

Basic information	
1993/1004(CNS) CNS - Consultation procedure Regulation	Procedure completed
Guarantee Fund for external actions Repealed by 2008/0117(CNS) Amended by 1998/0117(CNS) Amended by 2003/0233(CNS) Amended by 2005/0025(CNS) Subject 6.30.04 Loans to third-countries, Guarantee Fund 8.40.07 European Investment Bank (EIB) 8.70.02 Financial regulations	

Key players			
Council of the European Union	Council configuration	Meetings	Date
	General Affairs	1796	1994-10-31
	Agriculture and Fisheries	1772	1994-06-20

Key events			
Date	Event	Reference	Summary
26/01/1993	Legislative proposal published	COM(1993)0020 	Summary
12/03/1993	Committee referral announced in Parliament		
25/10/1993	Vote in committee		Summary
26/10/1993	Debate in Parliament		
04/02/1994	Modified legislative proposal published	COM(1993)0706 	Summary
20/07/1994	Amended legislative proposal for reconsultation published	07593/1994	
20/10/1994	Formal reconsultation of Parliament		
24/10/1994	Vote in committee		
24/10/1994	Committee report tabled for plenary, reconsultation	A4-0030/1994	
24/10/1994	Modified legislative proposal published	N4-0180/1994	
25/10/1994	Debate in Parliament		
31/10/1994	Act adopted by Council after consultation of Parliament		
31/10/1994	End of procedure in Parliament		
12/11/1994	Final act published in Official Journal		

Technical information	
Procedure reference	1993/1004(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealed by 2008/0117(CNS) Amended by 1998/0117(CNS) Amended by 2003/0233(CNS) Amended by 2005/0025(CNS)
Legal basis	Euratom Treaty A 203 Rules of Procedure EP 170 EC Treaty (before Amsterdam) E 235
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/4/06080

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A3-0315/1993 OJ C 315 22.11.1993, p. 0025	25/10/1993	
Text adopted by Parliament, 1st reading/single reading		T3-0582/1993 OJ C 315 22.11.1993, p. 0201-0232	28/10/1993	
Committee final report tabled for plenary, reconsultation		A4-0030/1994 OJ C 323 21.11.1994, p. 0026	24/10/1994	
Text adopted by Parliament after reconsultation		T4-0056/1994 OJ C 323 21.11.1994, p. 0039-0069	26/10/1994	
Council of the EU				
Document type		Reference	Date	Summary
Amended legislative proposal for reconsultation		07593/1994	20/07/1994	
Modified legislative proposal		N4-0180/1994	24/10/1994	
European Commission				
Document type		Reference	Date	Summary
Legislative proposal		COM(1993)0020 	26/01/1993	Summary
Modified legislative proposal		COM(1993)0706 	04/02/1994	Summary
		COM(1998)0154		

Follow-up document		16/03/1998	
Follow-up document	COM(1999)0162 	13/04/1999	
Follow-up document	COM(2000)0246 	27/04/2000	Summary
Follow-up document	COM(2001)0305 	21/06/2001	Summary
Follow-up document	COM(2002)0305 	13/06/2002	Summary
Follow-up document	COM(2003)0405 	09/07/2003	Summary
Follow-up document	COM(2004)0406 	04/06/2004	Summary
Follow-up document	COM(2005)0262 	21/06/2005	Summary
Follow-up document	COM(2006)0366 	10/07/2006	Summary
Follow-up document	SEC(2006)0891 	10/07/2006	Summary
Follow-up document	COM(2007)0362 	28/06/2007	Summary
Follow-up document	SEC(2007)0869 	28/06/2007	
Follow-up document	COM(2009)0258 	08/06/2009	Summary
Follow-up document	SEC(2009)0745 	08/06/2009	
Commission document (COM)	COM(2014)0214 	08/04/2014	Summary
Commission working document (SWD)	SWD(2014)0129 	08/04/2014	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Regulation 1994/2728
OJ L 293 12.11.1994, p. 0001

[Summary](#)

