



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 2003 financial year
and forecast expenditure for 2004, 2005, 2006 and 2007**

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Article 6 of the Internal Agreement on the financing and administration of the seventh and eighth EDFs lays down that the Commission shall:

- send the Council a statement of the payments to be made for the following year 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 that for which the call for contributions is made.

1. INTRODUCTION

In accordance with the rules laid down in the Internal Agreements of the 7th and 8th EDFs, each year the Commission draws up a communication to the Council giving an estimate of expenditure for the following year (2003). This estimate is used to determine the amount of calls for the Member States' contributions to the EDF for the year in question (2003). The document also presents the expenditure forecasts for the four following years (2004 to 2007). It starts with a revision of EDF expenditure for the current year (2002).

This estimate covers EDF resources for both the ACP States and the OCTs.

2. EDF EXPENDITURE FOR THE 2002 FINANCIAL YEAR (DECISIONS AND PAYMENTS)

2.1. Decisions

In its communication on financial information on the EDF last July,¹ the Commission estimated the volume of decisions to be carried out in 2002 at €2000 million. On 30 September the volume of new decisions stood at €729 million. This figure might appear low but it is actually in line with the target figure of €2000 million. The procedure for adopting decisions leads to a substantial "stockpiling" in the first half of the year. Most are in the process of adoption by the EDF Committee. At the end of September they amounted to €1201 million. The total therefore rises to €1930 million (final amounts and those pending adoption), which is 96% of the target. Consequently, the Commission considers that the objective of €2000 million for 2002 could be reached.

Note that a significant proportion of the decisions (estimated at €700 million for the year) concern measures taken under Decision No 1/2000 of the ACP-EC Council of Ministers. This involved unexpended balances of the 8th EDF, mobilised pending the implementation of the Cotonou Agreement. The estimate presented in July's communication already took account of this.

2.2. Payments

Unlike the decisions estimate, the estimate of €2000 million in payments for 2002 given in July's communications is not likely to be met. According to information from the EIB, the last tranche (approximately €150 million) that was initially intended to be paid to the EIB towards the end of 2002 for the HIPC instrument (relief of the poorest countries' debt), will not be paid out until sometime in the first half of 2003. The last tranche (€180 million) to the World Bank should normally be made, as planned, before the end of the year.

The EIB account does not need replenishing this year because of the slower implementation of the HIPC initiative in a number of countries; only at "completion point" can the EIB disburse major sums.

The pace of payments for other instruments is relatively slow (€927 million by 30 September, plus €185 million was in the pipeline (pending validation)), but this delay should be reabsorbed by the end of the year.

¹ COM(2002) 372 of 9.7.2002.

In conclusion, as a result of the delay in payment of the last tranche of the EIB's HIPC programme, the Commission is forced to revise downwards the level of the payments for 2002. It now estimates some €1850 million.

The table on the following page updates decisions and payments by instrument. Note that unlike the communication on financial Information (figures in column 1), the amounts relating to the measures taken under Decision No 1/2000 are now presented separately (column 3, envelopes A and B).

2.3. Stabex

With the expiry of the revised Lomé IV Stabex is at an end. No new decision has been taken since 1 January 2001. Whereas large amounts were still being paid out in 2001, only a few were made in 2002 (€1.6 million). The Stabex account cannot be closed, however. Some €200 million has to remain available for possible payments to Sudan and Togo, currently suspended. The Commission has transferred the surplus balance to the current expenditure account. In addition, interest accrued and still to be accrued on the Stabex also goes to the current expenditure account until the Stabex account is closed.

The situation of the Stabex account is presented in a separate table.

