



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09.07.2002
COM(2002) 372 final

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Financial Information on the European Development Funds

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Financial Information on the European Development Funds

CONTENTS

Preliminary remarks	3
Summary	4
1. Implementation of the European Development Funds at 31.12.2001.....	6
1.1. General table	6
1.2. Implementation of EDFs in 2001	7
2. Financial implementation forecasts for 2002 (Figures revised in may 2002).....	9
2.1. Decisions	9
2.2. Payments	9
2.3. Calls for contributions scheduled for 2002	10
3. Implementation forecasts for 2003	11
Annexes	

Preliminary remarks

This document is to be annexed to the draft budget for 2003, 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. As in previous years, it shows:

- EDF implementation at 31.12.2001;
- financial implementation forecasts for the current year;
- expenditure forecasts for 2003.

Further details on EDF implementation at 31.12.2001 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 2001 (COM(2002) 211 final of 29.04.2002).

Summary

1. With payments standing at €2 067.86 million in **2001**, EDF implementation has reached a record high, confirming the upswing in payments that started in 1998 with the entry into force of the 8th EDF. However, actual expenditure is considerably below the projections presented to the Member States in November 2000¹ (€2 538 million, giving an implementation rate of 81.5%). This is largely because the amount that could be disbursed in programmable aid and, to a lesser extent, through Stabex, was overestimated. On the other hand, actual payments are slightly higher than the revised figure of €2 000 million from June 2001, presented to the Council in the last Communication, “Financial Information on the European Development Funds”.²

New commitments registered in 2001 amount to €1 920 million. After taking into account cancelled commitments amounting to €366 million, the net total is €1 554 million. This is well down on the record €3 757 million in 2000. There are a number of reasons why the level reached in 2000 was not maintained. Firstly, the EDFs operate on cycles of around five years and the cycle was at its peak in 2000 as far as decisions are concerned. The trend was further accentuated by the commitment of some €1 billion for two debt-relief programmes in 2000. Lastly, the downward trend that began in 2001 was made more pronounced by the lack of resources for countries that had performed well, pending ratification of the Cotonou Agreement.

2. Implementation forecasts for **2002** have been revised downwards, principally for payments. As things stand the level forecast in November 2001 is unlikely to be reached. On the basis of the current situation, the Commission expects a figure of €2 000 million for payments and decisions alike, against the forecasts at the end of 2001 of €2 345 million for payments and €2 100 million for decisions. The shortfall is in programmable aid and is also linked to a lack of financial resources, due to delays in ratifying the Cotonou Agreement. As a transitional measure, €1 200 million taken from the balance remaining from the 8th EDF have been made available from 2002 onwards (Decision No 1/2000 of the ACP-EC Council of Ministers of 27 July 2000). However, this has only partially offset the consequences of the delay.

As a result, though the Commission had anticipated in its communication from December 2001³ that it would have to call for contributions totalling €2 000 million, it now finds that €1 800 million should be sufficient to meet the requirements. After the first two calls for contributions, totalling €800 million, the Commission now intends to propose a third for €481 million. This is the amount remaining of the 7th EDF so this will bring calls for contributions on that EDF to a close. The fourth call would then be for €519 million, bringing the total to €1 800 million. The requirements for the fourth call will be reviewed in October 2002 in the light of progress made.

3. For **2003**, the Commission is expecting decisions and payments to stand at €2 500 million. These figures are based on the implementation patterns of previous EDFs (the distribution of commitments and payments over the whole implementation period). Some allowance

¹ COM(2000) 805 final of 12/12/2000

² COM (2001) 402 final of 16/7/2001

³ COM(2001) 780 final of 17/12/2001

has been made for the effects of the process of deconcentration from services ad headquarters to the delegations. Given the uncertainty surrounding the dates for implementation of the 9th EDF (dependent on ratification of the Cotonou Agreement) these figures should be regarded as very provisionnal.

