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COMMUNICATION FROM THE COMMISSION

Financial Information on the European Development Funds

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Preliminary remarks

This document is submitted as an annex to the draft budget for 2001, in accordance with the 1979 agreements on budgetary procedure.

To make the budgetary authority's task as easy as possible, the information given in this document is restricted to the key data. However, as in previous years, it shows:

- EDF implementation at 31.12.1999;
- financial implementation forecasts for the current year;
- expenditure forecasts for 2001.

Further details on EDF implementation at 31 December 1999 are given in the Commission communication to the Court of Auditors, Parliament and the Council containing the balance sheets and accounts of the 6th, 7th and 8th EDFs for 1999.

SUMMARY

1. With payments standing at €1 275.38 million, implementation of the EDF in 1999 will be below the forecast of €1 955 million presented to the Member States in November 1998, i.e. a rate of 70% excluding Stabex (65.22% including Stabex). However, the size of this gap was corrected in the "Financial Information on the EDF" report presented to the Council in July 1999 when the forecast was revised down to €1 460 million, giving an implementation rate of 87.35% of the forecast.

1999 was a record year for decisions, however, compared with the recent average. Current expenditure totalled €2 617.81 million, while Stabex reached €75.01 million, a total of 120% of the November 1998 forecast of €2 245 million for all instruments.

To put the size of the gap between decisions and payments in perspective, account should first be taken of the late entry into force of the 8th EDF in July 1998 and the reasonable time-lag between the decision on a project and its actual implementation.

In a political and economic climate that continues to fluctuate sharply and is sensitive to changes in the world economy, official development aid granted by the European Union to the ACP States and OCTs constantly reflects these external factors.

As in 1998, the domestic situation in a number of recipient countries continued to fluctuate throughout the year - deterioration of the situation in Rwanda, Equatorial Guinea, Democratic Republic of Congo, Sierra Leone, etc. - -and this affected the pace and estimated amount of disbursements.

2. With decisions forecast at €4 250 million and payments at €2 635 million for 2000, the upswing in EDF activity should pick up pace appreciably following the entry into force of the 8th EDF and the decisions taken on the debt-relief initiative for heavily indebted poor countries and the increase in the structural adjustment facility.

To finance this expenditure, a call for contributions totalling €1 600 million was agreed in December 1999 to cover current payments plus €360 million for Stabex expenditure as laid down in the Financial Regulation for the 8th EDF. The level of contributions takes account only of decisions actually taken to date.

3. Forecast expenditure in 2001 is €2 553 million for current operations and 0 million for Stabex.

I. Status of European Development Funds at 31.12.1999

1. General table

Fund ¹	Implement- ation at 31/12/99 (EUR million)	Implementation at 31/12/99 (%)	Entry into force of the EDF	Recipients	Type of aid
<u>6th EDF</u>			01.05.1986	ACP-OCT	Programmable aid
Allocations (a)	7 882.6 ²			“	Interest-rate subsidies
Decisions (b)	7 466.3	94.72% (b/a)		“	Venture capital
Contracts (c)	7 227.9	89.25% (d/a)		“	Stabex
Payments (d)	7 035.3	94.22% (d/b)		“	Sysmin
		97.34% (d/c)		“	Emergency aid
				“	Aid for refugees
<u>7th EDF</u>			01.09.1991	ACP-OCT	Programmable aid
Allocations (a)	11 606.7 ³			“	Structural adjustment facility
Decisions (b)	10 640.6	91.67% (b/a)		“	Interest-rate subsidies
Contracts (c)	9 068.4	69.11% (d/a)		“	Venture capital
Payments (d)	8 021.2	75.38% (d/b)		“	Stabex
		88.45% (d/c)		“	Sysmin
				“	Emergency aid
				“	Aid for refugees
<u>8th EDF</u>			17.06.1998	ACP-OCT	Programmable aid
Allocations (a)	13 151.1			“	Structural adjustment facility
Decisions (b)	4 734.3	36.00% (b/a)		“	Interest-rate subsidies
Contracts (c)	1 825.5	7.69% (d/a)		“	Venture capital
Payments (d)	1 011.2	21.36% (d/b)		“	Stabex
		55.39% (d/c)		“	Sysmin
				“	Emergency aid
				“	Aid for refugees

ECU 1 120 million from the 6th EDF, ECU 1 225 million from the 7th EDF and ECU 1 693 million from the 8th EDF should be added to the above allocations (from EIB own resources).

