



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION**

**EUROPEAN DEVELOPMENT FUND (EDF)**

**Estimate of commitments and payments and of contributions to be paid by the Member States for 2005 and 2006, and**

**Forecast of commitments and payments for 2007 to 2010**

## **FOREWORD**

The Commission draws up this communication to the Council each year in accordance with Article 8 of the Financial Regulation applicable to the 9th European Development Fund (EDF). Its purpose is to provide an estimate of commitments and payments for the current financial year (2005) and the following financial year (2006) and set out the schedule of calls for contributions, taking into account the estimates of the European Investment Bank (EIB) for the operations which it manages. As provided for in Article 8 of the Financial Regulation, the communication also gives estimates of commitments and payments for each of the following four years (2007 to 2010).

Since the entry into force of the 9th EDF in 2003 the Member States have made direct contributions to the EIB for the 9th EDF instruments it manages (the Investment Facility and interest-rate subsidies), while contributions for the old instruments managed by the EIB (risk capital and interest-rate subsidies) still go through the Commission. This communication therefore draws a clear distinction between EIB payments under the 9th EDF, and Commission payments (including those for the old instruments managed by the EIB).

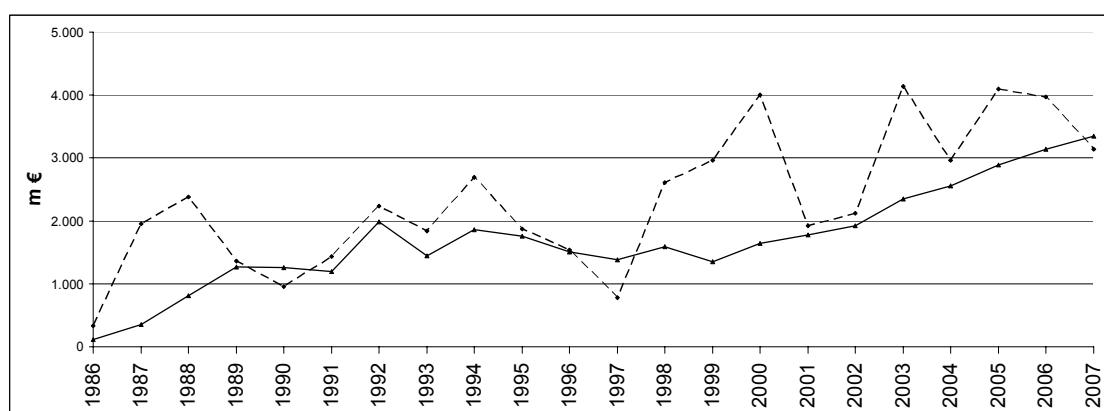
## INTRODUCTION

The Commission and the EIB have updated their forecast commitments and payments for 2005 and 2006 financial years for each of the ACP<sup>1</sup> countries and OCTs.<sup>2</sup> Particular care has been taken with payment forecasts, for two reasons: (i) to help Member States earmark as accurately as possible amounts in their national budgets; (ii) to ensure that sufficient financial resources are available for the EDF to avoid liquidity problems.

In accordance with Article 8 of the Financial Regulation applicable to the 9th European Development Fund (EDF),<sup>3</sup> the forecasts will be revised in the June 2006 communication.

The table in Annex 1 shows the new forecasts for commitments and payments for 2005 and 2006, and compares them to the figures presented in the communication of June 2005.<sup>4</sup> Annex 2 shows the financial situation for the two years in question, and in particular the total contributions payable by Member States to finance the EDF. Forecasts for commitments and payments for the years 2007 to 2010 are shown in Annex 3. Annexes 4 and 5 show contributions broken down by Member State for the years 2005 and 2006.

The graph below shows an overview of the trend in commitments and payments, made in the past and expected in the near future. It clearly indicates the upwards structural trend in payments since 2000.



-- Commitments

— Payments

<sup>1</sup> African, Caribbean and Pacific States.

<sup>2</sup> Overseas Countries and Territories.

<sup>3</sup> OJ L 83, 1.4.2003, p. 1.

<sup>4</sup> Communication from the Commission to the Council: financial information on the European Development Funds (COM(2005) 287 final of 29.06.2005).

## 1. COMMITMENTS IN 2005 AND 2006

Close examination of the projects in the pipeline confirms that at present the **2005** estimate, presented in the June communication (EUR 3 500 million) should be met, if not exceeded. There are, however, still a number of uncertainties that do not depend on the Commission (such as non-compliance by some ACP States with certain conditionalities, political risks, etc.). The EIB is broadly standing by its forecast, which remains at around EUR 600 million. Total combined commitments for the Commission and the EIB are estimated at EUR 4 097 million.

