
Increase/(decrease) in payables	*19 408*	*13 236*
Increase/(decrease) in accrued charges	*22 488*	*13 968*
NET CASHFLOW	**31 056**	**(119 949)**
Net increase/(decrease) in cash and cash equivalents	*31 056*	*(119 949)*
Cash and cash equivalents at the beginning of the year	*26 915*	*146 864*
Cash and cash equivalents at year-end	*57 971*	*26 915*

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

	31.12.2020	31.12.2019
NON-CURRENT ASSETS		
Financial assets	*33*	*36*
Trust Funds contributions	*(2)*	*-*
Pre-financing	*968*	*962*
	999	**998**
CURRENT ASSETS		
Pre-financing	*1 930*	*1 725*
Exchange receivables and non-exchange recoverables	*152*	*143*
Cash and cash equivalents	*793*	*1 223*
	2 875	**3 092**
TOTAL ASSETS	**3 874**	**4 090**
NON-CURRENT LIABILITIES		
Financial liabilities	*(173)*	*(167)*
	(173)	**(167)**
CURRENT LIABILITIES		
Payables	*(661)*	*(542)*
Accrued charges and deferred income	*(1 664)*	*(1 432)*
	(2 325)	**(1 974)**
TOTAL LIABILITIES	**(2 498)**	**(2 141)**
NET ASSETS	**1 376**	**1 948**
FUNDS & RESERVES		
Fair value reserve	*(5)*	*(2)*
Called fund capital - active EDFs	*58 986*	*54 809*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(55 111)*	*(51 155)*
Economic result of the year	*(4 746)*	*(3 956)*
NET ASSETS	**1 376**	**1 948**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	2020	2019
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*92*	*28*
Revenue from trust funds donations	*296*	*287*
	388	**316**
Revenue from exchange transactions		
Financial revenue	*6*	*7*
Other revenue	*40*	*41*
	46	**48**
Total Revenue	**434**	**364**
EXPENSES		
Aid instruments	*(3 937)*	*(3 220)*
Expenses implemented by trust funds	*(936)*	*(804)*
Co-financing expenses	*(53)*	*(14)*
Finance costs	*(22)*	*(1)*
Other expenses	*(232)*	*(282)*
Total Expenses	**(5 180)**	**(4 320)**
ECONOMIC RESULT OF THE YEAR	**(4 746)**	**(3 956)**

CONSOLIDATED CASH FLOW STATEMENT

EUR million

	2020	2019
Economic result of the year	*(4 746)*	*(3 956)*
Operating activities		
Capital increase - contributions	*4 177*	*4 385*
(Increase)/decrease in pre-financing	*(210)*	*(12)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(7)*	*13*
Increase/(decrease) in financial liabilities	*6*	*(62)*
Increase/(decrease) in payables	*119*	*288*
Increase/(decrease) in accrued charges and deferred income	*232*	*58*
Other non-cash movements	*(3)*	*(2)*
Investing activities		
(Increase)/decrease in available for sale financial assets	*2*	*(36)*
NET CASHFLOW	**(431)**	**676**
Net increase/(decrease) in cash and cash equivalents	(430)	676
Cash and cash equivalents at the beginning of the year	1 223	548
Cash and cash equivalents at year-end	793	1 223

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Fair value reserve (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**–**	**1 521**
Fair value movements						*(2)*	*(2)*
Capital increase - contributions		*(4 385)*	*4 385*	*–*	*–*		*4 385*
Economic result of the year	*–*	*–*	*–*	*(3 956)*	*–*		*(3 956)*
BALANCE AS AT 31.12.2019	**73 264**	**18 455**	**54 809**	**(55 111)**	**2 252**	**(2)**	**1 948**
Fair value movements						*(3)*	*(3)*
Capital increase - contributions		*(4 400)*	*4 400*				*4 400*
Refund to the Member States	*(223)*						*–*
Economic result of the year			*–*	*(4 746)*			*(4 746)*
BALANCE AS AT 31.12.2020	**73 041**	**14 055**	**58 986**	**(59 857)**	**2 252**	**(5)**	**1 376**

EDF REPORT ON FINANCIAL IMPLEMENTATION

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1. BACKGROUND

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

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

The EDF is a fund operating based on multiannuality. Each EDF is concluded for a period of around five years and it is governed by its own Financial Regulation, which requires the preparation of financial statements for each individual EDF. Accordingly, financial statements are prepared separately for each EDF in respect of the part that is managed by the Commission.

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

This report is produced in accordance with Article 39 of the Financial Regulation of 11th EDF[8]. It presents a true and fair view of the revenue and expenditure operations of the EDF, with the focus on important events that had a significant impact on financial implementation of year 2020.

Given that there are no ongoing operations under previous EDFs[9], this report includes figures only for the 10th and 11th EDF.

1.1 PREVIOUS EDFS

The 6th EDF was closed in 2006 and the 7th EDF was closed in 2008. In 2019, the Commission closed the remaining outstanding transactions of the 8th EDF projects. A final report on the financial implementation of the 8th EDF is available with the 2019 annual accounts. The Commission aims to close the 9th EDF at the end of 2021.

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.

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

[8] COUNCIL REGULATION (EU) 2018/1877
[9] Except for operations in South-Sudan

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 an overall budget of EUR22 682 million. Of this amount,

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

The amount for the ACP countries is divided accordingly:

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

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

Under the Cotonou Agreement, the third period (2014-2020) of Community aid to the ACP States and OCTs is funded by the 11th EDF for an amount of EUR 30 506 million, of which:

EUR 29 089 million is allocated to the ACP countries in accordance with Article 1.2(a) and Article 2(d) of the Internal Agreement, of which EUR 27 955 million is managed by the European Commission;

EUR 364.5 million is allocated to the OCTs in accordance with Article 1.2(a) and Article 3.1 of the Internal Agreement, of which 359.5 million is managed by the European Commission;

EUR 1 052.5 million is for the Commission to finance the costs arising from the programming and implementation of 11th EDF resources, in accordance with Article 1.2(a) of the Internal Agreement.

2. FINANCIAL IMPLEMENTATION

2.1 FINANCIAL OUTTURN

EVOLUTION OF 10th EDF APPROPRIATIONS

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2020
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

INSTRUMENT		INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2019	INCREASE OR DECREASE IN RESOURCES IN 2020	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Regular MS Contributions*	*20.896*	*60*	*(340)*		*20.616*
	Co-financing	*0*	*202*	*(0)*		*202*
	SUB TOTAL ACP	20.896	262	(340)		20.818
OCT	*Regular MS Contributions*	*0*	*271*	*(28)*		*243*
	SUB TOTAL OCT	0	271	(28)		243
TOTAL 10th EDF		20.896	533	(368)		21.061

EVOLUTION OF 11th EDF APPROPRIATIONS

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2020
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2019	INCREASE OR DECREASE IN RESOURCES IN 2020	Notes	CURRENT LEVEL APPROPRIATION
ACP	*Regular MS Contributions*	*29.008*	*172*	*124*		*29.304*
	Co-financing	*0*	*73*	*3*		*75*
	EC Internal SLA	*0*	*1*			*1*
	SUB TOTAL ACP	29.008	246	127		29.381
OCT	*Regular MS Contributions*	*0*	*355*	*(4)*		*351*
	Co-financing	*0*	*0*			*0*
	EC Internal SLA	*0*	*0*			*0*
	SUB TOTAL OCT	0	355	(4)		351
	TOTAL 11th EDF	29.008	601	123		29.731

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

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2020
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										
	NATIONAL ALLOCATIONS (enveloppe A) (programmed)	12.513	12.500	(150)	100%	12.382	(57)	99%	12.047	193	97%
	NATIONAL ALLOCATIONS (enveloppe B)(emergency)	1.980	1.980	(11)	100%	1.968	(2)	99%	1.955	5	99%
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	529	526	18	99%	522	15	99%	507		97%
	INTRA-ACP ALLOCATIONS	3.691	3.683	83	100%	3.460	321	94%	3.074	100	89%
	REGIONAL ALLOCATIONS	1.857	1.851	(45)	100%	1.807	(20)	98%	1.667	43	92%
	Co-financing										
	NATIONAL ALLOCATIONS	185	180	(0)	97%	177	0	98%	161	9	91%
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5	0	111%	3		65%	3	0	87%
	INTRA-ACP ALLOCATIONS	12	11	(0)	91%	11		100%	11		100%
	Non-mobilisable reserve										
	NON-MOBILISABLE RESERVE	46									
OCT	Regular MS Contributions										
	NATIONAL ALLOCATIONS	186	186	(0)	100%	183	1	98%	167	10	91%
	NATIONAL ALLOCATIONS	15	15		100%	14		99%	14	0	100%
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	5	5		100%	5		100%	5		100%
	REGIONAL ALLOCATIONS	36	35	(3)	98%	34	(2)	96%	34	(0)	99%
	Non-mobilisable reserve										
	NON-MOBILISABLE RESERVE	1									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	21.061	20.978	(110)	100%	20.567	256	98%	19.645	360	96%

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

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2020
CLASS OF AID
ACP + PTOM - 11 th EDF

(EUR million)

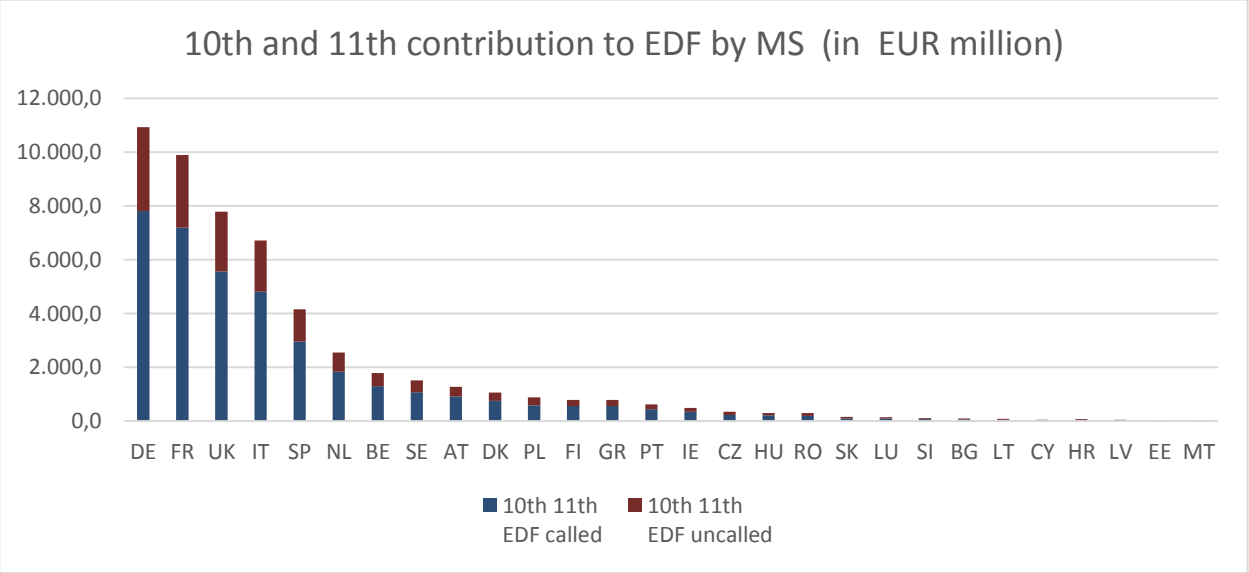
		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	Regular MS Contributions										
	A ENVELOPE - NATIONAL ALLOCATIONS (programmed)	15.582	15.555	1.294	100%	13.093	1.960	84%	8.332	2.204	64%
	B ENVELOPE - NATIONAL ALLOCATIONS (emergency)	1.072	1.064	219	99%	926	200	87%	744	107	80%
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	1.071	1.070	206	100%	873	42	82%	803	27	92%
	INTRA-ACP ALLOCATIONS	4.014	3.912	389	97%	3.443	423	88%	2.701	445	78%
	REGIONAL ALLOCATIONS	7.317	7.296	647	100%	6.398	754	88%	3.971	1.380	62%
	Co-financing										
	A ENVELOPE - NATIONAL ALLOCATIONS	42	42	10	100%	41	10	98%	6	4	15%
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	4	4	1	100%	1		21%	0	0	47%
	INTRA-ACP ALLOCATIONS	26	26	4	100%	24	2	91%	22	5	93%
	REGIONAL ALLOCATIONS	4	4	2	100%	4	2	100%	4	2	100%
	Mobilisable reserves										
	INTRA-ACP RESERVE	1									
	NIP/RIP RESERVE	(100)									
	Non-mobilisable reserve										
	NON-MOBILISABLE RESERVE	347									
	EC Internal SLA										
	A ENVELOPE - NATIONAL ALLOCATIONS	1	1	(0)	52%	1		100%	1		100%
OCT	Regular MS Contributions										
	A ENVELOPE - NATIONAL ALLOCATIONS	213	213	17	100%	193	1	91%	171	51	88%
	B ENVELOPE - NATIONAL ALLOCATIONS	12	12	4	100%	9	1	79%	8	1	84%
	BRIDGING FACILITY	0									
	IMPLEMENTATION COSTS AND INTERESTS REVENUES	9	8	1	100%	5	0	56%	4	0	90%
	REGIONAL ALLOCATIONS	103	103	4	100%	99	19	97%	25	12	25%
	Non-mobilisable reserve										
	NON-MOBILISABLE RESERVE	15									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	29.731	29.309	2.798	99%	25.110	3.413	86%	16.791	4.239	67%

