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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

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 2002, 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 31.12.2000;
- financial implementation forecasts for the current year;
- expenditure forecasts for 2002.

Further details on EDF implementation at 31.12.2000 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 2000.

Summary

1. With **payments** standing at €1 548.17 million, implementation of the EDF in 2000 will be below the forecast of €1 985 million presented to the Member States in November 1999, i.e. a rate of 85% excluding Stabex (78% including Stabex). The wide gap between actual and forecast implementation had been highlighted in the paper on Financial Information on the EDF presented to the Council in July 2000, which had increased the forecast to €2 635 million, mainly to take account of a substantial rise in the allocations for the HIPC initiative (up €350 million) and the Structural Adjustment Facility (up €150 million) and the sums entered under “miscellaneous” to cover large-scale activities which the Commission wanted to implement in 2000 for healthcare and risk capital. Because these two initiatives were not translated into action, the paper on the Estimate of Contributions Needed presented to the Council in December 2000 revised the forecast for 2000 downwards substantially, to a total of €2 025 million. Overall, payment implementation stands at 76% of the last forecast (81% without Stabex).

2000 was a good year for **decisions**, however, compared with the recent average. Current expenditure totalled €3 396.36 million, while Stabex reached €361.06 million, making a combined total of €3 757.42 or 125 % of the November 1999 forecast of €3 000 million for all instruments.

However, the gap is largely accounted for by the fact that the November 1999 forecast did not take into account the HIPC initiative’s €1 000 million.

Discounting the €1 000 million, performance in terms of EDF decisions in 2000 should only be considered a good average, given the entry into force of the 8th EDF. 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. Following this reasoning, we are expecting performance in terms of payments to improve in 2001 compared with previous years.

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.

In 2000, as in 1999, the domestic situation in a number of recipient countries continued to fluctuate throughout the year and this affected the pace and estimated amount of disbursements.

2. Implementation forecasts for 2001 (for decisions and payments alike) have been revised downwards to take account of the reality on the ground. Considerations such as the time still needed for the 9th EDF to be ratified, the limited resources left over from previous EDFs and embarking on a new programming cycle have led the Commission to set the updated forecasts at €2 000 million for decisions and €2 000 million for payments. Though substantially down on the previous forecasts, these figures still represent the best expected performance (especially for payments) when measured against the implementation average of recent years.

To cover this expenditure and current payments for 2001, a €1 415 million call for contributions was approved and made to the Member States in December 2000. In addition to this call for contributions, a total of €885 million will be transferred gradually during the course of the year from the Stabex account to the EDF current expenditure account, in line with the decision of the Committee of Ambassadors taken at the end of September 2000 concerning the establishment of a reserve intended to finance decisions under STABEX and SYSMIN in the period 2 August to 31 December 2000. This brings the amount deemed necessary to cope with expenditure for 2001 to €2 300 million. In accordance with the procedure established in the EDF Financial Regulation, the size of the call for contributions can of course be adjusted up or down , depending on the need for funds, whose level is monitored continuously. In this context, the call for the second quarter of 2001 was reduced by €129 million (from €329 to €200 million) and it is also proposed to reduce the last two calls for 2001, to take into account the downward revision of payment forecasts for 2001.

In line with the arrangements established in the 8th EDF Financial Regulation, Stabex calls for contributions closed in July 2000. As a result, there is no call for contributions for Stabex in 2001.

