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REPORT FROM THE COMMISSION TO THE COUNCIL

**on the implementation of the financial assistance provided to the
Overseas Countries and Territories
under the 11th European Development Fund in 2019**

Introduction

The Overseas Association Decision¹ (OAD) establishes the legal framework for the relations between the Overseas Countries and Territories² (OCTs), the Member States to which they are linked and the European Union. According to the Treaty on the Functioning of the European Union (TFEU)³, the purpose of the Overseas Association Decision is to support the sustainable development of the OCTs and to promote the values of the Union in the wider world.

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

In compliance with Article 91 OAD, this report highlights progress achieved in the implementation of 11th EDF resources for OCTs for the year 2019.

Financial Resources under the 11th EDF-OCT

The 11th EDF resources available to OCTs are split into the following allocations, based on Annex 2 of the Overseas Association Decision, for the period 2014-2020:

- EUR 229.5 million for the territorial (bilateral) allocations;
- EUR 100 million for regional and “all OCT” cooperation;
- EUR 21.5 million to finance humanitarian and emergency assistance;
- EUR 5 million to finance interest subsidies and technical assistance linked to the OCT Investment Facility;
- EUR 8.5 million for studies and technical assistance.

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

² Until 31 January 2020, the EU OCTs were linked to four EU Member States: Denmark, France, United Kingdom and the Netherlands. The 25 EU OCTs were: Anguilla, Aruba, Bermuda, Bonaire, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Curaçao, Falkland Islands, French Polynesia, French Southern and Antarctic Territories, Greenland, Montserrat, New Caledonia, Pitcairn Islands, Saba, Saint Helena and Dependencies, Saint Martin, Saint Pierre and Miquelon, Saint Barthélemy, St Eustatius, South Georgia and the South Sandwich Islands, Turks and Caicos Islands and Wallis and Futuna.

After the UK withdrawal on 31 January 2020, 13 EU OCTs are remaining : Greenland (DK), French Polynesia (FR), French Southern and Antarctic Territories (FR), New Caledonia and Dependencies (FR), Saint Barthelemy (FR), St. Pierre and Miquelon (FR), Wallis and Futuna Islands (FR), Aruba (NL), Bonaire (NL), Curaçao (NL), Saba (NL), Sint Eustatius (NL), Sint Maarten (NL).

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

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

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

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

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

Programming process for the 11th EDF-OCT

Part Four of the Overseas Association Decision establishes **a programming process, which is specific to OCTs**. Unlike ACP States, programming is not based on national indicative programmes but is organised around a one-step process, the elaboration of a Programming Document, which has two components: a) the EU response strategy (Part A) and b) the Action Document (Part B). Only one formal Commission Decision is taken to approve each OCT’s Programming Document, covering both the strategic orientations and the detailed programme design.

Budget support is the preferred implementation modality for territorial allocations in the OCTs (to date, 13 out of the 16 OCTs benefitting from the EDF). This represents a positive shift away from the project modality previously used in several OCTs. Budget support offers an efficient way of addressing cross-cutting, long-term and structural challenges and maintain a constructive policy dialogue.

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

Situation in 2019

a) 11th EDF territorial implementation

Thanks to the common engagement of all parties concerned, progress has been made in the programming of the 11th EDF in 2019 through enhanced coordination and dialogue. With the adoption of the Programming Documents for Aruba and Bonaire in 2019, **14 out of 16 OCTs with an EDF allocation have now finalized their programming**⁶. In terms of effective financial support, during 2019, EUR 40.7 million were disbursed under the 11th EDF for

⁵ Council Decision 2014/137/EU on relations between the EU on the one hand and Greenland and the Kingdom of Denmark on the other, allocates EUR 217.8 million for the period 2014-2020 to cooperation between the Union and Greenland in an area of mutual interest.

⁶ The territorial programmes for Aruba (EUR 13.05 million) and Bonaire (EUR 3.95 million) were adopted in February 2019.

OCTs (see Annex I). For Curacao (EUR 16.95 million) and Sint Maarten (EUR 7 million), the programming process has been going on during 2019, with a planned adoption date in 2020.

As regards implementation during 2019:

Caribbean region:

- In the **education** sector, the budget support programme for **Anguilla** supported the approval of a sustainable financing plan for the sector, the completion of a national qualification framework and the establishment of six individual school development plans (disbursement of third fixed tranche (EUR 2.45 million), as well as first and second variable tranche (EUR 0.75+1.05 million). In addition, in February 2019, **Aruba** adopted its Programming Document (EUR 13.05 million) for a programme on education aiming to increase technical skills for innovative sustainable development. **Turks and Caicos** continued the rollout of its programme aiming at increasing the adaptation of technical and vocational education and training to the needs of the labour market.
- Progress was also noticeable on **sustainable growth** through the ongoing budget support programme for **Montserrat** with the disbursement of second fixed tranche: (EUR 2 million) and first variable tranche (EUR 2 million). This budget support programme fosters development in areas such as renewable energy and tourism.
- The new **youth budget support for Bonaire was launched**, following the adoption of the 11th EDF Programming Document (EUR 3.95 million). It will contribute to make youth healthier, more employable and with improved living standards.
- For the **British Virgin Islands**, EUR 2 million were allocated under the B-envelope⁷ for post-emergency assistance in the follow up of the 2017 hurricanes which impacted Caribbean OCTs, to increase **resilience**.

