

# **Community loans to third countries: provisioning mechanism of the Guarantee Fund for external actions**

2005/0025(CNS) - 30/01/2007 - Final act

**PURPOSE:** to amend Regulation 2728/94/EC and improve the rules of the provisioning mechanism of the Guarantee Fund, i.e. the rules that determine how the Fund's assets are brought in line with the target amount of the Fund.

**LEGISLATIVE ACT:** Council Regulation (EC, Euratom) No 89/2007 amending Council Regulation (EC, Euratom) No 2728/94 establishing a Guarantee Fund for external actions.

**CONTENT:** The Council adopted this Regulation amending rules governing the provisioning mechanism for the EU's Guarantee Fund for external actions, with a view to improving efficiency in the use of budgetary resources and enhancing the transparency and programming of budgetary transactions in relation to the provisioning of the Fund. The Fund's new provisioning mechanism is based on an ex-post provisioning linked to the outstanding amount of loans and guaranteed loans, i.e. on actual net disbursements (disbursements minus amortisations minus cancellations). It is applicable as from 1 January 2007.

The provisioning mechanism was until now based on an ex-ante provisioning of individual Council decisions (macro-financial assistance), individual forecasts by Commission decisions (Euratom loans) or a global annual forecast of planned loan signatures (European Investment Bank guaranteed lending).

The Fund was created in 1994 so that the Community's creditors could be reimbursed in the event of any default by the beneficiaries of loans granted or guaranteed by the Community. Its main function is to shield the EU budget from shocks due to defaults on loans. The Fund is provisioned from the EU budget and has to be maintained at a certain percentage (target rate) of the outstanding amount of the loans and guaranteed loans covered.

**ENTRY INTO FORCE :** 03/02/2007.

**DATE OF APPLICATION :** 01/01/2007.