Estimate of decisions and payments for the financial year 2002

EUR million

	DECISIONS				PAYMENTS			
	Forecast made in the financial information communication (1)	Situation at 30/09/02 ² (2)	Revised forecast (3)	Amounts still to be executed (3-2)	Forecast made in the financial information communication (1)	Situation at 30/09/02 ³ (2)	Revised forecast (3)	Amounts still to be carried out (3-2)
TOTAL -National and regional indicative programmes and other regional instruments	1 491	317	880	563	992	556	983	427
<i>Structural Adjustment</i>	124	44	124	80	421	207	421	214
<i>Emergency aid</i>	20	16	20	4	20	12	20	8
<i>Aid to refugees</i>	30	36	36	0	15	10	15	5
<i>HIPC</i>	60	0	60	60	329	0	180	180
<i>Stabex</i>	0	0	0	0	2	2	2	0
<i>Sysmin</i>	0	0	0	0	21	28	30	2
<i>Transfer of other funds</i>	0	0	0	0	0	13	13	0
<i>Use of interest</i>	0	0	0	0	0	1	1	0
<i>Risk capital</i>	250	72	155	83	175	91	160	69
<i>Interest rate subsidies</i>	25	0	25	25	25	7	25	18
TOTAL excluding indicative programmes	509	168	420	252	1 008	371	867	496
Envelope A ⁴		174	400	226		0	0	0
Envelope B ⁵		70	300	230		0	0	0
TOTAL	2 000	729	2 000	1 271	2 000	927	1 850	923

² These are new decisions. Taking account of decommitments, the total volume of decisions is €614 million. These figures do not include decisions in the pipeline totaling €1201 million.

³ These figures do not include payments in the pipeline, totaling €185 million.

⁴ Includes transitional measures taken under Decision No 1/2000 of the ACP-EC Council of Ministers

⁵ Idem.

3. FORECAST CASH POSITION AT 31-12-2002

3.1. Forecast cash position at 31-12-2002: current expenditure

EUR million

	Resources	EXPENDITURE	Balance
Carryover from 2001 to 2002	391.2		
<i>(including anticipated payment 1st tranche 2002)</i>	<i>(83.5)</i>		
Contributions received in 2002 (at 30-09-02)	1 196.2		
Unpaid balance of the contributions	1.3		
Interest accrued (at 30-09-02)	6.7		
Transfers from Stabex to the current account (at 30-09-02)	257.1		
Expenditure booked at 30-09-02		927.2	
Local payments ⁶		50.0	
Expenditure in the process of regularisation ⁷ (at 30-09-02)		185.3	
Expenditure forecast between 30-09-02 and 31-10-02		200.0	
Forecast balance at 31-10-2002	1 852.5	1 362.5	489.9
4th call 2002	200.0		
Interest transfer from the Stabex account to the current account	6.3 ⁸		
Expenditure estimate from 01/10 to 31/12/02		487.5	
Forecast balance at 31/12/2002	2 058.7	1 850.0	208.7

Per memoria: total contributions 2002	1 481.0
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⁶ Payments made in the ACP countries but not yet finalised.

⁷ Payments in the pipeline, pending approval (visa).

⁸ This is an estimate. The amount of the transfer will depend on the interest accruing on the Stabex account by the end of the year. The interest has to be transferred from the Stabex account to the current expenditure account.

3.2. Forecast cash position at 31-12-2002: Stabex expenditure

EUR million

	Resources	EXPENDITURE/ TRANSFERS	Balance
Carryover from 2001 to 2002	220.2		
Repayments	218.7		
Interest on repayments	15.9		
Interest accrued (at 30-09-02)	8.3		
Interest estimated for the period 1-10 to 31-12-02	5.0		
Expenditure booked at 30-09-02		1.6	
Transfers from Stabex to the current account (at 30-09-02)		257.1	
Estimated transfer for period 1-10 to 31-12-02 ⁹		6.3	
Forecast situation at 31-12-2002	468.1	265.0	203.1¹⁰

4. EDF EXPENDITURE FOR THE 2003 FINANCIAL YEAR (DECISIONS AND PAYMENTS)

The Commission estimates some €2300 million for both decisions and payments in 2003.

These estimates are based on the pace of implementation recorded for the various Funds. The figures also take account of the state of dossiers currently being handled by the Commission. Concerning decisions, account was taken of the positive impact of the process of devolution from Brussels to the Delegations. On the other hand, the Commission believes that devolution will not have a decisive effect on the speed of payments in 2003.