Pacific region:

- Regarding sustainable **tourism**, **French Polynesia** made progress on its sectoral policy, pursuing the implementation of its sustainable tourism strategy, allowing the disbursement of the second fixe tranche (EUR 7.4 million). **Pitcairn** also continued the roll out of its Strategic Development Plan by promoting tourism and benefitted from the first fixe tranche of EUR 1 million. A new shipping service was launched and the number of passengers showed significant increase.
- In the **employment sector**, **New Caledonia** continued its efforts in widening the access to training programs and increasing its employment and training rates. The foreseen 2018 tranches (second fixe tranche EUR 4 million + first variable tranche EUR 2 million) were disbursed in early 2019. In addition, the third fixe tranche (EUR 5 million) and second variable tranches (EUR 3 million) were disbursed end 2019.

⁷ With this allocation, the balance of the B envelope (with an initially endowment of 21.5 M€ as per Annex II of the 2013 association Decision) is of 6.45 M€ at end 2019.

- On **digital development**, **Wallis and Futuna** kept on progressing in the implementation of its digital strategy and on the deployment of services linked to the Tui-Samoa broadband cable⁸, delivering high-speed broadband connectivity.

Other OCTs:

- **Falkland Islands** benefit from a **connectivity** programme under the 11th EDF. In 2019, satisfactory progress occurred in the implementation of their National Infrastructure Plan and in aircraft rehabilitation. The second fixe tranche was disbursed (EUR 1 million) as well as the first variable tranche (EUR 0.75 million). **Saint Helena**, also benefiting from connectivity programme under the 11th EDF, showed significant progress in the implementation of its digital strategy during 2019.
- Regarding **tourism**, the budget support programme in **Saint-Pierre et Miquelon** has been completed in 2019 with the disbursement of the fourth fixe tranche (EUR 3.25 million) and the second variable tranche in full (EUR 3.25 million). Progress in tourism and maritime transport sectors were visible, illustrated by an important increase of accommodation capacity and the strengthening of the maritime service between Saint-Pierre, Miquelon and Terre Neuve, Canada.

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

The year 2019 saw the mobilisation of **Technical Assistance** (TA) to support Territorial and Regional Authorising Officers in the programming process. At the end of 2019, TA contracts or studies to help defining OCTs' programming, sectoral strategies or to establish OCTs' eligibility for budget support have been disbursed for a total amount of EUR 1,592,672.72 under the 11th EDF Technical Cooperation Facilities II and III.

b) Regional cooperation under the 11th EDF

In 2019, significant progress was achieved concerning 11th EDF Regional OCT Programmes:

- In the **Pacific**, the Regional Programme 'PROTEGE' (*Projet régional océanien des territoires pour la gestion durable des écosystèmes*, EUR 36 million), supports sustainable and resilient development in the region by protecting biodiversity and renewable natural resources. It builds on the 10th EDF regional programme 'INTEGRE' (*Initiative des territoires pour la gestion régionale de l'environnement*, EUR 12 million), that supported integrated coastal management and reinforced regional cooperation on sustainable development. The first disbursement (EUR 6.8 million) took place in December 2018. In 2019, the team was recruited and the 4 working priorities defined (agriculture, fishery, water and invasive species), with the first steering committee taking place in July 2019.

⁸ The Tui-Samoa submarine cable runs between Apia, Samoa and Suva, Fiji, with landing stations in Savai'i, Savusavu and Wallis and Futuna.

- In the **Caribbean**, the ‘Resembid’ (*Resilience, Sustainable Energy and Marine Biodiversity Regional Programme*, EUR 40 million) aims at strengthening environmentally sustainable economic development by focusing on resilience, sustainable energy and marine biodiversity. The objective is to upgrade the outdated infrastructure and increase its energy efficiency, improve protection and sustainable management of marine biodiversity and increase resilience to extreme and recurrent natural events. EUR 3.62 million was disbursed in 2019.
- The **Indian Ocean** Regional Programme (*Programme Régional d’appui dans le secteur de l’observation, de la gestion et de la préservation des écosystèmes terrestres et marins*; EUR 4 million) aims to improve the surveillance and observation of terrestrial and marine ecosystems in the French Southern and Antarctic Lands, restoring ecosystems and reinforcing impact prevention mechanisms. The Delegation Agreement with “Agence Française de Développement” was signed in July 2019 and EUR 1.4 million have been disbursed.
- Regarding the **11th EDF all-OCTs thematic programme** (EUR 17.8 million), the Programming Document was adopted in March 2019. This programme focuses on the sustainable use of natural resources, with sustainable energy and climate change – including disaster risk reduction- defined as sub-components. The signature of the contract with the selected implementing agency is planned in 2020.