While the EIB is raising its **2006** forecast only slightly from EUR 550 million to EUR 571 million, the Commission is predicting a big jump from the EUR 3 100 million presented in June to EUR 3 400 million. The total volume of commitments is estimated at EUR 3 971 million.

Further details are included in the table in Annex 1.

## 2. PAYMENTS IN 2005 AND 2006

The Commission's updated estimate of **2005** payments comes to some EUR 2 600 million and therefore confirms the estimate it presented in June. The EIB, by contrast, has been obliged to revise its estimate down from the EUR 445 million presented in June to EUR 292 million. Total EDF payments should amount to EUR 2 888 million.

For **2006** also, the EIB has lowered its estimate from the EUR 489 million presented in June to EUR 360 million. The Commission, for its part, estimates that it will make payments totalling EUR 2 784 million, approximately the volume announced in June (EUR 2 750 million). With a combined total for both institutions of EUR 3 144 million, 2006 should be the first year when the level of payments exceeds EUR 3 billion.

Further details are included in the table in Annex 1.

## 3. CALLS FOR CONTRIBUTIONS IN 2005 AND 2006

Annex 2 shows various aspects of the financial situation expected for 2005 and 2006.

It should be recalled that two types of measures do not require additional financial resources from the Member States. These are the Stabex instrument, for which Member States have already made the necessary payments in the past, and measures financed from a special account to accompany the elections in the Democratic Republic of Congo. Although the total estimated volume of payments by the Commission for **2005** remains more or less unchanged, the upwards revision in payments under the Stabex instrument and the exceptional increase in interest on Commission accounts allow a slight reduction in the last tranche of the contributions that the Commission asks from the Member States (EUR 240 million as opposed to EUR 275 million). The downwards revision in disbursements means that the EIB

will no longer need additional funds in 2005. Total contributions requested by the Commission and the EIB for the whole year are EUR 2 660 million, well within the amount decreed by the Council in December 2004 (EUR 2 782 million). Annex 4 gives a breakdown of contributions by Member State.

For **2006**, as the new Commission payment forecast remains more or less unchanged since June, Member States will pay almost the same amount as forecast at that time (EUR 2 690 million for the year, as opposed to the EUR 2 720 million forecast in June). The Commission is asking the Member States to pay an initial tranche of EUR 1 400 million. This is in line with the Commission objective to spread payments across the year more effectively (and therefore decrease the payments made towards the end of the year). In line with its forecast downwards revision in payments, the EIB estimates a need for contributions totalling EUR 350 million, including EUR 150 million for the first tranche.

Current estimates from the Commission and the EIB for the second tranche of 2006 contributions are for EUR 1 000 million and EUR 130 million respectively. The last tranche should therefore require EUR 290 million and EUR 70 million respectively. In accordance with the 9th EDF Financial Regulation, the second and third tranches may be adjusted up or down in line with real requirements at the time of the call for contributions.

#### **4. THE FUTURE**

The Commission and the EIB reiterate their pledge to do their utmost to commit the funds made available by the Cotonou Agreement (including the balances remaining from the 6th, 7th and 8th EDFs transferred to the 9th EDF) by the end of 2007. It is clear that achievement of this objective is not up to the Commission and the EIB alone. Indeed, the very nature of the cooperation agreements (Lomé and Cotonou), namely the fact that they are based on partnership, means that the rate at which the EDF is implemented will depend on the absorption capacities of the ACP countries (sufficiently stable political situation, minimum governance, etc.). The Commission will continue to support them, giving national authorising officers as much technical assistance as possible, and if necessary will propose corrective measures, at latest during the reallocation of funds exercise programmed for the final review in 2006.

The annual figures, based on the assumption of full use of the available funds, can be found in Annex 3. As the financial framework for the period after 2007 has not yet been agreed, this document does not include any amounts for commitments for the years 2008 to 2010. This also affects the amounts presented as payments, and explains the significant fall in amounts starting in 2009. Payment amounts are calculated on the basis of payment rates under previous EDFs, taking into account the beneficial impact of the reform of the Commission's external service, and in particular the devolution of management to ACP state level.

