

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## COMMISSION COMMUNICATION TO THE COUNCIL

EUROPEAN DEVELOPMENT FUND (E.D.F.) ESTIMATES AND  
SCHEDULE OF CONTRIBUTIONS TO BE CALLED FOR  
ADDITIONAL CONTRIBUTION FOR 1975 AND CONTRIBUTIONS  
FOR 1976.

COM (75) 551 final



Under Article 3 of the Internal Agreement on the financing and administration of Community aid the Commission must draw up and transmit to the Council each year estimates of EDF financial operations for the following budget year, and, on this basis, prepare the schedule of contributions to be called for, taking into account the EDF's cash requirements.

Accordingly, the purpose of this Communication is to assess the EDF's cash requirements for the end of 1975 and for 1976, and hence decide what contributions will be necessary.

The Commission considers that the Member States' contributions for the 1976 budget year should be 230 million units of account payable in two equal instalments on 20 January and 1 July 1976.

The arguments set out below show how vital it is to reconstitute cash resources before the end of the 1975 budget year. Accordingly, the Commission asks that an urgent call be made for an additional contribution of 40 million units of account for this year.

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A. CALL FOR AN ADDITIONAL CONTRIBUTION FOR THE 1975 BUDGET YEAR

An examination of the European Development Fund's cash position shows that the safety margin which is necessary if disbursements are to be made as and where required has become disturbingly narrow.

The Commission is therefore obliged to ask the Member States for an additional contribution of 40 million u.a. for 1975 to bring the EDF's resources back to the requisite level.

Pursuant to the third subparagraph of Article 3 (2) of the Internal Agreement this additional contribution must be made as soon as possible to avoid any breakdown in disbursements.

The table below shows the probable trend of resources and expenditure up to the end of 1975 :

	(million u.a.)		
	<u>Payments</u>	<u>Resources</u>	
<u>Cash</u> available at 1 January 1975		30.2	
Member States' contributions (first six months)		<u>90.0</u>	120.2
Expenditure for first six months of 1975	74.6		
Advances granted between 1 January and 30 June 1975	<u>13.6</u>		
	88.2		
<u>Cash</u> balance at 30 June 1975		32.0	
Contributions for second six months		<u>90.0</u>	122.0
Expenditure : July	34.0		
August	21.1		
September	<u>16.6</u>		
	71.7		
<u>Cash</u> balance at end September 1975			50.3

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The amount paid out by the EDF in the first three quarters of 1975 would therefore be as follows :

- first six months	88.2 million u.a.		
- third quarter	71.7	"	"
	<u>159.9</u>	"	"

The figures for the last five years should be taken as a basis for estimating expenditure for the last quarter of 1975 :

- 1970	36.0 million u.a.		
- 1971	39.9	"	"
- 1972	44.6	"	"
- 1973	47.0	"	"
- 1974	54.4	"	"

It can be seen that the expenditure for the last quarter of each year has increased steadily by more than 10% on average.

This being the case, expenditure for the last quarter of 1975 would be as follows :

- last quarter of 1974 x 10% = about 60 million u.a.

Total expenditure for 1975 should therefore be :

- first three quarters	159.9 million u.a.		
- last quarter	approx. 60.0	"	"
Total for 1975	<u>approx. 220.0</u>	"	"

On this basis the EDF's cash resources would be as follows :

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Resources

- Balance at 1 January 1975	30.2 million u.a.
- Contributions for the year	180.0   "   "
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Total resources	210.2   "   "

Excess expenditure would therefore be in the region of 10 million units of account.

A breakdown in disbursements could therefore occur from the end of November.

The additional contribution of 40 million units of account which has been requested would only reconstitute the funds the Paying Agents require to be able to make disbursements scheduled for January 1976, pending the first instalment of contributions for 1976. At the end of 1974 there was a balance of about 30 million units of account. At the end of 1975 availabilities will again be in the region of 30 million units of account, taking into account the additional contribution requested. In view of the need to provide some thirty paying agencies with enough cash to be able to operate, it would be difficult if not impossible to go below this limit.

B. CALL FOR CONTRIBUTIONS FOR 1976

The tables annexed to this Communication give :

- a) an estimate of commitments in 1976 under the second and third EDFs ;
- b) an estimate of total disbursements for 1976 under the three Funds ;
- c) hence, the schedule of contributions to the third EDF to be called for from the Member States for 1975 and for 1976 ;
- d) the contributions situation at 31 December 1976.

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The purpose of these contributions is to provide the EDF with sufficient cash to be able to make disbursements.

It is estimated that about 230 million units of account will be needed in 1976; this will be called for in two instalments of 115 million u.a., the first payable on 20 January 1976 and the second on 1 July 1976.

1. The EDF's cash resources in 1976

The table below shows the probable trend of resources and expenditure up to the end of 1976 :

	(million u.a.)	
	<u>Payments</u>	<u>Resources</u>
<u>Cash</u> available at 1 January 1976 (including the additional contribution called for here)		30.0
Contributions for 1976		230.0
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> 260.0
<u>Disbursements</u> scheduled for 1976	230.0	
	<hr style="width: 100%;"/>	
<u>Cash</u> balance at the end of 1976		30.0

2. Estimated expenditure for 1976

An examination of expenditure by year and Fund brings to light a number of constants, on the basis of which a forecast can be made.

1) The first EDF

Since 1970 the Fund has been running out of resources, and at the end of August 1975 the percentage of disbursements in relation to commitments was about 98.5%.

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Expenditure, which increased steadily over the first six years (1960 to 1965) fell fairly sharply from the seventh year onwards.

Expenditure was in the region of 10 million units of account per annum from 1971 until 1973 but fell to five million units of account in 1974. Disbursements for 1975 should be about 2.5 million units of account, and this figure should remain steady for the next two years.