Guarantee Fund for external actions

1993/1004(CNS) - 10/07/2006 - Follow-up document

This document forms an Annex to the Commission's 2005 Annual Report on the Guarantee Fund and its Management. In line with Regulation 2728/94 /EC different rules apply depending on the Fund in question. In the case of EIB loans, for example, provisioning for the Fund takes place at the beginning of each year and is based on forecasts provided by the EIB of total loans to be signed in the respective year. The difference between forecast and realisation is balanced at the end of each year when the Fund is aligned to its target amount. Euratom loans, on the other hand, are calculated on a forecast basis and are fully provided for at the time of the loan's signature at the latest. In the case of macro-financial assistance loans, provisioning takes place as soon as the Council has adopted a Decision to grant macro-financial assistance, for the maximum amount decided by the Council. In 2005 one transfer was made to the Guarantee Fund from the guarantee reserve, totalling EUR 140 110 000 million.

In summary, the Report makes the following findings:

- The total market value of the Fund's holdings (excluding accrued interest) stood at EUR 1 299.5 million on 31 December 2005. This compares to EUR 1 586 million the previous year. A decrease of EUR 286.5 million.
- On 31 December 2004 the Fund had a surplus totalling EUR 187.13 million. Total provisioning on 31 December 2005 amounted to EUR 140.11 million.
- In July 2005 the net amount of EUR 47.02 million (from the surplus) was paid from the Fund's assets to the Community budget.
- In January 2005, and in order to take account of EU expansion in May 2004, the Fund paid a further EUR 338 831 402.07 million to the Commission.
- The Fund's capital decreased in 2005 by 33.9%. At the end of 2004 the Fund's capital stood at EUR 1 139 1 million. At the end of 2005, however, the Fund's capital totalled EUR 753.2 million – a difference of EUR 385.9 million.
- The Fund's holdings at the end of 2005 totalled EUR 1 299.5 million broken down as follows: EUR 313.5 million in the monetary portfolio (Interbank term deposits); EUR 1.6 million in current accounts; and EUR 984.4 million in the "Available For Sale" investment portfolio.
- Overall the Guarantee Fund produced EUR 50.7 million in net revenue, an overall average yield of 3.96% on average capital of EUR 1 262 million.
- At the end of December 2005, the nominal value of the investment portfolio was EUR 930.86 million compared to a market value of EUR 984.4 million.
- The global duration of the portfolio decreased to 3.32 years compared to 3.55 years as of end 2004.
- At the beginning of 2005 a total of EUR 125.51 million in reimbursements (nominal value) on the securities portfolio were scheduled for the year. That has been split as follows: EUR 105.80 million for the fixed rate and EUR 19.71 million for the variable rate.
- There was a sale of the a fixed coupon bond position of EUR 10.0 million due to a downgrade from AAA to Aa2 by Moody's and a sale of EUR 600 000 in order to avoid exceeding the 10% of the total amount required according to article 3.2.3.2 of the investment guidelines agreed between the EIB and the Commission.

On a final point, the Report points out that the Guarantee Funds' financial statements (which can be found in Annex to the Report) have been prepared, for the first time, in accordance with International Financial Reporting Standards (IFRS) and the accounting rules by the European Commission. The financial statements are presented in Euros.

Guarantee Fund for external actions

1993/1004(CNS) - 28/06/2007 - Follow-up document

In accordance with provisions set out in Council Regulation (EC/Euratom) 2728/94 setting up a Guarantee Fund for external actions in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community, the Commission is required to send an annual audit report to the European Parliament and the Council on the Fund's situation. This report is the Commission's annual report on the Guarantee Fund and its Management for 2006.

At the close of the 2006 financial year the fund totalled: EUR 1,379,697,691.89. This is the sum since the Fund was established of all:

- budget payments to the Fund: EUR 2,799,914.500;
- successive yearly net results: EUR 575,869,592.23;
- recoveries of payments made by the Fund for defaults: EUR 575,673,913.77
- minus EIB management fees for an amount of: EUR 714,719.38 (corresponding to the payment to be made in 2007);

- commission received on later recovery in 2002: EUR 5,090,662.91;
- adjustment due to the application of IFRS for the valuation of the Fund's portfolio: EUR 14,996,561.86;
- less class on the Fund's resources: EUR 477,860,856.19;
- successive repayments to the budget of the surplus in the Fund: EUR 1,775,870,000;
- and the exceptional repayment to the budget of: EUR 338,831,402.07 in 2005 representing 9% of the outstanding operations as of 1 May 2004 granted to the ten new Member States.

