

COMMISSION OF THE EUROPEAN COMMUNITIES

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# COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

## Financial Information on the European Development Funds

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## Foreword

This document is to be annexed to the draft budget for 2007, in accordance with the 1979 agreements on budgetary procedure.

Article 8(3) of the Financial Regulation of 27 March 2003 applicable to the 9th European Development Fund[1] (EDF) requires the Commission to make this document available to the Council by 15 June, stipulating that this information serve as a basis for compiling an interim estimate of commitments and payments.

As in previous years, this document shows:

– implementation of the EDFs (6th to 9th) at 31/12/2005;

– financial implementation forecasts for the current year;

– expenditure forecasts for 2007.

The Member States contribute funds directly to the European Investment Bank (EIB) for the instruments which it manages under the 9th EDF(the Investment Facility and interest-rate subsidies). Contributions for other instruments, including contributions for the old instruments managed by the EIB (risk capital and interest-rate subsidies), go through the Commission.

Unless otherwise indicated, all the commitments and payments listed in this Communication are gross amounts, i.e. no decommitments or recoveries have been deducted. This is in keeping with the approach adopted for the European Union's general budget.

[1] OJ L 83, 1.4.2003, p. 1.

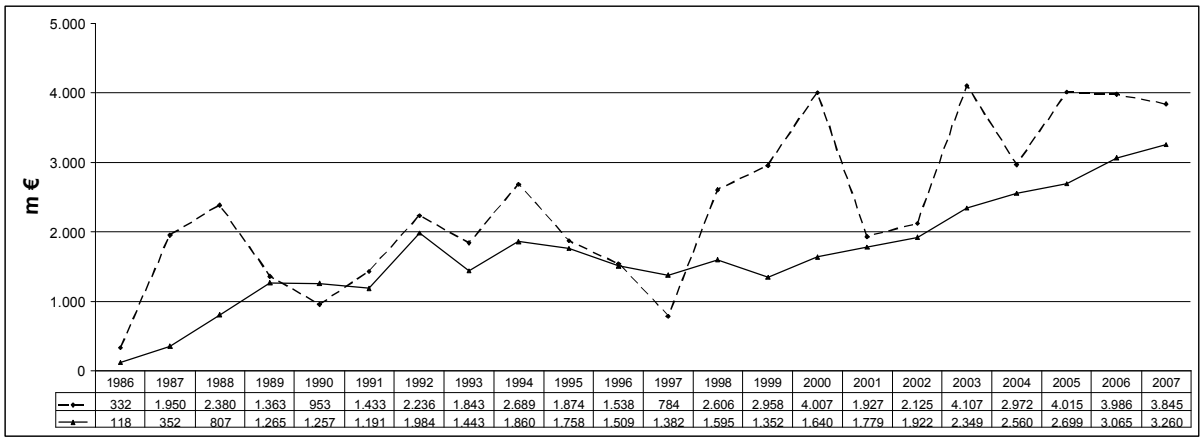
## Introduction

The Commission and the EIB have updated their commitment and payments forecasts for 2006 and 2007 for each of the ACP countries[2] and OCTs.[3] The payment forecasts in particular have been compiled with great care with the aim of helping the Member States to earmark amounts that are as accurate as possible 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 EDF,[4] these forecasts will be adjusted in the October 2006 Communication.

Annex 1 shows the status of EDF execution at 31 December 2005, and Annex 2 lists the commitments and payments made in 2004 and 2005 for the main instruments. The table in Annex 3 shows the new commitment and payment forecasts for 2006 and 2007, and compares them with the figures presented in the October 2005 communication.[5] Annex 4 gives an overview of the financial situation and shows the total contributions payable into the EDF by the Member States. Finally, Annex 5 gives a breakdown by Member State of the contributions for 2006.

