



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.12.2001
COM(2001) 780 final

COMMUNICATION FROM THE COMMISSION

EUROPEAN DEVELOPMENT FUND
(EDF)

**Estimate of the contributions needed
for expenditure in the 2002 financial year
and expenditure forecast for 2003, 2004, 2005 and 2006**

EUROPEAN DEVELOPMENT FUND

(EDF)

Estimate of the contributions needed for expenditure in the 2002 financial year and expenditure forecast for 2003, 2004, 2005 and 2006

PRELIMINARY REMARKS

Article 6 of the Internal Agreement on the financing and administration of the seventh and eighth EDFs stipulates, inter alia, that the Commission shall:

- send the Council a statement of the payments to be made for the following year (in this case 2002) and a schedule of calls for contributions, taking account of the EIB's estimates concerning the operations administered by it;
- also send with the annual forecasts for contributions its estimates for expenditure for each of the four years following the year relating to the call for contributions (2003-2006).

1. INTRODUCTION

In accordance with the Internal Agreements on the seventh and eighth EDFs, every year the Commission draws up a communication to the Council setting out the financial situation of the EDFs for the current year (in this case, 2001) and an expenditure forecast for the following year (2002). This forecast serves to determine the estimated amount of calls for contributions by the Member States to the EDF for 2002. The document also forecasts expenditure for the next four years (2003-2006).

2. EDF EXPENDITURE FOR THE 2001 FINANCIAL YEAR (DECISIONS AND PAYMENTS)

2.1 Decisions

Non-Stabex decisions stood at EUR 613 million at 30 September 2001. A figure of EUR 2 000 million for the whole year was forecast in Financial Information on the EDF last June. According to the revised estimates of October 2001, and comparing optimistic and pessimistic scenarios, the volume of decisions which can reasonably be achieved by 31 December 2001 is EUR 1 600 million, EUR 400 million less than initially forecast, or 80% of the earlier estimates.

There are many reasons for this:

- Most of the countries which have been most active are beginning to run out of 8th EDF funds, while those countries which still have funds left often encounter problems in drawing up projects;
- The 9th EDF programming phase, with which the Commission's delegations are now closely involved, is taking longer than foreseen;
- Unlike previous years, the figures in this document for projects carried out as at 30 September 2001 (both decisions and payments) only cover final decisions (and payments), and exclude any decisions (and payments) which are still in the pipeline (that is, decisions with a value of EUR 563 million as at 30 September);
- Decisions have traditionally been spread unevenly across the calendar year: there is always a substantial increase in the number of decisions made in the last months of the year;
- Experience shows that the quantity of decisions declines over the programming phase of an EDF, as is currently the case with the 9th EDF;
- The Commission services have been restructured at the beginning of the exercise (creation of EuropeAid Co-operation Office).

The marked fall-off compared with previous years is a natural consequence of the cycle of successive EDFs, as the diagrams in Annex 1 show. This trend will be reversed when the 9th EDF comes into force.

2.2 Payments

Non-Stabex current expenditure for 2001 at 30 September 2001 (about EUR 891 million) is in line with the estimates given in June in Financial Information on the EDF. At that date, the volume of current expenditure for 2001 was about EUR 1 636 million, which is in line with the target of EUR 1 683 million in payments set in June's revised estimates, being 3% less than initial forecasts. However, analysis of individual instruments reveals significant differences between programmable and non-programmable aid. The programmable aid sector delivered well below estimates, and this shortfall was largely made up by the generally better-than-expected performance of non-programmable aid instruments, for which substantial disbursements are scheduled by year end.

2.3 STABEX

Since the expiry of the revised Lomé IV agreement, the Stabex instrument no longer exists. As no new decisions under this instrument could be taken as of 1 January 2001, the number of decisions for the year 2001 was zero. However, payments are still being made under this instrument, to cover decisions made prior to the expiry date. These payments totalled EUR 278 million at 30 September 2001, representing 88% of the estimated amount (EUR 317 million). In the light of this performance to date, and since significant sums should be disbursed between now and the end of the year, the estimate for 31 December 2001 has been revised upwards to EUR 352 million. This positive revision for the Stabex instrument confirms the good results expected for all non-programmable aid instruments (cf. point 2.2).

