Guarantee Fund for external actions: target amount

1998/0117(CNS) - 18/03/1999

The modified Commission proposal to amend the regulation establishing a Guarantee Fund for external actions was commended to the House by the Budgets Committee when it adopted the supplementary report by Lord TOMLINSON (PES, UK). The committee's decision was taken in the light of the political agreement reached in Council which took on board the amendments adopted by Parliament in November 1998 that the Commission was unable to accept at the time. This was the reason why Parliament decided to refer the report back to committee in the first place. The modified proposal, which takes account of Parliament·s amendments, seeks: - to reduce the "target amount" (the total funding provided) of the Funds to 9% of the amount of the guaranteed lending operations (9% of the Community's total outstanding capital liabilities). The current figure is 10% of guaranteed operations and the Commission had initially proposed cutting it to 8%. - to reduce the provisioning rate of the fund to 9% for each loan operation (down from the previous 14% but still higher than the 6% proposed by the Commission). The regulation would increase the target rate of the Fund to 10% in cases where there has been a default on loans and the fund drops below 75% of the target amount; - to ensure that the Commission reports to Parliament and Council on the functioning of the Fund. In its annual reports the Commission would review the parameters of the Funds and, in the light of any changes of risk to which the Guarantee Fund is exposed, submit to the Council appropriate proposals for modification of the parameters (following enlargement of the Community and where necessary).