

**EUROPEAN COMMUNITY
EUROPEAN ATOMIC ENERGY COMMUNITY**

**FINANCIAL INFORMATION
ON THE
EUROPEAN DEVELOPMENT FUNDS**

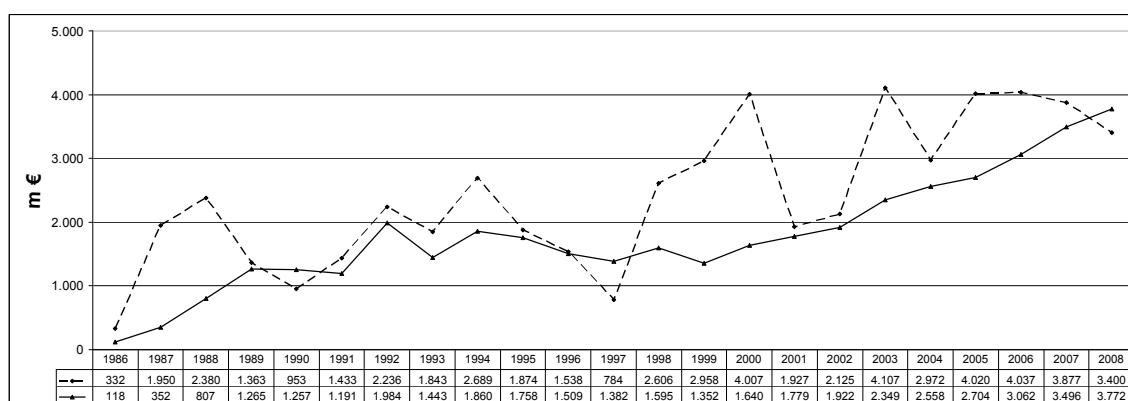
Document annexed to the draft budget for 2008

Introduction

The Commission and the EIB have updated their commitment and payment forecasts for 2007 and 2008 for each of the ACP countries¹ and the OCTs². The payment forecasts in particular have been compiled with great care with the aim of helping the Member States to assess as accurately as possible the amounts they need to earmark in their national budgets while ensuring 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 EDF³, these forecasts will be adjusted in the October 2007 Communication.

In line with the joint statement made when adopting the Financial Regulation for the 9th EDF, this document consists mainly of tables accompanied by a few explanations to help interpretation.

The graph below shows the general trend in commitments and payments, including projections for 2007-2008 (Commission and EIB): it clearly illustrates the upwards structural trend in payments since 2000.



-- Commitments; — Payments

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- 1 African, Caribbean and Pacific States.
 - 2 Overseas Countries and Territories.
 - 3 OJ L 83, 1.4.2003, p. 1.

1. IMPLEMENTATION OF THE EUROPEAN DEVELOPMENT FUNDS AT 31 DECEMBER 2006

1.1. Funds available at 31 December 2006

Annex 1 gives an overview of the funds available to the Commission and EIB under the EDFs (6th to 9th), commitments and payments at the end of 2006. Of the amount not committed (EUR 3 607 million), EUR 3 163 million fall within the remit of the Commission and will be committed by the end of 2007.

Unlike the figures in the rest of this document, the figures given above and in Annex 1 are "net" figures. They are obtained after deduction of decommitments and recoveries. This is necessary to determine the amount of available funds.

1.2. Implementation of the EDFs in 2006 (commitments and payments)

Annex 2 gives a breakdown of commitments and payments by instrument and compares them with the 2005 figures.

Annex 3 shows actual implementation in 2006 compared with the forecasts made in October 2006. The two institutions met their targets. Note that the Commission's objectives had hardly changed since October 2005.

1.3. Calls for contributions in 2006

Annex 4 shows the financial situation and projections. The table does not include payments made under Stabex or payments for special measures for the Democratic Republic of Congo. This expenditure was made from separate accounts which had already been credited by the Member States.

The cash balance available to the Commission at the end of 2006 was approximately EUR 131 million¹, more than expected (EUR 74 million). However, at 31 December 2006, a high volume of payments (some EUR 110 million) had been initiated, against EUR 23 million the year before. And the Commission needed all of this EUR 131 million to cover the period between 1 and 27 January when the first tranche of the 2007 contributions was scheduled.

