



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION

**EUROPEAN DEVELOPMENT FUND
(EDF)**

**Estimate of the contributions needed
for expenditure in the 2001 financial year
and expenditure forecast for 2002, 2003, 2004 and 2005**

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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 2001) 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 (2002-2005).

1. Introduction

In accordance with the Internal Agreements on the seventh and eighth EDFs, every year the Commission draws up a communication setting out the financial situation of the EDFs for the current year (in this case, 2000) and an expenditure forecast for the following year (2001). This forecast serves to determine the estimated amount of calls for contributions by the Member States to the EDF for 2001. The document also forecasts expenditure for the next four years (2002-2005).

2. State of EDF expenditure for the 2000 financial year (decisions and payments)

2.1. *Non-Stabex decisions* stood at EUR 2 444 million at 30 September 2000. A figure of EUR 3 850 million was forecast in *Financial Information on the EDF*. According to the estimates revised in late September, and comparing two possible scenarios, the one optimistic and the other pessimistic, by 31 December 2000, it should be reasonably possible to achieve a volume of decisions of EUR 3 525 million, meaning EUR 325 million less than initially forecast.

This difference is mainly due to the slowing down in implementation of cooperation with a number of ACP countries, and due to the longer than anticipated duration in the implementation of the "other initiatives" and the increase in venture capital proposed by the Commission.

Nevertheless, the above shows that the 8th EDF has now reached a cruising speed. When comparing the estimated level of decisions for 2000 (EUR 2 846 million excluding HIPC), all EDFs included, with that of 1999 (EUR 2 618 million) the 2000 figures are about 9 % higher.

However, one should not rule out the above mentioned pessimistic scenario, where total non-Stabex decisions would stand at only EUR 3 100 million and total decisions (excluding HIPC) at EUR 2 400, which is 9% less than in 1999.

2.2. *Non-Stabex current expenditure* for 2000 at 30 September 2000 (about EUR 1 038 million) is less than estimated in July 2000 in *Financial Information on the EDF* and in the document submitted to the Council in December 1999. At 30 September 2000 the volume of current expenditure for 2000 was about EUR 1 835 million compared with a target of EUR 2 385 million in payments set in July's revised estimates, EUR 550 million less than initial forecasts. This shortfall is due mainly to the low level of disbursements made under the national and regional indicative programmes. However, large disbursements under the structural adjustment facility, to the tune of EUR 330 million, and the HIPC initiative, of EUR 100 million, will lead to a substantial increase in payments by the end of the year which will ensure that the level of EUR 1 835 million is reached.

2.3. The figures for *Stabex* show an implementation rate for decisions of 56% at 30 September 2000 (EUR 223 million decided compared with the EUR 400 million forecast). However, the low level of payments under Stabex (28% of the forecast at 30 September 2000) should rise sharply towards the end of this year to reach 76% of the forecast.

Forecasts for 2000

EUR million	DECISIONS				PAYMENTS			
	Forecast in <i>Financial Information on the EDF</i> (1)	Situation at 30/09/00 (2)	Revised forecasts at October (3)	Balance to be achieved at 31/12/2000 (3-2)	Forecast in <i>Financial Information on the EDF</i> (1)	Situation at 30/09/00 (2)	Revised forecasts at end September (3)	Balance to be achieved at 31/12/2000 (3-2)
<i>Programmable aid</i>	2 400	1 197.95	2 032	834.05	1 600	602.77	1 100	497.23
Nat. and reg. ind. prog.	1 700	1 052.59	1 424	371.41	1 000	512.81	675	162.19
Structural adjustment	450	145.36	444	298.64	450	89.96	425	335.04
Other initiatives	250	0	164	164	150	0	0	0
<i>Sysmin</i>	50	93.87	92	-1.87	30	22.44	85	62.56
<i>Venture capital</i>	290	119.63	250	130.37	285	101.75	200	98.25
<i>Interest rate subsidies</i>	90	3.47	40	36.53	60	13.52	25	11.48
<i>Emergency aid</i>	20	-0.53	20	20.53	60	22.06	50	27.94
<i>Aid for refugees</i>	-	0	62	62	-	1.17	1.17	0
<i>Use of interest</i>	-	0	0	0	-	0.44	0.44	0
<i>Transfer from other funds</i>	-	0.36	0	-0.36	-	17.80	17.80	0
<i>HIPC</i>	1 000	1 028.97	1 029	0	350	256.44	356	99.56
Sub-total	3 850	2 443.72	3 525	1 081.28	2 385	1 038.39	1 835.41	797.02
Stabex	400	223.39	350	126.61	250	70.61	190	119.39
TOTAL	4 250	2 667.11	3 875	1 207.89	2 635	1 109	2 025.41	916.41

