

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 726 final.

Brussels, 4 November 1982.

EUROPEAN DEVELOPMENT FUND

SCHEDULE OF CALLS FOR CONTRIBUTIONS FOR

FINANCIAL YEAR 1983

(Commission communication to the Council)

SCHEDULE OF CALLS FOR CONTRIBUTIONS
FOR FINANCIAL YEAR 1983

Article 7 of the Internal Agreement on the financing and administration of Community aid relating to the fourth European Development Fund requires the Commission to draw up and communicate to the Council each year estimates of the commitments to be entered into during the budget year and the total amount of the payments to be made in the budget in question. On this basis, taking into account the resulting cash requirements, the Commission draws up the schedule of the contributions to be called for from each Member State.

Article 6 of the Internal Agreement relating to the fifth EDF contains similar provisions.

This communication has been drawn up in accordance with those provisions. Its purpose is to assess EDF cash requirements for 1983 and hence the size of the contributions required.

*

* *

For 1983, it is proposed to call for a total sum of 720 million ECU from the Member States, this amount to be made up as follows:

- (i) for the fourth EDF, 198.5 million ECU, representing the balance of the contributions still to be called in for this Fund;
- (ii) for the fifth EDF, the difference, i.e. 521.5 million ECU.

This call for contributions marks a "first" in two respects: it is the first time that cash resources are to be sought for the fifth EDF, expenditure under that Fund having been covered hitherto by the cash resources of the fourth EDF; also, it is the first time that a new Member State, Greece, will have been called upon to contribute financially to the Fund.

In accordance with Article 1(2) of the Financial Regulation of 17 March 1981 applicable to the fifth EDF - which is also being taken to apply to the balance of the contributions still to be called in for the fourth EDF - the contribution of 720 million ECU will be called for in four equal instalments payable on:

Thursday, 20 January 1983,

Friday, 1 April 1983,

Friday, 1 July 1983,

Monday, 3 October 1983 (1 October being a Saturday).

This communication sets out in detail the reasons for this request. It will consider in turn:

- (i) the cash resources available at the end of financial year 1982;
- (ii) the estimated expenditure for financial year 1983;
- (iii) the cash resources required for financial year 1983.

I. CASH RESOURCES AT 31 DECEMBER 1982

At 31 August 1982, the Commission had disbursed 358 million ECU over the first eight months of 1982. Monthly average expenditure for all Funds combined was therefore:

$$\frac{358 \text{ million}}{8} = 45 \text{ million ECU.}$$

Extrapolated for the whole year (traditionally extended to 13 months), EDF expenditure for 1982 should amount to 45 million x 13 = 585 million ECU.

However, this sum does not take account of the disbursements due to be made in the next few weeks, or before 31 December at the latest, in accordance with the financing decisions taken under the system for the stabilization of export earnings for year of application 1981. It should be noted here that following the decisions taken by the ACP-EEC Council of Ministers at its meeting of 13 and 14 May in Libreville, the resources available to the system for year of application 1981 are as follows:

1981 instalment ¹	89 750 000 ECU
20% of 1982 instalment	22 350 000 ECU
exceptional allocation ²	<u>30 753 710 ECU</u>
TOTAL	142 853 710 ECU

Taking account of the advances amounting to approximately 30.5 million ECU already paid out by the Commission under these financing decisions, the Commission's overall expenditure by the end of the year will total 142.8 million - 30.5 million = 112.3 million ECU.

On this basis, the EDF's overall expenditure for 1982 may reasonably be estimated as 585 million + 112.3 million ECU = approximately 697 million ECU.

Hence, outstanding expenditure in respect of 1982 is as follows:

¹ Account being taken of the 20% advance drawing for year of application 1980.

² Consisting of special loan repayments and the proceeds and income from risk capital operations with the EIB.

Expenditure scheduled for the year	697 million ECU
Expenditure effected at 31.8.1982	358 million ECU

Not yet spent	339 million ECU
---------------	-----------------

To cover this sum, the Commission has at its disposal the following cash resources (in million ECU):

Availabilities at 31.8.1982	385
Contribution from Italy payable on 1 July but not yet received	20
Contributions payable on 1 October (fourth instalment 1982)	170
Sums to be called in from the EIB in respect ³ of the Stabex special allocation	24
Interest on funds deposited for the second half of the year	6

Total cash resources	605 million ECU
----------------------	-----------------

The Commission will therefore have for the last five months of the year potential cash resources of 605 million ECU to cover estimated expenditure of 339 million ECU.