Figures are based on the assumption that the 9th EDF could enter into force in early 2003. Obviously, this assumption is a major element in the forecast for decisions and payments. This is particularly true of decisions, since it has been projected that €1035 million, 45% of the total, will come from the 9th EDF. Figures must therefore be treated with caution, given the uncertainty still reigning as to the date of ratification of the Cotonou Agreement.

The result of this analysis is presented in the table overleaf.

⁹ This is an estimate. The amount of the transfer will depend on the interest accruing on the Stabex account. This interest must be transferred to the current expenditure account.

¹⁰ The Commission has to keep this amount in the Stabex account in case suspended payments to Sudan and Togo are reactivated.

Estimate of decisions and payments for the financial year 2003

EUR million

	DECISIONS				PAYMENTS				
	EDF 7	EDF 8	EDF 9	TOTAL	EDF 6	EDF 7	EDF 8	EDF 9	TOTAL
TOTAL National and regional indicative programme and other regional instruments	50	376		426	50	175	1 076		1 301
<i>Structural Adjustment</i>	0	0		0	0	0	200		200
<i>Emergency aid</i>	0	4		4	0	0	20		20
<i>Aid for refugees</i>	0	15		15	0	0	15		15
<i>HIPC (debt relief)</i>	0	125		125	0	0	209		209
<i>Stabex</i>	0	0		0	0	0	0		0
<i>Sysmin</i>	0	0		0	0	0	0		0
<i>Risk capital</i>	0	130		130	0	0	165		165
<i>Interest rate subsidies</i>	0	40		40	0	0	40		40
TOTAL, excluding indicative programmes	0	314		314	0	0	649		649
Envelope A		425	645	1 070			100	145	245
Envelope B		100	155	255			25	45	70
Investment Facility			235	235				60	60
TOTAL	50	1 215	1 035	2 300	50	175	1 850	250	2 325

Under the 6th EDF. There should be only a few remaining balances of *payments* under the national and regional indicative programmes, estimated at €50 million.

Under the 7th EDF. Forecast for *decisions* concern only programmable aid (NIPs and RIPs) for a total of €50 million, the funds for other instruments being almost exhausted. At only €175 million, *payments* under the 7th EDF are declining year on year and account for only 7,5% of all payments forecast for 2003 (€2325 million). They also concern exclusively expenditure under the indicative programmes.

Under the 8th EDF. After deduction of major amounts in the pipeline (see point 2.1), the funds still available at 22 October 2002 for *decisions* stood at €1918 million, of which €841 million for the indicative programmes (NIPs and RIPs) and €1077 million for other instruments.

The estimate for decisions takes account of the proposal for a Decision to reallocate €254.2 million in unused resources of the 8th EDF.

The amount calculated for the indicative programmes in 2003 takes account of the fact that a relatively high amount is destined for countries in crisis. The estimates for the non-indicative programme instruments come from the EIB (risk capital and interest-rate subsidies) or are based on available balances (emergency aid, aid for refugees) and the reallocation proposal mentioned above (HIPC). The balance for the structural adjustment facility is exhausted. Finally, in the case of the envelope of €1 200 million mobilised under Decision No 1/2000 of the ACP-EC Council of Ministers pending the implementation of the Cotonou Agreement, it is supposed that the high-absorbing countries will exhaust the available balance of €500 million (envelopes A and B) from the €700 million to be committed in 2002. On top of that, there is €25 million under the Decision (reallocation of €254.2 million) for regional cooperation and integration.

Payments under the 8th EDF are estimated at €1850 million, including €1076 million in programmable aid. The amount for the structural adjustment facility (€200 million) is what remains in hand. For the HIPC (debt relief, €209 million), it is supposed that all the decisions taken hitherto will be honoured in 2003. Payments from envelopes A and B are likely to remain relatively low (€125 million).

As noted earlier, the assumptions concerning *the 9th EDF* should be taken with a pinch of salt because they depend on the timing of implementation of the Cotonou Agreement. In addition, the new Fund involves new or almost new instruments about which it is obviously more difficult to make reliable forecasts. Implementation of the new Financial Regulation may also affect the level of decisions in the first year of application.

Decisions are estimated at €1185 million, including €235 million notified by the EIB for the Investment Facility. For envelopes A, the amount is based on an analysis of projects in the pipeline. For envelope B, the amount is based on past trends for Stabex and Sysmin and on envelope B contributions to debt relief.