In view of the projected start-of-year and end-of-year balances we estimate that the Member States' contributions for 2003 will be some €2 300 million.

1. IMPLEMENTATION OF THE EUROPEAN DEVELOPMENT FUNDS AT 31.12.2001

1.1. General table

Fund ⁴	Implementation at 31/12/01 (€ million)	Implementation at 31/12/01 (%)	Entry into force of EDF	Recipients	Type of aid
<u>6th EDF</u>			01/05/1986	ACP-OCT	Programmable aid
Allocations (a)	7 829.1 ⁵				Interest-rate subsidies
Decisions (b)	7 481.9	96% (b/a)			Risk capital
Contracts (c)	7 285.4	93% (c/a)			Stabex
Payments (d)	7 186.6	92%(d/a)			Sysmin
		96%(d/b)			Emergency aid
		99%(d/c)			Aid for refugees
<u>7th EDF</u>			01/09/1991	ACP-OCT	Programmable aid
Allocations (a)	11 503.3 ⁶				Structural adjustment facility
Decisions (b)	10 802.7	94%(b/a)			Interest-rate subsidies
Contracts (c)	9 657.2	84% (c/a)			Risk capital
Payments (d)	8 906.3	77%(d/a)			Stabex
		82%(d/b)			Sysmin
		92%(d/c)			Emergency aid
					Aid for refugees
<u>8th EDF</u>			17/06/1998	ACP-OCT	Programmable aid
Allocations (a)	13 465.0				Structural adjustment facility
Decisions (b)	9 868.2	73%(b/a)			Interest-rate subsidies
Contracts (c)	5 738.6	43%(c/a)			Risk capital
Payments (d)	3 590.8	27%(d/a)			Stabex
		36%(d/b)			Sysmin
		63%(d/c)			Emergency aid
					Aid for refugees
					HIPC – Debt relief

⁴ These allocations do not include interest.

⁵ This figure takes account of transfers between EDFs.

⁶ This figure takes account of transfers between EDFs.

1.2. Implementation of EDFs in 2001

Payment trends (6th, 7th and 8th EDF)

€ million

	Current payments	Stabex	TOTAL
1992	1 330	612	1 942
1993	1 321	33	1 354
1994	1 430	351	1 781
1995	1 260	303	1 563
1996	1 152	165	1 317
1997	1 194	19	1 213
1998	1 351	89	1 440
1999	1 255	20	1 275
2000	1 477	71	1 548
2001	1 715	353	2 068

COMPARISON OF DECISIONS AND PAYMENTS BY INSTRUMENT BETWEEN 2000 AND 2001

(6th, 7th and 8th EDF)

€ million

Instruments	Decisions		Payments	
	2000	2001	2000	2001
PROGRAMMABLE AID :	2 100.47	1 101.60	892.37	1 079.00
– National and regional indicative programmes	1 640.97	886.14	745.05	775.24
– Structural adjustment facility	459.50	215.46	147.32	303.76
STABEX	361.06	0.00	70.61	353.22
SYSMIN	94.10	-0.28	28.73	48.18
RISK CAPITAL	122.59	383.47	152.55	183.46
INTEREST-RATE SUBSIDY	24.50	16.33	17.42	15.57
EMERGENCY AID	1.52	11.90	28.26	30.48
AID FOR REFUGEES	24.19	41.14	1.79	7.95
HIPC Debt-relief initiative	1 028.97	0.00	356.44	350.00
TOTAL	3 757.42	1 554.16⁷	1 548.17	2 067.86

⁷ This figure takes account of cancelled commitments worth €366 million, including €195.1 million for financing-agreement cancellations (Article 3 of the financing agreement concerning (non-)observance of the start date). Of this amount €176.4 million have been re-committed.