2.2 REVENUE

Nature of Revenue

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

Overview of contributions by Member State



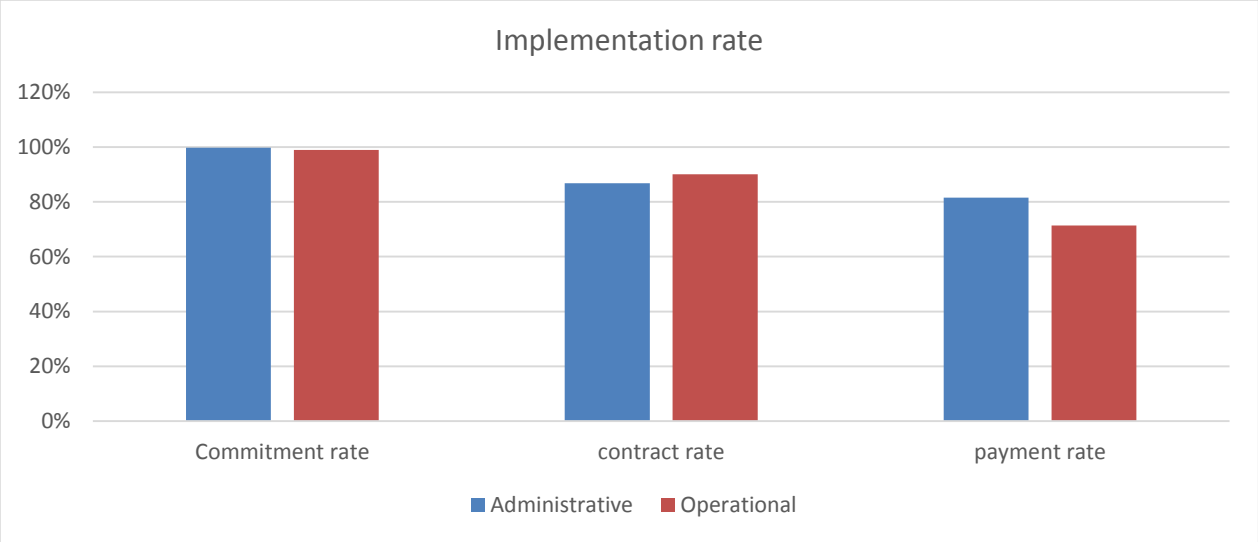
2.3 OPERATIONAL EXPENDITURE AND SPECIFIC PROGRAMMES

Nature of Expenditure

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

Breakdown of committed, contracted and paid amount per nature of expenditure:

	CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
		AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
	(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
TOTAL: ADMINISTRATIVE IMPLEMENTATION COSTS AND INTERESTS REVENUES	1.622	1.619	226	100 %	1.409	57	87 %	1.322	28	81 %
TOTAL: OPERATIONNAL IMPLEMENTATION	49.170	48.668	2.461	99 %	44.268	3.613	90 %	35.114	4.571	71 %
TOTAL 10+11th EDF: ACP+OCT (INCL. RESERVES) (A+B)	50.792	50.287	2.687	99 %	45.677	3.670	91 %	36.436	4.599	80 %



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

		EDF CUMULATIVE ACCOUNTS AT 31 DECEMBER 2020 BY COUNTRY % APPR.						
10+11th EDF		TOTAL 10th and 11th EDF (EUR in million)						
Cumulative 2020		Appropriations	Decisions	% of Appr.	Assigned funds	% of Appr.	Payments	% of Appr.
ACP	Administrative and financial expenditure	1.609	1.605	100%	1.399	87%	1.313	82%
	All ACP countries	2.846	2.553	90%	2.553	90%	1.821	64%
	Administrative and financial expenditure+ All ACP countries	4.455	4.158	93%	3.952	89%	3.134	70%
	Angola	349	349	100%	309	88%	239	68%
	Benin	741	739	100%	685	92%	623	84%
	Botswana	130	130	100%	128	98%	119	91%
	Burkina Faso	1.310	1.310	100%	1.293	99%	1.183	90%
	Burundi	579	572	99%	544	94%	425	73%
	Cabo Verde	147	147	100%	146	99%	144	98%
	Cameroon	522	522	100%	489	94%	384	74%
	Central African Republic	626	625	100%	612	98%	475	76%
	Chad	940	940	100%	794	84%	663	71%
	Comoros	80	80	99%	68	85%	62	78%
	Congo (Brazzaville)	164	164	100%	145	88%	99	60%
	Democratic Republic of Congo	1.430	1.430	100%	1.223	85%	996	70%
	Djibouti	186	186	100%	148	80%	112	60%
	Eritrea	215	215	100%	215	100%	35	16%
	Ethiopia	1.656	1.655	100%	1.530	92%	1.301	79%
	Gabon	35	35	100%	33	92%	26	75%
	Gambia	316	316	100%	307	97%	226	72%
	Ghana	796	793	100%	722	91%	676	85%
	Guinea Bissau	186	186	100%	185	99%	141	76%
	Guinea (Conakry)	506	506	100%	453	89%	372	74%
	Ivory Coast	715	713	100%	694	97%	603	84%
	Kenya	881	881	100%	834	95%	583	66%
	Lesotho	259	259	100%	241	93%	165	64%
	Liberia	495	495	100%	432	87%	373	75%
	Madagascar	792	791	100%	684	86%	448	57%
	Malawi	1.026	1.026	100%	893	87%	726	71%
	Mali	1.425	1.424	100%	1.390	98%	1.147	80%
	Mauritania	349	349	100%	319	91%	246	70%
	Mauritius	83	83	100%	81	98%	77	93%
	Mozambique	1.476	1.470	100%	1.135	77%	866	59%
	Namibia	189	189	100%	174	92%	155	82%
	Niger	1.294	1.289	100%	1.258	97%	1.102	85%
	Nigeria	1.187	1.175	99%	1.138	96%	920	78%
	Rwanda	841	841	100%	812	96%	750	89%
	Sao Tome & Principe	56	56	100%	44	79%	39	70%
	Senegal	671	670	100%	625	93%	564	84%
	Seychelles	23	23	100%	21	95%	21	92%
	Sierra Leone	663	663	100%	600	90%	502	76%
	Somalia	905	902	100%	898	99%	653	72%

	South Soudan	92	91	100%	91	100%	91	100%
	Sudan	298	298	100%	228	76%	128	43%
	Swaziland	135	135	100%	107	80%	92	68%
	Tanzania	1.179	1.179	100%	1.003	85%	844	72%
	Togo	379	378	100%	354	93%	315	83%
	Uganda	1.000	1.000	100%	943	94%	647	65%
	Zambia	837	837	100%	682	81%	498	59%
	Zimbabwe	472	472	100%	466	99%	409	87%
	* Total Africa	28.638	28.589	100%	26.176	91%	21.266	74%
	Antigua & Barbuda	16	16	98%	15	97%	13	83%
	Barbados	22	22	100%	18	83%	17	79%
	Belize	43	43	100%	28	67%	21	48%
	Dominica	41	41	100%	41	99%	37	90%
	Dominican Republic	283	283	100%	277	98%	262	92%
	Grenada	21	21	100%	20	97%	20	95%
	Guyana	84	81	97%	78	93%	69	82%
	Haiti	1.031	1.030	100%	829	80%	690	67%
	Jamaica	243	243	100%	236	97%	202	83%
	Saint Kitts & Nevis	9	9	100%	8	90%	6	66%
	Saint Lucia	32	32	100%	32	99%	25	76%
	Saint Vincent & the Grenadines	27	27	100%	26	96%	22	80%
	Suriname	27	27	100%	27	97%	20	73%
	Trinidad & Tobago	29	29	100%	28	99%	22	75%
	* Total Caribbean	1.909	1.905	100%	1.665	87%	1.425	75%
	Cook Islands	5	5	100%	5	99%	5	99%
	East Timor	175	174	99%	172	98%	129	74%
	Fiji	49	49	100%	46	95%	36	73%
	Kiribati	42	42	100%	41	97%	25	59%
	Marshall Islands	17	17	100%	17	98%	11	66%
	Micronesia	23	23	100%	21	89%	10	43%
	Nauru	4	4	100%	4	96%	4	89%
	Niue	3	3	100%	3	98%	3	96%
	Palau	5	5	100%	4	70%	3	60%
	Papua New Guinea	246	246	100%	202	82%	126	51%
	Solomon Islands	69	69	100%	60	87%	56	82%
	Tonga	29	28	100%	28	99%	28	98%
	Tuvalu	14	14	100%	13	99%	10	74%
	Vanuatu	55	55	100%	49	90%	35	65%
	Western Samoa	67	67	100%	67	99%	66	98%
	* Total Pacific	804	803	100%	732	91%	548	68%
	Caribbean Region	540	531	98%	429	80%	283	52%
	Central Africa Region	556	556	100%	461	83%	291	52%
	Eastern, Southern Africa and the Indian Ocean	3.040	3.032	100%	2.617	86%	1.727	57%
	Intra ACP Allocations	7.744	7.632	99%	6.938	90%	5.808	75%
	Multiregional PALOP	62	62	99%	59	94%	45	72%
	Pacific Region	324	324	100%	253	78%	170	52%
	Southern Africa Region	142	142	100%	142	100%	134	95%
	West Africa Region	1.959	1.951	100%	1.696	87%	1.171	60%
	* Total regional cooperation ACP	14.369	14.230	99%	12.594	88%	9.629	67%

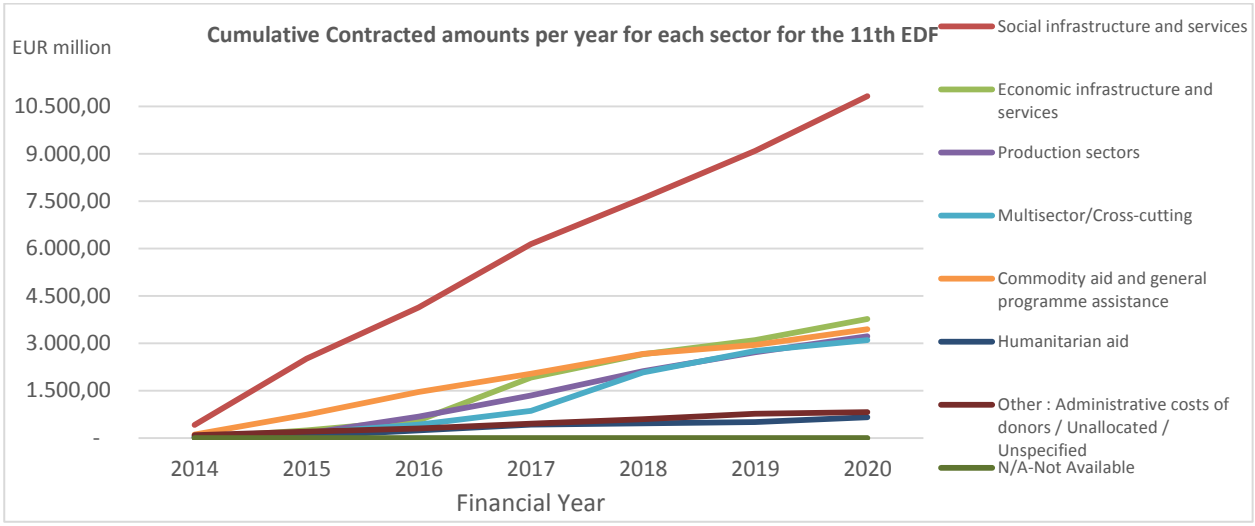
	ACP	50.174	49.686	99%	45.118	90%	36.002	72%
OCT	All OCT countries	30	14	46%	10	33%	9	31%
	All OCT countries	30	14	46%	10	33%	9	31%
	Anguilla	28	28	100%	27	97%	26	95%
		2	2	100%	2	98%	2	90%
	Falkland Islands	10	10	100%	10	100%	8	77%
	Montserrat	33	33	100%	33	100%	29	88%
	Pitcairn Islands	5	5	99%	5	99%	5	99%
	Saint Helena	38	38	100%	38	100%	35	92%
	Turks & Caicos Islands	33	33	100%	32	100%	31	95%
	* Total British OCT	148	148	100%	146	99%	135	92%
	Aruba	21	21	100%	21	99%	14	66%
	Antilles néerlandaises - Bonaire	4	4	100%	4	91%	0	0%
	Antilles néerlandaises - Saba	4	4	100%	3	97%	3	97%
	Antilles néerlandaises - Sint-Eustatius	2	2	100%	2	97%	2	97%
	Netherlands Antilles	41	41	100%	23	57%	18	43%
	Sint Maarten	14	14	100%	6	45%	0	0%
	* Total Dutch OCT	86	86	100%	60	70%	38	44%
	French Polynesia	51	51	100%	49	97%	45	89%
	Mayotte	29	29	100%	29	100%	29	100%
	New Caledonia	50	50	100%	49	98%	48	96%
	Saint Pierre & Miquelon	47	47	100%	46	98%	46	98%
	Wallis & Futuna	39	39	100%	36	94%	25	64%
	* Total French OCT	215	215	100%	209	97%	193	90%
	Regional cooperation OCT	139	138	99%	133	96%	59	42%
	* Total regional cooperation OCT	139	138	99%	133	96%	59	42%
	OCT	618	601	97%	559	90%	434	70%
TOTAL: ACP+OCT		50.792	50.287	99%	45.677	90%	36.436	72%