Payments, keeping in mind the start to implementation of the 9th EDF, should remain relatively low. They are estimated at €250 million, including €60 million for the Investment Facility.

5. CALL FOR CONTRIBUTIONS 2003 (ROUNDED FIGURES)

To cover current expenditure for the 2003 financial year and maintain a reasonable cash reserve, the call for contributions should be established with €2 300 Million.

On the basis of the historical pattern of disbursements for the various instruments, and taking into account the wish expressed by the Member States to limit the available - but nevertheless necessary cash in hand, the Commission proposes the following four tranches to cover current:

- €450 million on 20 January 2003
- €650 million on 1 April 2003
- €700 million on 1 July 2003
- €500 million on 1 November 2003

It is stressed that these amounts assume payment in the second quarter of €209 million under the HIPC instrument (of which €149 million is the last EIB tranche initially scheduled to be spent towards the end of 2002, plus €60 million decided by the ACP-EC Council of Ministers in December 2001).

As usual, these tranches may be adjusted up or down in line with real requirements at the time of the quarterly call. Similarly, a faster pace of financial implementation would lead the Commission to invoke the Internal Agreement in order to adjust financial resources to needs.

Forecast cash position at 31/12/2003

Current expenditure

EUR million

	RESOURCES	EXPENDITURE	BALANCE
Carryover from 2002 to 2003	209		
Tranches			
20/01/2003	450		
01/04/2003	650		
01/07/2003	700		
01/11/2003	500 ¹¹		
Total	2 300		
Interest	20		
Estimated balance at 31/12/2003	2 529	2 325	204

The table of the call for contributions (scale 8th EDF) is in point 7.

¹¹ Of which €60 million for the EIB-managed Investment Facility.

6. EDF EXPENDITURE FORECASTS 2004 TO 2007

Forecasts for 2003 to 2006 are only an approximate estimate of expenditure, based on the rates in previous years. For example, figures may vary considerably if, say, there are new debt relief commitments.

In accordance with the Cotonou Agreement, remaining uncommitted funds of the 7th and 8th EDFs will be transferred to the 9th EDF after the ratification of the Agreement. This will not affect the totals.

Forecast EDF decisions and payments

2004 to 2007

EUR million

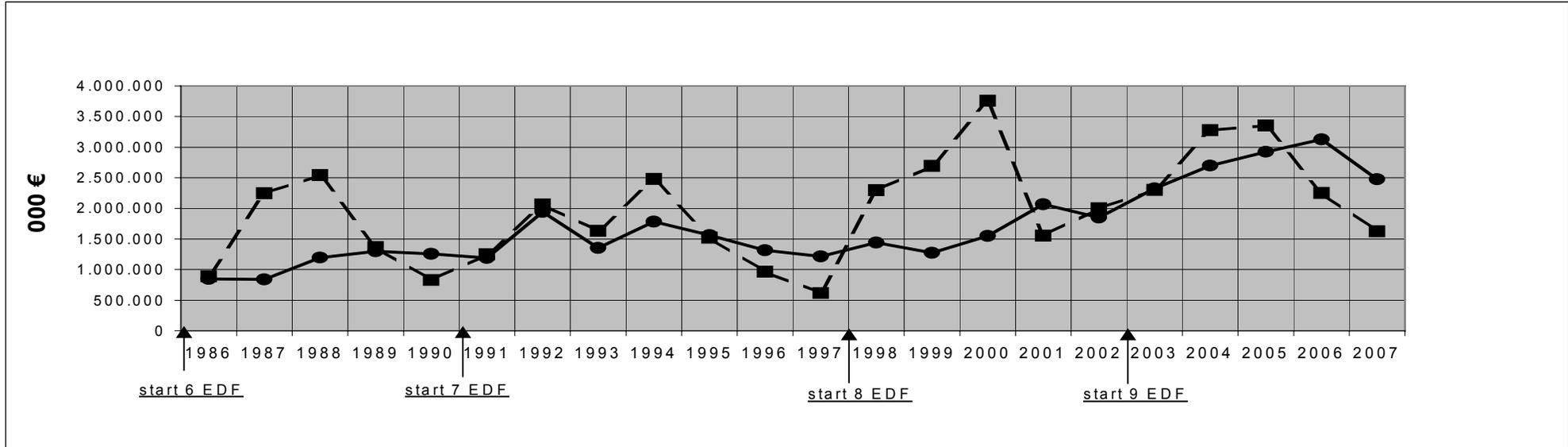
	2004		2005		2006		2007	
	D	P	D	P	D	P	D	P
7th EDF	0	100	0	0	0	0	0	0
8th EDF	400	1 600	100	1 300	0	1 000	0	600
9th EDF	2 875	1 000	3 250	1 625	2 250	2 125	1 625	1 875
TOTAL	3 275	2 700	3 350	2 925	2 250	3 125	1 625	2 475