¹ The allocation figures do not include interest.

² Replenishment of the Somalia NIP with €35.7million less €39 million transferred to the 8th EDF in accordance with Article 1(ii) of the 8th EDF Internal Agreement (remaining balance of the 4th and 6th EDFs).

³ Transfer of €253 million from the 7th EDF to the 8th EDF in accordance with Article 1(ii) of the 8th EDF Internal Agreement

2. Implementation of the Funds at 31 December 1999

(a) EDF expenditure in 1999: €1 275.38 million.

TRENDS IN PAYMENTS (EUR million)

	Current payments	Stabex	TOTAL
1991	1102	189	1291
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

COMPARISON DECISIONS/PAYMENTS (7th & 8th EDFs - EUR million)

Instruments	Decisions		Payments	
	1998	1999	1998	1999
PROGRAMMABLE AID:	1784.81	2297.69	1091.94	994.34
– National and regional indicative programmes	1198.25	1984.22	812.41	732.74
– Structural adjustment facility	586.56	313.47	279.53	261.60
STABEX	151.69	75.01	89.31	20.15
SYSMIN	0.51	27.71	41.83	53.70
VENTURE CAPITAL	297.05	199.25	171.33	131.47
INTEREST-RATE SUBSIDIES	24.54	4.94	27.05	25.37
EMERGENCY AID	36.73	82.68	12.65	48.81
AID FOR REFUGEES	0.94	-0.90	5.52	1.54
HIPC INITIATIVE	-	6.44	-	0
TOTAL	2296.28	2692.82	1439.64	1275.38

For the second year running, the level of decisions showed a definite upturn with the start-up of implementation of the 8th EDF and although this has not yet been reflected in the level of payments, it is inevitable in due course. Despite a low level of decisions in 1999, Sysmin managed to keep up a steady rate of payments.

(b) EDF operations were financed normally in 1999

In EUR million	CURRENT OPERATIONS		STABEX		TOTAL	
	1998	1999	1998	1999	1998	1999
Resources						
Carry-over to 01.01	330.56	306.57	91.00	407.53	421.56	714.10
Call for contributions	1300.00	1100.00	397.54 ⁽¹⁾	461.93 ⁽¹⁾	1697.54	1561.93
Interest entered in the accounts/ amounts to be regularised	26.34	-10.50	8.30	32.69	34.64	22.19
TOTAL	1656.90	1396.07	496.84	902.15	2153.74	2298.22
Expenditure	-1350.33	-1255.23	-89.31	-20.15	-1439.64	-1275.38
Balance at 31.12	306.57	140.84	407.53	882.00	714.10	1022.84

The amount of cash available for all accounts at the end of the year was €1 022.84 million, €140.84 million for current expenditure and €882.00 million for Stabex. In addition to the €882.00 million, at the 1999 year end, the Commission also had a credit with some Member States totalling €563.76 million for Stabex.

As there is a special bank account for Stabex operations, the possibilities of reducing these funds are closely bound up with the level of transfers decided on.

(1) The amounts entered for calls for contributions to Stabex take account only of actual Member State payments, excluding credits. The amount of payments (€397.54 million in 1998 and €461.93 million in 1999) is higher than calls (€360 million) as a result of some Member States settling previous credits.