2. FINANCIAL IMPLEMENTATION FORECASTS FOR 2007 AND 2008

The new forecasts are set out in Annex 3.

Note that:

- (1) 2007 payments have been revised markedly upwards for both the Commission and the EIB.
 - (a) For the Commission the increase is attributable to:
 - the beneficial impact of devolution: following the completion of this process in 2005 there was a greater than forecast speeding-up of contract awards in 2006 (20% up on 2005), which led to a greater volume of payments than forecast in 2007;
 - the end-of-term review of the 9th EDF and decisions to reassign resources, which should lead to additional payments as early as this year (for the Peace Facility);
 - better than expected progress in certain "risky" countries.

¹ Excluding EUR 3.5 million in 2007 contributions paid in at the end of December 2006.

(b) The EIB has also made faster progress than expected. This is because a number of projects approved since 2003 are now becoming operational and there was a marked increase in the loans agreed in 2006, especially for the private sector.

(2) Since 2008 will see the start to implementation of a new EDF the forecasts are inevitably less reliable than usual. This is particularly true of commitments, for which the estimate is purely speculative at present. The figures are based on the assumption that the 10th EDF will enter into force on 1 January 2008.

3. FINANCIAL SITUATION FORECAST FOR 2007 AND 2008

The new forecasts are set out in Annex 4, which calls for the following comments:

- To meet the rise in forecast payments in 2007 the EIB asked for an additional contribution of EUR 80 million in May this year. As this proposal was rejected by the Council, the amount has been integrated in the proposal on the second instalment. The amount of the third tranche forecast in October 2006 is confirmed for the present;
- Contributions for the Commission should rise from EUR 2 640 million to EUR 2 935 million. The Commission proposes a slightly higher second tranche of EUR 1 050 million, EUR 200 million more than estimated in October. According to current estimates the third tranche will be in the order of EUR 385 million.
- A preliminary estimate of the contributions required for 2008 gives a figure of EUR 3 672 million.

**Consolidated situation of the EDFs (6th to 9th) for the ACP countries and OCTs
at 31 December 2006**

(EUR million)

	Allocations	Commitments	Payments
COMMISSION			
National and Local programmes	15 607	15 607	14 143
Interest-rate subsidies	382	382	353
Risk capital (6th to 8th EDFs)	2 514	2 514	2 261
Structural adjustment facility	2 669	2 669	2 651
Emergency aid	722	722	722
Aid for refugees	296	296	278
Stabex	3 871	3 871	3 667
Sysmin	685	685	594
Debt relief (EDFs 7 and 8)	1 100	1 100	1 100
Use of interest	37	37	32
Transfers from 4th and 5th EDFs	411	411	399
Subtotal - Lomé	28 296	28 296	26 199
Envelope A	9 824	8 304	3 078
Envelope B	1 734	1 314	542
Regional allocation	980	741	85
Intra-ACP allocation	2 902	2 390	944
CDE ¹ , CTA ² and JPA ³	141	109	92
Studies and TA ⁴ for OCTs	2	2	0
Implementation expenditure	125	117	111
DRC special assistance	108	108	105
Miscellaneous revenue	76	28	4
Transfer 6th EDF	37	36	4
Reserves	384		
Subtotal Cotonou	16 313	13 150	4 966
Total for the Commission	44 609	41 446	31 165
EIB			
Interest-rate subsidies	188	95	91
Investment Facility	2 057	1 706	402
Total for the EIB	2 245	1 801	493
Conditional billion	1		
GRAND TOTAL (6th to 9th EDFs)	46 854	43 247	31 658

The figures in this table are net figures, i.e. after de-commitments and recoveries.

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- 1 Centre for the Development of Enterprise.
2 Technical Centre for Agricultural and Rural Cooperation.
3 Joint Parliamentary Assembly.
4 Technical assistance.