Forecasts for 2001

EUR million	DECISIONS				PAYMENTS			
	"Financial Information" estimates (1)	Situation at 30-09-01 ¹ (2)	Revised forecasts at October (3)	Balance at 31-12-2001 (3-2)	"Financial Information" estimates (1)	Situation at 30-09-01 ¹ (2)	Revised forecasts at October (3)	Balance at 31-12-2001 (3-2)
<i>Programmable aid</i>	1 513	441.96	1 178	736.04	1 133	733.26	1 100	366.74
Nat. and reg. ind. prog.	1 170	340.03	920	579.97	1 009	474.24	700	225.76
Structural adjustment	343	101.93	258	156.07	124	259.02	400	140.98
<i>Sysmin</i>	137	-0.32	-0.32	0.00	50	30.32	31	0.68
<i>Risk capital</i>	220	126.65	325	198.35	150	79.61	175	95.39
<i>Interest rate subsidies</i>	50	0.30	25	24.70	30	9.24	30	20.76
<i>Emergency aid</i>	20	12.66	20	7.34	20	16.26	20	3.74
<i>Aid for refugees</i>	0	29.32	29.32	0.00	0	6.83	13	6.17
<i>Use of interest</i>	0	1.95	24.95	23.00	0	1.36	2	0.64
<i>Transfer from other funds</i>	0	0.12	0.12	0.00	0	14.07	15	0.93
<i>HIPC</i>	60	0.00	0	0.00	300	0.00	250	250.00
Sub-total	2 000	612.64	1602.07	989.43	1 683	890.95	1 636	745.05
Stabex	0	-1.59	-1.59	0.00	317	277.71	352	74.29
TOTAL	2 000	611.05	1 600.48	989.43	2 000	1 168.66	1 988	819.34

¹ These figures do not take account of decisions in the pipeline.

3. CASH POSITION FORECAST AT 31 DECEMBER 2001

3.1. Cash position forecast at 31 December 2001: current expenditure (EDF current expenditure account)

The cash position forecast for 31 December 2001 stands at about EUR 260.44 million. This should be compared with balances at previous year-ends to see how available bank balances have been reduced:

- EUR 473.00 million at end 1995
- EUR 297.81 million at end 1996
- EUR 330.55 million at end 1997
- EUR 306.57 million at end 1998
- EUR 140.84 million at end 1999
- EUR 783.51 million at end 2000.

The unusually high cash position at the end of 2000 was due to:

- a lower than expected level of current expenditure for the whole of the 2000 financial year;
- the fact that Structural Adjustment Facility payments amounting to EUR 130 million, which should have been made just before the end of the financial year, were not actually made until early January 2001; these payments were therefore included in the 2001 financial year accounts;
- during 2000 EUR 350 million were transferred from the Stabex account to the EDF current expenditure account to finance the HIPC initiative. This transfer was carried out in August 2000, at a time when the cash position on the EDF current expenditure account was very low, so as to avoid the funding of the HIPC initiative impacting on the calls for contributions, with a view to finalising the operation at a later date. This operation has since been finalised: as a result, the transfer of EUR 221 million from Stabex to the EDF account, planned for each of the first two quarters of 2001, was suspended. The two sums are included in the table below purely for the record, and have been discounted when calculating the totals. The transfer of EUR 350 million is in addition to the transfer of EUR 220 million from the Stabex account to the current expenditure account carried out at the time of the last call for contributions in 2000.

Since the cash position recorded at the end of the year 2000 was therefore untypical, the position expected for end 2001 confirms the declining trend which the Commission has pursued.

Cash position forecast at 31 December 2001: current expenditure

EUR million	RESOURCES	EXPENDITURE	BALANCE
Carryover from 2000	433.51		
Anticipatory transfer from Stabex to EDF current expenditure account to cover HIPC initiative	350.00*		
Tranche 20/01/2001	379.00		
Tranche 01/04/2001	200.00		
Tranche 01/07/2001	200.00		
Transfer from Stabex to EDF account 20/01/2001 (finalisation of *)	(221.00) ²		
Transfer from Stabex to EDF account 01/04/2001 (finalisation of *)	(221.00) ²		
Transfer from Stabex to EDF account 01/07/2001	112.00		
Interest booked	12.94		
Expenditure at 01/10/2001		1 025.61	
Expenditure being finalised ACP ³		50.00	
Expenditure being finalised EUR ⁴		15.42	
Situation at 30/09/2001	1 687.45	1 091.03	596.42
Tranche 01/11/2001	0.00		
Transfer from Stabex to EDF account 01/11/2001	221.00		
Expenditure forecast from 01/10/2001 to 31/12/2001		556.98	
Anticipated balance at 31/12/2001	1 908.45	1 648.01	260.44

² For the record: cf. point 3.1 above

³ Payments effected in the ACP countries but not yet finalised

⁴ Direct payments to be finalised at 30/9/2000

3.2. Cash position forecast: Stabex expenditure

The Stabex cash balance is somewhat different, as Stabex funds are governed by different arrangements (amounts and deadlines are laid down in the Financial Regulation applicable to the 4th ACP-EC Convention). When the 8th EDF came into force, funds for the five years of the system's application (1995-1999) were called on under the arrangements set out in the 8th EDF Financial Regulation, the last call being made during the year 2000.