3. Forecasts for 2002 are €3 000 million for decisions and €2 100 million for payments.

1. STATUS OF EUROPEAN DEVELOPMENT FUNDS AT 31.12.2000

1.1. General table

Fund ¹	Implement-ation at 31/12/00 (€ million)	Implementation at 31/12/00 (%)	Entry into force of the EDF	Recipients	Type of aid
<u>6th EDF</u> allocations (a) decisions (b) contracts (c) payments (d)	7 829.1 ² 7 496.1 7 258.5 7 136.1	95.75% (b/a) 91.15% (d/a) 95.20% (d/b) 98.31% (d/c)	01.05.1986	ACP-OCT “ “ “ “ “	Programmable aid Interest-rate subsidies Risk capital Stabex Sysmin Emergency aid Aid for refugees
<u>7th EDF</u> allocations (a) decisions (b) contracts (c) payments (d)	11 514.9 ³ 10 754.5 9 363.1 8 499.4	93.40% (b/a) 73.81% (d/a) 79.03% (d/b) 90.78% (d/c)	01.09.1991	ACP-OCT “ “ “ “ “ “	Programmable aid Structural adjustment facility Interest-rate subsidies Risk capital Stabex Sysmin Emergency aid Aid for refugees
<u>8th EDF</u> allocations (a) decisions (b) contracts (c) payments (d)	13 345.1 8 348.1 3 796.3 1 980.3	62.56% (b/a) 14.84% (d/a) 23.72% (d/b) 52.16% (d/c)	17.06.1998	ACP-OCT “ “ “ “ “	Programmable aid Structural adjustment facility Interest-rate subsidies Risk capital Stabex Sysmin Emergency aid Aid for refugees HIPC – debt relief

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

¹ These allocations exclude 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.

1.2. Implementation of the Funds at 31 December 2000

1.2.1. EDF expenditure in 2000: €1 548.17 million.

TRENDS IN PAYMENTS (EUR million)

	Current payments	Stabex	TOTAL
1991	1002	189	1191
1992	1330	612	1942
1993	1321	33	1354
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

DECISIONS/PAYMENTS COMPARISON (6th, 7th & 8th EDFs - EUR million)

Instruments	Decisions		Payments	
	1999	2000	1999	2000
PROGRAMMABLE AID:	2297.69	2100.47	994.34	892.37
- National and regional indicative programmes	1984.22	1640.97	732.74	745.05
- Structural adjustment facility	313.47	459.50	261.60	147.32
STABEX	75.01	361.06	20.15	70.61
SYSMIN	27.71	94.10	53.70	28.73
RISK CAPITAL	199.25	122.59	131.47	152.55
INTEREST-RATE SUBSIDIES	4.94	24.50	25.37	17.42
EMERGENCY AID	82.68	1.52	48.81	28.26
AID FOR REFUGEES	-0.90	24.19	1.54	1.79
HIPC INITIATIVE	6.44	1028.97	0	356.44
TOTAL	2692.82	3757.42	1275.38	1548.17

For the third year running, the level of decisions, excluding the HIPC initiative, was maintained 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. The sizeable difference in the level of decisions between 1999 and 2000 is entirely due to the HIPC debt relief initiative introduced in 2000. Sysmin payments remained low in 2000.

1.2.2. *Financing of EDF operations was problem-free in 2000*

In EUR million	CURRENT OPERATIONS		STABEX		TOTAL	
	1999	2000	1999	2000	1999	2000
Carry-over to 01.01	306.57	140.84	407.53	882.00	714.10	1022.84
Call for contributions	1100.00	1480.00	461.93 ⁴	355.00	1561.93	1835.00
Transfer of Stabex account to EDF current expenditure account		570.00		-570.00		
Interest entered in the accounts/ amounts to be regularised	-10.50	70.23	32.69	51.84	22.19	122.07
TOTAL	1396.07	2261.07	902.15	718.84	2298.22	2979.91
Expenditure	-1255.23	-1477.56	-20.15	-70.61	-1275.38	-1548.17
Balance at 31.12	140.84	783.51	882.00	648.23	1022.84	1431.74

The amount of cash available for all accounts at the end of 2000 was €1 431.74 million, €783.51 million for current expenditure and €648.23 million for Stabex. In addition to the €648.23 million, at the 2000 year end the Commission also had a Stabex credit of €618.50 with some Member States, bringing the Stabex total to €1 266.73 million. The Committee of Ambassadors took a decision in August 2000 to set up a €240 million reserve for Stabex, with the balance due to be transferred gradually from the Stabex account to the EDF current expenditure account.