## ANNEX 1

### Overview of forecast commitments and payments for 2005 and 2006

	2005		2006	
	June 2005 Communica- tion	Updated	June 2005 Communica- tion	Updated
<b>COMMITMENTS</b>				
Stabex	10	10	10	10
Water Facility	80	80	125	125
Balance (€750 million) from the conditional million	120	0	330	430
Other	3 290	3 410	2 635	2 835
<i>Total for the Commission</i>	<i>3 500</i>	<i>3 500</i>	<i>3 100</i>	<i>3 400</i>
Investment Facility	537	537	511	511
Interest rate subsidies	73	60	39	60
<i>Total EIB instruments (9th EDF)</i>	<i>610</i>	<i>597</i>	<i>550</i>	<i>571</i>
<b>TOTAL</b>	<b>4 110</b>	<b>4 097</b>	<b>3 650</b>	<b>3 971</b>
<b>PAYMENTS</b>				
Peace Facility	80	88	95	45
Water Facility	14	5	38	23
Risk capital <sup>5</sup>	92	117	72	106
Balance (€750 million) from the conditional million	0	0	153	62
Stabex	17	52	20	45
DR Congo	89	89		
Other	2 296	2 245	2 372	2 503
<i>Total for the Commission</i>	<i>2 588</i>	<i>2 596</i>	<i>2 750</i>	<i>2 784</i>
Investment Facility	372	247	450	300
Interest rate subsidies	73	45	39	60
<i>Total EIB instruments (9th EDF)</i>	<i>445</i>	<i>292</i>	<i>489</i>	<i>360</i>
<b>TOTAL</b>	<b>3 033</b>	<b>2 888</b>	<b>3 239</b>	<b>3 144</b>

<sup>5</sup> Including interest rate subsidies under the previous EDFs

## ANNEX 2

### Estimated cash position in 2004 and 2006 (€ million)

		Communication: June 2005			Update		
		Commission	EIB 9 FED	TOTAL	Commission	EIB 9 FED	TOTAL
<b>2005</b>	<b>Balance at 01.01.2005</b>	<b>62</b>	<b>8</b>	<b>70</b>	<b>62</b>	<b>8</b>	<b>70</b>
	2004 contributions paid in 2005	42	-	42	42	-	42
	2005 contributions, including:	2 385	460	2 845	2 350	310	2 660
	<i>First tranche<sup>6</sup></i>	<i>1 360</i>	<i>60</i>	<i>1 420</i>	<i>1 360</i>	<i>60</i>	<i>1 420</i>
	<i>Second tranche</i>	<i>750</i>	<i>300</i>	<i>1 050</i>	<i>750</i>	<i>250</i>	<i>1 000</i>
	<i>Third tranche</i>	<i>275</i>	<i>100</i>	<i>375</i>	<i>240</i>	<i>0</i>	<i>240</i>
	Interest and other revenue	5	-	5	25	-	25
	Recoveries	50	-	50	42	-	42
Payments <sup>7</sup>	-2 482	-445	-2 927	-2 455	-292	-2 747	
	<b>Balance 31.12.2005</b>	<b>62</b>	<b>23</b>	<b>85</b>	<b>66</b>	<b>26</b>	<b>92</b>
<b>2006</b>	2006 contributions	2 720	500	3 220	2 690	350	3 040
	<i>First tranche</i>				<i>1 400</i>	<i>150</i>	<i>1 550</i>
	<i>Second tranche</i>				<i>1 000</i>	<i>130</i>	<i>1 130</i>
	<i>Third tranche</i>				<i>290</i>	<i>70</i>	<i>360</i>
	Interest and other revenue	5	-	5	10		10
	Recoveries	50	-	50	40		40
	Payments	-2 780	-489	-3 269	-2 739	-360	-3 099
		<b>Balance 31.12.2006</b>	<b>57</b>	<b>34</b>	<b>91</b>	<b>67</b>	<b>16</b>

<sup>6</sup> Including 2005 contributions of EUR 180.4 million paid at the end of December 2004.

