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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 2020**

## **Introduction**

The Overseas Association Decision<sup>1</sup> (OAD) establishes the legal framework for the relations between the Overseas Countries and Territories<sup>2</sup> (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)<sup>3</sup>, 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 11<sup>th</sup> EDF for the 2014-2020 programming period.<sup>4</sup>

In compliance with Article 91 OAD, this report highlights progress achieved in the implementation of 11<sup>th</sup> EDF resources for OCTs for the year 2020.

On 31 January 2020, and following the terms of the Withdrawal Agreement (WA) between the EU and the UK, including a transition period until 31 December 2020, the UK became a third country. In general, EU law continued to apply during the transition period with the exception that the UK no longer participated in the EU's institutional set-up. This also applied to the former 12 UK OCTs as Article 3(e) of the WA includes the UK OCTs of Annex II of the TFEU in its territorial scope.

In accordance with Article 152(1) WA, after 31 January 2020, the UK remained party to the current EDF and to all the previous unclosed EDFs, until their closure. As per Article 152(3) WA, UK OCTs 'shall benefit from the 11th EDF until its closure and from previous EDFs until their closure'.

The impact of 'Brexit' was felt at institutional level. The new legal configuration implied that the UK OCTs could no longer participate in the association's institutional framework, as laid down in Article 14 OAD, which includes principles for dialogue and instances of the

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

<sup>2</sup> 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 remain: Greenland (DK), French Polynesia (FR), French Southern and Antarctic Territories (FR), New Caledonia (FR), Saint Barthélemy (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).

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

<sup>4</sup> 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.

association (annual OCT-EU Forum, Tripartite regular meetings and ad hoc Working parties on specific sectors).

### **Financial Resources under the 11<sup>th</sup> EDF-OCT**

The 11<sup>th</sup> 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.

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

**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, are encouraged through cooperation with the neighboring African, Caribbean and Pacific (ACP) and/or third countries, as well as the Outermost Regions of the EU.

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

### **Programming process for the 11<sup>th</sup> 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: 1) the EU response strategy (Part A) and 2) the Action Document (Part B). Only one formal Commission Decision was 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

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<sup>5</sup> 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.

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 for 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 2020**

### **a) Territorial cooperation under the 11<sup>th</sup> EDF**

Thanks to the common engagement of all parties concerned, progress has been made in the programming of the 11<sup>th</sup> EDF in 2020 through enhanced coordination and dialogue. With the adoption of the Programming Documents for Sint Maarten and Curaçao in 2020, all **16 OCTs with an EDF allocation have finalized their programming**<sup>6</sup>. In terms of effective financial support, during 2020, EUR 53.67 million were disbursed to OCTs under the 11<sup>th</sup> EDF (see Annex).

As regards implementation during 2020:

The COVID-19 pandemic had important consequences on OCTs. It led to an unprecedented strain on their economies, many of which depend on tourism. They also suffered from disrupted global supply chains (with negative effects on their imports, especially food) and price & demand fluctuations for their main exports. Limited fiscal margin created additional strain, as it was accompanied by a drop in domestic demand and remittances. As a result, structural socio-economic challenges (inequality, weak social structures) are likely to deepen, exposing the fragility of the most vulnerable groups.

As part of the EU global response to COVID-19, OCTs benefited in 2020 from refocusing of on-going EU programmes, front-loading of EU budget support operations and mobilisation of all remaining funds from the EU B-envelope (emergency assistance)<sup>7</sup>, for a total amount of some EUR 74 million under the EDF.

Against this backdrop, the implementation of the 11<sup>th</sup> EDF in 2020 is the following:

#### **Caribbean region:**

- In the **education** sector, the budget support programme for **Anguilla** supported the sustainable financing plan for the sector, the national qualification framework and six individual school development plans (with the disbursement of the fourth fixed tranche of EUR 2.85 million as part of the COVID-19 response). **Aruba** started the implementation of its programme on education (EUR 13.05 million), aiming to

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<sup>6</sup> The territorial programmes for Sint Maarten (EUR 7 million) and Curaçao (EUR 16.95 million) were adopted on 19 November and 10 December 2020.