Its cash balance at the end of the year will therefore amount to 266 million ECU (605 - 339) instead of the customary and unanimously accepted cushion of 130 million ECU which it needs in view of the fact that these funds are spread over a large number of accounts.

There are two main reasons for this surplus:

- (i) in 1982 EDF expenditure, particularly under the fifth Fund, will have increased less rapidly than expected (697 million ECU compared with 753 million ECU forecast);

³Under the Council Decision of 14 July 1982, these represent sums actually available from the EIB and consist of special loan repayments and the proceeds of sales of holdings in the context of Stabex compensatory payments totalling 30 753 710 ECU, as approved by the ACP-EEC Council. The difference between this sum of 30.75 million ECU and the 24 million ECU available is covered by the Fund's cash resources and will be repaid subsequently.

- (ii) the cash resources available at the end of 1981 were much larger than the disbursement forecasts had suggested, with the result that the surplus recorded at the end of 1981 will still exist at the end of 1982.

As will be made clear below, the call for contributions for financial year 1983 will naturally take account of this situation and will bring the end-of-year cash balance back to a normal level.

II. EXPENDITURE FORECASTS FOR FINANCIAL YEAR 1983

The number of beneficiary countries, their varying ability to adapt to EDF procedures and the inevitable contingencies to which projects are subject mean that little faith can be placed in an EDF expenditure forecast based purely on an examination of the annual situation in respect of commitments and their likely rate of use, though the level of commitments should certainly be taken into consideration.

To make a realistic forecast, it is preferable to observe over a long period how the rate of utilization of funds changes from year to year. This is why the Commission has been anxious to base its forecast on a comprehensive examination of the resource use pattern for each Fund right from the start of operations.

The situation is reflected by the two graphs annexed hereto.

The first graph shows, as a percentage of the allocation, the annual situation regarding aggregate payments under each Fund from the start of operations until 31 December 1982.

The second graph shows, again as a percentage of the allocation and covering the same period, the rate of annual payments under each Fund.

On the basis of these two graphs, the following observations can be made:

- (a) It is clear, particularly from the first graph, that there is a great similarity between the Funds in the rate of utilization of resources. Only the third Fund differs somewhat from the others because of a more rapid rate of expenditure.

By way of example, the level of payments recorded at the end of the fifth year was between 35% and 38% of the allocation for the first, second and fourth EDFs. It was, however, 54% in the case of the third EDF.

- (b) It is also clear, looking at the annual amounts, that the rate of expenditure is substantially the same for each Fund, again with the exception of the third EDF. Payments grow steadily, reaching a peak in the sixth year: 5% of payments the second year, 8% to 10% the third year and 10% to 12% the fourth. Only the third EDF marks an exception to this "rule", since it was in the fifth year that expenditure reached its highest level, subsequently falling gradually.

This graphical survey of the last 20 years points to one conclusion: the very similar pattern of the curves makes it possible to determine, with a highly acceptable degree of accuracy, the likely level of payments from the fourth and fifth EDFs for the following financial year by extending the course plotted by the graph.

After a fairly rapid start, the fourth EDF has, since its fifth year, followed a strictly identical pattern to that of the first and second EDFs. Moreover, like its predecessors, it started to "wind down" a year ago.

Hence, if the curve is extended at the end of its eighth year, 1983, it should reach a level of aggregate payments amounting to 80% of the allocation. By comparison with the preceding year, in which aggregate payments represented 70% of the allocation, the expected annual volume of payments in 1983 will therefore correspond to 10% of the allocation, i.e. approximately 315 million ECU.

This figure can be confirmed by using another method which takes into account the commitments and payments pipeline. Experience with earlier Funds shows that, once a Fund is in full operation, the volume of payments for a given financial year represents a relatively stable percentage of the sums still payable in respect of the preceding financial year, i.e. of the difference between the aggregate sum of commitments and the aggregate sum of payments.

The percentage for the seventh year of implementation of earlier Funds ranged between 38% and 42%.