Stabex comes to an end when the revised Lomé IV expires, as it was not renewed in its present form as part of the new partnership agreement. A joint ACP-EU decision on the establishment of a reserve intended to finance decisions under Stabex and Sysmin in the period 2 August to 31 December 2000 was taken at the end of September 2000; this decision also provides for the transfer of the unexpended balance (EUR 1 105 672 002) from the Stabex account to the EDF current expenditure account. This transfer is taking place gradually up to 31 December 2001. Outstanding payments of certain Member States must also be settled by that date. Thus, in 2000 EUR 570 million were transferred from the Stabex account to the EDF current expenditure account; and these transfers will continue in 2001, when EUR 333 million are to be transferred over the course of the year. As shown in the table below, these operations together with expenditure made using this instrument should mean that the balance of the Stabex account will stand at EUR 619 million at the end of December 2001. This sum will be transferred to the EDF current expenditure account at the end of the 2001 financial year, save for EUR 250 million which will be held as a reserve against disbursements due to be made to countries with which cooperation has been suspended (Sudan and Togo), amounting to EUR 369 million.

EUR million	Resources	Expenditure	Balance
Carryover from 2000	648.23		
Settlement Stabex debts	348.62		
Interest booked	74.45		
Expenditure at 30/09/2001		277.71	
Transfer to EDF current account (1/07/2001)		112.00	
Situation at 30/09/2001	1 071.30	389.71	681.59
Expenses being finalised		75.00	
Transfer to EDF current account (1/11/2001)		221.00	
Stabex credit to be called in by 31-12-01	233,52		
Anticipated balance at 31/12/2001	1 304,82	685.71	619,11

4. FORECASTS FOR 2002 (DECISIONS AND PAYMENTS)

The amounts relating *to the 6th EDF* have been entered separately, since the Fund has not yet been closed.

Forecasts for decisions *under the 7th EDF* concern only programmable aid (national and regional indicative programmes) for EUR 70 million, as funds have been used up for the other instruments. Payments under the 7th EDF, which have now fallen to EUR 350 million, are diminishing every year, and represent only 15% of total anticipated payments for 2002 (EUR 2 345 million). They are exclusively for expenditure under the indicative programmes.

Decisions *under the 8th EDF* should amount to EUR 2 030 million in 2002, including decisions funded by transfers from the 8th EDF general reserve to the 9th EDF (EUR 1 185 million, of which EUR 415 million are for macro-economic support).

Payments should amount to EUR 1 965 million, including EUR 600 million for programmable aid, and EUR 400 million drawn from funds transferred from the 8th EDF general reserve to the 9th EDF (of which EUR 300 million are for macro-economic support).

The Stabex instrument has expired. Decisions and payments under this instrument have therefore ceased. The reserve of EUR 250 million which has been established (cf. point 3.2 above) is unlikely to be paid out in 2002.

The total of decisions to be taken under *all the EDFs* comes to EUR 2 100 million; payments are likely to reach about EUR 2 345 million next year.

EUR million	Decisions				Payments			
	EDF 6	EDF 7	EDF 8	Total	EDF 6	EDF 7	EDF 8	Total
Programmable aid	-	70	1 720	1 790	30	350	1 400	1 780
NIP/RIP	-	70	1 295	1 365	30	350	600	980
SAF	-	-	425	425	-	-	800	800
STABEX	-	-	-	-	-	-	-	-
SYSMIN	-	-	-	-	-	-	-	-
RISK CAPITAL	-	-	225	225	-	-	175	175
INTEREST RATE SUBSIDIES	-	-	25	25	-	-	25	25
EMERGENCY AID	-	-	-	-	-	-	20	20
AID FOR REFUGEES	-	-	-	-	-	-	15	15
HIPC	-	-	60	60	-	-	330	330
TOTAL	0	70	2 030	2 100	30	350	1 965	2 345

The rates of disbursement since 1991 are given below. The table shows that the rate of payments picked up in 1998 once the 8th EDF came into force, and this trend should continue in 2002.

EUR million	Current payments	Stabex	Total
1991	1002	189	1191
1992	1298	612	1910
1993	1339	33	1372
1994	1430	351	1781
1995	1260	303	1563
1996	1152	165	1317
1997	1194	19	1213
1998	1351	89	1440
1999	1255	20	1275
2000	1477	71	1548
2001 ⁵	1636	352	1988
2002 ⁵	2345	0	2345

⁵ Estimated

5. 2002 CALL FOR CONTRIBUTIONS (ROUNDED FIGURES)

To cover 2002 expenditure and to maintain a reasonable cash level, a total of EUR 2 000 million in contributions will be called (7th and 8th EDF scales), to which the transfer of residual Stabex funds at end 2001 will add a further EUR 369 million (cf. point 3.2).