The graph below shows the general trend in commitments and payments, including projections for 2006/2007 (Commission and EIB): the upward structural trend in payments since 2000 is clear.




| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| — | 332 | 1.950 | 2.380 | 1.363 | 953 | 1.433 | 2.236 | 1.843 | 2.689 | 1.874 | 1.538 | 784 | 2.606 | 2.958 | 4.007 | 1.927 | 2.125 | 4.107 | 2.972 | 4.015 | 3.986 | 3.845 |
| — | 118 | 352 | 807 | 1.265 | 1.257 | 1.191 | 1.984 | 1.443 | 1.860 | 1.758 | 1.509 | 1.382 | 1.595 | 1.352 | 1.640 | 1.779 | 1.922 | 2.349 | 2.560 | 2.699 | 3.065 | 3.260 |

- - Commitments; __ Payments

[2] African, Caribbean and Pacific States.

[3] Overseas Countries and Territories.

[4] OJ L 83, 1.4.2003, p. 1.

[5] Communication from the Commission – EDF: estimate of commitments and payments and of contributions to be paid by the Member States (COM(2005) 542 final of 4.11.2005).

# 1. Implementation of the European Development Funds at 31 December 2005

## 1.1. Funds available at 31 December 2005

Under the 6th to 9th EDFs, the funds available to the Commission and EIB totalled EUR 46 823 million at the end of 2005. Of this amount, approximately EUR 39 894 million was committed and EUR 28 657 million disbursed. Of the amount not committed (EUR 6 929 million), EUR 5 851 million fall within the remit of the Commission and will be committed by the end of 2007. These figures take account of the full mobilisation of the conditional EUR 1 billion. More detailed figures are available in Annex 1.

Unlike the figures in the rest of this document, the figures in this section and in Annex 1 are "net" figures, i.e. after decommitments and recoveries. This is necessary to determine the level of available funds, which is by definition a net figure.

## 1.2. Implementation of the EDFs in 2005

### *1.2.1. Commitments*

With commitments totalling EUR 3 511 million, the Commission has achieved its goal of committing EUR 3 500 million (announced in October 2004 and unchanged since then). The EIB committed EUR 504 million under the Investment Facility (including interest-rate subsidies), falling short of the EUR 597 million forecast in the October 2005 communication. Taking both institutions together, the commitments made in 2005 totalled just over EUR 4 billion. More detailed figures are available in Annexes 2 and 3.

In total, the Commission decommitted some EUR 476 million. This figure is relatively high compared with recent years (the 2000-2004 average was EUR 325 million) and is the result of the Commission's efforts to pursue a proactive fund reallocation policy before the 10th EDF enters into force.

### *1.2.2. Payments*

In 2005, payments reached a record high (EUR 2699 million in total by the Commission and the EIB). This confirms the positive structural trend in the volume of payments.

With EUR 2 544 million, the Commission has achieved 98% of the volume forecast in October last year (EUR 2 596 million) and 97% of the volume estimated in October 2004. This slight shortfall is due to the overestimation of the need for risk capital under the old EDFs (EUR 61 million actually paid compared to an EIB estimate of EUR 117 million). The other differences cancel each other out. With regard to the Investment Facility (and interest-rate subsidies), the EIB made payments totalling EUR 155 million, lower than its October 2005 estimate of EUR 190 million. More detailed figures are available in Annexes 2 and 3.

*1.2.3. Financial movements in 2005*

The table in Annex 4 shows the start-of-year and end-of-year balances for 2005, the Member States' contributions to the EDF, and payments. The table does not include payments made under Stabex (EUR 71 million) or payments for special measures for DR Congo (EUR 89 million) because these were made from separate accounts into which Member States had already contributed. Consequently, these accounts do not require any new contributions.

The cash balance available to the Commission for operations at the end of 2005 was approximately EUR 137 million.[6] This balance is higher than expected (EUR 66 million), mainly due to less expenditure on risk capital and, to a lesser extent, to larger amounts being recovered. Even though the balance is higher than in the two previous years, it is still much lower than in the years preceding that (the 1998-2002 average was EUR 340 million). The EIB's end-of-year balance was EUR 141 million.

## 2. Financial implementation forecasts for 2006 and 2007

### 2.1. Commitments

*2.1.1. 2006 financial year*

- With commitments totalling EUR 586 million for the Investment Facility and interest-rate subsidies, the EIB is still on target for achieving the figures communicated in October 2005.

- The Commission's new estimate of EUR 3 400 million confirms the overall total announced in October 2005 and remains well above the cautious forecast of June 2005 (EUR 3 100 million).

- The total volume of commitments has been upwardly adjusted to EUR 3 986 million.