After the deduction of accruals in account payables of EUR 743,249.38, thereof EUR 714,719.38 management fees (EIB's remuneration), the total of the net balance sheet of the Fund, as of 31 December 2006, amounts to EUR 1,378,954,442.51.

Article 3 of the amended Regulation requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Therefore, outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 11,025,065,532.58 as of 31 December 2006, of which EUR 109,809,066.54 were accounted for accrued interest. The ratio between the Fund's resources of 1,118,014,317.79 and outstanding capital liabilities within the meaning of the amended Regulation was 10.1%. Since this is higher than the target amount of 9% of the total guaranteed outstanding amount (rounded amount of EUR 992.26 million), a repayment from the Fund to the general budget of the European Union has to be made, as provided for in the third paragraph of Article 3 of the amended Regulation in 2007. The amount to be inserted in 2007 as a surplus in the Preliminary Draft Budget of 2008 is EUR 125,750,000.

The total amount of the pre-consolidated balance sheet is EUR 1,380,797,489.49. This includes the total amount of the Fund plus the arrears covered by the Fund, the accruals of interests on late payments and other accounting accruals in order to produce a full set of financial statements for the Fund at year-end to be consolidated in the EU consolidated balance sheet.

Council Regulation (EC) No 2040/2000 concerning budgetary discipline, authorised the entry, in the general budget, of a reserve for loans and guaranteed operations. This item, to which appropriation of EUR 229 million in 2006 were allocated, has been used for endowing the Fund by transferring amounts to the budget item for payments to the Fund.

In line with the legal base, one transfer totalling EUR 127,640,000 to endow the Fund was adopted by the budgetary authority in 2006. The transfer of EUR 127,640,000 was paid under the mechanism for off setting against the repayment of the Fund's surplus of EUR 92,730,000. Consequently, a net amount of EUR 34,910,000 was paid to the fund on 31 July 2006. According to the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management, the amount available for financing the Fund will be carried out through a budget line under Heading 4 (External Relations) and not, as in the past, through a dedicated Reserve.

On a final point, as far as the EIB's remuneration is concerned, the Bank's remuneration for 2006 was fixed at EUR 714,719.38 and was entered in the profit-and-loss account and as accruals (liabilities) on the balance sheet. The remuneration was paid to the EIB in February 2007.

Guarantee Fund for external actions

1993/1004(CNS) - 13/06/2002 - Follow-up document

This document sets out the Annual Report for the Commission on the Guarantee Fund and its Management in 2001. The position of the fund at 31 December 2001 is as follows: At the close of the 2001 financial year, the Fund totalled EUR 1 775 228 997.43. This is the sum, since the Fund was established, of all: budget payments to the Fund (EUR 2 031 879 500.00); successive yearly net results (EUR 379 604 451.63), including commissions and interest received on late recoveries; late repayments from non-member countries (EUR 568 217 579.44); debts corresponding to the repayments not made to the EIB (EUR 805 405.80); ess: calls on the Fund's resources (EUR 468 662 140.15) and successive repayments to the budget of the surplus in the Fund (EUR 637 060 000.00). After the EIB's remuneration is deducted, the Fund total at 31 December 2001 comes to EUR 1 774 423 951.63. The total amount of the consolidated balance sheet is EUR 1 775 228 997.24, which breaks down principally into EUR 475 100 000.00 in deposits, EUR 25 491 970.66 on current account and EUR 1 244 130 504.71 in the securities portfolio. Article 3 of the Regulation establishing the Fund requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Outstanding lending and loan guarantee operations for non-member countries plus unpaid interest due totalled EUR 15 577.34 million at 31.12.2001, of which EUR 147.69 million was accounted for by interest due but not yet paid. The ratio between the Fund's resources and outstanding capital liabilities within the meaning of the Regulation was 11.39%. Since this is higher than the target amount of 9%, there had to be a repayment from the Fund to the general budget of the Communities, as provided for in the third paragraph of Article 3 of the Regulation. The amount to be repaid to the budget came to EUR 372.46 million.

