

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 231 final

Brussels, 25th April 1979

COMMISSION COMMUNICATION TO THE COUNCIL
LOME CONVENTION
FOURTH EUROPEAN DEVELOPMENT FUND (1975)
REQUEST FOR SUPPLEMENTARY CONTRIBUTIONS FOR 1979

COM(79) 231 final

1. In its communication to the Council COM(78)660 final of 23 November 1978 the Commission submitted its request relating to the calling-in of the Member States' contributions to the European Development Fund for 1979.

In its decision of 18 December 1978 the Council complied with the Commission's proposal and authorized an amount of 420 million EUA for 1979, of which 400 million EUA was to be allocated to the fourth EDF and 20 million EUA to the previous EDFs.

The first instalment of 210 million EUA was called in on 10 January 1979. The second instalment of 210 million EUA is to be called in on 2 July 1979.

2. The Commission's request, which was drawn up at the end of October 1978, was based essentially on two factors: firstly, the EDF's cash situation on 15 September 1978 (230 million EUA) and secondly, estimated expenditure for the whole of 1978, which was then put at 340 million EUA (78 million for the first, second and third EDFs and 262 million for the fourth EDF).

The situation has, however, changed substantially since then.

3. Expenditure for 1978, estimated in October at 340 million EUA, in fact rose to 394 million EUA (74 million for the first, second and third EDFs and 320 million for the fourth EDF).

It was therefore principally the increase in fourth EDF expenditure (Lomé Convention) which was significantly higher than anticipated. This development is most felicitous at a time when our ACP partners, in the negotiations for the renewal of the Lomé Convention, are levelling mounting criticism against the Community concerning the low utilization rate of payment appropriations, which in the view of the ACP States points to an inadequate level of execution of fourth EDF operations. The facts show, therefore, that these complaints are unfounded.

4. An analysis of the results of the most recent three-month period, in particular the first two months of 1979, proves that the upward trend in the rate of disbursements from the European Development Fund is continuing

space compared with the results for the corresponding quarter of the preceding year:

	78/79 quarter (in million EUA)	77/78 quarter (in million EUA)	Rise in expenditure	
			in million EUA	in %
December	62	47	+ 15	+ 31 %
January				
+	64	30	+ 34	+ 113 %
February				
Total	126	77	+ 49	+ 64 %

It would appear from a glance at these figures that the national authorities of the ACP States, which are beginning to become much better informed about the way the Fund operates, have made concerted efforts to get projects moving effectively. It is clear that from now on expenditure from the Fund will be at a much more sustained rate than in the past. It is not unreasonable to estimate that average monthly expenditure on projects in 1979 (not including Stabex) could be around 40 million EUA, i.e., an overall figure of 480 million EUA for the whole of the year. Given that a total amount of 420 million EUA, including Stabex, has been authorized for 1979 by the Council Decision of 18 December 1978, one of the main reasons for the low estimates becomes obvious.

5. A second reason is to be found in the estimates made last October for Stabex, for which an amount of only 34 million EUA was entered in the 1979 forecasts.

It was not possible at the time to foresee the very poor groundnut harvests in Senegal and Gambia or the unfavourable economic situation as regards iron ore, which will lead Mauritania and Liberia to submit requests for very large transfers.

The drop in export earnings from these products and from other products normally covered by Stabex has meant that it is necessary this year not only to mobilize the appropriations of the normal instalment for 1978 (75 million) but also the unexpended balances of the 1976 and 1977 instalments and even the proceeds of the replenishments that took place in 1978.

Annex A gives details of projected commitments and disbursements under Stabex in 1979. Total commitments amount to 155 million EUA, from which nearly 28 million EUA should be deducted in respect of advances already made in 1978. Disbursements would therefore amount to a little more than 127 million EUA, i.e., an additional cash requirement of 93 million EUA (since 34 million EUA were already included in the contributions authorized by the Council Decision of 18 December 1978).

6. In short, as far as the fourth EDF is concerned, expenditure for 1979 should be as follows:

<u>(million EUA)</u>	<u>Council Decision 18.12.1978</u>	<u>Current estimates</u>
Expenditure on projects and programmes	374	480
Stabex	34	127
Total	<u>408</u>	<u>607</u>

The Commission is therefore requesting that an additional amount of 607 - 408 = 199 million EUA, rounded up to 200 million EUA, should be placed at its disposal for 1979.

