2008 budget: section III, Commission

2007/2019(BUD) - 10/09/2007 - Document attached to the procedure

PURPOSE: to present the financial information on the European Development Funds.

CONTENT: the Commission and the EIB have updated their commitment and payment forecasts for 2007 and 2008 for each of the ACP countries and the OCTs. 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 EDF, these forecasts will be adjusted in the October 2007 Communication.

Implementation of the European Development Funds at 31 December 2006

- Funds available at 31 December 2006: the document 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.

- The cash balance available to the Commission at the end of 2006 was approximately EUR 131 million, 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.

Financial implementation forecasts for 2007 and 2008

The report notes that 2007 payments have been revised markedly upwards for both the Commission and the EIB. 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.

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.

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.

Financial situation forecast for 2007 and 2008

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.