*2.1.2. 2007 financial year*

- The EIB forecasts that it will commit EUR 395 million under the Investment Facility and for interest-rate subsidies.

- In its October 2005 communication, the Commission based its forecasts for 2007 on the commitments cycle of previous EDFs. The new estimates, giving a total of EUR 3 450 million,[7] are based on actual activities and confirm that the Commission will, by the end of 2007, be able to honour its pledge to make use of the entire financial allocation made available under the Cotonou Agreement.

- Taken together, the commitments of the Commission and the EIB are expected to

[6] Does not include EUR 1.4 million in 2006 contributions.

[7] Based on the assumption that some EUR 1 billion will be decommitted and re-committed in 2006 and 2007.

total EUR 3 845 million.

## 2.2. Payments

### *2.2.1. 2006 financial year*

- The EIB has upwardly adjusted its estimates from EUR 240 million in October 2005 to EUR 315 million now. EUR 270 million of this will be used under the Investment Facility and EUR 45 million for interest-rate subsidies.

- As in recent years, the Commission has made a particular effort with the updating of the payments forecasts. The forecast can now be broken down by project (commitment) and by contract. The new forecast shows a total of EUR 2 750 million for the Commission, practically unchanged from the October 2005 forecast (EUR 2 784 million). This slight decrease can be explained mainly by the EIB's downward adjustment of payments under the old instruments (risk capital and interest-rate subsidies) from EUR 106 million to EUR 82 million. The other differences roughly cancel each other out. The upward trend in payments for Stabex bears witness to the Commission's will to re-activate this system.

- Updated, the EIB and Commission payments now total EUR 3 065 million, roughly the same as in the October 2005 forecast (EUR 3 024 million).

### *2.2.2. 2007 financial year*

Total payments in 2006 are estimated at EUR 3 260 million. This total comprises:

- EUR 410 million for the EIB under the 9th EDF, EUR 330 million of which goes to the Investment Facility;

- EUR 2 850 million for the instruments managed by the Commission.

These figures should be treated with caution as they focus on a timeframe further in the future.

## 3. Financial situation forecast for 2006 and 2007

To be able to meet the increase in payments forecast for 2006, the EIB has requested an extra EUR 40 million in contributions for 2006 (EUR 180 million instead of EUR 140 million).

Member State contributions to the Commission, on the other hand, will drop from EUR 2 690 million to EUR 2 510 million. This is due to several factors, which are listed in the table in Annex 4. The first of these is a reduction in the forecast for risk capital payments (EUR 80 million less for 2005 and 2006 together). There has also been a slight reduction in payments under other instruments (down EUR 63 million for 2005 and 2006), except for the Stabex[8] system (for which funds had already been

[8] See also section 1.2.3.

contributed in the past). Finally, the upwards adjustment in recoveries means that fewer contributions are needed (EUR 33 million less for 2005 and 2006).

The Commission proposes a second tranche slightly lower than the one estimated in October (EUR 910 million against EUR 1000 million). On the basis of the current estimate, it might also be possible to reduce the third tranche (from EUR 290 million to EUR 200 million). The Commission will review the situation in its October 2006 communication. The EIB, on the other hand, has requested EUR 100 million – as opposed to the EUR 60 million forecast last October – to finance the new higher disbursements forecast.

A preliminary estimate of the contributions required for 2007 is EUR 3 100 million. There has been a large increase in the contributions made between 2003 and the 2007 estimate (2003: EUR 2 200 million; 2004: EUR 2 340 million; 2005: EUR 2 640 million). This shows that the EDF is becoming more efficient.

