2002 discharge: 6th, 7th and 8th European Development Funds (EDF)

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PURPOSE : to present financial information on the 6th, 7th and 8th EDF for the year 2002. CONTENT : this documents consists of a general overview of the EDF's use of its resources in 2002. As regards the situation of commitments and payments, the report states that new commitments in 2002 amounted to EUR 2 115 million (just over the EuropeAid target of EUR 2000 million). Payments reached EUR 1 902 million. The new commitments level of EUR 2 115 million is slightly above the 2001 figure of EUR 1 920 million. Approximately EUR 790 million of the 2002 total was taken from the general reserves of the 8th EDF on the base of transitional measures, given that the ratification of the Cotonou agreement was not completed in 2002 and the 9th EDF could not therefore be made available. The Commission has also succeeded in freeing up EUR 346 million in unused moneys which had previously been committed but not subsequently used in the projects for which it was earmarked ('de-commitments')- will now be reallocated within the respective national and regional programmes in 2003. This brings the 'net' level of new commitments in 2002 to EUR 1 768 million compared with EUR 1 554 million in 2001. As a result of these decommitments, the level of funds which has been committed to programmes but not yet paid out - commonly knows as 'Reste a Liquider' (RAL) - stabilised (and even slightly reduced) by the end of 2002 (EUR 8 469 million at the close of 2001 and EUR 8 385 million at the close of 2002). Concerning payments, some delays have been observed concerning the instrument 'Structural Adjustment Facility' (EUR 130 million) and as well for the Indicative Programmes (NIP/RIP: EUR 100 million). On the other side, the Commission has been able to pay out EUR 98 million on the A and B envelopes (transitional measures) and another EUR 87 million on Sysmin resources. Furthermore, since the start of the EuropeAid Co-operation Office (January 2001) the capacity for implementation has increased (25-35%): the level of contracts (EUR 2 200 million) and payments (EUR 2 000 million) in the last two years is well above the average of the 12 preceding years: both around EUR 1 600 million. The Commission also highlights the effective availability of the use of EDF resources, the report states that the total figure for EDF moneys allocated to ACP countries and OCTs until the end of 2002 (6th, 7th and 8th EDFs) is EUR 32 840 million. Of this figure, EUR 29 921 million has been formally committed, i.e. decisions have been taken to go ahead on specific projects. Of these allocations and commitments, EUR 21 536 has been paid. This means that there is a theoretical gap between moneys originally earmarked for ACP countries in the long-term programming process and amounts paid out (for the last three EDFs combined) until close 2002, of EUR 11 304 million. This is made up of the EUR 2 919 million allocated but not committed, and the remaining EUR 8 385 million committed but not yet paid. The report also highlights that EUR 2.9 million were allocated but not committed. Countries are allocated or earmarked money 'in theory' while actual cooperation may be subsequently suspended with a given country by decision of the EU Member States for political or practical reasons (civil wars, security situation, etc), which means that no commitments (specific projects) can then be approved (e.g. Zimbabwe and Liberia). Among the EUR 8 400 million of unspent commitments, the Commission has identified two types of 'abnormal' or problematic unspent commitments: the 'sleeping' commitments, on which we have seen no financial movements (i.e. contracts or payments) on the project in the last two years and the 'historic' outstanding unpaid moneys committed to projects some time ago (i.e. commitments made before 1997, which remain unpaid). The total amount of 'abnormal' unspent commitments (EUR 1 205 million) represents 14.4 % of the total RAL. Commitments identified as problematic occur, for the large part, in countries where projects have been decided on, but then cooperation has been temporarily suspended or delayed (for reasons of security, civil war etc, or when more generally conditions are not fulfilled for effective implementation). For example, in Madagascar due to the political crisis 2001/2002 or the freezing of payments to respect basic financial probity. Government Poverty Reduction programmes being supported by the EC in Namibia, Zambia, Senegal, Niger, Sierra Leone and Congo. The Commission also includes details on the measures taken to speed up expenditure of commitments. The use of the global allocations

by the different EDFs indicates still rather low levels of contracts and payments for the 8th EDF, which is mainly caused by the National and Regional Indicative Programmes and in some extent by the OCTs. Forecasts for new commitments in 2003 may be situated in a range between EUR 2 500 million and EUR 2 700 million and payments will be in the order of EUR 2 100 million. For the coming years, forecasts indicate that the available resources should be committed within the time-span of the Cotonou Agreement (5 years). The commitments have been front loaded for this period, while it is foreseen as well that contracting and payments will increase during the second year (2004) of the implementation period. Furthermore, there is a substantial effort going on to speed up the expenditure of commitments and to reduce both of the 'sleeping' and 'historic' unspent commitments so that moneys can be 'decommitted' for the defunct project and immediately reprogrammed for the countries for which they were earmarked: in 2002 the total amount was reduced by EUR 310 million and estimations for the year 2003 indicate a further reduction by EUR 470 million. In 2002, work continued on a large number of programmes and projects provided for by the Partnership Agreements with the ACP countries in various areas. Details of some of the most noteworthy are given below. - 30 budget support programmes ongoing in 2002 of which Burkina Faso, Zambia and Tanzania benefited. Payments were suspended in Senegal, Malawi, Gabon and the Central African Republic. - support for private sector development : EUR19 million for 863 projects in 55 ACP countries. - in the field of health : a firm commitment was made to combating HIV/AIDS and poverty-related diseases. - in terms of capacity building, the decentralised cooperation programme with Zimbabwe provides an example of successful cooperation in a politically difficult environment. In Rwanda, the Commission has also financed a programme to support efforts at grass-roots level to rebuild local infrastructure (e.g. schools, health centres, bridges andmarkets). - road construction and road repairs were amongst the most significant infrastructure projects, in sub-Saharan Africa, for example. - current water projects cover the whole range of water-related issues: resource management, distribution networks, sewerage, institutional support and water policy. Successes included: projects to supply water to a number of regions in Ghana (EUR 56 million), supply and sewerage for three towns in Uganda with a combined population of 100 000 (EUR 18 million). - the education programmes approved in 2002 cover all levels: primary and secondary education and vocational training and higher education. With other donors, the Commission is helping Tanzania and Namibia to devise new sectoral approaches. In Botswana, Ethiopia, Fiji and Papua New Guinea, cooperation took the form of assistance in developing infrastructure, from the rehabilitation of primary schools to the building of universities. - 70 transport and infrastructure projects were completed. New major routes include: the Gitarama-Kibuye road in Rwanda (EUR 41 million), the only asphalted connection to Kibuye; the Magta Lahjar-Djouk road in Mauritania (EUR 17 million) and the Ramu road in Papua New Guinea, to which significant improvements have been made.