Compared with the last three years, particularly 2000, the amount for decisions was quite low in 2001. There are a number of reasons for this. First, EDF implementation goes in cycles lasting a number of years. In 1998-2000, the 8th EDF was being implemented and there were a lot of commitments in these years. So it is to be expected that the number of decisions should start to ease off in 2001. Furthermore, 2000 was the year of the decision concerning debt-relief for the most heavily indebted countries, worth around €1 030 million. Lastly, in 2001 the best performing countries, on the whole, faced a lack of resources pending the signing of new national indicative programmes under the 9th EDF, while relatively large sums were frozen for some of the countries that did not perform so well or were affected by crises.

By contrast, payments in 2001 reached their highest level since the EDF began. The payment cycle follows the decision cycle, with a small time lag. By comparison with 2000, the level of payments was high for Stabex and the Structural Adjustment Facility.

The table below gives the start-of-year and end-of-year balances, the Member States' contributions to the EDF and expenditure. It shows that large sums were transferred from Stabex to current operations, both in 2000 and 2001 (€1 062 million for the two years together). This reduced the financial resources required of the Member States considerably. The transfers were performed by the Commission in accordance with the decision taken by the Committee of Ambassadors in August 2000. Under the decision, the Commission is required to transfer the balance remaining in the Stabex account, less suspended payments, to the current-expenditure account.

€ million

	CURRENT OPERATIONS		STABEX		TOTAL	
	2000	2001	2000	2001	2000	2001
Resources						
Carry-over to 01.01	140.84	783.51	882.00	648.23	1 022.84	1 431.74
Call for contributions	1 480.00	781.46	355.00	348.62	1 835.00	1 130.08
Transfer from the Stabex account to the EDF current-expenditure account	570.00	492.00	-570.00	-492.00		
Interest entered in the accounts/ amounts to be regularised	70.23	48.48	51.84	68.57	122.07	117.41
TOTAL	2 261.07	2 105.81	718.84	573.42	2 979.91	2 679.23
Expenditure						
Balance at 31.12	-1 477.56	-1 714.64	-70.61	-353.22	-1 548.17	-2 067.86
	783.51	391.17	648.23	220.20	1 431.74	611.37

The amount of cash available for all accounts at the end of 2001 was €611.4 million, including €391.2 million under current expenditure and €220.2 million for Stabex. These amounts may be considered normal.

The €391.2 million includes the €83.5 million paid in advance by the United Kingdom and Ireland for the first call for 2002. Without these payments, the balance would have been €307.7 million. For Stabex, just over €200 million had to be kept available for any suspended payments, primarily to Sudan and Togo.

In addition to the €220.2 million, the Commission was owed, at the end of 2001, €218.7 million for Stabex from the Member States. This has now been paid and, together with interest, was transferred to the current-expenditure account in 2002.

As already stated, the balance at the end of 2000 was abnormally high for a number of reasons (delayed expenditure under the Structural Adjustment Facility, transfer from the Stabex account to the current-expenditure account etc.) The situation has now been corrected.

2. FINANCIAL IMPLEMENTATION FORECASTS FOR 2002 (FIGURES REVISED IN MAY 2002)

Requirements for 2002 have been reviewed on the basis of an analysis of current files, dealt with by the Commission. The results are given in the table below.

€ million

Instruments	Decisions				Payments			
	6 EDF	7 EDF	8 EDF	TOTAL	6EDF	7EDF	8 EDF	TOTAL
PROGRAMMABLE AID ⁸	50	100	1 465	1 615	30	250	1 133	1 413
- National and regional indicative programmes	50	92	1 349	1 491	30	245	717	992
- Structural adjustment facility		8	116	124		5	416	421
STABEX							2	2
SYSMIN							21	21
RISK CAPITAL			250	250			175	175
INTEREST-RATE SUBSIDIES			25	25			25	25
EMERGENCY AID			20	20			20	20
AID FOR REFUGEES			30	30			15	15
HIPC (debt relief)			60	60			329	329
TOTAL	50	100	1 850	2 000	30	250	1 720	2 000

2.1. Decisions

Forecasts for decisions were revised downwards slightly from the November 2001 level of €2 100 million to €2 000 million. This is mainly due to the fact that, pending ratification of the Cotonou Agreement, some of the more successful regions faced a lack of resources and are awaiting implementation of the Agreement.