II. Financial implementation forecasts for 2000 (as at 01.2000)

Instruments	Decisions				Payments			
	EDF6	EDF7	EDF8	Tot.	EDF6	EDF7	EDF8	Tot.
In EUR million								
PROGRAMMABLE AID	-150	100	2 200	2 150	100	550	800	1 450
- National and regional indicative programmes	-150	100	1 750	1 700	100	550	350	1 000
- Structural adjustment facility	-	-	450	450	-	-	450	450
STABEX	-	-	400	400	-	-	250	250
SYSMIN	-	-	50	50	-	-	30	30
VENTURE CAPITAL	-	-	290	290	-	85	200	285
INTEREST-RATE SUBSIDIES	-	-	90	90	-	30	30	60
EMERGENCY AID	-	-	20	20	-	-	60	60
AID FOR REFUGEES	-	-	-	-	-	-	-	-
HIPC	-	-	1 000	1 000	-	-	350	350
Other	-	-	250	250	-	-	150	150
TOTAL	-150	100	4 300	4 250	100	665	1 870	2 635

1. Forecasts for decisions have been revised upwards compared with the forecasts in November 1999. This has been done to take account of the guidelines laid down at the December 1999 CFD/ACP meeting in Accra where the following initiatives were agreed:

- debt relief totalling €1 000 million for the heavily indebted poor countries;
- an increase of €250 million in the structural adjustment facility, €100 million of which has been earmarked for 2000.

Forecasts, other than for Stabex, which has gone down from €500 million to €400 million owing to the availability of more accurate data, have not changed, thus justifying the Commission's ambitious programming targets.

An extra heading, 'Other', has been included to take account of the Commission's intention of presenting by the end of the year operations involving several ACP countries at once which are currently being studied and/or finalised (increase in venture capital funding, support for health initiatives in cooperation with WHO, etc.)

2. EDF expenditure at 31/05/2000 compared with the January 2000 forecasts

Instruments In EUR million	January 2000 forecasts	Implementation at 31.05.2000⁴	% implementation at 31.05.2000
PROGRAMMABLE AID	1 450	370.17	25.53
- national and regional indicative programmes	1 000	291.34	29.13
- Structural adjustment facility	450	78.83	17.52
SYSMIN	30	14.28	47.60
VENTURE CAPITAL	285	68.37	23.99
INTEREST-RATE SUBSIDIES	60	4.91	8.18
EMERGENCY AID	60	14.68	24.47
AID FOR REFUGEES	-	0.41	-
Subtotal	1 885	472.82	25.08
STABEX	250	70.51	28.20
HIPC	350	-	0.00
Other	150	-	0.00
TOTAL	2 635	543.33	20.62

As with the decision forecasts, the payments forecasts have also been revised upwards to take account of the necessary additional disbursements for the HIPC initiative and the increase in the structural adjustment facility this year.

⁴ Final and unsettled transactions.

Despite an implementation rate of 20.62% at 31 May 2000, below the normal average for that date, the Commission is keeping to its forecast as the high level of decisions must soon bring about a substantial increase in disbursements.

III. Implementation forecasts for 2001

2001 in EUR million	Decisions				Payments			
	EDF6	EDF7	EDF8	Tot.	EDF6	EDF7	EDF8	Tot.
PROGRAMMABLE AID	400	400	2 110	2 910	8	618	1 262	1 888
– NIP/RIP	400	400	1 953	2 753	8	618	957	1 583
– SAF	-	-	157	157	-	-	305	305
STABEX	-	-	-	-	-	-	-	-
SYSMIN	-	-	-	-	-	-	50	50
VENTURE CAPITAL	-	-	240	240	-	-	140	140
INTEREST-RATE	-	-	90	90	-	-	50	50
SUBSIDIES	-	-	-	-	-	-	-	-
EMERGENCY AID	-	-	-	-	-	-	-	-
AID FOR REFUGEES	-	-	60	60	-	-	50	50
HIPC	-	-	-	-	-	-	375	375
Grand total	400	400	2 500	3 300	8	618	1 927	2 553