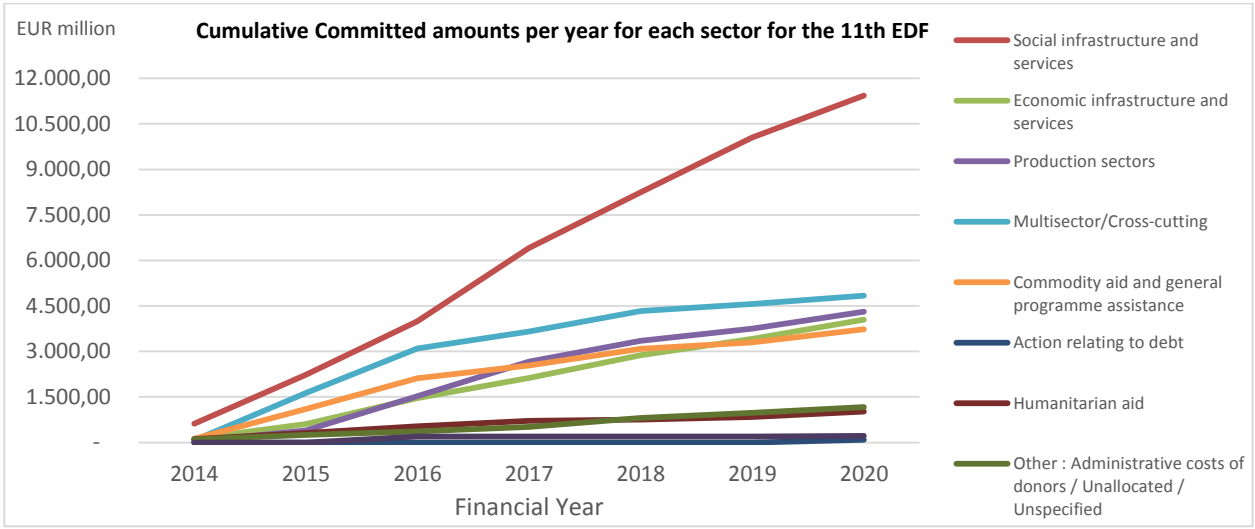
Breakdown of committed, contracted and paid amount by spending area for the 11th EDF

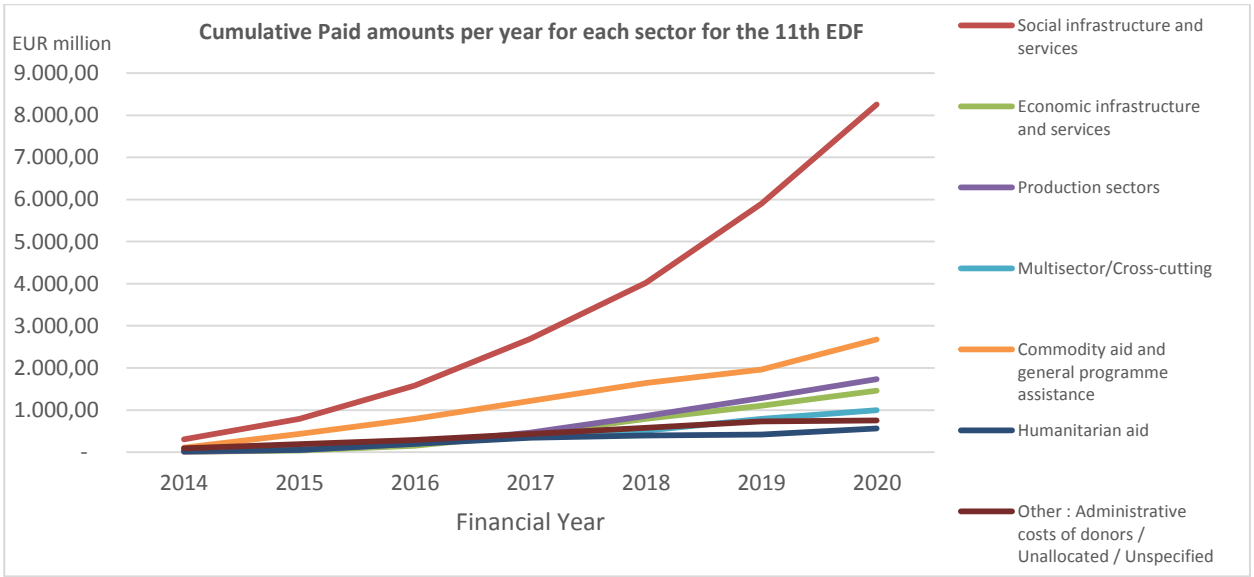
11TH EDF Breakdown of committed, contracted and paid amount by spending area (DAC sector codes)10 (EUR million)			
Sector	Committed[4]	Contracted[4]	Paid11
Social infrastructure and services			
110-Education	1.197,26	1.038,76	758,36
120-Health	2.226,42	2.323,60	1.907,70
130-Population policies/programmes and reproductive health	352,44	38,39	20,24
140-Water and sanitation	775,90	639,26	283,71
150-Government and civil society	5.905,39	5.450,64	4.156,20
160-Other social infrastructure and services	979,35	1.339,34	1.128,02
Social infrastructure and services TOTAL	11.436,77	10.829,99	8.254,24
Economic infrastructure and services			
210-Transport and storage	1.445,48	1.827,48	595,21
220-Communications	140,96	99,39	64,78
230-Energy	2.016,01	1.566,30	675,00
240-Banking and financial services	93,93	96,23	38,59
250-Business and other services	346,23	178,15	84,80
Economic infrastructure and services TOTAL	4.042,59	3.767,55	1.458,38
Production sectors			
310-Agriculture, forestry and fishing	3.187,79	2.509,57	1.478,27
320-Industry, mineral resources and mining, construction	623,58	356,84	115,46
330-Trade and tourism	497,21	353,36	138,53
Production sectors TOTAL	4.308,58	3.219,77	1.732,26
Multisector/Cross-cutting			
410-General environmental protection	999,94	760,45	390,13
430-Other multisector	3.841,16	2.343,95	609,07
Multisector/Cross-cutting TOTAL	4.841,10	3.104,40	999,19
Commodity aid and general programme assistance			
510-General budget support	3.116,32	3.059,65	2.345,18
520-Developmental food assistance	614,50	385,27	332,91
Commodity aid and general programme assistance TOTAL	3.730,82	3.444,92	2.678,10
Action relating to debt			
600-Action relating to debt	91,50	-	-
Action relating to debt TOTAL	91,50	-	-
Humanitarian aid			
720-Emergency response	746,19	505,17	458,31
730-Reconstruction relief and rehabilitation	137,83	43,40	33,36
740-Disaster preparedness	133,29	106,16	69,14
Humanitarian aid TOTAL	1.017,31	654,72	560,80
Administrative costs of donors / Unallocated / Unspecified			
910-Administrative costs of donors	978,02	786,39	739,89
998-Unallocated / Unspecified	586,30	434,28	421,68
N/A-Not Available	214,40	0,64	-
Administrative costs of donors / Unallocated / Unspecified TOTAL	1.778,72	1.221,31	1.161,57
GRAND TOTAL OF 11TH EDF of committed, contracted and paid amount	31.247,39	26.242,65	16.844,55

[10] Gross amounts (i.e. excluding decommitments and recovery orders)
[11] Amounts in columns Committed, Contracted, Paid are color weighted

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







3. GLOSSARY

ABAC

This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.

Accounting

The act of recording and reporting financial transactions, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.

Accounting Officer

The role, powers and responsibilities of the accounting officer are set out in the Financial Regulation:

- proper implementation of payments,
- collection of revenue,
- recovery of amounts and offsetting,
- keeping, preparing and presenting the accounts,
- laying down the accounting rules and methods and the chart of accounts,
- laying down and validating the accounting systems and validating systems laid down by the authorising officer to supply or justify accounting information (local systems),
- treasury management,
- designation of the Imprest Administrators,
- opening and closing bank accounts in the name of the Institution.

Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).

Adjustment

Amending budget or transfer of funds from one budget item to another.

Adopted budget

Draft budget becomes the adopted budget as soon as approved by the Budgetary Authority.

Cf. Budget

Agencies

EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.

Amending budget

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

Annuality

The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.

Appropriations

Budget funding.

The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) 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. Non-differentiated appropriations apply to administrative expenditure and commitment appropriations equal payment appropriations.

Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure.

Main sources of external assigned revenue *are financial contributions from third countries to programmes financed by the Union.*

Main sources of internal assigned revenue are revenue from third parties in respect of goods, services or work supplied at their request, revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium.

The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21.

Authorising Officer by Delegation (AOD)

The AOD is responsible in each entity for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.

The AOD is responsible for taking all financial decision concerning actions under his/her responsibility. Particularly, he/she must take decisions to implement the budget based on his/her risk analysis.

Budget

Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.

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 as provided in the Financial Regulation for agencies.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

As far as the budget structure is concerned, revenue and expenditure are shown in the budget 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 authority

Institutions with decisional powers on budgetary matters: for the EU institutions, the European Parliament and the Council of Ministers.

For the agencies and joint undertakings, their board is the budgetary authority.

Budgetary commitment

A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.

Cancellation of appropriations

Unused appropriations that may no longer be used.

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 cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Financial Regulation Art. 7: *Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.*

De-commitment

An act whereby a previous commitment (or part of it) is cancelled.

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. Financial Regulation Art. 7: *Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.*

Earmarked revenue

Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution.

Cf. Assigned revenue

Economic result

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

Entitlements established

Entitlements are recovery orders that the European Union must establish for collecting income.

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 currency at the closure.

Expenditure

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

Financial regulation (FR)

Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union.

For reference, Regulation (EU, Euratom) No 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

Funds Source

Type of appropriations

Grants

Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body, which pursues an aim of general European interest or has an objective forming part of an EU policy.

Implementation

Cf. Budget implementation

Income

Cf. Revenue

Joint Undertakings (JUs)

A legal EU-body established under the Treaty on the Functioning of the European Union. The term can be used to describe any collaborative structure proposed for the *"efficient execution of Union research, technological development and demonstration programmes".*

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, which is represented by an appropriation.

Only for joint undertakings, as specified in theirs 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 could be re-activated until financial year "N+3".

Legal base (basic act)

The legal base or basis is, as a general rule, a law based on an article in the Treaty on the Functioning of the European Union giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain articles from the treaty authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.

Legal commitment

A legal commitment establishes a legal obligation towards third parties.

Non-differentiated appropriations

Non-differentiated appropriations are for operations of an annual nature. (Financial Regulation Art. 9). In the EU Budget, non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

Operational appropriations

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

Outstanding commitment

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

Outturn

Cf. Budget result

Payment

A payment is a disbursement to honour legal obligations.

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Financial Regulation Art. 7).

RAL

Sum of outstanding commitments. Cf. Outstanding commitments

Recovery

The recovery order is the procedure by which the Authorising officer by Delegation (AOD) registers an entitlement by the Commission in order to retrieve the amount, which is due. The entitlement is the right that the Commission has to claim the sum, which is due by a debtor, usually a beneficiary.

Result

Cf. Budget result

Revenue

Term used to describe income from all sources financing the budget.

Rules of application

Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.

Surplus

Positive difference between revenue and expenditure (Cf. Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.

Transfer

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. However, they are expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The Financial Regulation identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorisation.