Breakdown of expenditure by instrument for the years 2005 and 2006

(EUR million)

	2005		2006	
	Commitments	Payments	Commitments	Payments
COMMISSION				
<u>6th to 8th EDFs</u>				
<u>Indicative Programmes</u>	-	887.7	-	612.0
<u>Outside indicative programmes</u>				
Interest-rate subsidies	-	0.4	-	1.6
Emergency aid	-	1.9	-	0.3
Aid for refugees	-	9.4	-	8.0
Risk capital	-	60.8	-	63.1
Mining products	-	15.0	-	16.0
Stabex	8.8	70.8	9.1	189.5
Structural adjustment facility	-	15.9	-	1.1
Unexpended balances (4th + 5th EDFs)	-	5.6	-	1.1
Implementation expenditure	-	1.9	-	0.7
Subtotal	8.8	1 069.4	9.1	893.2
<u>9th EDF + transitional measures</u>				
Envelope A	2 806.3	950.5	1 744.1	1 240.9
Envelope B	288.0	192.8	353.7	154.0
Regional projects	217.2	23.8	222.8	49.6
Intra-ACP Cotonou projects	143.0	131.5	1 037.0	431.2
Implementation expenditure	7.3	54.0	21.0	5.9
DRC	0.0	89.2	16.2	15.9
Unexpended balances 6th EDF				4.5
Other	40.5	33.2	4.0	31.0
Subtotal	3 502.3	1 475.0	3 398.7	1 933.0
Total managed by Commission	3 511.1	2 544.3	3 407.9	2 826.2
EIB (9th EDF)				
Investment Facility + interest-rate subsidies	508.8	159.5	628.8	236.0
EDF TOTAL	4 019.9	2 703.8	4 036.7	3 062.2

Commitments and payments made in 2006 and forecast for 2007 and 2008

(EUR million)

	2006		2007		2008	
	Communication Oct 06	Outturn	Communication Oct 06	Revised	Communication Oct 06	Revised
Regions						
East Africa	843	590	680	703		
West Africa	709	595	715	770		
Central Africa	441	558	285	293		
Caribbean	236	286	241	239		
Pacific	50	22	158	150		
South Africa	342	298	365	351		
Subtotal	2 621	2 349	2 444	2 506		
Other						
Peace Facility	50	50	0	80		
Water Facility	185	216	86	172		
Debt relief (HIPC)	0	0	0	0		
Other	544	792	920	692		
Total for the Commission	3 400	3 408	3 450	3 450	2 900	2 900
Investment Facility	582	576	325	350		450
Interest-rate subsidies	40	53	90	77		50
Total for EIB instruments (9th EDF)	622	629	415	427	587	500
TOTAL	4 022	4 037	3 865	3 877	3 487	3 400

* Taking account of the updated figures notified by the EIB at the discussions in the Council in November 2006.

Payments made in 2006 and forecast for 2007 and 2008

(EUR million)

	2006		2007		2008	
	Communication Oct 06	In practice	Communication Oct 06	Revised	Communication Oct 06	Revised
Regions						
East Africa	514	554	418	658		672
West Africa	710	605	763	837		904
Central Africa	301	297	240	304		411
Caribbean	209	185	190	264		306
Pacific	77	54	68	76		80
South Africa	354	386	354	398		412
All regions 6th, 7th and 8th EDFs	-	126	-	-		-
Subtotal	2 165	2 207	2 033	2 535		2 785
Other						
Peace Facility	124	110	12	75		18
Water Facility	69	42	107	62		159
Risk capital**	75	63	71	72		72
Debt relief (HIPC)	60	80	100	100		100
Other	157	119	384	220		139
<i>SUBTOTAL</i>	<i>2 650</i>	<i>2 621</i>	<i>2 707</i>	<i>3 064</i>		<i>3 273</i>
Stabex	100	190	127	72		27
DR Congo	0	16	16	0		0
<i>Total for the Commission</i>	<i>2 750</i>	<i>2 826</i>	<i>2 850</i>	<i>3 136</i>	<i>3 200</i>	<i>3 300</i>
Investment Facility	195	188	250	330		400
Interest-rate subsidies	30	48	50	30		72
<i>Total for EIB instruments (9th EDF)</i>	<i>225</i>	<i>236</i>	<i>300</i>	<i>360</i>	<i>430</i>	<i>472</i>
TOTAL	2 975	3 062	3 150	3 496	3 630	3 772

* Taking account of the updated figures notified by the EIB at the discussions in the Council in November 2006.