<sup>7</sup> Excluding payments for Stabex and payments to the special account created for the DR Congo

**ANNEX 3**

**Forecast EDF commitments and payments 2007-2010**

*€ million*

	2007	2008	2009	2010
Commitments	3 150	(p.m.)	( p.m.)	( p.m.)
Payments	3 350	3 300	2 600	1 650



**ANNEX 4**

**2005 EDF Contributions by Member State (in euros)**

COUNTRY	SCALE	First tranche		2nd tranche		3rd tranche		TOTAL of the tranches
		paid to the EIB	paid to the Commission	paid to the EIB	paid to the Commission	payable to the EIB	payable to the Commission	
	%							
GERMANY	23.36	14 016 000	317 696 000	58 400 000	175 200 000	0	56 064 000	621 376 000
BELGIUM	3.92	2 352 000	53 312 000	9 800 000	29 400 000	0	9 408 000	104 272 000
DENMARK	2.14	1 284 000	29 104 000	5 350 000	16 050 000	0	5 136 000	56 924 000
SPAIN	5.84	3 504 000	79 424 000	14 600 000	43 800 000	0	14 016 000	155 344 000
FRANCE	24.30	14 580 000	330 480 000	60 750 000	182 250 000	0	58 320 000	646 380 000
GREECE	1.25	750 000	17 000 000	3 125 000	9 375 000	0	3 000 000	33 250 000
IRELAND	0.62	372 000	8 432 000	1 550 000	4 650 000	0	1 488 000	16 492 000
ITALY	12.54	7 524 000	170 544 000	31 350 000	94 050 000	0	30 096 000	333 564 000
LUXEMBOURG	0.29	174 000	3 944 000	725 000	2 175 000	0	696 000	7 714 000
NETHERLANDS	5.22	3 132 000	70 992 000	13 050 000	39 150 000	0	12 528 000	138 852 000
PORTUGAL	0.97	582 000	13 192 000	2 425 000	7 275 000	0	2 328 000	25 802 000
UNITED KINGDOM	12.69	7 614 000	172 584 000	31 725 000	95 175 000	0	30 456 000	337 554 000
AUSTRIA	2.65	1 590 000	36 040 000	6 625 000	19 875 000	0	6 360 000	70 490 000
FINLAND	1.48	888 000	20 128 000	3 700 000	11 100 000	0	3 552 000	39 368 000
SWEDEN	2.73	1 638 000	37 128 000	6 825 000	20 475 000	0	6 552 000	72 618 000
TOTAL	100.00	60 000 000	1 360 000 000	250 000 000	750 000 000	0	240 000 000	2 660 000 000

**ANNEX 5**

**2006 EDF Contributions by Member State (in euros)**

COUNTRY	SCALE %	First tranche		2nd tranche		3rd tranche		TOTAL tranches
		payable to the EIB	payable to the Commission	payable to the EIB	payable to the Commission	payable to EIB	payable to the Commission	
GERMANY	23.36	35 040 000	327 040 000	30 368 000	233 600 000	16 352 000	67 744 000	710 144 000
BELGIUM	3.92	5 880 000	54 880 000	5 096 000	39 200 000	2 744 000	11 368 000	119 168 000
DENMARK	2.14	3 210 000	29 960 000	2 782 000	21 400 000	1 498 000	6 206 000	65 056 000
SPAIN	5.84	8 760 000	81 760 000	7 592 000	58 400 000	4 088 000	16 936 000	177 536 000
FRANCE	24.3	36 450 000	340 200 000	31 590 000	243 000 000	17 010 000	70 470 000	738 720 000
GREECE	1.25	1 875 000	17 500 000	1 625 000	12 500 000	875 000	3 625 000	38 000 000
IRELAND	0.62	930 000	8 680 000	806 000	6 200 000	434 000	1 798 000	18 848 000
ITALY	12.54	18 810 000	175 560 000	16 302 000	125 400 000	8 778 000	36 366 000	381 216 000
LUXEMBOURG	0.29	435 000	4 060 000	377 000	2 900 000	203 000	841 000	8 816 000
NETHERLANDS	5.22	7 830 000	73 080 000	6 786 000	52 200 000	3 654 000	15 138 000	158 688 000
PORTUGAL	0.97	1 455 000	13 580 000	1 261 000	9 700 000	679 000	2 813 000	29 488 000
UNITED KINGDOM	12.69	19 035 000	177 660 000	16 497 000	126 900 000	8 883 000	36 801 000	385 776 000
AUSTRIA	2.65	3 975 000	37 100 000	3 445 000	26 500 000	1 855 000	7 685 000	80 560 000
FINLAND	1.48	2 220 000	20 720 000	1 924 000	14 800 000	1 036 000	4 292 000	44 992 000
SWEDEN	2.73	4 095 000	38 220 000	3 549 000	27 300 000	1 911 000	7 917 000	82 992 000
TOTAL	100	150 000 000	1 400 000 000	130 000 000	1 000 000 000	70 000 000	290 000 000	3 040 000 000