2.2. Payments

The amount of payments was also revised downwards and is currently estimated at €2 000 million, against €2 345 million in November 2001. Implementation of programmable aid has been delayed for the same reasons as given above in relation to decision. The figures

⁸ Includes transitional measures taken in accordance with Decision No 1/2000 of the ACP-EC Council of Ministers

given for the other instruments still hold on the whole. The total amount for 2002 (€2 000 million) is still well above the average for 1992-2001 (€1 550 million).

The table below compares the forecasts for 2002 (see above) with payments actually made at the end of May 2002.

EDF expenditure at 31/5/2002 compared with forecast for 2002

Instrument	Forecast for 2002	Outturn at 31.5.2002 ⁹	
		€ million	%
PROGRAMMABLE AID	1 413	490.0	35%
- National and regional indicative programmes	992	346.7	35%
- Structural adjustment facility	421	143.3	34%
STABEX	2	1.6	81%
SYSMIN	21	20.1	96%
RISK CAPITAL	175	67.0	38%
INTEREST-RATE SUBSIDY	25	3.9	16%
EMERGENCY AID	20	7.7	38%
AID FOR REFUGEES	15	5.4	36%
HIPC (debt relief)	329	0.0	0%
TOTAL	2 000	595.8	30%

The overall implementation rate at 31 May 2002 was 30%. This is comparable to the rates at the same point in previous years. The rate was 33% in 1999 and 21% in 2000. The high figure for 2001 (42%) was due to (exceptional) large Stabex disbursements (€259 million at this point in the year).

2.3. Calls for contributions scheduled for 2002

The downwards revision for payments will lead to a reduction in the contributions that Member States will be asked to make in 2002. Initially, calls were to be issued to €2 000 million but now €1 800 million should cover requirements. On the basis of the information currently available, this should leave a balance of some €370 million for current operations at the end of 2002. This relatively large balance should give the Commission some room for manoeuvre for disbursements over and above the €2 000 million currently forecast.

⁹ Final amounts and amounts to be regularised

€ million

	Current operations	Stabex
Balance at 1/1/2002 Including 2002 contribution paid before 1/1/02	391.2 83.5	220.2
Contributions planned for 2002	1 716.5	218.7
Transfer from Stabex to EDF current-expenditure account (estimated)	255.2	-255.2
Interest (forecast)	10.0	21.0
Forecast expenditure	-2 000.0	-1.7
Balance forecast at 31/12/2002	372.9	203.1

The following notes explain some of the figures in the table.

- €83.5 million was paid in advance and so is included in the balance at the start of the year, which means that the Member States have still to pay €1 716.5 million, to make up the total of €1 800 million.
- The figure for the transfer from the Stabex account is an estimate; the amount of interest on the account for 2002 is not yet known.
- The contribution for Stabex is accounted for by the payment by a Member State of the last outstanding instalment in February 2002. All Stabex credits have now been honoured.
- The end-of-year balance for Stabex was €203.1 million. This figure represents the suspended payments to Sudan and Togo. If these payments were to be made, the end-of-year balance would be reduced accordingly.

In practice, since the first two calls for contributions totalled €800 million, the Commission is proposing, with the third call for €481 million, to draw all that remains from the 7th EDF, which would then be closed as far as Member States' contributions are concerned. The last call would then be for €521 million, drawn against the 8th EDF. The financial burden will be distributed differently between the Member States. One of the reasons for this is that Austria, Finland and Sweden will be required to contribute to the 8th and subsequent EDFs. The table in Annex 1 gives the breakdown for the 7th and 8th EDFs, as well as the amounts that each Member State should be paying on the basis of the scenario described above.