<sup>7</sup> The balance of the B-envelope (EUR 6.46 million) was committed to complement existing programmes (EUR 0.85 million for French Polynesia, EUR 0.85 million for New Caledonia, EUR 0.56 million for Wallis-et-Futuna, EUR 2.67 million for Caribbean OCTs through the regional programme RESEMBID, EUR 0.61 million for Saint Helena, EUR 0.17 million for Falklands Islands and 0.75 million for Saint-Pierre-et-Miquelon).

increase technical skills for innovative sustainable development with the collaboration of the Leuven University. **Turks and Caicos** continued the rollout of its programme (with the disbursement, as part of the COVID-19 response, of the third fixed tranche of EUR 1 million and the second variable tranche of EUR 3.72 million) aiming to improve 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, as part of the COVID-19 response, of the third fixed tranche (EUR 2.9 million) and the second variable tranche (EUR 2 million). This budget support programme fosters development in areas such as renewable energy and tourism, with the latter currently penalised by the COVID-19 pandemic.
- The **youth budget support programme for Bonaire** (EUR 3.95 million) started its implementation well. It will contribute to make youth healthier and more employable and to offer improved living standards.

#### Pacific region:

- Regarding sustainable **tourism**, **French Polynesia** has been facing important challenges due to the COVID-19 pandemic. However, it made progress on its sectoral policy, allowing the disbursement of the third fixed tranche of its budget support programme (EUR 12.4 million) as part of the COVID-19 response. **Pitcairn** also continued the roll out of its Strategic Development Plan by promoting tourism and benefitted, as part of the COVID-19 response, from the second fixed tranche (EUR 0.8 million) and variable tranche (EUR 0.55 million), thus finalising the programme.
- In the **employment sector**, **New Caledonia** continued its efforts to widen the access to training programs and increase its employment and training rates. The fourth fixed tranche of its budget support programme (EUR 8.84 million) was disbursed as part of the COVID-19 response.
- On **digital development**, **Wallis and Futuna** progressed in the implementation of its digital strategy and in the deployment of services linked to the Tui-Samoa broadband cable<sup>8</sup>, delivering high-speed broadband connectivity. The second tranche (EUR 2 million) and, as part of the COVID-19 response, the third fixed tranche (EUR 3.5 million) were disbursed in 2020.

#### Other OCTs:

- **Falkland Islands** benefit from a **connectivity** programme under the 11<sup>th</sup> EDF. In 2020, satisfactory progress continued in the implementation of their National Infrastructure Plan. The third fixed tranche was disbursed (EUR 1.52 million, as part of the COVID-19 response) as well as the second variable tranche (EUR 0.64 million). **Saint Helena**, also benefiting from connectivity programme under the 11th EDF,

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

showed significant progress in the implementation of its digital strategy during 2020. The second fixed tranche (EUR 3.5 million) and, as part of the COVID-19 response, the third fixed tranche (EUR 5.65 million) were disbursed.

- Regarding **tourism**, the budget support programme in **Saint-Pierre et Miquelon** was completed in 2019 with a total cumulative disbursement of EUR 26 million. In 2020, a COVID-19 tranche of EUR 1.1 million was committed, to be disbursed early 2021. Progress in tourism and maritime transport sectors were illustrated by an important increase of accommodation capacity and the strengthening of the maritime services 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 the macroeconomic situation, public financial management and sector policies.

The year 2020 saw the continued mobilisation of **Technical Assistance** (TA) to support Territorial and Regional Authorising Officers in the programming process. A new Technical Cooperation Facility IV (EUR 2 million) was adopted. A total amount of EUR 1,876,946 was disbursed in 2020 under the 11<sup>th</sup> EDF Technical Cooperation Facilities II and III. This covered TA contracts or studies to help defining OCTs' programming and sectoral strategies or to establish OCTs' eligibility for budget support.

#### **b) Regional cooperation under the 11<sup>th</sup> EDF**

In 2020, significant progress was achieved concerning 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 second payment (EUR 9.44 million) was made in April 2020, bringing the total of disbursements so far to EUR 16.28 million. A second steering committee took place in April 2020.
- In the **Caribbean**, the 'RESEMBID' Programme (*Resilience, Sustainable Energy and Marine Biodiversity Regional*, EUR 42.67 million) was topped up with EUR 2.67 million for the Caribbean OCTs from the B-envelope as COVID-19 support, increasing the initial allocation of EUR 40 million. RESEMBID aims at strengthening environmentally sustainable economic development by focusing on resilience, sustainable energy and marine biodiversity. The objective is to upgrade 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 have been disbursed so far. A first steering committee took place in September 2020. To support Caribbean OCTs in their recovery, a COVID-19 Resilience Response Facility was established in March 2020 as integral part of RESEMBID, at the onset of the pandemic.