Working from a cash flow forecast and taking account of Member States' wish to curb the funding available, although this is essential, the Commission is proposing four tranches as follows:

- EUR 500 million on 20 January 2002 (all on the 7th EDF);
- EUR 500 million on 1 April 2002 (all on the 7th EDF);
- EUR 500 million on 1 July 2002 (EUR 281 million on the 7th and EUR 219 million (on the 8th EDF);
- EUR 500 million on 1 November 2002 (all on the 8th EDF).

At 30 September 2001, EUR 1 281 million were still to be called for the 7th EDF. Since the last call for contributions in 2001, which was due to be made on 1 November 2001, has been reduced to zero, the whole of this amount will be called over the first three tranches of 2002, and funding for the 8th EDF budget will commence with the third call in 2002.

As usual, these amounts may be adjusted upwards or downwards at each three-monthly call to take account of actual needs. Similarly, if forecasts are implemented at a more sustained rate, the Commission will make use of Article 6 of the Internal Agreement to provide enough funding to meet requirements.

Cash position forecast at 31 December 2002

Current expenditure

EUR million	Resources	Expenditure	Balance
Carryover from 2001	260.44		
Transfer of outstanding Stabex funds at 31/12/2001	369.11		
Tranche 20/01/2002	500.00		
Tranche 01/04/2002	500.00		
Tranche 01/07/2002	500.00		
Tranche 01/11/2002	500.00		
Anticipated balance at 31/12/2002	2 629.55	2 345.00	284.55

The table concerning the call for contributions for current expenditure (7th and 8th EDF scales) can be found under point 7.

6. EDF EXPENDITURE FORECASTS 2003 TO 2006

Forecasts for 2003 to 2006 are only an approximate estimate of expenditure based on the rates in previous years.

Forecast of EDF decisions and payments

2003 to 2006

EUR million	2003		2004		2005		2006	
	D	P	D	P	D	P	D	P
7th	50	300	0	200	0	0	0	0
8th	400	1800	150	1500	100	900	0	600
9th	2330	400	2900	1000	2800	2000	2700	2400
Total	2780	2500	3050	2700	2900	2900	2700	3000

7. CONTRIBUTIONS TO EDF FOR 2002
CURRENT EXPENDITURE

COUNTRY	7th EDF SCALE	8th EDF SCALE	20/01/02	1/04/02	1/07/02			1/11/02	TOTAL 2002
	%	%	VII	VII	VII	VIII	TOTAL	VIII	
GERMANY	25.96	23.36	129.800.000	129.800.000	73.403.600	51.158.400	124.562.000	116.800.000	500.962.000
BELGIUM	3.96	3.92	19.800.000	19.800.000	11.137.600	8.584.800	19.722.400	19.600.000	78.922.400
DENMARK	2.07	2.14	10.350.000	10.350.000	6.390.700	4.686.600	11.077.300	10.700.000	42.477.300
SPAIN	5.90	5.84	29.500.000	29.500.000	16.118.000	12.789.600	28.907.600	29.200.000	117.107.600
FRANCE	24.37	24.30	121.850.000	121.850.000	68.293.700	53.217.000	121.510.700	121.500.000	486.710.700
GREECE	1.22	1.25	6.100.000	6.100.000	3.880.200	2.737.500	6.617.700	6.250.000	25.067.700
IRELAND	0.55	0.62	2.750.000	2.750.000	1.408.000	1.357.800	2.765.800	3.100.000	11.365.800
ITALY	12.96	12.54	64.800.000	64.800.000	36.365.600	27.462.600	63.828.200	62.700.000	256.128.200
LUXEMBOURG	0.19	0.29	950.000	950.000	486.400	635.100	1.121.500	1.450.000	4.471.500
NETHERLANDS	5.57	5.22	27.850.000	27.850.000	15.413.700	11.431.800	26.845.500	26.100.000	108.645.500
PORTUGAL	0.88	0.97	4.400.000	4.400.000	2.340.800	2.124.300	4.465.100	4.850.000	18.115.100
UNITED KINGDOM	16.37	12.69	81.850.000	81.850.000	45.761.700	27.791.100	73.552.800	63.450.000	300.702.800
AUSTRIA		2.65				5.803.500	5.803.500	13.250.000	19.053.500
FINLAND		1.48				3.241.200	3.241.200	7.400.000	10.641.200
SWEDEN		2.73				5.978.700	5.978.700	13.650.000	19.628.700
TOTAL	100.00	100.00	500.000.000	500.000.000	281.000.000	219.000.000	500.000.000	500.000.000	2.000.000.000