3. IMPLEMENTATION FORECASTS FOR 2003

The figures for expenditure in 2003 are a rough estimate based on past performance for the various EDFs. They take account of the probable implications of devolution within the Commission departments. Clearly, the timing of ratification of the Cotonou Agreement will have a major effect on the actual level of decisions and payments. The figure should be read with caution.

The Commission expects totals of €2 500 million, for decisions and payments alike in 2003. For decisions, most of this will come from the 9th EDF, which should be fully operational. Once the Cotonou Agreement has been ratified, a total amount estimated at €15.4 billion should be available for new commitments. Of this amount, €12.8 billion concern the new envelope foreseen by the Cotonou agreement (possibly increased by €1 billion in 2004 after a performance review undertaken by the Council). The balances remaining from previous EDF (6th, 7th and 8th). are estimated at present at €2.6 billion.

The amount for decisions should rise considerably in the coming years. For the period 2003-07, the Commission expects an average of €2.5 to €2.6 billion, peaking at € 3 billion in 2005.

With regard to payments, an average of €2.7 billion to €2.8 billion is forecast. Payments are expected to peak in 2006 at over €3 billion.

The Commission aims to bring the end-of-year balance for 2003 down to around €200 million. Taking account of this objective and interest earned, the Commission thinks that €2 300 million in contributions from the Member States should be enough to provide adequate EDF funding.

The table below shows the forecast financial situation for 2002 (see table above) together with the forecast for 2003.

	<i>€ million</i>	
	Current operations	Stabex
Balance at 1/1/2002	391.2	220.2
Scheduled contributions 2002	1 716.5 ¹⁰	218.7 ¹¹
Transfer from Stabex to EDF current-expenditure account (estimate)	255.2	-255.2
Interest (forecast)	10.0	21.0
Forecast expenditure	-2 000.0	-1.7
Forecast balance at 31/12/2002	372.9	203.1¹²
Forecast expenditure 2003	-2 500.0	
Interest (forecast)	20.0	
Forecast requirements 2003	2 300.0	
Forecast balance at 31/12/2003	192.9	203.1¹³

¹⁰ €83.5 million, paid before 1/10/2002, is included in the balance at 1/1/2002. The 2002 calls-for-contributions total is thus €180 million.

¹¹ Payment of the last credit in January 2002

¹² The Commission has to keep this amount in the Stabex account in case suspended payments to Sudan and Togo have to be made.