1. The 2001 forecasts are as submitted to the Member States in the schedule drawn up in the post-Lomé negotiations at the final talks on the size of the 9th EDF; the main differences between these figures and the ones sent to the Council in December 1999 are as follows:

- the amounts for the 6th EDF have been entered separately since the Fund has not been closed yet;
- the figures have been calculated on the basis of the present programmes in the light of the more ambitious objectives established internally (these figures will be revised in further detail in November in the light of implementation);
- the HIPC debt-relief initiative has now been quantified and included in the forecasts.

2. Decisions in the pipeline amount to €3 300 million. This does not include the outstanding €150 million to be allocated to the increase in the structural adjustment facility, on which no decision has yet been taken. In its dealings with third countries, however, the Commission is also dependent on a number of external factors which cannot, by their nature, be foreseen (political instability, armed conflict, natural disasters). These factors can upset a forecast at any time.

3. The estimated payments of €2 553 million should see the two billion euro threshold crossed again in 2001. This will largely be due to the anticipated high level of HIPC payments (€375 million). However, the figure does not include the expected disbursement of €250 million under Stabex on which the data is as yet unavailable. Stabex will in fact come to end when the

revised Lomé IV expires as it is not due to be renewed in its present form in the next partnership agreement.

4. To cover these payments, taking account of obligations under the Convention, the financial requirements for 2001 to be discussed with the Member States in November 2000 should be close to €3 050 million for current expenditure. Meanwhile calls in relation to Stabex will be closed in July 2000, as provided for in the Financial Regulation.

The above forecast of financial requirements is based on the following:

€ million	Current operations	Stabex	HIPC
Balance 31/12/1999	140.84	882.00	
Calls for 2000	1 600.00	360.00	
Forecast expenditure 2000	-2 035.00	-250.00	-350.00
Additional requirements 2000			350.00
Forecast balance at 31/12/2000	-294.16	992.00⁵	
Foreseeable expenditure 2001	-2 178.00	-250.00	-375.00
Forecast requirements 2001	2 672.16	0.00	375.00
Forecast balance at 31/12/2001	200.00	742.00	0.00

The forecast current expenditure figure for 2000 includes the increase in the structural adjustment facility agreed under the HIPC initiative. The expiry of the revised Lomé IV and the entry into force of the successor convention are currently under discussion, notably concerning the finalisation of interim measures for the transition between agreements. The source of the necessary financing to cover the original 2000 and 2001 expenditure as well as that arising from the new initiatives will depend on decisions taken in that context.

⁵ Excluding sums owed by Member States and interest generated in managing the bank accounts.

ANNEXES

Annex 1: Contributions to the EDF for 2000

CONTRIBUTIONS TO THE EDF FOR 2000

Current expenditure

Country	REF. EDF7 %	20/01/00	1/04/00	1/07/00	1/11/00	TOTAL 2000
GERMANY	25.96	103 840 000.00	103 840 000.00	103 840 000.00	103 840 000.00	415 360 000.00
BELGIUM	3.96	15 840 000.00	15 840 000.00	15 840 000.00	15 840 000.00	63 360 000.00
DENMARK	2.07	8 280 000.00	8 280 000.00	8 280 000.00	8 280 000.00	33 120 000.00
SPAIN	5.90	23 600 000.00	23 600 000.00	23 600 000.00	23 600 000.00	94 400 000.00
FRANCE	24.37	97 480 000.00	97 480 000.00	97 480 000.00	97 480 000.00	389 920 000.00
GREECE	1.22	4 880 000.00	4 880 000.00	4 880 000.00	4 880 000.00	19 520 000.00
IRELAND	0.55	2 200 000.00	2 200 000.00	2 200 000.00	2 200 000.00	8 800 000.00
ITALY	12.96	51 840 000.00	51 840 000.00	51 840 000.00	51 840 000.00	207 360 000.00
LUXEMBOURG	0.19	760 000.00	760 000.00	760 000.00	760 000.00	3 040 000.00
NETHERLANDS	5.57	22 280 000.00	22 280 000.00	22 280 000.00	22 280 000.00	89 120 000.00
PORTUGAL	0.88	3 520 000.00	3 520 000.00	3 520 000.00	3 520 000.00	14 080 000.00
UNITED KINGDOM	16.37	65 480 000.00	65 480 000.00	65 480 000.00	65 480 000.00	261 920 000.00
TOTAL	100.00	400 000 000.00	400 000 000.00	400 000 000.00	400 000 000.00	1 600 000 000.00