Guarantee Fund for external actions

1993/1004(CNS) - 21/06/2001 - Follow-up document

Council Regulation 2728/94/EC set up the guarantee Fund for external operations in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community. The Regulation requires the Commission to report on the situation of the Fund and its management for each financial year. Position of the Fund at 31 December 2000 - the Fund totalled EUR 1 432 248 964.36. This is the sum, since the Fund was first established, of all: - budget payments to the Fund (EUR 1 824 703 500.00) - successive yearly net results (EUR 210 473 626.02) and interest received on late recoveries - late repayments from non-member countries (EUR 326 997 369.48) - debts corresponding to the repayments not made to the Bank (EUR 689 783.78) - less: calls on the Fund's resources (EUR 458 915 314.92) and successive repayments to the budget of the

surplus in the Fund (EUR 471 700 000.00) After the Funds remuneration is deducted, the Fund total at 31 December 2000 comes to EUR 1 431 559 180.58. The total amount of the consolidated balance sheet is EUR 1 647 343 813.45, which breaks down into EUR 489 000 000 in deposits, EUR 1 864 299.31 on current account, EUR 919 302 277.87 in the securities portfolio, EUR 22 082 387.18 in interest accrued and not yet due at 31.12.00 and EUR 215 094 849.09 in receivables from the recipients of loans granted or guaranteed by the Community. Since the ratio between the Fund's resources and outstanding capital liabilities was higher than the target amount of 9%, there was an amount to be repaid to the Community budget totalling EUR 165.36 million. Payments into the Fund - from the general budget in the course of the financial year, there were three transfers totalling 186 290 500 to endow the Guarantee Fund. - interest from financial investment of the Fund's liquid assets. In 2000 interest on deposits, the Fund current account and securities totalled EUR 62 728 173.51, broken down as follows: deposits: EUR 18 996 521.08 Current accounts: EUR 157 806.60 Securities portfolio: EUR 43 573 845.83 - recovery from defaulting debtors: the running total now comes to EUR 326 997 369.48. The Fund's liabilities: - Default payments: the Fund's guarantee was called in on three occasions in 2000, involving a total of EUR 17 355 629.49. - EIB remuneration: EUR 689 783.78, entered in the profit and loss account and as accruals on the balance sheet.

Guarantee Fund for external actions

1993/1004(CNS) - 10/07/2006 - Follow-up document

The Commission presents its annual report on the guarantee fund and its management in 2005.

At the close of the 2005 financial year, the Fund totalled EUR 1,324,663,957.25. This is the sum, since the Fund was established, of all:

- budget payments to the Fund EUR 2,672,274,500.00;
- successive yearly net results EUR 523,763,636.64;
- late repayments from non-member countries EUR 575,673,913.77;
- debts corresponding to the repayments not made to the EIB EUR 711,557.47;
- commission received on late recovery in 2002 EUR 5,090,662.91;
- adjustment due to the application of IFRS for the valuation of the Fund's portfolio EUR 46,981,944.72);
- less calls on the Fund's resources (EUR 477,860,856.19);
- successive repayments to the budget of the surplus in the Fund (EUR 1,683,140,000.00);
- and an exceptional repayment to the budget of EUR 338,831,402.07 was made on 10 January 2005, representing 9% of the outstanding operations as of 1 May 2004 granted to the new Member States.

After the deduction of accruals EUR 725,117.47, thereof EUR 702,497.47 management fees (EIB's remuneration), the Fund total at 31 December 2005 amounts to EUR 1,323,938,839.78.