The unusually high balance (783,51) of the current expenditure account at 31-12-2000 is due to:

- current expenditure for 2000 being lower than anticipated;
- the €130 million structural adjustment facility payment due to be made just before the close of the 2000 financial year could not in fact be paid until the beginning of January 2001, and thus appeared in the 2001 accounts;
- a €350 million transfer made during the year from the Stabex account to the EDF current expenditure account in order to fund the HIPC initiative; this transfer was made in August 2000, a time when the EDF current expenditure account was registering a particularly low balance, in order to prevent funding of the HIPC initiative from having an effect on the calls for contributions, and with the intention of regularising the transaction at a later date; that regularisation is in progress now, and the transfers of €221 million from the Stabex account to the EDF account planned for the first two quarters of 2001 were suspended. The €350 million transferred in 2000 was added to the €220 million transfer from the Stabex account to the current expenditure account

⁴ The amounts entered for calls for contributions to Stabex take account only of actual Member State payments, and exclude credit. The amount of payments in 1999 (€461.93 million) exceeded the 1999 calls (€360 million) as a result of some Member States settling previous credit.

when the last call for funds was made in that year. This explains the €570 million total in the table above.

As there is a special bank account for Stabex operations, the possibilities of reducing Stabex funds depend entirely on the level of transfers decided on.

2. FINANCIAL IMPLEMENTATION FORECASTS FOR 2001 (FIGURES REVISED MAY 2001)

Instruments	Decisions				Payments			
	EDF6	EDF7	EDF8	TOT	EDF6	EDF7	EDF8	TOT
In EUR million								
PROGRAMMABLE AID		400	1 113	1 513		350	783	1 133
- National and regional indicative programmes		400	770	1 170		350	659	1 009
- Structural adjustment facility			343	343			124	124
STABEX			0	0			317	317
SYSMIN			137	137			50	50
RISK CAPITAL			220	220		50	100	150
INTEREST-RATE SUBSIDIES			50	50			30	30
EMERGENCY AID			20	20			20	20
AID FOR REFUGEES			0	0			0	0
HIPC			60	60			300	300
TOTAL		400	1 600	2 000		400	1 600	2 000

2.1. Decisions

Forecasts for decisions were revised downwards from the November 2000 forecasts. The latter had been based on statements made when the Cotonou Agreement was negotiated. The Commission decided to revise the figures downwards in order to reflect reality on the ground:

- the time needed for ratification of the 9th EDF had been underestimated;
- the sum left over from the 6th, 7th and 8th EDFs which could be committed in 2001 and 2002 was €4 230 million;
- 2001 sees us entering a new programming cycle, and past experience has shown that the time and energy involved cause a large drop in the number of decisions;
- neither the additional heading for “other initiatives” introduced into the November 2000 forecasts to take account of the Commission’s intention to present operations for a number of ACP countries that were still at the study stage (health initiative), nor an increase in venture-capital resources, in fact materialised.

We should stress that if we exclude 2000, when the sum for decisions swelled by €1 000 million to accommodate the HIPC initiative, forecast performance for 2001 remains considerably above the average for 1995-99 (€1 600 million).

2.2. Payments

EDF expenditure at 31/05/2001 compared with the May 2001 forecasts

Instruments In EUR million	05/2001 annual forecasts	Implementation at 31.05.2001 ⁵	% implemented at 31.05.2001
PROGRAMMABLE AID	1 133	467.18	41.23
- national and regional indicative programmes	1 009	262.70	26.04
- structural adjustment facility	124	204.48	164.90
SYSMIN	50	10.22	20.44
RISK CAPITAL	150	77.31	51.54
INTEREST-RATE SUBSIDIES	30	9.19	30.63
EMERGENCY AID	20	7.27	36.35
AID FOR REFUGEES	0	0.00	-
Subtotal	1 383	571.17	41.30
STABEX	317	259.28	81.79
HIPC	300	0.00	0.00
TOTAL	2 000.00	830.45	41.52