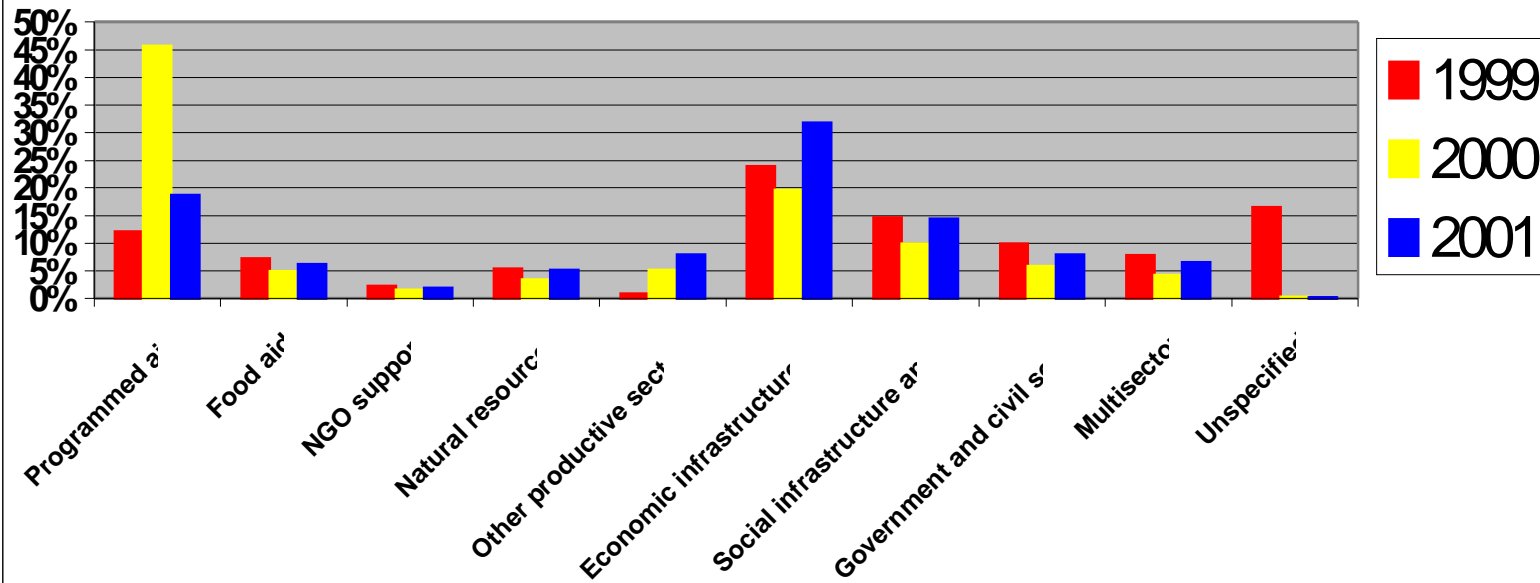
CONTRIBUTIONS TO THE EDF FOR 2000

STABEX

Country	REF. EDF8	1/04/00	1/07/00	TOTAL
GERMANY	23.36	42 048 000.00	42 048 000.00	84 096 000.00
BELGIUM	3.92	7 056 000.00	7 056 000.00	14 112 000.00
DENMARK	2.14	3 852 000.00	3 852 000.00	7 704 000.00
SPAIN	5.84	10 512 000.00	10 512 000.00	21 024 000.00
FRANCE	24.30	43 740 000.00	43 740 000.00	87 480 000.00
GREECE	1.25	2 250 000.00	2 250 000.00	4 500 000.00
IRELAND	0.62	1 116 000.00	1 116 000.00	2 232 000.00
ITALY	12.54	22 572 000.00	22 572 000.00	45 144 000.00
LUXEMBOURG	0.29	522 000.00	522 000.00	1 044 000.00
NETHERLANDS	5.22	9 396 000.00	9 396 000.00	18 792 000.00