This amount would be divided among the Member States as follows:

	%	Amounts in EUA
Federal Republic of Germany	25.95	51 900 000.--
France	25.95	51 900 000.--
Italy	12.-	24 000 000.--
Netherlands	7.95	15 900 000.--
Belgium	6.25	12 500 000.--
Luxembourg	0.20	400 000.--
United Kingdom	18.70	37 400 000.--
Ireland	0.60	1 200 000.--
Denmark	2.40	4 800 000.--
TOTAL	100.-	200 000 000.--

7. The Commission feels that it should point out that, according to the second subparagraph of Article 7(2) of the Internal Agreement, "if the contributions are insufficient to meet the actual requirements of the Fund in the budget year in question, the Commission shall submit proposals for supplementary payments to the Council". This text is supplemented by Article 2(4) of the Financial Regulation, which stipulates that supplementary payments are in such cases "due and [to] be made within as brief a period as possible, which may not in any case be more than three months".

The Commission fully appreciates that this request to the Council will present considerable problems for the Member States. It is not used to taking such steps, since it is only the second time in twenty years that it has done so, whereas in 1978, when the cash situation was the opposite of what it is now, it did not hesitate to forego calling in the second instalment of the Member States' contributions (147.5 million EUA). If it works one way, it must work the other.

In order to allow the Member States enough time to adjust their budgetary procedures to meet its request, the Commission proposes to allow the supplementary payments to be made in two stages:

On 15 May 1979, the Member States would be called upon to pay to the Commission in advance the second instalment of the contributions authorized by the Council Decision of 18 December 1978, for the bulk of the Stabex transfers will have to be made roundabout that date.

On 4 August 1979, the Member States would then be called upon to pay to the Commission the additional amount (200 million EUA) which is requested from the Council in this communication. The estimated disbursements show that on that date, on the basis of a monthly amount of 40 million EUA for the projects, the Fund will have exhausted its cash-on-hand payments due to creditors will therefore have to be suspended if the supplementary amounts requested are not paid into the Fund.

EXPECTED COMMITMENTS AND DISBURSEMENTS UNDER STABEX FOR 1979

1. Carried over from 1975 (after replenishment of the instalments for Gabon and Mali) ¹		
2. Carried over from 1976 (after replenishment of the instalment for:		
Gabon	6 703 310	
Mali (estimate:	450 000)	32 924 689
3. Carried over from 1977 (taking into account transfers still to be made for:		
Sudan (estimate:	1 000 000)	41 242 097
Uganda (estimate:	1 285 000) ²	
4. Replenishments made in 1978:		
Cameroon (cocoa paste) ³	463 558	
Fiji (copra oil, 1975)	615 140	
Fiji (copra oil, 1976)	1 253 399	2 332 097
5. Annual instalment 1978		75 000 000
6. Two annual instalments (1977 and 1978) on the allocation for the new members (2/3 of 5 million EUA)		3 333 333
7. Maximum available for 1979		<u>154 832 216⁴</u>

¹ Appraisal of the late application submitted by Kenya led to a rejection of this application.

² To keep the books in order, the following amounts had been committed before 31 December 1978: 2.4 for Uganda; 0.5 for Cape Verde; 7 for Sudan; 3.25 for Papua New Guinea. The appraisal procedures now reveal that estimates for outstanding 1977 transfers can be confined to the amounts for Sudan and Uganda alone.

³ After taking into account a payment of 13 761 EUA still to be made by Cameroon after adjustment to the exchange rate used by Cameroon's paying agent.

⁴ Notwithstanding any payments by Ghana, Ivory Coast, Madagascar and Sierra Leone (maximum 32 million EUA), such repayments being possible but unlikely.

ANNEX A

Carried over:

154 832 216

8. To be deducted: advances made for 1978:

- Senegal (groundnut oil)	16 000 000	
- Senegal (groundnut oilcake)	3 000 000	
- Gambia (groundnuts)	1 510 000	
- Mauritania (iron ore)	7 000 000	
- Tonga (bananas)	160 000	
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		27 670 000

9. Maximum cash requirements

127 162 216¹

¹This figure may turn out to be very slightly lower if, when Tonga's application is settled, it appears that too much has been paid in advance. The figure also depends on the exact amount of the transfers to Mali, Sudan and Uganda.