¹ These figures take account of decisions in the pipeline.

The cash position forecast for 31 December 2000 stands at about EUR 16 million. This has to be compared with balances at the previous year-ends to see how available bank balances have been reduced:

EUR 473.00 million end 1995
 EUR 297.81 million end 1996
 EUR 330.55 million end 1997
 EUR 306.57 million end 1998
 EUR 140.84 million end 1999.

This confirms the sustained downward trend in the balance. However, as the balance at the end of 2000 is practically zero, provision should be made in the 2001 call for contributions for the establishment of a minimum cash cushion to ensure sufficient room for manoeuvre in the event that expenditure exceeds the level of the calls for contributions.

Cash position forecast at 31 December 2000

Current expenditure

EUR million	RESOURCES	EXPENDITURE	BALANCE
Carryover from 1999	140.84		
Tranche 20/01/2000	400.00		
Tranche 01/04/2000	400.00		
Tranche 01/07/2000	400.00		
Interest booked	5.75		
Expenditure at 30/09/2000		1 024.82	
Expenditure being finalised ACP (1)		50.00	
Expenditure being finalised EUR (2)		33.98	
Situation at 30/09/2000	1 346.59	1 108.80	237.37
Tranche 01/11/2000	280.00		
Transfer 1st tranche from unexpended Stabex balance	220.00		
Expenditure forecast from 01/10 to 31/12/2000		721.26	
Anticipated balance at 31/12/2000	1 846.59	1 830.06	16.53

(1) Payments effected in the ACP countries but not yet finalised.

(2) Direct payments to be finalised at 30/9/2000.

The Stabex cash balance is somewhat different as Stabex funds are governed by different arrangements. 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 (Article 54 and Annex II).

Stabex will come to an end when the revised Lomé IV expires as it will not be renewed in its present form in 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 special account. This transfer will take place gradually until 31 December 2001. Outstanding payments of certain Member States must also be settled by that date.

The following table shows that resources (1) are lower than the contributions (2) called for. This is because Member States are able under the Financial Regulation either to pay on the date on which the contributions were called for or to convert their contributions into an open debt.

Cash position forecast at 31/12/2000

Stabex expenditure

EUR million	Resources	Expenditure	Balance
Carryover from 1999	882.00		
Tranches 01/04 and 01/07/2000 (call = 360 (2))	257.68(1)		
Stabex debts paid	92.21		
Interest booked	36.07		
Expenditure at 30/09/2000		70.61	
Situation at 30/09/2000	1 267.96	70.61	1 197.35
Expenditure forecast from 1/10 to 31/12/2000		120.00	
Transfer to special EDF account (1/11/2000)		220.00	
Anticipated balance at 31/12/2000	1 267.96	410.61	857.35

3. Forecasts for 2001 (decisions and payments)

After a slow start, the 8th EDF maintained its 1999 levels in 2000. The faster rate observed over the past two years for decisions in particular will inevitably lead to a substantial increase in payments for 2001.

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

Forecasts for decisions under the 7th EDF concern only programmable aid (national and regional indicative programmes) for EUR 400 million, as funds have been used up for the other instruments. Payments under the 7th EDF (EUR 618 million) are expected to account for almost 30% of non-Stabex payments forecast for 2001 (EUR 2 063 million). They are exclusively for expenditure under the indicative programmes.