¹³ Idem

ANNEX 1

CONTRIBUTIONS TO THE EDF FOR 2002

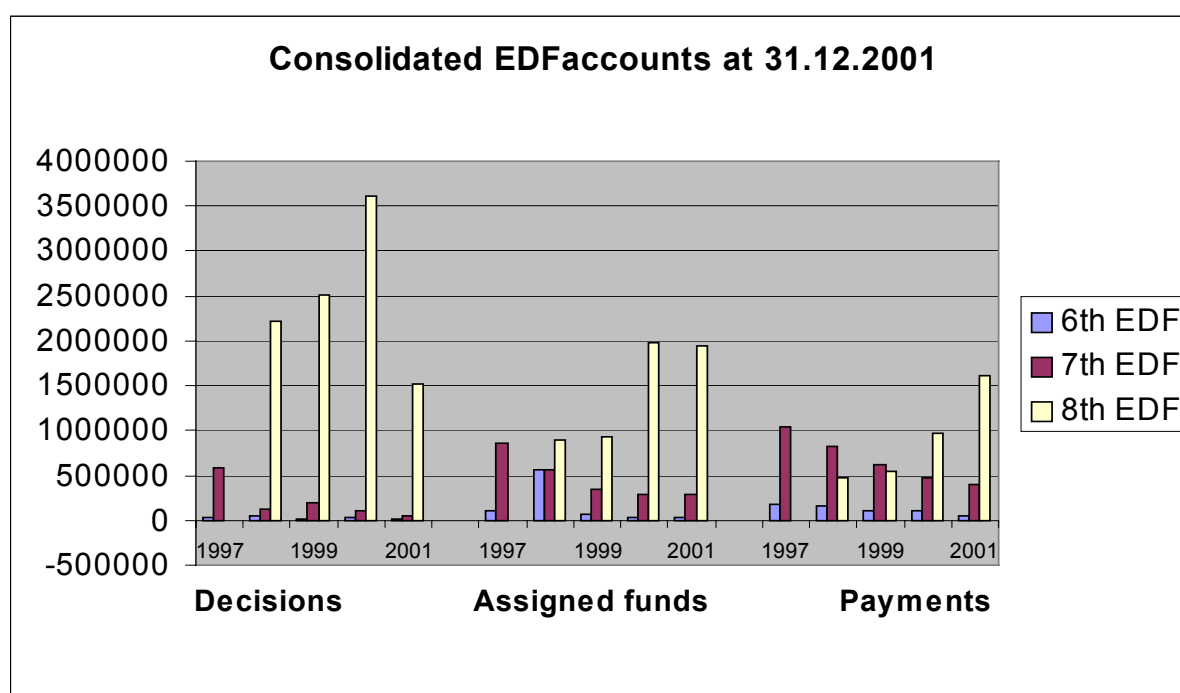
Country	7 th EDF scale	8 th EDF scale	Call 20/1/2002 on 7 th EDF	Call 1/4/2002 on 7 th EDF	Call 1/7/2002 on 7 th EDF	Call 1/11/2002 on 8 th EDF	Call Total 2002
	%	%	€	€	€	€	€
GERMANY	25.96	23.36	129 800 000	77 880 000	125 323 600	121 238 400	454 242 000
BELGIUM	3.96	3.92	19 800 000	11 880 000	19 057 600	20 344 800	71 082 400
DENMARK	2.07	2.14	10 350 000	6 210 000	10 530 700	11 106 600	38 197 300
SPAIN	5.9	5.84	29 500 000	17 700 000	27 918 000	30 309 600	105 427 600
FRANCE	24.37	24.3	121 850 000	73 110 000	117 033 700	126 117 000	438 110 700
GREECE	1.22	1.25	6 100 000	3 660 000	6 320 200	6 487 500	22 567 700
IRELAND	0.55	0.62	2 750 000	1 650 000	2 508 000	3 217 800	10 125 800
ITALY	12.96	12.54	64 800 000	38 880 000	62 285 600	65 082 600	231 048 200
LUXEMBOURG	0.19	0.29	950 000	570 000	866 400	1 505 100	3 891 500
NETHERLANDS	5.57	5.22	27 850 000	16 710 000	26 553 700	27 091 800	98 205 500
PORTUGAL	0.88	0.97	4 400 000	2 640 000	4 100 800	5 034 300	16 175 100
UNITED KINGDOM	16.37	12.69	81 850 000	49 110 000	78 501 700	65 861 100	275 322 800
AUSTRIA		2.65				13 753 500	13 753 500
FINLAND		1.48				7 681 200	7 681 200
SWEDEN		2.73				14 168 700	14 168 700
TOTAL	100.00	100.00	500 000 000	300 000 000	481 000 000	519 000 000	1 800 000 000

Annex 2: Summary statements of management accounts at 31.12.2001

CONSOLIDATED EDF ACCOUNTS AT 31.12.2001

ALLOCATIONS	6th EDF	7 th EDF	8 th EDF	6 th , 7 th & 8 th EDF
Programmable aid	5 172 911	6 068 462	6 726 913	17 968 286
Overall reserve	10 945	54 986	32 349	98 279
Cotonou programme reserve			1 200 000	1 200 000
Structural adjustment facility (SAF)	6 000	1 152 007	1 650 000	2 808 007
Non-programmable aid	2 529 174	3 770 787	3 855 697	10 155 658
Transfers to other funds	110 051	433 641		543 692
Miscellaneous receipts		23 405		23 405
TOTAL	7 829 081	11 503 287	13 464 959	32 797 326