** Including interest-rate subsidies.

Financial Situation in 2006 and forecast for 2007 and 2008 – excluding Stabex and Special RDC Account***

(EUR million)

		Communication Oct 2006			Revised		
		Commission	EIB 9th EDF	TOTAL	Commission	EIB 9th EDF	TOTAL
2006	Balance at 31.12.2005	138*	142	280	138*	138	276
	2005 contributions paid in 2006	14		14	14		14
	2006 contributions, of which:	2 510	160	2 670	2 510	160	2 670
	<i>First tranche</i>	1 400	60	1 460	1 400	60	1 460
	<i>Second tranche</i>	910	100	1 010	910	100	1 010
	<i>Third tranche</i>	200		200	200		200
	Recoveries, interest and other Payments	62 -2 650		62 -2 875	90 -2 621		90 -2 857
Balance at 31.12.2006	74	77	151	131**	62	193	
2007	2007 contributions, of which:	2 640	225	2 865	2 935	305	3 240
	<i>First tranche</i>	1 500	70	1 570	1 500	70	1 570
	<i>Second tranche</i>	850	110	960	1 050	190	1 240
	<i>Third tranche</i>	290	45	335	385	45	430
	Recoveries, interest and other Payments	72 -2 707		72 -3 007	75 -3 064		75 -3 424
	Balance at 31.12.2007	79	2	81	77	7	84
2008	2008 contributions				3 200	472	3 672
	Recoveries, interest and other Payments				75 -3 273		75 -3 745
	Balance at 31.12.2008				79	7	86

* Excluding EUR 1.4 million in 2006 contributions.

** Excluding EUR 3.5 million in 2007 contributions.

*** Funds available for operations.

Contributions to the EDF for 2007

(EUR)

COUNTRY	SCALE %	1st tranche		2nd tranche		3rd tranche		TOTAL for all tranches
		paid EIB	paid Commission	payable to EIB	payable to Commission	payable to EIB	payable to Commission	
GERMANY	23.36	16 352 000	350 400 000	44 384 000	245 280 000	10 512 000	89 936 000	756 864 000
BELGIUM	3.92	2 744 000	58 800 000	7 448 000	41 160 000	1 764 000	15 092 000	127 008 000
DENMARK	2.14	1 498 000	32 100 000	4 066 000	22 470 000	963 000	8 239 000	69 336 000
SPAIN	5.84	4 088 000	87 600 000	11 096 000	61 320 000	2 628 000	22 484 000	189 216 000
FRANCE	24.30	17 010 000	364 500 000	46 170 000	255 150 000	10 935 000	93 555 000	787 320 000
GREECE	1.25	875 000	18 750 000	2 375 000	13 125 000	562 500	4 812 500	40 500 000
IRELAND	0.62	434 000	9 300 000	1 178 000	6 510 000	279 000	2 387 000	20 088 000
ITALY	12.54	8 778 000	188 100 000	23 826 000	131 670 000	5 643 000	48 279 000	406 296 000
LUXEMBOURG	0.29	203 000	4 350 000	551 000	3 045 000	130 500	1 116 500	9 396 000
NETHERLANDS	5.22	3 654 000	78 300 000	9 918 000	54 810 000	2 349 000	20 097 000	169 128 000
PORTUGAL	0.97	679 000	14 550 000	1 843 000	10 185 000	436 500	3 734 500	31 428 000
UNITED KINGDOM	12.69	8 883 000	190 350 000	24 111 000	133 245 000	5 710 500	48 856 500	411 156 000
AUSTRIA	2.65	1 855 000	39 750 000	5 035 000	27 825 000	1 192 500	10 202 500	85 860 000
FINLAND	1.48	1 036 000	22 200 000	2 812 000	15 540 000	666 000	5 698 000	47 952 000
SWEDEN	2.73	1 911 000	40 950 000	5 187 000	28 665 000	1 228 500	10 510 500	88 452 000
TOTAL	100.00	70 000 000	1 500 000 000	190 000 000	1 050 000 000	45 000 000	385 000 000	3 240 000 000