

Guarantee Fund for external actions. Codification

2008/0117(CNS) - 18/07/2012 - Follow-up document

In accordance with Council Regulation No 480/2009 (codified version), the Commission presents a report on the Guarantee Fund for external actions ('the Fund') and its management for 2011.

Position of the Fund at 31 December 2011: the Fund totalled EUR 1,756,205,156.06. The accounting value of the Fund is EUR 269,994,230.29.

The accounting value of the Fund increased by about EUR 270 million in 2011. This is explained by:

- Increasing: (a) the contribution from the budget (provisioning amount) of EUR 260.17 million to adjust the Fund to the 9% target amount; (b) the net revenues on financial operations amounted to EUR 42.15 million.
- Decreasing: (a) the portfolio valuation decreased by (EUR 32.3 million) due to price volatility in the context of the financial crisis; (b) the Fund value also decreased by (EUR 0.024 million) due to a corresponding increase in the management fees paid to the EIB.

Significant transactions:

- to adjust the Fund to the 9% of the total outstanding capital liabilities, an amount of EUR 260.17 million was inserted to the budget 2012 for the contribution into the Fund. At 31.12.2010, the target amount was EUR 1,745.63 million corresponding to the 9% of the total outstanding guaranteed operations (EUR 19,395.86 million). The difference between the target amount and the net assets of the Fund EUR 1,485.46 million at 31.12.2010 was equal to EUR 260.17 million. This amount was requested for the provisioning of the Fund in 2012 and was approved by the Council and the European Parliament in November 2011. It was subsequently recognised as a receivable of the Fund from the budget;
- on 28.02.2011, an amount of EUR 138.88 million was transferred from the budget to the Fund corresponding to the provisioning amount 2011.

Significant transaction after the reporting date: on 28.02.2012, an amount of EUR 260.17 million was transferred from the budget to the Fund corresponding to the provisioning for 2012.

Changes in accounting policy: the report notes that, in the financial statements 2011, the Fund has changed its accounting policy for contributions.

Provisioning of the Fund: on the basis of the outstanding guaranteed operations of EUR 16,360.73 million as of 31.12.2009, an amount of EUR 138.88 million was inserted in budget line 01040114 'Provisioning of the Guarantee Fund' in the statement of expenditure in the general budget of the European Union for 2011. This amount was paid in one transaction from the budget to the Fund on 28 February 2011.

Performance: in an unfavorable economic environment, the Fund delivered an absolute return of +0.7157%. Financial markets in 2011 were mainly influenced by the continuing sovereign debt crisis in Europe.

Financial operations revenues: in 2011, interest income on cash and cash equivalents, on the Fund's current accounts and on securities totalled EUR 44,976,268.71,

Financial operations expenses: this amounted to EUR 2,823,717.61 of which EUR 1,940,019.61 relate to realised losses on sales of available for sale assets. The rest includes the EIB management fees for EUR 739,809.98, other financial charges for EUR 111,527.16 and the external audit fees for (EUR 32,111.00).

Default payments: in 2011, no calls related to defaults were made to the Fund.

Potential calls on the Guarantee Fund following defaulted payments: in the wake of a deteriorating situation in Syria, the Foreign Affairs Council of 23 May 2011 decided to suspend all preparations in relation to new bilateral cooperation programmes and to suspend the ongoing bilateral programmes with the Syrian authorities under the European Neighbourhood and Partnership Instrument (ENPI) and MEDA instruments. Moreover, the Council invited the EIB to not approve new financing operations in Syria. The European Parliament in its [Resolution of 7 July 2011](#) welcomed the Council conclusions to impose restrictive measures on Syria as well as the suspension of new EIB operations in the country.

In addition, the Council decided, on 14 November 2011, to prohibit disbursements by the EIB in connection with existing loan agreements between Syria and the EIB as well as suspend EIB technical assistance contracts for sovereign projects in Syria (Council Decision 2011/782/CFSP and Council Regulation (EU) N° 36/2012).

On 29 February 2012, the Commission was informed that a total of about EUR 15.4 million of repayments of loans granted to Syria due in November and December 2011 was still unpaid. The Fund could therefore expect to receive calls to cover the repayments of these loans during the first semester 2012 if the Bank did not receive the amounts due from Syria.