Non-Stabex decisions for the 8th EDF are expected to total EUR 2 993 million in 2001 as a result of an increase in decisions for programmable aid (notably indicative programmes) and the carryover to 2001 of the increase in risk capital and other initiatives.

Payments are expected to amount to EUR 1 912 million of which EUR 772 million will be for programmable aid.

Forecasts for Stabex concern only the 8th EDF. Decisions are expected to total EUR 240 million and payments EUR 475 million.

The total of decisions to be taken under all the EDFs comes to EUR 4 033 million; now that they have sped up, payments are likely to reach about EUR 2 538 million next year.

Forecasts for 2001

EUR million	Decisions				Payments			
	EDF 6	EDF 7	EDF 8	Total	EDF 6	EDF 7	EDF 8	Total
Programmable aid	400	400	2303	3103	8	618	772	1398
NIP/RIP	400	400	1953	2753	8	618	274	900
SAF	-	-	157	157	-	-	305	305
Other initiatives	-	-	193	193	-	-	193	193
STABEX	-	-	240	240	-	-	475	475
SYSMIN	-	-	-	-	-	-	50	50
Venture capital	-	-	540	540	-	-	140	140
Interest rate subsidies	-	-	90	90	-	-	50	50
Emergency aid	-	-	-	-	-	-	-	-
Aid for refugees	-	-	60	60	-	-	50	50
HIPC	-	-	-	-	-	-	375	375
TOTAL	400	400	3233	4033	8	618	1912	2538

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 should continue in 2001.

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 ¹	1835	190	2025
2001 ¹	2063	475	2538

4. Call for contributions (rounded figures)

To cover 2001 expenditure and to re-establish a reasonable cash level, a total of EUR 2 300 million in contributions (excluding Stabex) will be called (7th EDF scale).

Stabex expenditure will be covered by the reserve established under the joint ACP-EU decision referred to on page 6 above. No more contributions will be called for from the Member States. As the cash balance in the Stabex account and Member State debts are to be transferred to the EDF special account by 31 December 2001, these amounts will be deducted from the contributions called from the Member States for current expenditure.

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

EUR 600 million	20 January 2001
EUR 550 million	1 April 2001
EUR 600 million	1 July 2001
EUR 550 million	1 November 2001.

The sums transferred from the Stabex account will thus be deducted from these tranches, the transfers taking place on the same dates as the calls.

¹ Provisional figures.

As usual, these amounts may be adjusted 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 31/12/2001

Current expenditure

EUR million	Resources	Expenditure	Balance
Carryover from 2000	16.53		
Tranche 20/01/2001	600.00		
Tranche 01/04/2001	550.00		
Tranche 01/07/2001	600.00		
Tranche 01/11/2001	550.00		
Anticipated balance at 31/12/2001	2316.53	2063.00	253.53

The table concerning the call for contributions for current expenditure (7th EDF scale) is given in the Annex.

5. EDF expenditure forecasts 2002 to 2005

Forecasts for 2002 to 2005 are only an approximate estimate of expenditure based on the rates in previous years.

Forecast of EDF decisions and payments

2002 to 2005

EUR million	2002		2003		2004		2005	
	D	P	D	P	D	P	D	P
7th	0	550	0	550	0	500	0	400
8th	2 300	1 350	0	1 650	0	1 700	0	1 400
9th	1 200	150	3 500	800	3 500	1 400	3 500	1 900
Total	3 500	2 050	3 500	3 000	3 500	3 600	3 500	3 700

In accordance with the information given by the Commission to Coreper on finalisation of the post Lomé negotiations (doc. *Financial Allocation to the Ninth EDF* of 3 November 1999 and the corrigendum of 30 November 1999)

CONTRIBUTIONS TO EDF FOR 2001
Current expenditure

COUNTRY	SCALE OF CONTRIBUTIONS TO 7th 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 TO BE CALLED		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