## ANNEX 1

## Consolidated situation of the EDFs (6th to 9th) for the ACP countries and OCTs at 31 December 2005 (EUR million)

| | Allocations | Commitments | Payments |
|---|---|---|---|
| **COMMISSION** | | | |
| National and OCT allocations | 23 967 | 20 258 | 13 023 |
| CDE[9], CTA[10] and JPA[11] | 107 | 105 | 61 |
| Long-term development reserve | 864 | 0 | 0 |
| Regional cooperation | 6 431 | 5 338 | 3 344 |
| Interest-rate subsidies | 391 | 391 | 352 |
| Risk capital (6th to 8th EDFs) | 2 541 | 2 541 | 2 198 |
| Structural adjustment facility | 2 728 | 2 728 | 2 649 |
| Emergency aid | 723 | 723 | 722 |
| Aid for refugees | 297 | 297 | 271 |
| Stabex | 3 862 | 3 862 | 3 477 |
| Mining products | 697 | 697 | 578 |
| Use of interest | 38 | 38 | 32 |
| Transfers from 1st to 5th EDFs | 422 | 422 | 398 |
| Debt relief (EDFs 7 and 8) | 1 100 | 1 100 | 1 100 |
| Studies and TA[12] for OCTs | 2 | 1 | 0 |
| Implementation expenses | 125 | 125 | 109 |
| DR Congo special assistance | 108 | 92 | 89 |
| Miscellaneous revenue | 53 | 9 | 0 |
| **Subtotal** | **44 455** | **38 727** | **28 403** |
| **EIB (9th EDF)** | | | |
| Interest-rate subsidies | 188 | 38 | 38 |
| Investment Facility | 2 057 | 1 130 | 216 |
| **Subtotal** | **2 245** | **1 167** | **254** |
| **Conditional billion** | **123** | | |
| **TOTAL (6th to 9th EDFs)** | **46 823** | **39 894** | **28 657** |

Unlike the other figures presented in this document, the figures in this table are net figures, i.e. they take decommitals and recoveries into account. This is necessary to determine the level of available funds, which is by definition a net figure.

[9] Centre for the Development of Enterprise
[10] Technical Centre for Agricultural and Rural Cooperation
[11] Joint Parliamentary Assembly
[12] Technical assistance

## ANNEX 2

## Breakdown of expenditure by instrument for the years 2004 and 2005

*EUR million*

| | 2004 | | 2005 | |
|---|---|---|---|---|
| | **Commitments** | **Payments** | **Commitments** | **Payments** |
| **COMMISSION** | | | | |
| **6th to 8th EDFs** | | | | |
| **Indicative Programmes** | **-** | **1 075.1** | **-** | **887.7** |
| **Excluding indicative programmes** | | | | |
| Interest-rate subsidies | - | 9.8 | - | 0.4 |
| Emergency aid | - | 2.5 | - | 1.9 |
| Aid for refugees | - | 26.9 | - | 9.4 |
| Risk capital | - | 143.3 | - | 60.8 |
| Mining products | - | 27.4 | - | 15.0 |
| Stabex | 9.6 | 7.3 | 8.8 | 70.8 |
| Structural adjustment facility | - | 89.7 | - | 15.9 |
| Unexpended balances (4th + 5th EDFs) | - | 11.2 | - | 5.6 |
| Implementation expenses | - | 16.4 | - | 1.9 |
| **Subtotal** | **9.6** | **334.5** | **8.8** | **181.6** |
| **9th EDF + transitional measures** | | | | |
| Envelope A | 1 739.5 | 654.7 | 2 806.3 | 950.5 |
| Envelope B | 230.2 | 144.4 | 288.0 | 192.8 |
| Regional projects | 134.1 | 12.3 | 217.2 | 23.8 |
| Intra-ACP Cotonou projects | 413.6 | 158.9 | 143.0 | 131.5 |
| Implementation expenses | 1.8 | 56.5 | 7.3 | 54.0 |
| DR Congo | 92.0 | 0.1 | 0.0 | 89.2 |
| Other | 27.0 | 27.7 | 40.5 | 33.2 |
| **Subtotal** | **2 638.2** | **1 054.6** | **3 502.3** | **1 475.0** |
| **Total managed by Commission** | **2 647.8** | **2 464.3** | **3 511.1** | **2 544.3** |
| **EIB (9th EDF)** | | | | |
| **Investment Facility + interest-rate subsidies** | **324.5** | **95.3** | **503.8** | **154.5** |
| **EDF TOTAL** | **2 972.3** | **2 559.6** | **4 014.9** | **2 698.8** |