PORTUGAL	0.97	1 746 000.00	1 746 000.00	3 492 000.00
UK	12.69	22 842 000.00	22 842 000.00	45 684 000.00
AUSTRIA	2.65	4 770 000.00	4 770 000.00	9 540 000.00
FINLAND	1.48	2 664 000.00	2 664 000.00	5 328 000.00
SWEDEN	2.73	4 914 000.00	4 914 000.00	9 828 000.00
TOTAL	100.00	180 000 000.00	180 000 000.00	360 000 000.00

Annex 2: Sectoral breakdown at 31.12.1999

Percentage breakdown of commitments by economic sector
6th, 7th and 8th EDFs combined



Annex 3: Summary statements of management accounts at 31.12.1999.

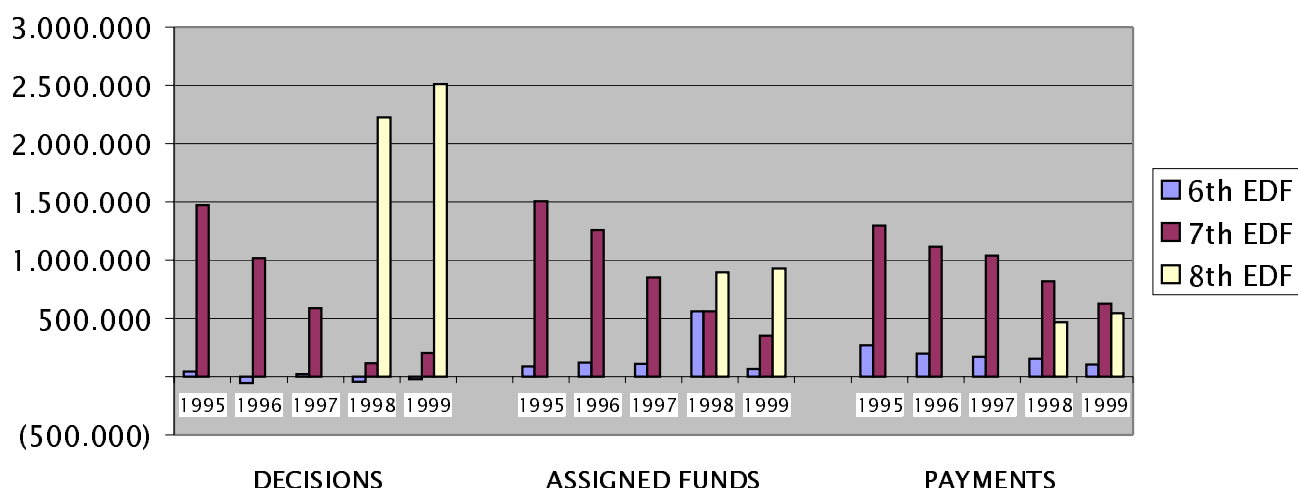
EDF CONSOLIDATED ACCOUNTS AT 31.12.1999

ANNUAL FIGURES (€ '000)