Like the decision forecasts, payment forecasts were revised downwards, and the current estimate is €2 000 million. The overall implementation rate at 31 May 2001 was 41.52%, largely thanks to substantial Stabex disbursements, and there should be a further improvement, because substantial payments under other instruments (including structural adjustment) are expected by the end of the year. However, this good performance should not hide the low disbursement rate for programmable aid. It should be noted that €130 million was paid out under the structural adjustment facility in the last few days of December 2000 but not entered in the accounts until the beginning of 2001. This is why payments exceed the forecast.

3. IMPLEMENTATION FORECASTS FOR 2002

2002 estimates for decisions were revised downwards from the forecasts made in November 2000 (€3 500 million) for the same reason as the downward revision of the 2001 forecasts.

Decisions in the pipeline amount to €3 000 million. 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.

The estimated level of payments (€2 100 million, compared to €2 050 million in November 2000) has, by contrast, been revised upwards somewhat. For the second year in a row, it should exceed €2 billion. A more precise estimated breakdown of payments by instrument is currently being produced with the help of the delegations in the ACP countries; initial results are expected by the end of the first half of 2001, and should provide more reliable data.

⁵ Final and unsettled transactions.

In order to cope with these payments, the financial needs for 2002 (due to be examined in November 2001) are expected to be around €2 million.

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

€ million	Current operations	Stabex
Balance at 31/12/2000	783.51	648.23⁶
Comprising: - reserve (see 1.2.2.)		240.00
- amount due for transfer		408.23
Calls due in 2001	1 415.00	0.00
Reduction in the second call for 2001	-129.00	
Transfer from Stabex account to EDF current expenditure account	535.00	-535.00
Forecast expenditure 2001	-1 683.00	-317.00
2000 SAF postponed until 2001	-130.00	0.00
Forecast reduction on 3rd and 4th 2001 calls	-307.00	0.00
Member States' Stabex credit to be called in by 31/12/01		618.50
Forecast balance at 31/12/2001	484.51	414.73
2002 foreseeable expenditure	-2 100.00	-414.73
2002 foreseeable requirements	2 000.00	0.00
Forecast balance at 31/12/2002	384.51	0

The transfer from the Stabex account to the EDF current expenditure account shown in this table takes account of the €350 million transfer made in 2000 to cover HIPC initiative payments (total 2001 transfer = €885 million - €350 million = €535 million / see point 1.2.2. above). It also takes account of the €130 million in SAF payments made at the end of 2000 but not entered in the accounts until the beginning of 2001 (not included in the 2001 forecasts / see point 2.2 above).

To bring the level of funds down to a reasonable sum by the end of December 2001, the plan is to reduce the last two calls for contributions of the year by €200 million.

⁶ Excluding sums owed by Member States and interest generated in managing the bank accounts.