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

EUROPEAN INVESTMENT BANK

CA/541/21

11 March 2021

Document 21/101

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

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

a) Statement of financial position

b) Statement of profit or loss and other comprehensive income

c) Statement of changes in contributors' resources

d) Statement of cash flows

e) Notes to the financial statements

f) Independent auditor's report

ORG.: E

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in EUR'000)

	Notes	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents	5	923,940	837,777
Amounts receivable from contributors	9/17	68,908	86,330
Treasury financial assets	10	351,873	330,587
Derivative financial instruments	6	33,584	14,184
Loans and advances	7	1,673,445	1,518,675
Shares and other variable yield securities	8	526,810	619,928
Other assets	11	109	-
Total assets		**3,578,669**	**3,407,481**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	642	191
Deferred income	12	29,732	32,566
Provisions for guarantees issued	13	851	628
Provisions for loan commitments	14	33,152	37,269
Amounts owed to third parties	15	152,378	147,438
Other liabilities	16	3,446	2,353
Total liabilities		**220,201**	**220,445**
CONTRIBUTORS' RESOURCES			
Facility Member States Contribution called	17	3,221,695	2,967,000
Retained earnings		136,773	220,036
Total contributors' resources		**3,358,468**	**3,187,036**
Total liabilities and contributors' resources		**3,578,669**	**3,407,481**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

	Notes	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Interest and similar income*	19	84,783	93,923
Interest and similar expenses	19	-5,250	-2,948
Net interest and similar income		**79,533**	**90,975**
Fee and commission income	20	353	4,438
Fee and commission expenses	20	-225	-721
Net fee and commission income		**128**	**3,717**
Fair value change of derivative financial instruments		18,949	12,611
Net result on shares and other variable yield securities	21	-46,717	9,904
Net result on loans and advances measured at FVTPL	7	-29,621	-8,331
Sale of loans and proceeds from recovery actions		2,362	2,064
Net foreign exchange result		-48,545	-61,998
Net result on financial operations		**-103,572**	**-45,750**
Change in impairment on loans and advances, net of reversals	7	-4,312	17,243
Change in provisions for guarantees, net of reversals	13	-228	107
Change in provisions for loan commitments, net of reversals	14	3,715	-13,244
General administrative expenses	22	-58,527	-50,009
(Loss) / profit for the year		**-83,263**	**3,039**
Other comprehensive income		-	-
Total comprehensive income (loss) / profit for the year		**-83,263**	**3,039**

* For the year ended 31 December 2020, interest and similar income included EUR 77.9 million (2019: EUR 93.9 million) calculated on assets held at amortised cost based on effective interest method.

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

	Notes	Contribution called	Retained earnings	Total
At 1 January 2020		**2,967,000**	**220,036**	**3,187,036**
Member States contribution called during the year	17	209,614	-	209,614
Reallocation of 9th EDF Contribution to interest subsidies and technical assistance to Contributor's resources	17	45,081	-	45,081
(Loss) for the year 2020		-	-83,263	-83,263
Changes in contributors' resources		**254,695**	**-83,263**	**171,432**
At 31 December 2020		**3,221,695**	**136,773**	**3,358,468**

		Contribution called	Retained earnings	Total
At 1 January 2019		**2,697,000**	**216,997**	**2,913,997**
Member States contribution called during the year	17	270,000	-	270,000
Profit for the year 2019		-	3,039	3,039
Changes in contributors' resources		**270,000**	**3,039**	**273,039**
At 31 December 2019		**2,967,000**	**220,036**	**3,187,036**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

	Notes	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
OPERATING ACTIVITIES			
(Loss) / Profit for the year		-83,263	3,039
Adjustments made for			
Net result in fair value on shares and other variable yield securities	8	47,909	-8,629
Change in impairment on loans and advances, net of reversals	7	4,312	-17,243
Net result on loans and advances measured at FVTPL		29,621	8,331
Change in accrued interest and amortised cost on loans and advances	7	-5,202	-5,087
Net change in provisions for guarantees issued, net of reversals	13	228	-107
Net change in provisions for loan commitments, net of reversals		-4,117	13,447
Fair value changes on derivatives		-18,949	-12,611
Change in accrued interest and amortised cost on treasury financial assets	10	1,067	331
Change in deferred income		-2,834	-1,198
Effect of exchange rate changes on loans	7	90,878	-17,752
Effect of exchange rate changes on shares and other variable yield securities	8	33,616	-6,812
Effect of exchange rate changes on cash held		9,233	2,369
Profit / (Loss) on operating activities before changes in operating assets and liabilities		**102,499**	**-41,922**
Loan disbursements	7	-560,291	-311,185
Repayments of loans	7	276,101	355,078
Sale of loans and proceeds from recovery actions		2,362	2,194
Change in accrued interest on cash and cash equivalents	5	66	-93
(Increase) in treasury financial assets	10	-2,710,009	-2,948,021
Maturities of treasury financial assets	10	2,689,790	2,952,905
Decrease in shares and other variable yield securities	8	-85,305	-106,943
Net proceeds from shares and other variable yield securities		85,477	71,024
Increase / (Decrease) in other assets		109	-171
(Increase) / Decrease in other liabilities		-1,093	140
Increase in amounts payable to the European Investment Bank		8,543	2,187
Net cash flows used in operating activities		**-191,751**	**-24,807**
FINANCING ACTIVITIES			
Contribution received from Member States		227,035	284,820
Amounts received from Member States with regard to interest subsidies and technical assistance		60,387	30,000
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-18,807	-28,220
Net cash flows from financing activities		**268,615**	**286,600**
Net increase in cash and cash equivalents		**76,864**	**261,793**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**837,980**	**573,818**
Net cash flows (used in) / from :			
Operating activities		-191,751	-24,937
Financing activities		268,615	286,730
Effects of exchange rate changes on cash and cash equivalents		9,233	2,369
Cash and cash equivalents at the end of financial year		**924,077**	**837,980**
Cash and cash equivalents are composed of:			
Cash in hand	5	398,991	72,166
Term deposits (excluding accrued interest)	5	380,000	622,991
Commercial papers	5	145,086	142,823
		924,077	**837,980**

Notes to the financial statements as at 31 December 2020

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:

(1) 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");

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

The EU and ACP sides have agreed transitional arrangements that would allow the EIB to carry on signing operations in ACP region until the end of November 2021, or until the entry into force of a new ACP-EU Agreement, or the provisional application between the Union and the ACP States of the new Agreement, whichever comes first (Decision No 2/2020 of the ACP-EU Committee of Ambassadors of 4 December 2020 to amend Decision No 3/2019 of the ACP-EU Committee of Ambassadors to adopt transitional measures pursuant to Article 95(4) of the ACP-EU Partnership Agreement - OJ L 420, 14.12.2020, p. 32).

Agreement was reached on 15 December 2020 on the Neighbourhood, Development and International Cooperation Instrument ("NDICI"), covering external action of the EU for the period 2021-2027. This includes the integration of the current extra-budgetary EDF into the EU budget. The NDICI Regulation will provide 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. The NDICI legal text is expected to be formally adopted in the spring of 2021.

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

Following, the extension of the Investment Facility commitment period, the Bank will continue approving operations in line with its Mandate until 30 June 2021, or until the entry into force of a regulation establishing the external financing instrument, whichever is the later, and in any case no later than 30 November 2021 (Council Decision 2020/2233 of 23 December 2020 concerning the commitment of the funds stemming from reflows under the ACP Investment Facility from operations under the 9th, 10th and 11th European Development Funds - L 437/188, 28.12.2020).

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

The present financial statements cover the period from 1 January 2020 to 31 December 2020.

On a proposal from the EIB Management Committee and the EIB Board of Directors adopted the Financial Statements on 11 March 2021, and authorised their submission to the EIB Board of Governors for approval by 23 April 2021.

2 Significant accounting policies

1.1 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.

a. Significant accounting judgments and estimates

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

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

(d) Measurement of fair value of financial instruments

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

(e) 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 recognized (Note 2.4.2). Relevant assumptions on the effects on impairment resulting from COVID–19 are detailed under Note 2.4.2 and Note 3.2.3.7.

(f) 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.

(g) Consolidation of entities in which the Facility holds interest

The EIB made significant judgements that none of the entities in which it holds interest, are controlled by the Facility. This is due to the fact that in all such entities, either the General Partner or the Fund Manager or the Management Board have the sole responsibility for the management and control of the activities and affairs of the partnership and have the power and authority to do all things necessary to carry out the purpose and objectives of the partnership complying with the investment and policy guidelines.

b. Changes in accounting policies

Except for the changes below, the Facility has consistently applied the accounting policies set out in Note 2.4 to all periods presented in these financial statements. The Facility has adopted the following new standards and amendments to standards.

Standards adopted

The following interpretations as well as the amendments to and revision of existing standards became effective for the Facility`s financial statements as of 1 January 2020:

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which provide temporary reliefs that would enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (a RFR).

The amendments to IFRS 9 include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable;
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss;
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based are not altered as a result of IBOR reform.

The fourth relief provides that a non-contractually specified risk component only needs to be separately identifiable need at initial hedge designation and not on ongoing basis.

Application of the reliefs is mandatory and the reliefs continue indefinitely in the absence of any of the events described in the amendments. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

The adoption of the amendments had no material impacts on the Facility's financial statements.

Definition of Material - Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'.

The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards themselves. The amended definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments did not have a significant impact on the Facility's financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard, but mainly has the purpose to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Facility adopted the revised Conceptual Framework from 1 January 2020. The revised Conceptual Framework did not have a significant impact on the Facility's financial statements.

Standards issued but not yet adopted

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments are effective for annual periods beginning on or after 1 January 2021. The Facility did not adopt these amendments early and a cross services IBOR working group is in place to assess the impact and manage its transition.

c. Summary of significant accounting policies

The statement of financial position represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

i. 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.

ii. 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 amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) or fair value through P&L (“FVTPL”) and a financial liability is classified as measured at AC or FVTPL.

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

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

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

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

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

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

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

Derecognition

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

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

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.

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 Stage is based on a sequential approach which is consistent with the Credit Risk Guidelines ("CRG") and the Financial Monitoring Guidelines and Procedures ("FMGPs"), notably covering early warning triggers, Watch List ("WL"), internal rating and arrears.

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

The EIB considers that the COVID-19 pandemic effect is 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.

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.

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 maps 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 as a result 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 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 the deployment of the multi-country/multi-equation model. The scenarios are derived shocking GDP, which is the key measure of economic activity. The shocks to real GDP are calibrated to replicate the past 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 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.

In 2020, and in line with its ongoing model review and maintenance, the EIB has updated its PIT, PD and LGD models used to calculate the estimates of ECL. The nature of the update relates mostly to a change in data input sources, more specifically, credit and macroeconomic data used for credit cycle modelling to support the calculation of PIT ECL (lifetime and 12M). The credit cycle is now constructed from an external rating agency's downgrade and default rates data and projected via annual growth rates of real GDP and spread between long and short-term interest rates, namely interest rate term premium, while the previous model version extracted the credit cycle from PIT PD measures provided by external data provider and included one single macroeconomic variable only, namely quarterly growth rates of real GDP.

The model update brings several upgrades, namely, the new credit cycle definition which comes with increased discrimination power across industry and region segments, the link to the macro-economic variables is stronger and allows for the incorporation of a second external explanatory variable (term premium). The model upgrade impact is disclosed in Notes 7.2 and 14.

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. 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.

3. Loans and advances

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

Loans and advances include:

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

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

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

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

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

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.

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 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.

iii. Financial guarantees

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

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

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

The accounting policy for derivatives is disclosed under Note 2.4.5.

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

Subsequent to initial recognition, financial guarantees are measured at the higher of:

- The amount of the loss allowance as determined under IFRS 9; and
- The premium initially recognised less income recognised in accordance with the principles of IFRS 15.

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

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

iv. Financial liabilities other than derivatives

Classification and measurement

Financial liabilities

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

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

v. Derivative financial instruments

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

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

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

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

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

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

vi. 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.

vii. 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.

viii. 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.

ix. 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.

x. Fees, commissions and dividends

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

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

xi. Taxation

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

3 Risk Management

This note presents information about the Facility's exposure to and its management and control of credit and financial risks, in particular the primary risks associated with its use of financial instruments. These are:

- credit risk – the risk of loss resulting from client or counterparty default and arising on credit exposure in all forms, including settlement risk;
- liquidity risk – the risk that an entity is not able to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses;
- market risk – the risk that changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates will affect an entity's income or the value of its holdings in financial instruments.

3.1 Risk management organisation

The 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.

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.

All non-sovereign (or non sovereign guaranteed/assimilated) operations are subject to specific transaction-level and counterpart size limits. Counterpart limits are set at consolidated group exposure level, where applicable. Such limits typically reflect e.g. the size of counterparts own funds.

In order to mitigate credit risk the EIB uses, where appropriate and on a case by case basis, various credit enhancements which are:

- Counterparty or project related securities (e.g. pledge over the shares; pledge over the assets; assignment of rights; pledge over the accounts); or/and
- guarantees, generally provided by the sponsor of the financed project (e.g. completion guarantees, first demand guarantees) or bank guarantees.