## Annex 3 – Commitments and Payments Made in 2005 and Forecast for 2006 and 2007 *(EUR million)*

| | 2005 | | 2006 | | 2007 | |
|---|---|---|---|---|---|---|
| | **COM Oct 2005 (**)** | **Actual** | **COM Oct 2005 (**)** | **Adjusted** | **COM Oct 2005 (**)** | **Adjusted** |
| **COMMITMENTS** | | | | | | |
| Peace Facility | - | - | 0 | 50 | | 0 |
| Water Facility | 80 | 80 | 225 | 185 | | 190 |
| Other measures from the conditional billion | 0 | 0 | 330 | 326 | | 174 |
| Stabex (interest on secured accounts) | 10 | 9 | 10 | 10 | | 10 |
| Other | 3 410 | 3 422 | 2 835 | 2 829 | | 3 076 |
| *Total for the Commission* | *3 500* | *3 511* | *3 400* | *3 400* | | *3 450* |
| Investment Facility | 537 | 473 | 511 | 526 | | 295 |
| Interest-rate subsidies | 60 | 31 | 60 | 60 | | 100 |
| *Total for EIB instruments (9th EDF)* | *597* | *504* | *571* | *586* | | *395* |
| **TOTAL** | **4 097** | **4 015** | **3 971** | **3 986** | **3 150** | **3 845** |
| **PAYMENTS** | | | | | | |
| Peace Facility | 88 | 88 | 45 | 124 | | 12 |
| Water Facility | 5 | 5 | 41 | 44 | | 89 |
| Other measures from the conditional billion | 0 | 0 | 44 | 60 | | 188 |
| Risk capital (*) | 117 | 61 | 106 | 82 | | 71 |
| Debt relief | 0 | 0 | 60 | 60 | | 100 |
| Other | 2 245 | 2 230 | 2 443 | 2 297 | | 2 300 |
| *Subtotal* | *2 455* | *2 384* | *2 739* | *2 667* | | *2 760* |
| Stabex | 52 | 71 | 45 | 83 | | *90* |
| DR Congo | 89 | 89 | 0 | 0 | | 0 |
| *Total for the Commission* | *2 596* | *2 544* | *2 784* | *2 750* | | *2 850* |
| Investment Facility | 150 | 119 | 200 | 270 | | 330 |
| Interest-rate subsidies | 40 | 35 | 40 | 45 | | 80 |
| *Total for EIB instruments (9th EDF)* | *190* | *155* | *240* | *315* | | *410* |
| **TOTAL** | **2 786** | **2 699** | **3 024** | **3 065** | **3 350** | **3 260** |

* Including interest-rate subsidies under the previous EDFs

** As adjusted by the EIB (see Council doc. No 161/05 ACP)

## Annex 4 – Financial Situation in 2005 and Forecast for 2006 and 2007 – Excluding Stabex and Special RD Congo Account(*)
## *(EUR million)*

| | | COM Oct 2005 (**) | | | Adjusted | | |
|---|---|---|---|---|---|---|---|
| | | Commission | EIB 9th EDF | TOTAL | Commission | EIB 9th EDF | TOTAL |
| **2005** | **Balance at 01/01/2005** | **62** | **8** | **70** | **62** | **6** | **68** |
| | 2004 contributions paid in 2005 | 42 | | 42 | 42 | | 42 |
| | **2005 contributions**, of which: | 2 350 | 290 | 2 640 | 2 336 | 290 | 2 626 |
| | *First tranche (***)* | *1 360* | *60* | *1 420* | *1 360* | *60* | *1 420* |
| | *Second tranche* | *750* | *250* | *1 000* | *750* | *250* | *1 000* |
| | *Third tranche* | *240* | *-20* | *220* | *226* | *-20* | *206* |
| | Interest and other | 25 | | 25 | 26 | | 26 |
| | Recoveries | 42 | | 42 | 55 | | 55 |
| | Payments | -2 455 | -190 | -2 645 | -2 384 | -155 | -2 539 |
| | **Balance at 31/12/2005** | **66** | **108** | **174** | **137**** | **141** | **278** |
| **2006** | 2005 contributions paid in 2006 | | | | 14 | | 14 |
| | **2006 contributions, of which:** | 2 690 | 140 | 2 830 | 2 510 | 180 | 2 690 |
| | *First tranche* | *1 400* | *60* | *1 460* | *1 400* | *60* | *1 460* |
| | *Second tranche* | *1 000* | *60* | *1 060* | *910* | *100* | *1 010* |
| | *Third tranche* | *290* | *20* | *310* | *200* | *20* | *220* |
| | Interest and other revenue | 10 | | 10 | 10 | | 10 |
| | Recoveries | 40 | | 40 | 60 | | 60 |
| | Payments | -2 739 | -240 | -2 979 | -2 667 | -315 | -2 982 |
| | **Balance at 31/12/2006** | **67** | **8** | **75** | **64** | **6** | **70** |
| **2007** | **2007 contributions** | | | | **2 690** | **410** | **3 100** |
| | Interest and other revenue | | | | 10 | | 10 |
| | Recoveries | | | | 60 | | 60 |
| | Payments | | | | -2 760 | -410 | -3 170 |
| | **Balance at 31/12/2007** | | | | **64** | **6** | **70** |