In the case of the fourth EDF, the aggregate amount of commitments at the end of the seventh year, as the annexed tables show, works out at 2 992 million ECU whilst the volume of payments will amount to 2 200 million ECU. Hence, the amount still payable at the end of 1982 will be 2 992 million - 2 200 million = 792 million ECU.

The sum of 315 million ECU earmarked for financial year 1983 represents approximately 40% of this balance and is therefore perfectly comparable to the corresponding sum for the previous Funds.

In the case of the fifth EDF, which has not yet achieved a steady pattern of operation, this line of reasoning would not be very meaningful. However, reference to the graphs enables certain conclusions to be drawn. Hence, if the curve for this Fund is extended on the basis of the pattern followed by the previous Funds, aggregate payments at the end of the third year of implementation should work out at around 18% of the allocation.

This proportion, if compared to that for the preceding year, corresponds to an annual volume of payments of the order of 10% of the amount of the allocation, i.e. approximately 470 million ECU.

With regard to the first three Funds, which are in the process of winding up, the volume of payments ought not to exceed 5 million ECU.

For the sake of completeness, in discussing expenditure for financial year 1983 account should be taken of the exceptional sum of 40 million ECU which the ACP-EEC Council, meeting in Libreville, decided should be drawn from EDF resources to make up the Stabex shortfall for year of application 1981. In taking this decision, the Council specified that the sum should be used to finance development projects which could be implemented swiftly and were therefore suitable for expedited disbursements to be made in 1983.

Overall expenditure for 1983 may therefore be estimated as follows:

First three EDFs:	5 million ECU
Fourth EDF:	315 million ECU
Fifth EDF:	470 million ECU
Stabex expenditure:	40 million ECU

1983 expenditure	830 million ECU
------------------	-----------------

III. CASH RESOURCES REQUIRED FOR FINANCIAL YEAR 1983

on the basis of:

The expenditure which will be entered in the accounts during financial year 1983 830 million ECU

The average cushion of cash resources which the Commission must have available owing to fragmentation of its accounts: 130 million ECU

Expenditure incurred in 1983 but not yet entered in end-of-year⁴ accounts and therefore awaiting settlement: 25 million ECU

Cash resources for 1983 should be sufficient to cover: 985 million ECU

However, to determine the amount of the contributions to be called in from each Member State, it is necessary to take account of the cash surplus available at the end of 1982: 266 million ECU

Cash resources required 719 million ECU

THE SUM OF THE CONTRIBUTIONS TO BE CALLED IN FOR FINANCIAL YEAR 1983 IS THEREFORE 720 MILLION ECU.

⁴The average annual level of expenditure awaiting settlement, i.e. expenditure incurred late in the year and therefore not yet subjected to final settlement as required by the Financial Regulation.