## 2) The second EDF

Expenditure under the second Fund increased at virtually the same rate as under the first Fund for the first six years (1965 to 1970), reaching 131 million units of account in 1970. In 1971, however, this fell to 111 million units of account, and was down to 26 million units of account in 1975 and around 15 million units of account in 1976.

In any case, at the end of August 1975 the percentage of disbursements in relation to the funds available under the first Yaoundé Convention, that is 730 million units of account, plus 9 million units of account left over from the first Fund, was 90.9%. This figure, which should rise to 92.0% by the end of the year, should be the same, give or take a few percent, as that for the first EDF at the end of the eleventh year.

## 3) The third EDF

At 31 August 1975 expenditure under the third EDF was 419 million units of account, that is 181 million units of account more than at 31 August 1974. Such big increase within the space of one year is entirely due to the efforts the EDF authorities and the Commission Delegates have made to speed up the implementation of projects and reduce the amount of red tape which has traditionally led to delays in converting commitments into disbursements.

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By 31 August last, 46.4% of the third EDF had been spent. This figure was reached about 18 months earlier than in the case of the second EDF and two years earlier than in the case of the first EDF.

Expenditure under the three Funds should be as follows in 1976 :

First EDF	2 million u.a.
Second EDF	15 " "
Third EDF	213 " "
Total	<u>230 million u.a.</u>

It appears that expenditure under the Funds, almost all of which is now under the third EDF, has reached a new high in relation to expenditure in 1974 (about 170 million units of account). It will probably be in the region of 220 million units of account in 1975, which means that an additional contribution of 40 million units of account will be required since the Commission had expected that only 180 million units of account would have to be paid out this year. The Commission's estimate of disbursements for 1976 - 230 million units of account (an increase of about 5% over 1975) - is a conservative one. However, it considers that there is little likelihood of this figure being exceeded, since experience has shown that EDF expenditure does not increase continuously, but in successive stages. The new level reached in 1975 should remain more or less the same in 1976

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SUMMING UP : The EDF's requirements and resources for 1975 and 1976 can be summarized as follows :

(million u.a.)		
	<u>Expenditure</u>	<u>Resources</u>
<u>Cash</u> balance at 1 January 1975		30.2
contribution for the first six months of 1975		<u>90.0</u>
		120.2
Disbursements for the first six months of 1975 :	88.2	
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<u>Cash</u> : balance at 30 June 1975		32.0
contribution for the second six months of 1975		<u>90.0</u>
		122.0
Disbursements a) third quarter 1975	71.7	
b) scheduled for fourth quarter 1975	60.0	
	131.7	
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<u>Cash</u> : estimated deficit for 1975 (131.7 - 122 = 9.7)		- 10.0
additional contribution		+ 40.0
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<u>Cash</u> balance at end 1975		30.0
contribution for 1976		230.0
Disbursements for 1976	230.0	
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<u>Cash</u> balance for 1976		30.0
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EDF - 1976  
ESTIMATES

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**A. ESTIMATE of commitments for 1976**

(million u.a.)

2nd EDF	10
3rd EDF	55
	65

**B. ESTIMATE of disbursements for 1976**

(million u.a.)

Balance at 1 January 1975	:	Disbursements 1975	:	Balance at end 1975	:	Disbursements 1976	:	Balance at end 1976
	:	1st EDF 2	:		:	1st EDF 2	:	
	:	2nd EDF 22	:		:	2nd EDF 15	:	
	:	3rd EDF 196	:		:	3rd EDF 213	:	
(a) 30.2	:	220	:	(b) 30	:	230	:	(c) 30

(a) Balance of contribution for preceding year (1974)

(b) Taking into account the additional contribution called for

(c) Taking into account the contribution for 1976 (230 million u.a.)

C. CONTRIBUTIONS TO BE CALLED FOR (under the third EDF)

(in u.s.a.)

Member State	%	Additional contribution for 1975	Contributions for 1976	Total
Germany	33,17	13.268.000	76.291.000	89.559.000
France	33,17	13.268.000	76.291.000	89.559.000
Italy	15,61	6.244.000	35.903.000	42.147.000
Belgium	8,89	3.556.000	20.447.000	24.003.000
Netherlands	8,89	3.556.000	20.447.000	24.003.000
Luxembourg	0,27	108.000	621.000	729.000
<b>TOTAL</b>	<b>100,—</b>	<b>40.000.000</b>	<b>230.000.000</b>	<b>270.000.000</b>

D. THIRD EDF - CONTRIBUTIONS SITUATION AT 31 DECEMBER 1976

(called for and to be called for)

(Annex)

(in u.a.)

Contributions due			Contributions called for up to amount due on 1 July 1975	Total amount called for in 1976 plus additional contribution for 1975 (see Table C)	Total contributions called for (up to 31 December 1976)	Ballance to be called for (after 31 December 1976)
Member State	Amount	%				
Germany	300.158.333,50	33,17	152.572.667	89.559.000	242.131.667	58.026.666,50
France	300.158.333,50	33,17	152.572.667	89.559.000	242.131.667	58.026.666,50
Italy	141.381.111,00	15,61	71.840.223	42.147.000	113.987.223	27.393.888,00
Belgium	80.444.444,50	8,89	40.890.888	24.003.000	64.893.888	15.550.556,50
Netherlands	80.444.444,50	8,89	40.890.888	24.003.000	64.893.888	15.550.556,50
Luxembourg	2.413.333,00	0,27	1.232.667	729.000	1.961.667	451.666,00
<u>TOTAL</u>	905.000.000,00	100,—	460.000.000	270.000.000	730.000.000	175.000.000,00