APPROPRIATIONS	6th EDF	7th EDF	8th EDF	6th, 7th & 8th
Programmable aid	5 180 374	6 087 071	6 427 000	17 694 445
Structural adjustment (SAF)	6 000	1 156 000	1 650 000	2 812 000
Non-programmable aid	2 586 156	3 908 462	5 074 118	11 568 736
Transfers to other Funds	110 084	433 931		544 015
Sundry revenue		21 206		21 206
TOTAL	7 882 614	11 606 671	13 151 118	32 640 402

	EDF	AGGREGATE TOTAL		ANNUAL FIGURES					
		As at 31/12/99	% of appropriation	Tot. prior to 1995	1995	1996	1997	1998	1999
DECISIONS									
	6	7 466 272	95	7 516 826	45 601	(53 008)	24 216	(44 644)	(22 719)
	7	10 640 624	92	7 234 369	1 474 489	1 017 873	591 769	116 834	205 290
	8	4 734 345	36					2 224 097	2 510 248
TOTAL		22 841 241		14 751 195	1 520 090	964 865	615 985	2 296 287	2 692 819
ASSIGNED FUNDS									
	6	7 227 869	92	6 278 145	89 818	120 457	109 117	563 443	66 889
	7	9 068 387	78	4 537 045	1 505 878	1 259 557	852 298	563 443	350 166
	8	1 825 514	14					893 967	931 547
TOTAL		18 121 769		10 815 190	1 595 696	1 380 014	961 415	2 020 853	1 348 602
PAYMENTS									
	6	7 035 285	89	6 136 471	268 197	199 131	173 843	153 872	103 771
	7	8 021 186	69	3 122 373	1 295 514	1 118 250	1 038 852	819 131	627 066
	8	1 011 161	8					466 621	544 540
TOTAL		16 067 632		9 258 844	1 563 711	1 317 381	1 212 695	1 439 624	1 275 377

EDF consolidated accounts as at 31.12.1999: annual figures (EUR '000)



EDF CONSOLIDATED ACCOUNTS AT 31.12.1999
Class of aid (€'000)

	6th EDF	% (1)	7th EDF	% (1)	8th EDF	% (1)	TOTAL	% (1)
PROGRAMMABLE AID (NIP)								
Appropriation	5 180 374		6 087 071		6 427 000		17 694 445	
Decisions	4 862 968	94	5 438 200	89	2 838 234	44	13 139 403	74
Assigned funds	4 655 924	90	4 332 171	71	362 536	6	9 350 632	53
Payments	4 492 969	87	3 581 822	59	189 469	3	8 264 261	47
STRUCTURAL ADJUSTMENT (SAF)								
Appropriation	6 000		1 156 000		1 650 000		2 812 000	
Decisions	6 000	100	1 152 902	100	892 275	54	2 051 177	73
Assigned funds	5 995	100	1 147 217	99	660 540	40	1 813 753	65
Payments	5 407	90	1 137 044	98	494 992	30	1 637 443	58
NON-PROGRAMMABLE AID								
Appropriation	2 586 156		3 908 462		5 074 118		11 568 736	
Decisions	2 505 446	97	3 680 752	94	1 003 836	20	7 190 034	62
Assigned funds	2 480 192	96	3 311 879	85	802 437	16	6 594 507	57
Payments	2 454 451	95	3 084 404	79	326 700	6	5 865 555	51
TRANSFERS FROM OTHER FUNDS								
Appropriation	110 084		433 931				544 015	
Decisions	91 858	83	368 770	85			460 628	85
Assigned funds	85 758	78	277 120	64			362 878	67
Payments	82 458	75	217 915	50			300 373	55
SUNDRY REVENUE								
			21 206				21 206	
TOTAL								
Appropriation	7 882 614		11 606 671		13 151 118		32 640 402	
Decisions	7 466 272	95	10 640 624	92	4 734 345	36	22 841 241	70
Assigned funds	7 227 869	92	9 068 387	78	1 825 514	14	18 121 769	56
Payments	7 035 285	89	8 021 186	69	1 011 161	8	16 067 632	49