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

3.2.2 Maximum exposure to credit risk without taking into account any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral.

Maximum exposure (in EUR'000)	31.12.2020	31.12.2019
ASSETS		
Cash and cash equivalents	923,940	837,777
Amounts receivable from contributors	68,908	86,330
Treasury financial assets	351,873	330,587
Derivative financial instruments	33,584	14,184
Loans and advances	1,673,445	1,518,675
Other assets	109	-
Total	**3,051,859**	**2,787,553**
Provisions for loan commitments	**-33,152**	**-37,269**
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	998,560	200,013
Commitments		
- Undisbursed loans	1,722,618	1,357,320
- Non-issued guarantees	554,686	1,359,818
Total off balance sheet	**3,275,864**	**2,917,151**
Total credit exposure	**6,294,571**	**5,667,435**

3.2.3 Credit risk on loans and advances

3.2.3.1 Credit risk measurement for loans and advances

Loans and advances or guarantee undertaken by the Facility benefits from a comprehensive risk assessment and quantification of expected loss estimates that are reflected in a Loan Grading ("LG"). Operations under the IFE (as described in Note 24), with the exception of intermediated loans, are not subject to the Credit Risk Policy Guidelines and are subject to a different procedure. LGs are established according to generally accepted criteria, based on the quality of the borrower, the maturity of the loan, the guarantee and, where appropriate, the guarantor.

The loan grading 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;
- as a benchmark for calculating the annual additions to the General loan reserve; 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.

Generally, loans internally graded D- or below are placed on the internal loan grading based Watch List. However, if a loan was originally approved with a risk profile of D- or weaker, it will only be placed on the Watch List as a result of a material credit event causing a further deterioration of its LG classification below the one at approval.

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) nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2020 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	87,269	-	963,366	**1,050,635**	**64%**
Corporates	203,772	27,026	177,321	**408,119**	**24%**
Public institutions	21,866	-	1,057	**22,923**	**1%**
States	-	1,506	190,262	**191,768**	**11%**
Total disbursed	**312,907**	**28,532**	**1,332,006**	**1,673,445**	**100%**
Undisbursed	**196,692**	**-**	**1,492,774**	**1,689,466**	**-**
Total disbursed and undisbursed	**509,599**	**28,532**	**2,824,780**	**3,362,911**	**-**

At 31.12.2019 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	111,806	-	803,861	915,667	**60%**
Corporates	190,006	36,704	172,082	398,792	**26%**
Public institutions	26,908	-	1,686	28,594	**2%**
States	-	2,085	173,537	175,622	**12%**
Total disbursed	**328,720**	**38,789**	**1,151,166**	**1,518,675**	**100%**
Undisbursed	**191,191**	**-**	**1,128,860**	**1,320,051**	**-**
Total disbursed and undisbursed	**519,911**	**38,789**	**2,280,026**	**2,838,726**	**-**

Transaction Management and Restructuring 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, Transaction Management and Restructuring 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 2020 and 31 December 2019 by the Loan Grading applications, based on the exposure signed (disbursed and undisbursed):

At 31.12.2020 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	290,565	90,445	475,331	815,120	-	**1,671,461**	**50%**
	Corporates	118,990	46,861	14,433	512,142	313,762	**1,006,188**	**30%**
	Public institutions	-	21,866	-	-	1,057	**22,923**	**1%**
	States	-	4,865	3,926	653,548	-	**662,339**	**19%**
Total		**409,555**	**164,037**	**493,690**	**1,980,810**	**314,819**	**3,362,911**	**100%**

*Loan operations measured at FVTPL.

At 31.12.2019 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	234,072	219,467	335,841	817,894	-	**1,607,274**	**57%**
	Corporates	100,115	49,458	-	524,532	95,925	**770,030**	**27%**
	Public institutions	-	26,908	-	-	1,686	**28,594**	**1%**
	States	-	6,285	4,486	422,057	-	**432,828**	**15%**
Total		**334,187**	**302,118**	**340,327**	**1,764,483**	**97,611**	**2,838,726**	**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	31.12.2020	31.12.2019
Egypt	319,040	101,316
Nigeria	236,149	179,499
Kenya	195,917	230,837
Ethiopia	92,346	62,005
Mauritius	76,419	96,014
Barbados	75,037	75,342
Uganda	61,869	64,882
Tanzania	60,058	96,640
Rwanda	59,114	48,839
Congo (Democratic Republic)	56,527	66,754
Zambia	42,553	43,036
New Caledonia	41,224	43,980
Mauritania	38,131	49,139
Regional-ACP	37,497	14,674
Cameroon	36,749	32,238
Senegal	32,850	42,750
Dominican Republic	30,741	45,393
Jamaica	23,411	33,436
Ghana	21,249	31,635
Guinea	18,534	20,399
Malawi	17,349	21,800
Cape Verde	14,952	17,226
Angola	14,654	19,269
Mali	12,918	4,234
Mozambique	10,775	12,709
Togo	10,625	18,022
French Polynesia	8,783	12,556
Cayman Islands	8,027	12,203
Benin	3,932	59
Seychelles	3,359	4,201
Micronesia	3,073	648
Haiti	2,617	3,345
Niger	2,243	5,399
Samoa	1,898	3,036
Burkina Faso	1,267	1,861
Vanuatu	1,200	1,527
Palau	358	768
Botswana	-	1,004
Total	**1,673,445**	**1,518,675**

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	31.12.2020	31.12.2019
Tertiary and other	1,079,088	932,901
Electricity, coal and others	207,940	226,314
Urban development, renovation and transport	206,201	195,042
Chemicals, plastics and pharmaceuticals	89,495	51,865
Basic material and mining	34,292	44,746
Airports and air traffic management systems	21,866	26,908
Telecommunications	14,964	21,546
Investment goods, Consumer durables	11,531	4,186
Waste recuperation	6,063	6,812
Food chain	2,005	8,355
Total	**1,673,445**	**1,518,675**

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.

		2020					
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	73,545	-	-	-	**73,545**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	75,048	-	-	-	-	**75,048**
Internal Rating 3 - low credit risk	A1 - A3	2,087	-	-	-	-	**2,087**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	54,412	6,087	-	-	-	**60,499**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	392,787	19,761	-	-	-	**412,548**
Internal Rating 6 - high credit risk	B1 - B3	581,607	193,877	32,032	-	-	**807,516**
Internal Rating 7 - very high credit risk	below Caa1	70,495	177,919	1,493	-	-	**249,907**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	5,693	45,000	-	-	**50,693**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**92,436**	**92,436**
Loss allowance and FV adjustment		**-16,389**	**-43,976**	**-44,538**	**-**	**-45,931**	**-150,834**
Carrying amount of loans and advances		**1,160,047**	**432,906**	**33,987**	**-**	**46,505**	**1,673,445**
Loan commitments							
Internal Rating 1 - minimal credit risk	Aaa	-	-	-	-	-	**-**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	95,067	-	-	-	-	**95,067**
Internal Rating 3 - low credit risk	A1 - A3	87,000	-	-	-	-	**87,000**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	57,282	-	-	-	-	**57,282**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	152,264	-	-	-	-	**152,264**
Internal Rating 6 - high credit risk	B1 - B3	675,365	8,964	-	-	-	**684,329**
Internal Rating 7 - very high credit risk	below Caa1	72,500	110,331	-	-	-	**182,831**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	38,497	-	-	**38,497**
No internal rating*		129,669	27,365	-	-	-	**157,034**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**268,314**	**268,314**
Loss allowance and FV adjustment		**-6,817**	**-26,335**	**-**	**-**	**-**	**-33,152**
Carrying amount of loan commitments		**1,262,330**	**120,325**	**38,497**	**-**	**268,314**	**1,689,466**

* 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)

		2019					
in EUR'000	**Moody's equiv. grade**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC							
Internal Rating 1 - minimal credit risk	Aaa	-	82,211	-	-	-	**82,211**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	75,352	-	-	-	-	**75,352**
Internal Rating 3 - low credit risk	A1 - A3	5,399	-	-	-	-	**5,399**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	60,385	16,449	-	-	-	**76,834**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	192,201	6,199	-	-	-	**198,400**
Internal Rating 6 - high credit risk	B1 - B3	708,162	159,858	-	-	-	**868,020**
Internal Rating 7 - very high credit risk	below Caa1	79,411	145,176	-	-	-	**224,587**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	136,749	-	-	**136,749**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**37,366**	**37,366**
Loss allowance and FV adjustment		**-17,191**	**-38,509**	**-114,307**	**-**	**-16,236**	**-186,243**
Carrying amount of loans and advances		**1,103,719**	**371,384**	**22,442**	**-**	**21,130**	**1,518,675**
Loan commitments							
Internal Rating 2 - very low credit risk	Aa1 - Aa3	102,092	-	-	-	-	**102,092**
Internal Rating 3 - low credit risk	A1 - A3	12,000	-	-	-	-	**12,000**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	61,461	-	-	-	-	**61,461**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	323,080	-	-	-	-	**323,080**
Internal Rating 6 - high credit risk	B1 - B3	405,773	126,076	-	-	-	**531,849**
Internal Rating 7 - very high credit risk	below Caa1	14,883	104,328	-	-	-	**119,211**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	51,377	-	-	**51,377**
No internal rating*		79,669	-	-	-	-	**79,669**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**76,581**	**76,581**
Loss allowance and FV adjustment		**-3,943**	**-33,326**	**-**	**-**	**-**	**-37,269**
Carrying amount of loan commitments		**995,015**	**197,078**	**51,377**	**-**	**76,581**	**1,320,051**

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

The EIB continually monitors events affecting its borrowers and guarantors, especially banks. 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 31.12.2020	Loans and advances 31.12.2019
Carrying amount	**1,673,445**	**1,518,675**
Lifetime ECL credit- impaired		
Gross amount	45,000	136,749
Impairment- loss allowance	-44,538	-114,307
Carrying amount of lifetime ECL credit-impaired	**462**	**22,442**
Past due but not credit- impaired		
Past due comprises		
0-30 days	2,008	61
30-60 days	-	924
60-90 days	-	-
90-180 days	174	135
more 180 days	-	26
Carrying amount past due but not credit- impaired	**2,182**	**1,146**
Carrying amount neither past due nor credit- impaired	**1,670,801**	**1,495,087**
Total carrying amount loans and advances	**1,673,445**	**1,518,675**

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 -20,533 (2019: EUR -2,670) and EUR 17,658 (2019: EUR 2,396) 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.

	2020		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	3,063,652	3,063,652	3,063,652
Loss allowance	70,645	88,303	108,836

	2019		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	2,748,523	2,748,523	2,748,523
Loss allowance	89,255	91,651	94,321

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 LG of the loans in question would have deteriorated, the loans would have been included in the Watch List before renegotiation and the financial instrument would move from Stage 1 to Stage 2 in the three-stage model for impairment. Once renegotiated, the EIB would continue to closely monitor these loans and the financial instrument would be credit impaired and moved to Stage 3. If subsequently the LG of a loan improves sufficiently, the loan would be removed from the Watch List in line with the EIB's procedures.

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

Forbearance measures and practices undertaken by the EIB 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	31.12.2020		31.12.2019	
	Performing	Non-Performing	Performing	Non-Performing
Number of contracts subject to forbearance practices	12	14	19	9
Carrying values (incl. interest and amounts in arrears)	169,274	58,748	182,619	62,915
ECL allowance recognised	19,311	28,934	7,916	57,321
Interest income in respect of forborne contracts	7,729	5,099	8,130	854
Exposures written-off / derecognised (following the termination/sale of the operation)	-	49,472	-	280

		Forbearance measures					
in EUR'000	31.12.2019	Extension of maturities	Deferral of capital and interest	Breach of material financial covenants	Other	Contractual repayment, termination and/or write off*	31.12.2020
Financial institutions	51,468	-1,995	11,989	43,746	-	-14,683	90,525
Corporates	194,066	-1,074	-	-3,515	-	-51,980	137,497
Total	**245,534**	**-3,069**	**11,989**	**40,231**	**-**	**-66,663**	**228,022**

* Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2020 and by termination of forborne measures during the year.

3.2.4 Credit risk on cash and cash equivalents

Available funds are invested in accordance with the Facility's schedule of contractual disbursement obligations. As of 31 December 2020, and 31 December 2019, investments were in the form of bank deposits, certificates of deposit and commercial papers.