- The **Indian Ocean** Regional Programme (*Projet de Restauration des Ecosystèmes Insulaires de l'Océan Indien*, EUR 4 million) aims to restore island ecosystems in the French Southern and Antarctic Lands for the benefit of regional biodiversity. A Delegation Agreement with the Agence Française de Développement (AFD) was signed in July 2019 and a total of EUR 2.28 million have been disbursed until December 2020. A first steering committee took place in November 2020.
- The **11<sup>th</sup> EDF all-OCTs thematic programme** (EUR 17.8 million), newly branded as the *GO –Green Overseas programme*, aims at supporting the sustainable economic, social and environmental development of the OCTs, focusing on low carbon, sustainable energy economies. Resilience to climate change and the COVID 19 pandemic were selected as sub-components. A contract with Expertise France, the selected implementing agency, was signed in August 2020. The first disbursement (EUR 1.66 million) took place subsequently in 2020.

Finally, in 2020, the EU supported the **Overseas Countries and Territories Association (OCTA) through an operating grant** (EUR 550,000). It improved the Association's capacity to fulfil its mandate, in particular to coordinate OCT partners to facilitate 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 **18<sup>th</sup> EU-OCT Forum took place in December 2020 in Brussels** by videoconference, due to COVID-19 restrictions chaired by European Commissioner for International Partnerships Jutta Urpilainen, with high-level representatives of the OCTs and the Member States to which they are linked. Curaçao participated as the outgoing OCTA Chair and New Caledonia as the incoming one.

At the Forum, the EU, the OCTs and the Member States to which the OCTs are linked acknowledged that 2020 had been a decisive juncture for the future of the OCT-EU relations, considering the negotiations of the new association decision, the 2021-2027 EU Multiannual Financial Framework, the Brexit process and the Post-Cotonou framework.

The Commission appreciated the strong recognition by the OCTs and by the Member States to which they are linked of the EU COVID response in support of OCTs.

The Forum allowed for first high-level exchanges on the new programming and priorities of future cooperation, and for the EU to articulate its priorities in this regard: the Green Deal, digital, and jobs & growth were all high on the agenda. The Commission heard the OCTs' message that regional cooperation was very welcome, including with non-OCT neighbours, for which the new association decision sets aside a dedicated amount for the first time (to be confirmed in final negotiations). Given the logistical limitations of an online event with participants from various time zones around the globe, the trilateral meetings at political level



usually held in the Forum's margins between the Member States' representatives, relevant Heads of Delegation and the Commissioner, could not take place.

#### Trilateral consultations (tripartite meetings)

**Two tripartite meetings between the Commission (chair), OCT representatives and the Member States to which they are linked were organised in 2020** in Brussels (one in February, and one online in November due to COVID-19 circumstances). They offered a platform for dialogue to exchange relevant information, reflect on priority topics of common interest – including the COVID-19 situation and response measures – and monitor progress on the implementation of the association Decision.

#### **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. These mechanisms are: 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).

No new operations were signed in 2020 under the **EIB OCT Investment Facility**. Previously signed operations are ongoing, totalling EUR 85.39 million (of which EUR 51.52 million disbursed) at end 2020. This sum exceeds the initial capital endowment because the fund is revolving and some reflows have been lent out again.

Regarding the EUR 5 million envelope for **interest rate subsidies and technical assistance**, in 2020 the EIB signed EUR 750,000 as interest rate subsidies for the Pacific OCTs COVID-19 Financial Sector Facility. This envelope has now been committed in full.

Under the **EIB Own Resources envelope for OCTs** (EUR 100 million total), in December 2020 the EIB signed EUR 20 million of the remaining EUR 35.02 million for the COVID-19 Financial Sector Facility operation in New Caledonia.

Except for the EIB Own Resources OCT envelope, full use was made of the funds available for investment support in the 2014-2020 period.

#### **Looking ahead**

The year 2020 saw the adoption of the 2021-2027 Multiannual Financial Framework, in which the global amount of EUR 500 million was confirmed as allocation to the new OCT-EU association decision. The United Kingdom's withdrawal from the EU resulted in 12 now former UK OCTs leaving the group. As a result, 13 OCTs remain.

The year 2021 will mark the start of a new 7-year period in OCT-EU relations, and will be especially important due to the adoption of the new OCT-EU Association Decision. The new Decision will provide the basis for programming the 2021-2027 cooperation with OCTs, in which strengthened dialogue will remain especially relevant. This process will be underpinned by a continued support to the OCT Association and to the OCTs through the Technical Cooperation Facility.

Due to the OCTs' specific needs and challenges, it is expected that the bulk of cooperation in the 2021-2027 period will continue to focus on actions related to areas of mutual interest to OCTs and the EU: green, digital, sustainable growth, human development and resilience in the post-COVID world. Cooperation will also support OCTs in building their capacities and promoting their cooperation with regional partners.