* Funds available for operations

** as adjusted by the EIB (see Council doc. No 161/05 ACP)

*** Of which EUR 180.4 million in 2005 contributions paid in at the end of December 2004

**** Does not include EUR 1.4 million from 2006 contributions

**Annex 5**

CONTRIBUTIONS TO THE EDF FOR 2006 (EUR)

| COUNTRY | SCALE % | 1st tranche | | 2nd tranche | | 3rd tranche | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | paid to the EIB | paid to the Commission | payable to the EIB | payable to the Commission | payable to the EIB | payable to the Commission | |
| GERMANY | 23.36 | 14 016 000 | 327 040 000 | 23 360 000 | 212 576 000 | 4 672 000 | 46 720 000 | 628 384 000 |
| BELGIUM | 3.92 | 2 352 000 | 54 880 000 | 3 920 000 | 35 672 000 | 784 000 | 7 840 000 | 105 448 000 |
| DENMARK | 2.14 | 1 284 000 | 29 960 000 | 2 140 000 | 19 474 000 | 428 000 | 4 280 000 | 57 566 000 |
| SPAIN | 5.84 | 3 504 000 | 81 760 000 | 5 840 000 | 53 144 000 | 1 168 000 | 11 680 000 | 157 096 000 |
| FRANCE | 24.30 | 14 580 000 | 340 200 000 | 24 300 000 | 221 130 000 | 4 860 000 | 48 600 000 | 653 670 000 |
| GREECE | 1.25 | 750 000 | 17 500 000 | 1 250 000 | 11 375 000 | 250 000 | 2 500 000 | 33 625 000 |
| IRELAND | 0.62 | 372 000 | 8 680 000 | 620 000 | 5 642 000 | 124 000 | 1 240 000 | 16 678 000 |
| ITALY | 12.54 | 7 524 000 | 175 560 000 | 12 540 000 | 114 114 000 | 2 508 000 | 25 080 000 | 337 326 000 |
| LUXEMBOURG | 0.29 | 174 000 | 4 060 000 | 290 000 | 2 639 000 | 58 000 | 580 000 | 7 801 000 |
| NETHERLANDS | 5.22 | 3 132 000 | 73 080 000 | 5 220 000 | 47 502 000 | 1 044 000 | 10 440 000 | 140 418 000 |
| PORTUGAL | 0.97 | 582 000 | 13 580 000 | 970 000 | 8 827 000 | 194 000 | 1 940 000 | 26 093 000 |
| UNITED KINGDOM | 12.69 | 7 614 000 | 177 660 000 | 12 690 000 | 115 479 000 | 2 538 000 | 25 380 000 | 341 361 000 |
| AUSTRIA | 2.65 | 1 590 000 | 37 100 000 | 2 650 000 | 24 115 000 | 530 000 | 5 300 000 | 71 285 000 |
| FINLAND | 1.48 | 888 000 | 20 720 000 | 1 480 000 | 13 468 000 | 296 000 | 2 960 000 | 39 812 000 |
| SWEDEN | 2.73 | 1 638 000 | 38 220 000 | 2 730 000 | 24 843 000 | 546 000 | 5 460 000 | 73 437 000 |
| TOTAL | 100.00 | 60 000 000 | 1 400 000 000 | 100 000 000 | 910 000 000 | 20 000 000 | 200 000 000 | 2 690 000 000 |