The authorized entities have a rating similar to the short-term and long-term ratings required for the EIB's own treasury placements. In case of different ratings being granted by more than one credit rating agency, the lowest rating governs. The maximum authorized limit for each authorised bank is currently EUR 50,000,000 (fifty million euro). An exception to this rule has been granted to Societe Generale where the Facility has its operational cash accounts. The short-term credit limit for Societe Generale as at 31 December 2020 and 31 December 2019 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 2020 and as at 31 December 2019 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)	31.12.2020		31.12.2019	
P-1	Aaa	49,988	5%	98,945	12%
P-1	Aa2	25,022	3%	67,799	8%
P-1	Aa3	130,024	14%	89,983	11%
P-1	A1	99,969	11%	213,914	26%
P-1	A2	119,972	13%	212,199	25%
P-1	A3	498,965	54%	104,944	12%
P-2	A3	-	-	49,993	6%
Total		**923,940**	**100%**	**837,777**	**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 Net Market Exposure ("NME") and Potential Future Exposure ("PFE") approach for reporting and limit monitoring. The NME and the PFE fully include the derivatives related to the Investment Facility.

The 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 1,480.0 million as at 31 December 2020 against EUR 1,545.0 million as at 31 December 2019. The fair value of FX swaps amounts to EUR 33.6 million as at 31 December 2020 against EUR 14.1 million as at 31 December 2019.

The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2020, there are two interest rate swaps outstanding with a notional amount of EUR 17.7 million (2019: EUR 24.2 million) and a fair value of EUR -0.6 million (2019: EUR -0.1 million).

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 with remaining maturities of up to 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, according to the investment guidelines and depending on liquidity requirements:

1	In EUR '000	2		3	4		5	6	
7	Minimum short-term rating	8	Minimum long-term rating	9	31.12.2020	10	11	31.12.2019	12
13	(Moody's term)	14	(Moody's term)	15	16		17	18	
19	P-1	20	Aa1	21	50,006	22 14%	23	50,046	24 15%
25	P-1	26	Aa2	27	50,040	28 14%	29	19,997	30 6%
31	P-1	32	Aa3	33	50,016	34 14%	35	50,025	36 15%
37	P-1	38	Aaa	39	51,705	40 15%		41 -	42 0%
43	P-1	44	A1		45 -	46 0%	47	55,050	48 17%
49	P-1	50	A2	51	50,058	52 15%		53 -	54 0%
55	P-2	56	A3		57 -	58 0%	59	85,027	60 26%
61	P-2	62	Baa1	63	50,035	64 14%	65	30,433	66 9%
67	P-2	68	Baa3	69	50,013	70 14%	71	40,009	72 12%
73	**Total**	74		**75**	**351,873**	**76 100%**	**77**	**330,587**	**78 100%**

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.

3.3.1.1 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 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.

3.3.1.2 Liquidity risk measurement

The tables in this section analyse the financial liabilities of the Facility by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date (based on undiscounted cash flows).

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

Loans under the IF have a disbursement deadline. However, disbursements are made at times and in amounts reflecting the progress of underlying investment projects. Moreover, the IF's loans are transactions performed in a relatively volatile operating environment, hence their disbursement schedule is subject to a significant degree of uncertainty.

Capital investments become due when and as soon as equity fund managers issue valid calls for capital, reflecting the progress in their investment activities. The drawdown period is usually of 3 years, with frequent prolongation by one or two years. Some disbursement commitments usually survive the end of the drawdown period until full disposal of the fund's underlying investments, as the fund's liquidity may be insufficient from time to time to meet payment obligations arising in respect of fees or other expenses.

Guarantees are not subject to specific disbursement commitments unless a guarantee is called. The amount of guarantees outstanding is reduced alongside the repayment schedule of guaranteed loans.

Committed interest subsidies' cash outflows occur in the case of subsidized loans financed by the Bank's own resources. Therefore, reported outflows represent only commitments related to these loans rather than the total amount of committed undisbursed interest subsidies. As in the case of loans, their disbursement schedule is uncertain.

Committed TA "gross nominal outflow" in the "Maturity profile of non-derivative financial liabilities" table refers to the total undisbursed portion of signed TA contracts. The disbursement time pattern is subject to a significant degree of uncertainty. Cash outflows classified in the "3 months or less" bucket represent the amount of outstanding invoices received by the reporting date.

Commitments for non-derivative financial liabilities for which there is no defined contractual maturity date are classified under "Maturity Undefined". Commitments, for which there is a recorded cash disbursement request at the reporting date, are classified under the relevant time bucket.

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

3.3.2Liquidity risk measurement (continued)

Maturity profile of non-derivative financial liabilities in EUR'000 as at 31.12.2020	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	199,006	-	-	-	1,523,612	1,722,618
Outflows for committed investment funds and share subscription	1,043	-	-	-	377,303	378,347
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,553,246	1,553,246
Outflows for committed interest subsidies	18,494	-	-	-	356,391	374,885
Outflows for committed TA	2,504	-	-	-	43,029	45,533
Total	**221,047**	**-**	**-**	**-**	**3,853,581**	**4,074,629**

Maturity profile of non-derivative financial liabilities in EUR'000 as at 31.12.2019	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	33,038	-	-	-	1,324,282	1,357,320
Outflows for committed investment funds and share subscription	369	-	-	-	405,551	405,920
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,559,831	1,559,831
Outflows for committed interest subsidies	-	-	-	-	350,678	350,678
Outflows for committed TA	3,898	-	-	-	21,166	25,064
Total	**37,305**	**-**	**-**	**-**	**3,661,508**	**3,698,813**

Maturity profile of derivative financial liabilities in EUR'000 as at 31.12.2020	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	Gross nominal inflow/outflow
Short-term currency swaps – Inflows	1,480,000	-	-	1,480,000
Short-term currency swaps – Outflows	-1,448,077	-	-	-1,448,077
Interest Rate Swaps – Inflows	147	394	775	1,317
Interest Rate Swaps - Outflows	-	-815	-1,142	-1,957
Total	**32,070**	**-421**	**367**	**31,283**

Maturity profile of derivative financial liabilities in EUR'000 as at 31.12.2019	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	Gross nominal inflow/outflow
Short-term currency swaps – Inflows	1,545,000	-	-	1,545,000
Short-term currency swaps – Outflows	-1,535,571	-	-	-1,535,571
Interest Rate Swaps – Inflows	310	820	2,045	3,175
Interest Rate Swaps - Outflows	-	-1,128	-2,138	-3,266
Total	**9,739**	**-308**	**-93**	**9,338**

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	31.12.2020	31.12.2019
Financial assets:		
Loans and advances	1,812,807	1,636,520
Shares and other variable yield securities	526,810	619,928
Other assets	109	-
Total	**2,339,726**	**2,256,448**
Financial liabilities:		
Provisions for guarantees issued	851	628
Amount owed to third parties*	81,371	93,531
Provisions for loan commitments	33,152	37,269
Total	**115,374**	**131,428**

* 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 EIB's EUR base funding curve (EUR swap curve adjusted with the EIB's global funding spread). The EIB's USD funding curve is used for the calculation of the NPV of loan's cash flows denominated in USD. The NPV of the loans' cash flows denominated in currencies for which a reliable and sufficiently complete discount curve is not available, is determined by using the EIB's EUR base funding curve as a proxy.

To calculate the net present value of the micro hedging swaps, the Facility uses the EUR swap curve for cash flows denominated in EUR and the USD swap curve for cash flows denominated in USD.

As shown in the following table the net present value of the loan portfolio including related micro-hedging swaps as at 31 December 2020 would decrease by EUR 697k (as at 31 December 2019: decrease by EUR 533k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value in EUR'000 As at 31.12.2020	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-45	-113	-313	-215	-11	-	**-697**

Basis point value in EUR'000 As at 31.12.2019	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-42	-99	-172	-163	-57	-	**-533**

3.4.2 Foreign exchange risk

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

Given a reference accounting currency (EUR for the IF), the Facility is exposed to FX risk whenever there is a mismatch between assets and liabilities denominated in a non-reference accounting currency. FX risk also includes the effect of changes in the value of future cash flows denominated in non-reference accounting currency, e.g. interest and dividend payments, due to fluctuations in exchange rates.

3.4.2.1 Foreign exchange risk and treasury assets

The IF's treasury assets are denominated in either EUR or USD.

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

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

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

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

3.4.2.2.1. Hedging of operations denominated in USD

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

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

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

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

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

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

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

3.4.2.2.3 Foreign exchange position (in EUR'000)

The tables of this note show the Facility's foreign exchange position.

The foreign exchange position is presented in the tables below in accordance with the IF's Risk Policies (as described in the IF's financial risk framework). The FX position as per Risk Policies is based on accounting figures and defined as the balance between selected assets and liabilities. The assets and liabilities defined in the FX position as per Risk Policies are selected to ensure that the earnings will only be converted into the reporting currency (EUR) when received.

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

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

As at 31 December 2020	**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	-117,144	-51,893	-169,037	479,103
*Local currencies (under synthetic hedge)**				
KES	23,439	-960	22,479	-
TZS	27,302	272	27,574	-
DOP	14,538	320	14,858	-
UGX	44,997	572	45,569	-
RWF	44,523	-872	43,651	-
*Local currencies (not under synthetic hedge)**				-
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	98,509	-1,512	96,997	-
Total non-EUR currencies	**136,164**	**-54,073**	**82,091**	**479,103**
EUR	**-**	**3,276,377**	**3,276,377**	**1,661,939**
Total EUR and non-EUR	**136,164**	**3,222,304**	**3,358,468**	**2,141,042**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

As at 31 December 2019	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	-103,746	-56,632	-160,378	637,693
*Local currencies (under synthetic hedge)**				
KES	29,472	464	29,936	-
TZS	48,092	354	48,446	-
DOP	25,383	602	25,985	-
UGX	37,132	574	37,706	-
RWF	30,766	47	30,813	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	99,864	-530	99,334	-
Total non-EUR currencies	**166,963**	**-55,121**	**111,842**	**637,693**
EUR	**-**	**3,075,194**	**3,075,194**	**2,741,023**
Total EUR and non-EUR	**166,963**	**3,020,073**	**3,187,036**	**3,378,716**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

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

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2020, a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 9.1million (31 December 2019: EUR 14.0million). A 10 percent appreciation of the EUR versus all non EUR currencies would result in a decrease of the contributors' resources amounting to EUR -7.5 million (31 December 2019: EUR 11.4 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Non-EU currencies		
Botswana Pula (BWP)	13.2045	11.8376
Dominican Republic Pesos (DOP)	71.2661	59.3644
Fiji Dollars (FJD)	2.4584	2.4045
Haitian Gourde (HTG)	87.33	100.99
Jamaican Dollar (JMD)	172.0954	147.6966
Kenya Shillings (KES)	133.8	113.63
Mauritania Ouguiyas (MRU)	44.1396	42.2135
Mauritius Rupees (MUR)	48.52	40.63
Mozambican Metical (MZN)	91.02	68.64
Nigerian Naira (NGN)	466.78	343.45
Rwanda Francs (RWF)	1210.77	1051.12
Tanzania Shillings (TZS)	2838.58	2573.66
Uganda Shillings (UGX)	4474	4108
United States Dollars (USD)	1.2271	1.1234
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	18.0219	15.7773
Zambia Kvacha (ZMW)	25.9324	15.7894

3.4.3Equity 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 52.7 million and EUR -52.7 million respectively as at 31 December 2020 (EUR 62.0 million and EUR -62.0 million respectively as at 31 December 2019).

4 Fair values of financial instruments

4.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These do not include fair value information for financial assets and financial liabilities not carried at fair value if the carrying amount is a reasonable approximation of fair value.

