2007 budget: section III, Commission

2006/2018(BUD) - 19/06/2006 - Document attached to the procedure

In accordance with budgetary procedure, the Commission has annexed this document to the draft budget for 2007. The information contained in the document forms the basis for compiling an interim estimate of commitments and payments. This document analyses:

- implementation of the 6th and 9th EDFs at 31 December 2005;
- financial forecasts for the current year; and
- expenditure forecasts for 2007.

As a reminder, the funds contributed by the Member States to the EDF go directly the EIB for the instruments, for which it bears responsibility under the 9th EDF namely the Investment Facility and interest-rate subsidies. Contributions for all other instruments, (this includes old instruments managed by the EIB in the form of risk capital and interest-rate subsidies) are managed by the Commission. Unless otherwise indicated, all the commitments and payments listed in this Communication are gross amounts. Decommitments or recoveries have not been deducted.

Funds available to the EDF – end 2005

At the end of 2005, the total funds available to the Commission and EIB under the 6th and 9th EDF, totalled EUR 46 823 million. Of this amount, a sum of approximately EUR 39 894 was committed and one of EUR 28 657 million spent. EUR 5 851 million of the amount not committed will fall within the remit of the Commission and be committed by the end of 2007. These figures take account of the full mobilisation of the conditional EUR 1 billion.

EDF implementation 2005

Commitments: In October 2004 the Commission announced its attention of committing EUR 3 500 million to the EDF. In 2005 the Commission reached this target by committing EUR 3 511 million. The EIB committed EUR 504 million under the Investment Facility (including interest rate subsidies) instrument, falling short of the EUR 597 million forecast in its October 2005 communication. Together both the Commission and the EIB committed, in 2005, just over EUR 4 billion.

As far as “decommitted” actions are concerned, the Commission decommitted some EUR 476 million. This figure is high compared to those in recent years and is the result of Commission efforts to pursue fund reallocation before the 10th EDF enters into force.

Payments: Payments in 2005 reached a record high. Both the Commission and the EIB totalled EUR 2 699 million in payments. The Commission achieved 98% of the volume forecast in October last year and 97% of the volume estimated in October 2004. The EIB, on the other hand, made payments totalling EUR 155 million – lower than its October 2005 estimate of EUR 190 million.

Financial movements: On the matter of financial movements for 2005, the Commission points out that this Communication does not cover payments made under Stabex (EUR 71 million) or payments for special measures for DR Congo (EUR 89 million) given that these were made from separate accounts into which Member States had already contributed. The cash balance available to the Commission for operations at the end of 2005 was approximately EUR 137 million. This balance is higher than expected by 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. To recall, the 1998-2002 average was EUR 340 million. The EIB's end of year balance was EUR 141 million.

Forecasts for 2006 and 2007

Commitments: As far as commitments are concerned, in 2006 the EIB is still on target for achieving the figures set out in its October 2005 Communication. 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, which was EUR 3 100 million. The total volume of commitments has been upwardly adjusted to EUR 3 986 million.

As far as commitments for 2007 are concerned, the EIB forecasts that it will commit EUR 395 million. The Commission's forecast for 2007 is based on the previous EDF commitment cycles. The new estimate of EUR 3 450 million is 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 Commission and EIB commitments are expected to total EUR 3 845 million.

Payments: For 2006, the EIB has adjusted its estimates upwards, from EUR 240 million in October 2005 to EUR 315 million. EUR 270 million of this will be used under the Investment Facility and EUR 45 million for interest-rate subsidies. The Commission notes that it has made a particular effort to update payment forecasts. The forecast can now be broken down by project commitment and by contract. In addition, the new forecast shows a total of EUR 2 750 million for the Commission, practically unchanged from the October 2005 forecast of EUR 2 784 million. To conclude, EIB and Commission payments now total EUR 3 065 million, which is roughly the same as that forecast in October 2005.

For the 2007 financial year, total payments in 2006 are expected to be EUR 3 260 million of which: EUR 410 million for the EIB under the 9th EDF (EUR 330 million of which goes to the Investment Facility) and EUR 2 850 million for instruments managed by the Commission. The Communication points out that these figures focus on a future time frame and therefore should be treated with some caution.

Financial forecast for 2006 and 2007

The EIB has requested an extra EUR 40 million in contribution for 2006 in order to meet its payment forecast. Contributions made by the Member States, on the other hand, will drop from EUR 2 690 million to EUR 2 510 million. This is due to a number of factors. The first relates to a reduction in the initial risk capital payments. Secondly, other instruments have also seen a slight reduction in payments (other than the Stabex system for which fund had already been contributed in the past). Further, the upwards adjustment in recoveries means that fewer contribution are needed – i.e. EUR 33 million less for 2005 and 2006.

The Commission is proposing a second tranche which is slightly lower than the one forecast in October. On the basis of this estimate, it might 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 compared to the EUR 60 million forecast last October, allowing it to finance the new higher disbursement forecast.

A preliminary estimate of the contributions required for 2007 is EUR 3 100 million.

Lastly, the large increase in contributions made between 2003 and 2007, in the Commission's view, is a sign that the EDF is becoming more efficient.