7. CONTRIBUTIONS TO THE EDF FOR 2003

Member State	Scale 8th EDF %	Call 20-1-03 <i>EUR</i>	Call 1-4-03 <i>EUR</i>	Call 1-7-03 <i>EUR</i>	Call 1-11-03 <i>EUR</i>	TOTAL <i>EUR</i>
GERMANY	23.36	105 120 000	151 840 000	163 520 000	116 800 000	537 280 000
BELGIUM	3.92	17 640 000	25 480 000	27 440 000	19 600 000	90 160 000
DENMARK	2.14	9 630 000	13 910 000	14 980 000	10 700 000	49 220 000
SPAIN	5.84	26 280 000	37 960 000	40 880 000	29 200 000	134 320 000
FRANCE	24.30	109 350 000	157 950 000	170 100 000	121 500 000	558 900 000
GREECE	1.25	5 625 000	8 125 000	8 750 000	6 250 000	28 750 000
IRELAND	0.62	2 790 000	4 030 000	4 340 000	3 100 000	14 260 000
ITALY	12.54	56 430 000	81 510 000	87 780 000	62 700 000	288 420 000
LUXEMBOURG	0.29	1 305 000	1 885 000	2 030 000	1 450 000	6 670 000
NETHERLANDS	5.22	23 490 000	33 930 000	36 540 000	26 100 000	120 060 000
PORTUGAL	0.97	4 365 000	6 305 000	6 790 000	4 850 000	22 310 000
THE UK	12.69	57 105 000	82 485 000	88 830 000	63 450 000	291 870 000
AUSTRIA	2.65	11 925 000	17 225 000	18 550 000	13 250 000	60 950 000
FINLAND	1.48	6 660 000	9 620 000	10 360 000	7 400 000	34 040 000
SWEDEN	2.73	12 285 000	17 745 000	19 110 000	13 650 000	62 790 000
TOTAL	100.00	450 000 000	650 000 000	700 000 000	500 000 000	2 300 000 000

Execution of the EDF

Decisions: ----- Payments: _____



	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Decisions																						
6 EDF	313	1 954	2 395	1 324	886	452	121	23	48	46	-53	24	-45	-23	30	-14	50					
7 EDF						860	1 960	1 981	2 433	1 474	1 018	592	117	205	114	48	100	50				
8 EDF													2 224	2 510	3 614	1 520	1 850	1 215	400	100		
9 EDF																						
Total (all Funds)	890	2 245	2 541	1 364	829	1 248	2 063	1 631	2 481	1 520	965	616	2 297	2 693	3 757	1 554	2 000	2 300	3 275	3 350	2 250	1 625
Payments																						
6 EDF	117	353	808	1 024	1 040	859	915	572	449	268	199	174	154	104	101	50	30					
7 EDF						196	889	706	1 332	1 296	1 118	1 039	819	627	478	407	250	175	100			
8 EDF													467	545	969	1 610	1 570	1 900	1 600	1 300	1 000	600
9 EDF																						
Total (all Funds)	847	838	1 196	1 297	1 257	1 191	1 942	1 354	1 782	1 564	1 317	1 213	1 440	1 275	1 548	2 068	1 850	2 325	2 700	2 925	3 125	2 475

Balances 6th EDF (situation at 22/10/02)