At 31 December 2020	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	33,584	-	-	-	-	**33,584**	-	33,584	-	**33,584**
Venture Capital Fund	-	437,142	-	-	-	**437,142**	-	-	437,142	**437,142**
Direct Equity Investments	-	89,668	-	-	-	**89,668**	-	-	89,668	**89,668**
Loans and advances	-	-	47,309	-	-	**47,309**	-	-	47,309	**47,309**
Total financial assets mandatorily measured at FVTPL	**33,584**	**526,810**	**47,309**	**-**	**-**	**607,703**	**-**	**33,584**	**574,119**	**607,703**
Financial assets measured at AC										
Cash and cash equivalents	-	-	923,940	-	-	**923,940**	-	-	-	**-**
Loans and advances	-	-	1,626,136	-	-	**1,626,136**	-	1,757,593	-	**1,757,593**
Amounts receivable from contributors	-	-	68,908	-	-	**68,908**	-	-	-	**-**
Treasury financial assets	-	-	-	351,873	-	**351,873**	300,174	50,032	-	**350,206**
Other assets	-	-	-	-	109	**109**	-	-	-	**-**
Total financial assets measured at AC	**-**	**-**	**2,618,984**	**351,873**	**109**	**2,970,966**	**300,174**	**1,807,625**	**-**	**2,107,799**
Total financial assets	**33,584**	**526,810**	**2,666,293**	**351,873**	**109**	**3,578,669**				
Financial liabilities measured at FVTPL										
Derivative financial instruments	-642	-	-	-	-	**-642**	-	-642	-	**-642**
Total financial liabilities measured at FVTPL	**-642**	**-**	**-**	**-**	**-**	**-642**	**-**	**-642**	**-**	**-642**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-851	**-851**				
Provisions for loan commitments	-	-	-	-	-33,152	**-33,152**				
Amounts owed to third parties	-	-	-	-	-152,378	**-152,378**				
Other liabilities	-	-	-	-	-3,446	**-3,446**				

Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-189,827**	**-189,827**
Total financial liabilities	**-642**	**-**	**-**	**-**	**-189,827**	**-190,469**

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

As at 31 December 2019	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 liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	14,184	-	-	-	-	**14,184**	-	14,184	-	**14,184**
Venture Capital Fund	-	504,694	-	-	-	**504,694**	362	-	504,332	**504,694**
Direct Equity Investment	-	115,234	-	-	-	**115,234**	15,255	-	99,979	**115,234**
Loans and advances	-	-	21,702	-	-	**21 702**	-	-	21,702	**21,702**
Total financial assets mandatorily measured at FVTPL	**14,184**	**619,928**	**21,702**	**-**	**-**	**655,814**	**15,617**	**14,184**	**626,013**	**655,814**
Financial assets at AC										
Cash and cash equivalents	-	-	837,777	-	-	**837,777**	-	-	-	**-**
Loans and advances	-	-	1,496,973	-	-	**1,496,973**	-	1,699,057	-	**1,699,057**
Amounts receivable from contributors	-	-	86,330	-	-	**86,330**	-	-	-	**-**
Treasury financial assets	-	-	-	330,587	-	**330,587**	144,097	186,083	-	**330,180**
Other assets	-	-	-	-	-	**-**	-	-	-	**-**
Total financial assets measured at AC	**-**	**-**	**2,421,080**	**330,587**	**-**	**2,751,667**	**144,097**	**1,885,140**	**-**	**2,029,237**
Total financial assets	**14,184**	**619,928**	**2,442,782**	**330,587**	**-**	**3,407,481**				
Financial liabilities mandatorily measured at FVTPL										
Derivative financial instruments	-191	-	-	-	-	**-191**	-	-191	-	**-191**
Total financial liabilities measured at FVTPL	**-191**	**-**	**-**	**-**	**-**	**-191**	**-**	**-191**	**-**	**-191**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-628	**-628**				
Provisions for loan commitments	-	-	-	-	-37,269	**-37,269**				
Amounts owed to third parties	-	-	-	-	-147,438	**-147,438**				

Other liabilities	-	-	-	-	-2,353	**-2,353**
Total financial liabilities measured at AC	**-**	-	-	-	-187,688	**-187,688**
Total financial liabilities	**-191**	**-**	**-**	**-**	**-187,688**	**-187,879**

4.2 Measurement of fair values

4.2.1 Valuation techniques and significant unobservable inputs

The table below sets out information about the valuation techniques and significant unobservable inputs used in measuring financial instruments, categorised as Level 2 and 3 in the fair value hierarchy:

	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
Financial instruments carried at fair value			
Derivative financial instruments	Discounted cash flow: Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contract forward/interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Not applicable.	Not applicable.
Venture Capital Fund (VCF)	Adjusted net assets method: The fair value is determined by applying either the Facility's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report adjusted for cash flows or, where available, the precise share value at the same date, submitted by the respective Fund Manager. In order to bridge the interval between the last available Net assets value (NAV) and the year-end reporting, a subsequent event review procedure is performed and if necessary the reported NAV is adjusted.	Adjustment for time elapsed between the last reporting date of the VCF and the measurement date, taking into account: operating expenses and management fees, subsequent changes in the fair value of the VCF's underlying assets, additional liabilities incurred, market changes or other economic condition changes.	The longer the period between the fair value measurement date and the last reporting date of the VCF, the higher the adjustment for time elapsed.
Direct Equity Investment	Adjusted net assets.	Adjustment for time elapsed between the last reporting date of the investee and the measurement date, taking into account: operating expenses, subsequent changes in the fair value of the investee's underlying assets, additional liabilities incurred, market changes or other economic condition changes, capital increase, sale/change of control. Discount for lack of marketability (liquidity) determined by reference to previous transaction prices for similar equities in the country/region, ranging from 5 to 30%.	The higher the marketability discount, the lower the fair value.
Loans at fair value (IFE)	For going concern borrowers: Discounted cash flow using contractual/expected future cash flows discounted with appropriate risk-adjusted discount rate that captures the risk inherent to the loan (including credit risk of the borrower). The discount rate is compared/assessed with any relevant market benchmark. For borrowers not going concern: Net assets approach (liquidation value approach).	Components of the discount rate to reflect the credit risk of borrower compared to the risk-free market rates.	The higher the discount rate the lower the fair value

4.2.1 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 2020 and 2019, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -34.3k as at 31 December 2020 and to EUR -32.8k as at 31 December 2019.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +21.8k as at 31 December 2020 and EUR +28.7k as at 31 December 2019.

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 2020 and 2019 the Facility did not make transfers from Level 1 to 2 or Level 2 to 1 of the fair value hierarchy.

4.2.3 Level 3 fair values

Reconciliation of Level 3 fair values

The following tables present the changes in Level 3 instruments for the year ended 31 December 2020 and 31 December 2019:

in EUR'000	Shares and other variable yield securities
Balance as at 1 January 2020	**604,311**
Gains or losses included in profit or loss:	
Realised fair value adjustment on sales	-15,632
Net fair value change on shares and other variable yield securities	-47,909
Total	**-63,541**
Disbursements	85,305
Repayments	-65,649
Foreign exchange rates differences	-33,616
Balance as at 31 December 2020	**526,810**

Reconciliation of Level 3 fair values (continued)

in EUR'000	Shares and other variable yield securities

Balance as at 1 January 2019	**550,617**
Gains or losses included in profit or loss:	
Foreign exchange rates differences	1,708
Net fair value change on shares and other variable yield securities	17,666
Total	**19,374**
Disbursements	106,943
Repayments	-79,435
Foreign exchange rates differences	6,812
Balance as at 31 December 2019	**604,311**

In 2020 and 2019 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

5 Cash and cash equivalents

The cash and cash equivalents are composed of:

in EUR'000	**31.12.2020**	**31.12.2019**
Cash in hand	398,991	72,166
Term deposits	380,000	622,991
Commercial papers	145,086	142,823
Cash and cash equivalents in the cash flow statement	**924,077**	**837,980**
Accrued interest	-137	-203
Cash and cash equivalents in the statement of financial position	**923,940**	**837,777**

6 Derivative financial instruments

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

As at 31 December 2020	**Fair Value**		**Notional amount**
in EUR'000	**Assets**	**Liabilities**	
Interest rate swaps	-	-642	17,710
FX swaps	33,584	-	1,480,000
Total derivative financial instruments	**33,584**	**-642**	**1,497,710**

As at 31 December 2019	**Fair Value**		**Notional amount**
In EUR'000	**Assets**	**Liabilities**	
Interest rate swaps	99	-191	24,181
FX swaps	14,085	-	1,545,000
Total derivative financial instruments	**14,184**	**-191**	**1,569,181**

7 Loans and advances

7.1 Loans and advances

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

in EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2020	**1,021,556**	**597,364**	**27,714**	**-**	**1,646,634**
Disbursements	433,466	67,762	-	-	**501,228**
Write offs	-15,170	-2,268	-27,905	-	**-45,343**
Repayments	-214,018	-60,571	-	-	**-274,589**
Foreign exchange rates differences	-74,436	-29,423	191	-	**-103,668**
Nominal of loans at AC as at 31 December 2020	**1,151,398**	**572,864**	**-**	**-**	**1,724,262**
Impairment - loss allowance as at 1 January 2020	**-96,166**	**-36,650**	**-27,714**	**-**	**-160,530**
Net changes of the 12 month ECL	-1,344	-2,531	-	-	**-3,875**
Net changes of lifetime ECL not credit-impaired	-5,888	-3,628	-	-	**-9,516**
Lifetime ECL credit-impaired	-12,373	-	-	-	**-12,373**
Reversal of lifetime ECL credit-impaired	19,565	1,887	-	-	**21,452**
Write offs	15,170	2,268	27,905	-	**45,343**
Foreign exchange rates differences	12,793	3,104	-191	-	**15,706**
Impairment - loss allowance as at 31 December 2020	**-68,243**	**-35,550**	**-**	**-**	**-103,793**
Loans and advances at AC as at 31 December 2020	**1,083,155**	**537,314**	**-**	**-**	**1,620,469**
Nominal of loans at FVTPL as at 1 January 2020	**1,080**	**36,858**	**-**	**-**	**37,938**
Disbursements	-	29,063	30,000	-	**59,063**
Repayments	-	-1,512	-	-	**-1,512**
Foreign exchange rates differences	-	-2,916	-	-	**-2,916**
Nominal of loans at FVTPL as at 31 December 2020	**1,080**	**61,493**	**30,000**	**-**	**92,573**
Fair value adjustment as at 1 January 2020	**-1,080**	**-15,156**	**-**	**-**	**-16,236**
Net FV change	-	-11,330	-18,291	-	**-29,621**
Foreign exchange rates differences	-	593	-	-	**593**
Fair value adjustment as at 31 December 2020	**-1,080**	**-25,893**	**-18,291**	**-**	**-45,264**
Loans and advances at FVTPL as at 31 December 2020	**-**	**35,600**	**11,709**	**-**	**47,309**
Amortised Cost	-3,578	-5,100	-	-	**-8,678**
Interest	7,325	7,020	-	-	**14,345**
Loans and advances as at 31 December 2020	**1,086,902**	**574,834**	**11,709**	**-**	**1,673,445**

* Including agency agreements

7 Loans and advances (continued)

7.1 Loans and advances (continued)

in EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2019	**1,051,317**	**593,324**	**60,717**	**3,588**	**1,708,946**
Disbursements	164,308	123,416	-	-	**287,724**
Write offs	-2	-278	-	-	**-280**
Repayments	-206,517	-113,100	-34,496	-	**-354,113**
Sale of loans	-2,591	-	-	-	**-2,591**
Business model change (IFE**)	-	-10,062	-	-3,588	**-13,650**
Foreign exchange rates differences	15,041	4,064	1,493	-	**20,598**
Nominal of loans at AC as at 31 December 2019	**1,021,556**	**597,364**	**27,714**	**-**	**1,646,634**
Impairment - loss allowance as at 1 January 2019	**-103,868**	**-49,609**	**-29,360**	**-1,794**	**-184,631**
Net changes of the 12 month ECL	5,164	-86	-	-	**5,078**
Net changes of lifetime ECL not credit-impaired	-15,558	2,559	2,205	-	**-10,794**
Lifetime ECL credit-impaired	-4,397	-47	-	-	**-4,444**
Reversal of lifetime ECL credit-impaired	21,811	5,592	-	-	**27,403**
Sale of loans	2,591	-	-	-	**2,591**
Business model change (IFE**)	-	5,031	-	1,794	**6,825**
Write offs	2	278	-	-	**280**
Foreign exchange rates differences	-1,911	-368	-559	-	**-2,838**
Impairment - loss allowance as at 31 December 2019	**-96,166**	**-36,650**	**-27,714**	**-**	**-160,530**
Loans and advances at AC as at 31 December 2019	**925,390**	**560,714**	**-**	**-**	**1,486,104**
Nominal of loans at FVTPL as at 1 January 2019	**1,800**	**-**	**-**	**-**	**1,800**
Disbursements	-	23,461	-	-	**23,461**
Business model change (IFE**)	-	13,650	-	-	**13,650**
Repayments	-720	-245	-	-	**-965**
Foreign exchange rates differences	-	-8	-	-	**-8**
Nominal of loans at FVTPL as at 31 December 2019	**1,080**	**36,858**	**-**	**-**	**37,938**
Fair value adjustment as at 1 January 2019	**-1,080**	**-**	**-**	**-**	**-1,080**
Net FV change	-	-8,331	-	-	**-8,331**
Business model change (IFE**)	-	-6,825	-	-	**-6,825**
Fair value adjustment as at 31 December 2019	**-1,080**	**-15,156**	**-**	**-**	**-16,236**
Loans and advances at FVTPL as at 31 December 2019	**-**	**21,702**	**-**	**-**	**21,702**
Amortised Cost	-3,545	-4,950	10	-	**-8,485**
Interest	10,451	8,903	-	-	**19,354**
Loans and advances as at 31 December 2019	**932,296**	**-586,369**	**10**	**-**	**1,518,675**

* Including agency agreements

** For details, please refer to Note 24.

7.2 Impairment on loans and advances – Loss allowances

in EUR'000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
	2020				
		Lifetime ECL			
Loans and advances at AC					
Balance as at 1 January 2020*	**17,191**	**38,509**	**104,830**	**-**	**160,530**
Transfer to 12-month ECL	96	-167	-	-	**-71**
Transfer to lifetime ECL not credit-impaired	-732	6,380	-6,080	-	**-432**
Transfer to lifetime ECL credit-impaired	-127	-54	8,522	-	**8,341**
Net measurement of loss allowance	5,440	3,010	-6,554	-	**1,896**
Financial assets that have been derecognised	-802	347	-4,967	-	**-5,422**
Write-offs	-	-	-45,343	-	**-45,343**
Foreign exchange rates differences	-4,677	-4,049	-6,980	-	**-15,706**
Balance as at 31 December 2020	**16,389**	**43,976**	**43,428**	**-**	**103,793**

* Following the updated model versions referred in Note 2.4.2 opening balances for 12-month and Lifetime non-credit impaired ECL would be higher for EUR 0.3m and EUR 1.5m, respectively.

in EUR'000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
	2019				
		Lifetime ECL			
Loans and advances at AC					
Balance as at 1 January 2019	**22,023**	**27,342**	**133,472**	**1,794**	**184,631**
Transfer to 12-month ECL	3,952	-	-	-	**3,952**
Transfer to lifetime ECL not credit-impaired	-4,005	25,150	-	-	**21,145**
Transfer to lifetime ECL credit-impaired	-	-46	-	-	**-46**
Net measurement of loss allowance	-4,897	-4,249	-22,961	-	**-32,107**
Sale of loans	-	-	-2,591	-	**-2,591**
Business model change (IFE*)	-	-10	-5,031	-1,794	**-6,835**
Financial assets that have been derecognised	-129	-10,049	-	-	**-10,178**
Write-offs	-	-	-280	-	**-280**
Foreign exchange rates differences	247	371	2,221	-	**2,839**
Balance as at 31 December 2019	**17,191**	**38,509**	**104,830**	**-**	**160,530**

* For details, please refer to Note 24.