Finally, in 2019, the EU supported the **Overseas Countries and Territories Association (OCTA) through an operating grant** (EUR 550,000). It allowed the Association to have a better capacity to fulfil its mandate, in particular to coordinate OCT partners to facilitate the dialogue with the EU, promote the partnership and support the collective work of its members in several areas of mutual interest within the EU-OCT Association.

c) Institutional Dialogue

Three instances of dialogue are defined in the Association:

OCT-EU Forum

The 17th EU-OCT Forum took place in March 2019 in French Polynesia, with high-level representatives of the OCTs and of the Member-States and in presence of the European Commissioner for International Cooperation and Development, Neven Mimica, Chair of the Forum.

In the **conclusions of the 17th OCT-EU Forum**, the EU, the OCTs and the Member States to which the OCTs are linked, acknowledged that 2019 was a decisive juncture for the future of the OCT-EU relations, with the negotiations of the new OAD, the 2021-2027 EU Multiannual Financial Framework, the Brexit process and the Post-Cotonou framework.

At the margin of the Forum, **trilateral meetings were held at political level** (1 March 2019) between the representatives of the Members States to which the OCTs are linked (which counted with the participation of the French Minister for Overseas), the OCTs Heads of Delegation, and the Commissioner, and were useful opportunities to discuss the post 2020 OCT-EU partnership. A technical **workshop** was also held on “**Sustainable development through regional cooperation**”. It constituted a good opportunity to discuss the role OCTs could play in strengthening regional cooperation in their neighbourhood.

Trilateral consultations (tripartite meetings)

Three tripartite meetings between the Commission (chair), OCT representatives and the Member States to which they are linked were organised in 2019 in Brussels (April, July, October), offering a platform for dialogue to exchange relevant information, reflect on priority topics of common interest, and monitor progress on the implementation of the association Decision.

Partnership Working Parties

A Partnership Working Party on **Environment, climate change and sustainable energy** took place in July 2019, in particular to exchange information on the various aspects related to EU policies and initiatives on Oceans, Best and LIFE Programmes.

In addition to the institutional framework and instances for dialogue, in 2019, **three events were organized by OCTA, with the support of the Commission**. In October, a **Conference** entitled “From the Poles to the Tropics, OCT’s Blue Landscape” was held in Brussels and resulted in the signature of an “**OCT Declaration on Ocean**”, highlighting their commitment to preserve Oceans and stimulate their social and economic values. A **Workshop on sustainable energy was organized** in December 2019. It allowed discussions between energy technical experts from OCTs and Commission on this topic of common interest. OCTs presented the progress achieved in the implementation of their Energy Roadmap signed in 2015. Finally, a **Workshop on EU programmes** was organized by OCTA in December 2019, to share information on EU programmes and funding opportunities for OCTs.

d) European Investment Bank

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

Under the **EIB OCT Investment Facility**, one new operation was signed in July 2019 for New-Caledonia (EUR 24 million) to finance borrowings from enterprises located in remotes areas and very small enterprises. Other operations are ongoing, with a total amounting to EUR 85.39 million at end 2019. This sum exceeds the initial capital endowment because the fund is revolving and some reflows have been lent out again.

Regarding the envelope for **interest rate subsidies and technical assistance**, in 2019 the EIB signed EUR 4.25 million for the Sint Maarten Airport operation (see below).

Under the **EIB Own Resources envelope for OCTs**, the EIB signed EUR 44.3 million for post-hurricane reconstruction of the airport in Sint Maarten in December 2019.

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

Looking ahead

The year 2020 will be a decisive juncture for the future of the OCT-EU relations, with the expected finalisation of the negotiations of the proposal for a new association decision, including Greenland, linked to the 2021-2027 EU Multiannual Financial Framework. It will also be a crucial year for the negotiations of the Post-Cotonou framework and the Neighbourhood, Development and International Cooperation Instrument. 2020 will also be marked by the United Kingdom withdrawal from the EU, which will affect the OCT group.

In this context, a strengthened dialogue with the OCTs will be of particular relevance. This process will be underpinned by a continued support to the OCT Association as well as to the OCTs through the Technical Cooperation Facility.

Finally, progress on the programming for the two remaining territorial programmes mentioned above will be essential in order to ensure their adoption before the end of 2020 and the commitment of the entire envelope available for OCTs under the 11th EDF.