EURO

	Allocation (1)	Final decisions (2)	Current decisions (3)	Final and current decisions (4= (2+ (3	Balance (1- (4
Indicative programmes + regional instruments	5 182 748 880	4 865 922 356	15 411 068	4 881 333 424	301 415 456
Structural adjustment facility	6 000 000	6 000 000	0	6 000 000	0
Interest rate subsidies	84 078 492	84 078 492	0	84 078 492	0
Emergency aid	179 903 200	179 903 200	0	179 903 200	0
Aid for refugees	94 769 155	94 769 155	0	94 769 155	0
43%(c/a) Risk capital	560 000 000	543 153 484	0	543 153 484	16 846 516
Stabex	1 451 123 082	1 451 123 082	0	1 451 123 082	0
Sysmin	159 028 573	159 028 573	0	159 028 573	0
Transfers 4th EDF	110 050 761	88 888 838	1 195 337	90 084 174	19 966 587
Overall reserve	1 378 556	0	0	0	1 378 556
Situation at 22/10/02	7 829 080 698	7 472 867 179	16 606 405	7 489 473 583	339 607 115

(3) This involves decisions in the pipeline, i.e. awaiting the decision of the EDF Committee.

Balances 7th EDF (situation at 22/10/02)

EURO

	Allocation (1)	Final decisions (2)	Current decisions (3)	Final and current decisions (4= (2+ (3	Balance (1- (4
Indicative programmes + regional instruments	6 117 886 107	5 612 618 407	123 569 929	5 736 188 336	381 697 771
Structural adjustment facility	1 151 775 130	1 151 775 130	-14 416	1 151 760 715	14 416
Interest rate subsidies	224 000 000	214 087 609	0	214 087 609	9 912 391
Emergency aid	407 320 639	407 081 179	0	407 081 179	239 460
Aid for refugees	86 783 676	86 576 853	0	86 576 853	206 824
Risk capital	850 000 000	761 958 694	0	761 958 694	88 041 306
Stabex	1 706 995 231	1 702 693 938	0	1 702 693 938	4 301 293
Sysmin	456 104 679	456 104 679	0	456 104 679	0
Transfers 4th EDF	433 640 944	359 154 273	5 927 328	365 081 602	68 559 342
Aid for highly indebted poor countries	40 000 000	40 000 000	0	40 000 000	0
Overall reserve	9 677 406	0	0	0	9 677 406
Situation at 22/10/02	11 484 183 813	10 792 050 762	129 482 842	10 921 533 604	562 650 209

(3) This involves decisions in the pipeline, i.e. awaiting the decision of the EDF Committee.

Balances 8th EDF (situation at 22/10/02)

EURO

	Allocation	Final decisions	Current decisions	Final and current decisions	Balance
	(1	(2	(3	(4= (2+ (3	(1- (4
Indicative programmes + regional instruments	6 726 912 500	5 429 605 369	456 489 938	5 886 095 307	840 817 193
Structural adjustment facility	1 650 000 000	1 590 398 945	31 450 000	1 621 848 945	28 151 055
Interest rate subsidies	378 500 000	101 454 943	0	101 454 943	277 045 057
Emergency aid	143 000 000	138 049 050	500 000	138 549 050	4 450 950
Aid for refugees	120 500 000	103 115 505	1 999 525	105 115 030	15 384 970
Risk capital	1 330 000 000	1 082 834 200	33 000 000	1 115 834 200	214 165 800
Stabex	668 973 001	664 655 892	0	664 655 892	4 317 109
Sysmin	123 874 200	121 424 200	0	121 424 200	2 450 000
Aid for highly indebted poor countries	1 060 000 000	1 060 000 000	0	1 060 000 000	0
Transitional measures 9th EDF	1 200 000 000	243 875 000	481 365 000	725 240 000	474 760 000
Overall reserve	56 947 827	0	0	0	56 947 827
Situation at 22/10/02	13 458 707 528	10 535 413 104	1 004 804 463	11 540 217 567	1 918 489 961

(1) Before inclusion of the Commission's proposal for reallocation of €254.2 million.

(3) This involves decisions in the pipeline, i.e. awaiting the decision of the EDF Committee.