ANNEXES

Annex 1: Contributions to the EDF for 2001

CONTRIBUTION TO THE EDF FOR 2001⁷
current expenditure

COUNTRY	7th EDF scale EDF %	20/01/01	1/04/01	1/07/01	1/11/01	TOTAL 2001
TOTAL AMOUNT NECESSARY		600 000 000.00	550 000 000.00	600 000 000.00	550 000 000.00	2 300 000 000.00
- Stabex transfer		221 000 000.00	221 000 000.00	221 000 000.00	222 000 000.00	885 000 000.00
NET AMOUNT FOR CALLS		379 000 000.00	329 000 000.00	379 000 000.00	328 000 000.00	1 415 000 000.00
GERMANY	25.96	98 388 400.00	85 408 400.00	98 388 400.00	85 148 800.00	367 334 000.00
BELGIUM	3.96	15 008 400.00	13 028 400.00	15 008 400.00	12 988 800.00	56 034 000.00
DENMARK	2.07	7 845 300.00	6 810 300.00	7 845 300.00	6 789 600.00	29 290 500.00
SPAIN	5.90	22 361 000.00	19 411 000.00	22 361 000.00	19 352 000.00	83 485 000.00
FRANCE	24.37	92 362 300.00	80 177 300.00	92 362 300.00	79 933 600.00	344 835 500.00
GREECE	1.22	4 623 800.00	4 013 800.00	4 623 800.00	4 001 600.00	17 263 000.00
IRELAND	0.55	2 084 500.00	1 809 500.00	2 084 500.00	1 804 000.00	7 782 500.00
ITALY	12.96	49 118 400.00	42 638 400.00	49 118 400.00	42 508 800.00	183 384 000.00
LUXEMBOURG	0.19	720 100.00	625 100.00	720 100.00	623 200.00	2 688 500.00
NETHERLANDS	5.57	21 110 300.00	18 325 300.00	21 110 300.00	18 269 600.00	78 815 500.00
PORTUGAL	0.88	3 335 200.00	2 895 200.00	3 335 200.00	2 886 400.00	12 452 000.00
UNITED KINGDOM	16.37	62 042 300.00	53 857 300.00	62 042 300.00	53 693 600.00	231 635 500.00
TOTAL	100.00	379 000 000.00	329 000 000.00	379 000 000.00	328 000 000.00	1 415 000 000.00

⁷ This table shows the figures to which the Member States agreed in December 2000. However, the second call was reduced to €200 million and the third should be similarly reduced.

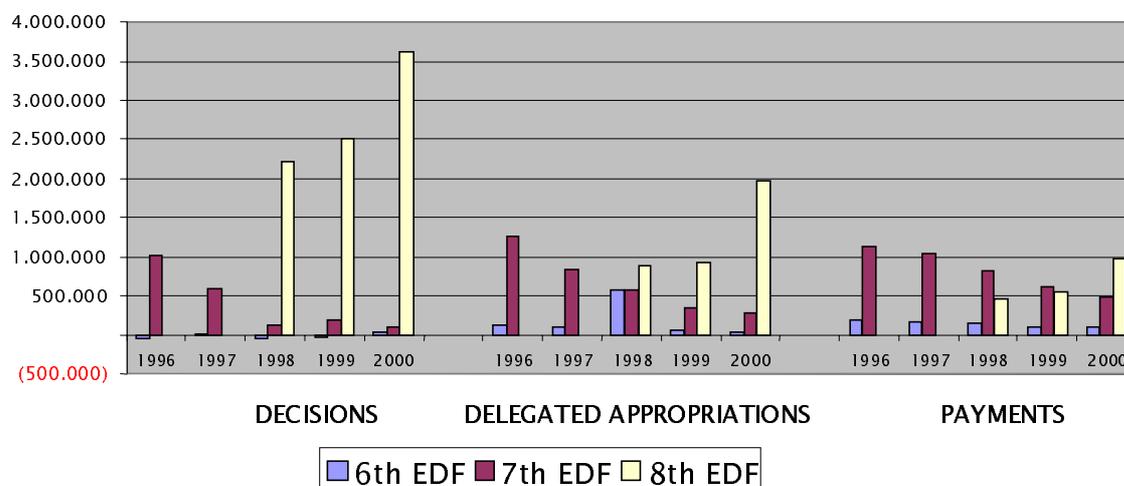
Annex 2: Summary statements of management accounts at 31.12.2000.