A N N E X E S

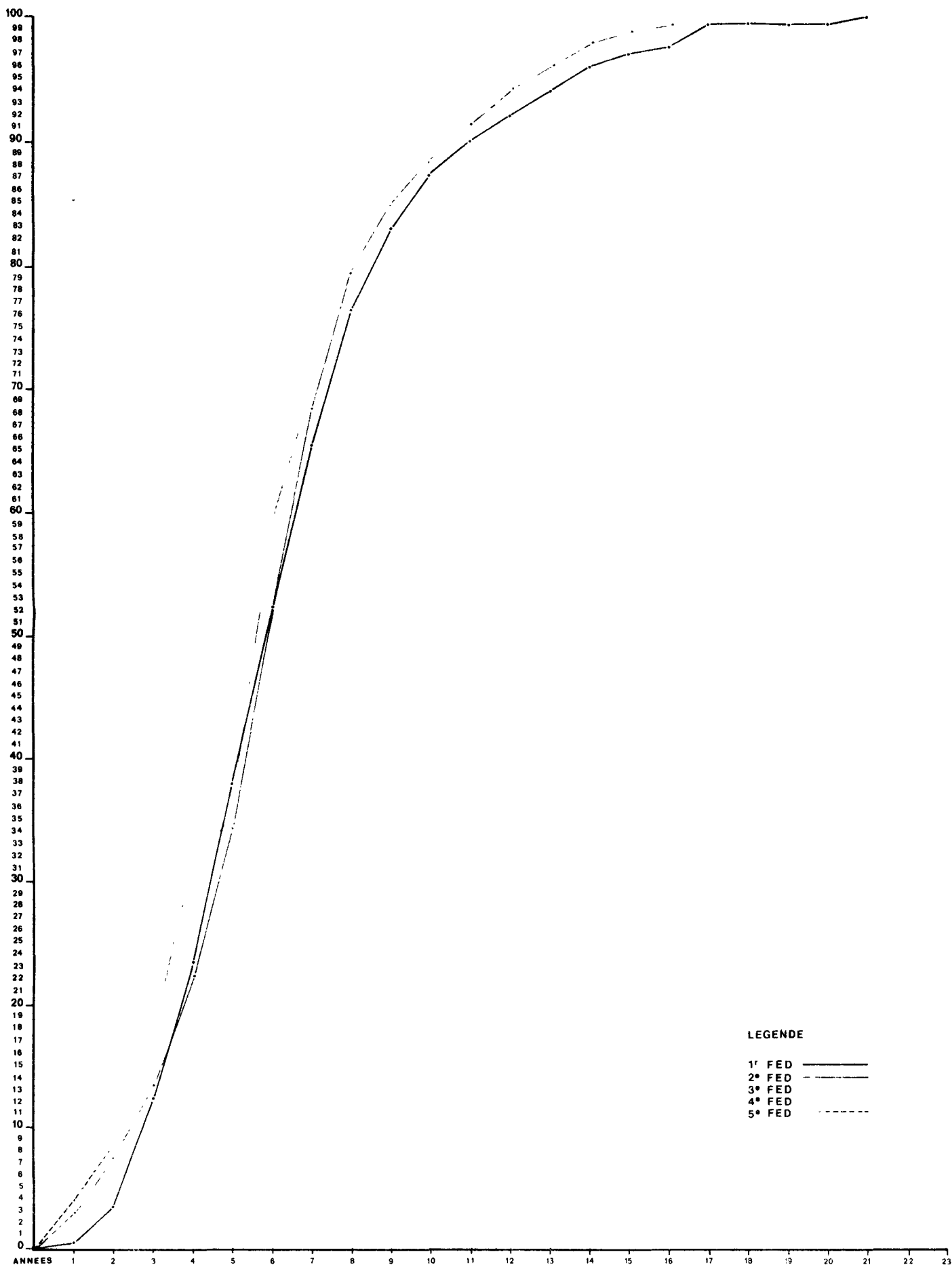
Full pattern of resource utilization for each EDF
(Annexes 1 and 2)

State of commitments (Annex 3)

Member States' contributions (Annex 4)