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 2020	**462,304**	**101,424**	**563,728**
Disbursements	85,305	-	85,305
Repayments / sales	-66,011	-18,274	-84,285
Foreign exchange rates differences	-29,437	-6,892	-36,329
Cost as at 31 December 2020	**452,161**	**76,258**	**528,419**
Unrealised gains and losses as at 1 January 2020	**42,390**	**13,810**	**56,200**
Net change in unrealised gains and losses	-45,079	-2,830	-47,909
Realised fair value adjustment on sales	-15,632	3,019	-12,613
Foreign exchange rates differences	3,302	-589	2,713
Unrealised gains and losses as at 31 December 2020	**-15,019**	**13,410**	**-1,609**
Shares and other variable yield securities as at 31 December 2020	**437,142**	**89,668**	**526,810**

in EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2019	**421,593**	**93,214**	**514,807**
Disbursements	90,972	15,971	106,943
Repayments / sales	-56,387	-8,042	-64,429
Foreign exchange rates differences	6,126	281	6,407
Cost as at 31 December 2019	**462,304**	**101,424**	**563,728**
Unrealised gains and losses as at 1 January 2019	**45,559**	**6,926**	**52,485**
Net change in unrealised gains and losses	-3,488	12,117	8,629
Realised fair value adjustment on sales	-	-5,319	-5,319
Foreign exchange rates differences	319	86	405
Unrealised gains and losses as at 31 December 2019	**42,390**	**13,810**	**56,200**
Shares and other variable yield securities as at 31 December 2019	**504,694**	**115,234**	**619,928**

9 Amounts receivable from contributors

The amounts of EUR 68.9m (2019: EUR 86.3m) receivable from contributors are entirely composed of Member States contribution called but not paid.

10 Treasury financial assets

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

in EUR'000	
Balance as at 1 January 2020	**330,587**
Acquisitions	2,710,009
Maturities	-2,689,790
Change in amortisation of premium/discount	-208
Change in accrued interest	1,275
Balance as at 31 December 2020	**351,873**

in EUR'000	
Balance as at 1 January 2019	**335,140**
Acquisitions	2,948,021
Maturities	-2,952,905
Change in amortisation of premium/discount	-93
Change in accrued interest	424
Balance as at 31 December 2019	**330,587**

11 Other assets

The main components of other assets are as follows:

in EUR'000	**31.12.2020**	**31.12.2019**
Financial guarantees	109	-
Total other assets	**109**	**-**

12 Deferred income

The main components of deferred income are as follows:

in EUR'000	**31.12.2020**	**31.12.2019**
Deferred interest subsidies	28,788	32,085
Deferred commissions on loans and advances	944	481
Total deferred income	**29,732**	**32,566**

13 Provisions for guarantees issued, net of reversals

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

	2020			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**628**	**-**	**-**	**628**
Transfer to 12-month ECL	-	-	-	**-**
Guarantees that have been derecognised	-	-	-	**-**
Net measurement of loss allowance	228	-	-	**228**
Guarantee calls	-	-	-	**-**
Amortisation of upfront fees	-	-	-	**-**
Foreign exchange rates differences	-5	-	-	**-5**
Balance as at 31 December	**851**	**-**	**-**	**851**

	2019			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**94**	**699**	**-**	**793**
Transfer to 12-month ECL	534	-	-	**534**
Guarantees that have been derecognised	-	-588	-	**-588**
Guarantee calls	-	-53	-	**-53**
Amortisation of upfront fees	-	-71	-	**-71**
Foreign exchange rates differences	-	13	-	**13**
Balance as at 31 December	**628**	**-**	**-**	**628**

14 Provisions for loan commitments

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

	2020			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January*	**3,943**	**33,326**	**-**	**37,269**
Transfer to 12-month ECL	4,067	-	-	**4,067**
Transfer to lifetime ECL not credit-impaired	-	2,773	-	**2,773**
Net measurement of loss allowance	388	-5,932	-	**-5,544**
Financial assets that have been derecognised	-1,158	-3,853	-	**-5,011**
Foreign exchange rates differences	-423	21	-	**-402**
Balance as at 31 December	**6,817**	**26,335**	**-**	**33,152**

* Following the updated model versions referred in Note 2.4.2 opening balances for 12-month and Lifetime non-credit impaired ECL would be lower for EUR -0.2m and higher for EUR 1.1m, respectively.

	2019			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance as at 1 January	**7,225**	**16,597**	**-**	**23,822**
Transfer to 12-month ECL	1,669	9,983	-	**11,652**
Transfer to lifetime ECL not credit-impaired	-836	15,138	-	**14,302**
Net measurement of loss allowance	696	773	-	**1,469**
Business model change (IFE)*	-2,974	-1,387	-	**-4,361**
Financial assets that have been derecognised	-1,960	-7,858	-	**-9,818**
Foreign exchange rates differences	123	80	-	**203**
Balance as at 31 December	**3,943**	**33,326**	**-**	**37,269**

* For details, please refer to Note 24.

15 Amounts owed to third parties

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

in EUR'000	**31.12.2020**	**31.12.2019**
Net general administrative expenses payable to the EIB	58,527	50,009
Other amounts payable to the EIB	56	31
Interest subsidies and TA not yet disbursed owed to Member States	93,795	97,398
Total amounts owed to third parties	**152,378**	**147,438**

16 Other liabilities

The main components of other liabilities are as follows:

in EUR'000	31.12.2020	31.12.2019
Loan repayments received in advance	3,166	1,961
Deferred income from interest subsidies	280	339
Financial guarantee calls	-	53
Total other liabilities	**3,446**	**2,353**

17 Member States Contribution called (in EUR'000)

Member States	Contribution to the Facility**	Contribution to interest subsidies and technical assistance**	Total Contributed	Called and not paid*
Austria	82,689	9,852	92,541	1,687
Belgium	121,923	14,470	136,393	2,471
Bulgaria	1,567	421	1,988	98
Cyprus	1,008	270	1,278	-
Czech Republic	5,710	1,532	7,242	357
Denmark	67,377	8,118	75,495	1,400
Estonia	560	150	710	35
Finland	47,569	5,876	53,445	-
France	729,689	82,689	812,379	13,685
Germany	720,567	84,614	805,181	14,350
Greece	42,735	5,648	48,383	1,029
Hungary	6,158	1,652	7,810	385
Ireland	23,221	3,345	26,566	637
Italy	407,583	50,996	458,579	9,002
Latvia	784	210	994	49
Lithuania	1,344	360	1,704	84
Luxembourg	9,119	1,097	10,216	189
Malta	336	90	426	21
Netherlands	164,029	19,716	183,745	3,395
Poland	14,555	3,905	18,460	910
Portugal	33,266	4,411	37,677	805
Romania	4,143	1,111	5,254	259
Slovakia	2,351	631	2,982	147
Slovenia	2,015	541	2,556	126
Spain	210,652	29,338	239,990	5,495
Sweden	88,064	10,923	98,987	1,918
United Kingdom	432,681	57,030	489,711	10,374
Total as at 31 December 2020	**3,221,695**	**398,996**	**3,620,692**	**68,908**
Total as at 31 December 2019	**2,967,000**	**383,691**	**3,350,691**	**86,330**

* On 10 November 2020, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2021. As at 31 December 2020 EUR 68.9m were not paid in.

** On 14 July 2020, 9th EDF EUR 45.1m unused commitments for interest rate subsidies and technical assistance were reallocated to the Contributors' Resources as per allocation key for 9th EDF contributions.

18 Commitments and contingent liabilities

in EUR'000	31.12.2020	31.12.2019
Commitments		
Undisbursed loans	1,722,618	1,357,320
Undisbursed commitment in respect of shares and other variable yield securities	378,347	405,920
Issued guarantees	998,560	200,013
Interest subsidies and technical assistance	483,897	455,671
Contingent liabilities		
Signed non-issued guarantees	554,686	1,359,818
Total commitments and contingent liabilities	**4,138,108**	**3,778,742**

19 Interest and similar income and expenses

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Loans and advances	80,252	89,244
Interest subsidies	4,531	4,679
Total interest and similar income	**84,783**	**93,923**

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Derivative financial instruments	-541	-261
Cash and cash equivalents	-2,961	-722
Treasury financial assets	-1,748	-1,965
Total interest and similar expense	**-5,250**	**-2,948**

20 Fee and commission income and expenses

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Fee and commission on loans and advances	141	4,399
Fee and commission on financial guarantees	211	39
Other	1	-
Total fee and commission income	**353**	**4,438**

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Commission paid to third parties with regard to shares and other variable yield securities	-225	-721
Total fee and commission expenses	**-225**	**-721**

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 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Net realised result due to sales and exits	-3,069	-133
Dividend income	4,261	1,408
Net fair value change	-47,909	8,629
Net result on shares and other variable yield securities	**-46,717**	**9,904**

22 General administrative expenses

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

The main components of general administrative expenses are as follows:

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Actual cost incurred by the EIB	-61,470	-52,982
Income from appraisal fees directly charged to clients of the Facility	2,943	2,973
Total general administrative expenses	**-58,527**	**-50,009**

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

Definition of a structured entity

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

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

Unconsolidated structured entities

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

Definition of Interests in structured entities:

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

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

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

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

Type of structured entity	**Caption**	**Carrying amount at 31.12.2020**	**Carrying amount at 31.12.2019**	**Maximum exposure to loss at 31.12.2020**	**Maximum exposure to loss at 31.12.2019**
Venture capital funds	Shares and other variable yield securities	437,142	504,332	437,142	834,955
Total		**437,142**	**504,332**	**437,142**	**834,955**

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

24 Impact financing envelope (in EUR'000)

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

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

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

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

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

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

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

From a financial and accounting perspective the IFE forms part of the IF portfolio and is accounted for in the overall IF annual financial statements.

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

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2020	Loss allowance / FV adj. amount as at 31.12.2020	Carrying amount as at 31.12.2020	Undisbursed amount as at 31.12.2020	OFF BS ECL adj. amount as at 31.12.2020
Loans to financial intermediaries	Loans and advances	AC	49,522	-1,839	47,683	26,954	-199
Direct loan operations	Loans and advances	FVTPL	91,186	-44,681	46,505	98,314	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	41,885	-4,778	37,107	73,362	-
Direct equity participations	Shares and other variable yield securities	FVTPL	57,395	9,195	66,590	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	40,746	-
Total			**239,988**	**-42,103**	**197,885**	**239,390**	**-199**

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2019	Loss allowance / FV adj. amount as at 31.12.2019	Carrying amount as at 31.12.2019	Undisbursed amount as at 31.12.2019	OFF BS ECL adj. amount as at 31.12.2019
Loans to financial intermediaries	Loans and advances	AC	22,347	-354	21,993	42,400	-1,251
Direct loan operations	Loans and advances	FVTPL	37,136	-15,156	21,980	75,700	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	33,417	-3,175	30,242	66,840	-
Direct equity participations	Shares and other variable yield securities	FVTPL	58,643	19,626	78,269	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	47,331	-50
Total			**151,543**	**941**	**152,484**	**232,285**	**-1,301**

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

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

25 Subsequent events

In the context of the COVID-19 pandemic, the IF continues to monitor the situation closely notably as part of the subsequent event review. It is considered that 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 2020.