	EDF	CUMULATIVE TOTAL		ANNUAL FIGURES				
		As at 31/12/01	In % of allocations	1997	1998	1999	2000	2001
DECISIONS								
	6	7 481 879	96%	24 216	(44 644)	(22 719)	29 811	(14 203)
	7	10 802 709	94%	591 769	116 834	205 290	113 870	48 215
	8	9 868 233	73%		2 224 097	2 510 248	3 613 736	1 520 151
TOTAL		28 152 821		615 985	2 296 287	2 692 819	3 757 417	1 554 162
ASSIGNED FUNDS								
	6	7 285.434	93%	109 117	563 443	66 889	30 641	26 924
	7	9 657.241	84%	852 298	563 443	350 166	294 741	294 114
	8	5 738 612	43%		893 967	931 547	1 970 775	1 942 324
TOTAL		22 681 288		961 415	2 020 853	1 348 602	2 296 156	2 263 362
PAYMENTS								
	6	7 186 584	92%	173 843	153 872	103 771	100 838	50 460
	7	8 906 299	77%	1 038 852	819 131	627 066	478 191	406 923
	8	3 590 777	27%		466 621	544 540	969 135	1 610 480
TOTAL		19 683 660		1 212 695	1 439 624	1 275 377	1 548 165	2 067 863



Consolidated EDF accounts at 31.12.2001 (Type of aid)

€ thousand

	6th EDF	%	7th EDF	%	8th EDF	%	TOTAL	%
PROGRAMMABLE AID (NIP)								
Allocation	5 172 911		6 068 462		6 726 913		17 968 286	
Decisions	4 874 241	94%	5 603 438	92%	5 170 930	77%	15 648 610	87%
Assigned funds	4 705 483	91%	4 761 090	78%	1 816 095	27%	11 282 668	63%
Payments	4 622 727	89%	4 248 910	70%	867 800	13%	9 739 437	54%
OVERALL RESERVE	10 945		54 986		32 349		98 279	
COTONOU PROGRAMME RESERVE					1 200 000		1 200 000	
STRUCTURAL ADJUSTMENT FACILITY								
Allocation	6 000		1 152 007		1 650 000		2 808 007	
Decisions	6 000	100%	1 152 007	100%	1 568 132	95%	2 726 140	97%
Assigned funds	5 995	100%	1 149 596	100%	1 143 146	69%	2 298 737	82%
Payments	5 407	90%	1 139 546	99%	943 578	57%	2 088 530	74%
NON-PROGRAMMABLE AID								
Allocation	2 529 174		3 770 787		3 855 697		10 155 658	
Decisions	2 512 327	99%	3 682 982	98%	3 129 170	81%	9 324 479	92%
Assigned funds	2 487 256	98%	3 450 244	91%	2 779 371	72%	8 716 871	86%
Payments	2 473 842	98%	3 259 367	86%	1 779 399	46%	7 512 608	74%
TRANSFERS FROM OTHER FUNDS								
Allocation	110 051		433 641				543 692	
Decisions	89 311	81%	364 282	84%			453 593	83%
Assigned funds	86 699	79%	296 312	68%			383 011	70%
Payments	84 608	77%	258 476	60%			343 085	63%
MISCELLANEOUS RECEIPTS			23 405				23 405	
TOTAL								
Allocation	7 829 081		11 503 287		13 464 959		32 797 326	
Decisions	7 481 879	96%	10 802 709	94%	9 868 233	73%	28 152 821	86%
Assigned funds	7 285 434	93%	9 657 241	84%	5 738 612	43%	22 681 288	69%
Payments	7 186 584	92%	8 906 299	77%	3 590 777	27%	19 683 660	60%