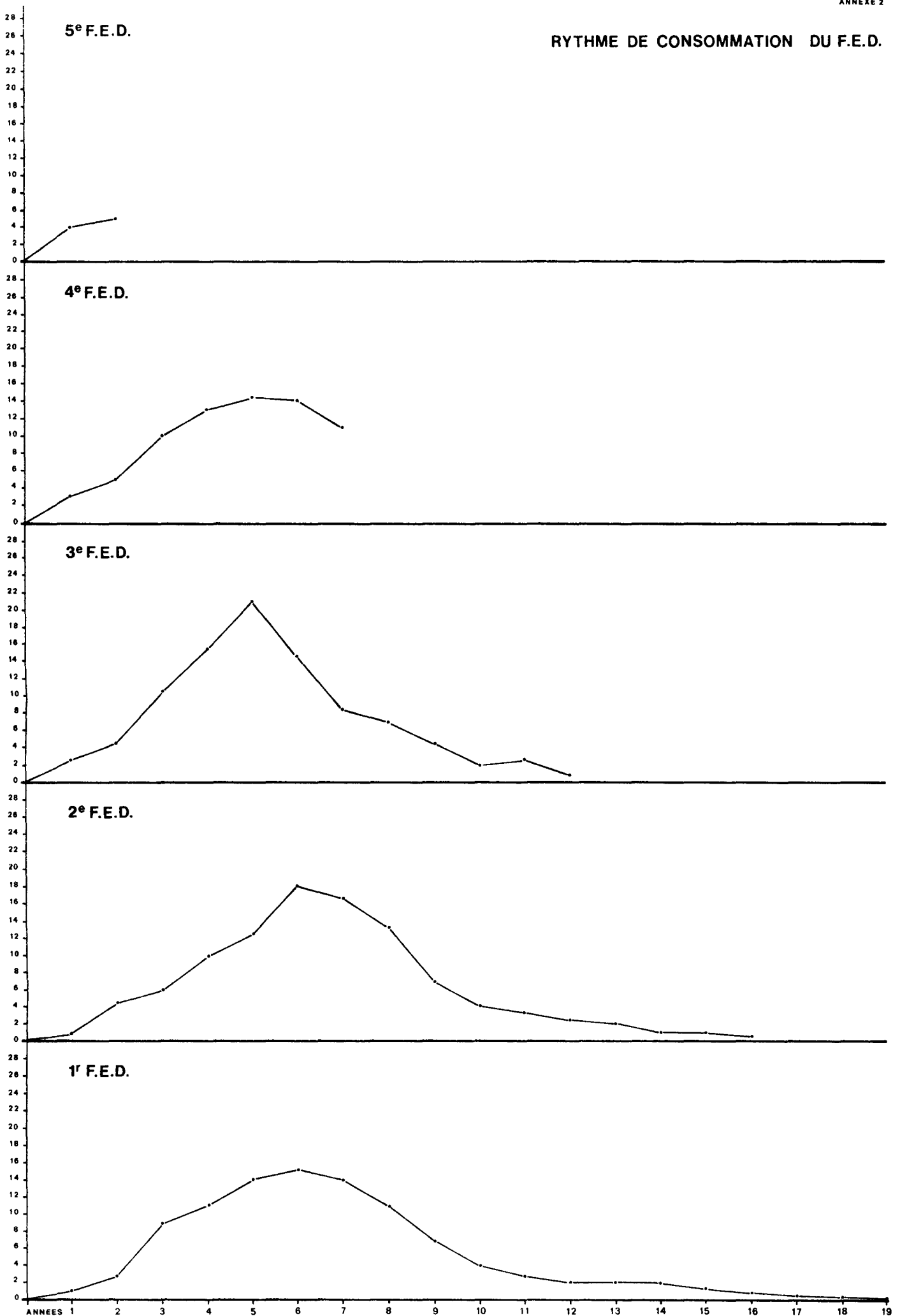
RYTHME DE CONSOMMATION DU F.E.D.

% PAIEMENTS / DOTATIONS



5^e F.E.D.

RYTHME DE CONSOMMATION DU F.E.D.



European Development Fund - Financial year 1983Fourth EDF commitments

(million ECU)

Year	Commitment for that year	AGGREGATE
1975	383	383
1977	707	1.090
1978	564	1.654
1979	569	2.223
1980	508	2.731
1981	150	2.881
31.8.82	73	2.954
31.12.82	38 (x)	2.992

(x) Forecast on the basis of the programme for EDF Committee meetings up to and including December 1982

Fifth EDF commitments

(million ECU)

Date		Financing decisions
31.12.1981	549	549
31.8.82	588	1.137
31.12.82	268 (x)	1.405

(x) Forecast on the basis of the programme for EDF Committee meetings up to and including December 1982.

1 9 8 3 C O N T R I B U T I O N S

MEMBER STATE	4th EDF PER QUARTER	5th EDF PER QUARTER	TOTAL PER QUARTER	GRAND TOTAL
BELGIUM	3.101.562,50	7.587.825,--	10.689.387,50	42.757.550,--
DENMARK	1.191.000,--	3.220.262,50	4.411.262,50	17.645.050,--
F.R. GERMANY	12.877.687,50	36.400.700,--	49.278.387,50	197.113.550,--
FRANCE	12.877.687,50	32.932.725,--	45.810.412,50	183.241.650,--
IRELAND	297.750,--	769.212,50	1.066.962,50	4.267.850,--
ITALY	5.955.000,--	14.784.525,--	20.739.525,--	82.958.100,--
LUXEMBOURG	99.250,--	260.750,--	360.000,--	1.440.000,--
NETHERLANDS	3.945.187,50	9.517.375,--	13.462.562,50	53.850.250,--
UNITED KINGDOM	9.279.875,--	23.154.600,--	32.434.475,--	129.737.900,--
GREECE	-	1.747.025,--	1.747.025,--	6.988.100,--
TOTAL	49.625.000,--	130.375.000,--	180.000.000,--	720.000.000,--