CONSOLIDATED EDF ACCOUNTS AT 31.12.2000

ALLOCATIONS	6th EDF	7th EDF	8th EDF	6th, 7th and 8th EDFs
Programmable aid:	5 174 272	6 070 641	6 547 863	17 792 775
Overall reserve	9 584	47 400	1 376 455	1.433.439
Structural adjustment (SAF)	6 000	1 152 645	1 650 000	2.808.645
Non-programmable aid	2 529 174	3 778 708	3 770 797	10.078.679
Transfers to other funds	110 051	433 641		543.692
Miscellaneous receipts		31 934		31 934
TOTAL	7 829 081	11 514 969	13 345 115	32 689 165

	ED F	CUMULATIVE TOTAL		ANNUAL FIGURES					
		As at 31/12/00	In % of allocations	Pre-1996 total	1996	1997	1998	1999	2000
DECISIONS									
	6	7 496 083	96%	7 562 427	(53 008)	24 216	(44 644)	(22 719)	29 811
	7	10 754 495	93%	8 708 859	1 017 873	591 769	116 834	205 290	113 870
	8	8 348 082	63%				2 224 097	2 510 248	3 613 736
TOTAL		26 598 659		16 271 286	964 865	615 985	2 296 287	2 692 819	3 757 417
DELEGATED APPROPRIATIONS									
	6	7 258 510	93%	6 367 963	120 457	109 117	563 443	66 889	30 641
	7	9 363 127	81%	6 042 922	1 259 557	852 298	563 443	350 166	294 741
	8	3 796 288	28%				893 967	931 547	1 970 775
TOTAL		20 417 926		12 410 885	1 380 014	961 415	2 020 853	1 348 602	2 296 156
PAYMENTS									
	6	7 136 123	91%	6 404 668	199 131	173 843	153 872	103 771	100 838
	7	8 499 377	74%	4 417 887	1 118 250	1 038 852	819 131	627 066	478 191
	8	1 980 296	15%				466 621	544 540	969 135
TOTAL		17 615 796		10 822 555	1 317 381	1 212 695	1 439 624	1 275 377	1 548 165

EDF consolidated accounts at 31.12.2000: Annual figures (EUR '000)



CONSOLIDATED EDF ACCOUNTS AT 31.12.2000 Type of aid (€'000)

	6th EDF	%	7th EDF	%	8th EDF	%	TOTAL	%
		(1)		(1)		(1)		(1)
PROGRAMMABLE AID (NIP)								
Allocation	5 174 272		6 070 641		6 547 863		17 792 775	
Decisions	4 891 441	95	5 531 292	91	4 360 903	67	14 783 635	83
Delegated appropriations	4 681 573	90	4 562 012	75	931 650	14	10 175 235	57
Payments	4 578 369	88	3 953 546	65	453 871	7	8 985 786	51
OVERALL RESERVE	9 584		47 400		1 376 455		1 433 439	
STRUCTURAL ADJUSTMENT (SAF)								
Allocation	6 000		1 152 645		1 650 000		2 808 645	
Decisions	6 000	100	1 152 645	100	1 352 035	82	2 510 680	89
Delegated appropriations	5 995	100	1 149 321	100	848 430	51	2 003 747	71
Payments	5 407	90	1 137 482	99	641 877	39	1 784 765	64
NON-PROGRAMMABLE AID								
Allocation	2 529 174		3 778 708		3 770 797		10 078 679	
Decisions	2 509 404	99	3 702 423	98	2 635 144	70	8 846 971	88
Delegated appropriations	2 485 060	98	3 362 494	89	2 016 208	53	7 863 762	78
Payments	2 468 730	98	3 168 519	84	884 549	23	6 521 798	65
TRANSFERS FROM OTHER FUNDS								
Allocation	110 051		433 641				543 692	
Decisions	89 238	81	368 135	85			457 372	84
Delegated appropriations	85 881	78	289 301	67			375 182	69
Payments	83 618	76	239 829	55			323 447	59
MISCELLANEOUS RECEIPTS			31 934				31 934	
TOTAL								
Allocation	7 829 081		11 514 969		13 345 115		32 689 165	
Decisions	7 496 083	96	10 754 495	93	8 348 082	63	26 598 659	81
Delegated appropriations	7 258 510	93	9 363 127	81	3 796 288	28	20 417 926	62
Payments	7 136 123	91	8 499 377	74	1 980 296	15	17 615 796	54