2005 budget: section III, Commission

2004/2001(BUD) - 26/07/2004

This document is to be annexed to the draft budget for 2005, 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 (EDF) requires the Commission to make this document available to the Council by 15 June, stipulating that this information serves as a basis for an interim estimate of commitments and payments.

As in previous years, this document shows EDF implementation at 31 December 2003; financial implementation forecasts for the current year (2004) and expenditure forecasts for 2005.

More specifically, the initial estimates put the total for 2005 at EUR 2 975 million, EUR 240 million of it for the EIB (9thEDF instruments), EUR 2 585 million for traditional instruments managed by the Commission and EUR 150 million provisionally earmarked for the Water Facility. As for the Peace Facility, the Commission has yet to make any allocations for 2004 because there is still no sign of practical operations.

Though the total volume of payments in 2004 has been revised upwards, this increased volume can currently be implemented without increasing the overall volume of contributions to be paid by the Member States in 2004 (EUR 2 440 million). There are two reasons for this: (i) the EIB ended 2003 with a relatively large amount of unused financial resources, so reducing needs for 2004, and (ii) the Commission revised its cash position at the end of 2004 downwards. Maintaining the overall level of contributions set out in the communication of November 2003 should cover the current estimated needs of both the EIB (in view of the reserves built up at the end of 2003) and the Commission. If payment forecasts hold good, the EIB's needs in 2004 will be covered by the first tranche already received. The Commission is asking the Member States to pay EUR 1 100 million for the second 2004 tranche and the balance (EUR 490 million) for the final 2004 tranche.

Concerning the future, the Commission and the EIB renew their pledge to do everything they can to commit the funds made available by the Cotonou Agreement (including the balances remaining from the 6th, 7th and 8th EDFs transferred to the 9th EDF) by the end of 2007. This, however, presupposes that the political situation in all ACP countries is such that the conditions required for disbursing the funds are met. The co-operation agreements (Lomé and Cotonou) are rooted in the principle of partnership between the Union and the ACP countries, which means that implementation of the EDF depends on the absorption capacity (political stability, quality of governance, etc.) of the ACP countries. As regards the budget aid (structural adjustment programmes and the HIPC debt-relief instrument) which accounts for a growing proportion of aid, payments are conditional on the ACP countries' compliance with certain macroeconomic conditions. Last but not least, utilisation of funds provided by the Cotonou Agreement will also depend on the results of any reallocation of funds following the mid-term and final reviews scheduled for 2004 and 2006 respectively.