Article 3 of Regulation 2728/94/EC requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Therefore, outstanding lending and loan guarantee operations for third countries plus unpaid interest due totalled EUR 13,680,125,069.70 at 31 December 2005, of which EUR 125,823,921.72 were accounted for by interest due but not yet paid. The ratio between the Fund's resources EUR 1,323,938,839.78 and outstanding capital liabilities within the meaning of the amended Regulation was 9.68%. Since this is higher than the target amount of 9% of the total guaranteed outstanding amount (rounded amount of 1,231.21 EUR million), a repayment from the Fund to the general budget of the European Union has to be made, as provided for in the third paragraph of Article 3 of the Regulation. The amount to be repaid to the budget in 2006 is EUR 92,730,000.00.

The total amount of the pre-consolidated balance sheet is EUR 1,325,891,755.37. This includes the total amount of the Fund plus the arrears covered by the Fund, the accruals of interests on late payments and other accounting accruals in order to produce a full set of financial statements for the Fund at year-end to be consolidated in the EU consolidated balance sheet.

Council Regulation 2040/2000/EC concerning budgetary discipline authorised the entry in the general budget of a reserve for loans and guaranteed operations. This item, to which were allocated appropriations of EUR 223 million in 2005, is used for endowing the Fund by transferring amounts to the budget item for payments to the Fund.

In line with the legal bases, one transfer totalling EUR 140,110,000.00 to endow the Fund was adopted by the budgetary authority in 2005.

The transfer was paid under the mechanism for offsetting against the repayment of the Fund's surplus EUR 187.130.000,00 which took place on 15 July 2005. According to the Commission Communication on the Financial Perspectives 2007 - 2013, the amount available for financing of the Fund will not, in theory, be limited in the future by a budgetary mechanism as the funding of the Fund will be carried out through a budget line under Heading 4 (External Relations) and not, as at present, through a dedicated Reserve.

Lastly, as regards the remuneration, the EIB's remuneration for 2005 was fixed at EUR 702,497.47 and was entered in the profit-and-loss account and as accruals (liabilities) on the balance sheet. The remuneration will be paid to the EIB in the first quarter of 2006.

Guarantee Fund for external actions

1993/1004(CNS) - 26/01/1993 - Legislative proposal

OBJECTIVE: The proposal for a regulation was aimed at establishing a guarantee fund to cover risks associated with loans issued to non-member countries. **CONTENT:** The fund would be financed progressively by paying in a percentage of each new action decided upon. Interest from investments on Fund assets and late repayments from defaulting debtors, whose creditors would have been paid out of the Fund, would subsequently also be paid into the Fund. The objective, in accordance with the decisions taken at the Edinburgh Summit, was to achieve a 10% coverage rate for all loans. In the event of a debtor defaulting, the Fund would be mobilised in order to honour the Community commitments. Payments representing 14% of the amount of each new loan (or loan guarantee) would initially be made in order to achieve the coverage rate as soon as possible. Once this rate had been achieved, the payments would be reduced to 10%. The Commission suggested seeking the opinion of the European Court of Auditors on this proposal.

Guarantee Fund for external actions

1993/1004(CNS) - 04/06/2004 - Follow-up document

The Commission has presented its annual report on the Guarantee Fund and its Management in 2003. At the close of the 2003 financial year, the Fund totalled EUR 1 600 474 107.12.

This is the sum, since the Fund was established, of all: budget payments to the Fund (EUR 2 350 289 500.00); successive yearly net results (EUR 519 516 533.79); late repayments from non-member countries (EUR 568 217 579.44); debts corresponding to the repayments not made to the EIB (EUR 772 207.20); less calls on the Fund's resources (EUR 473 490 274.02) and successive repayments to the budget of the surplus in the Fund (EUR 1 272 850 000.00).

After the deduction of accruals accounts (EIB's remuneration included), the Fund total at 31 December 2003 amounts to EUR 1 592 127 899.92. The total amount of the consolidated balance sheet is EUR 1 605 780 170.51. This includes the total amount of the Fund plus the arrears covered by the Fund and the accruals of interests on late payments.

Council Regulation 2728/94/EC, Euratom requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Outstanding lending and loan guarantee operations for non-member countries plus unpaid interest due totalled EUR 15 210 806 353.79 at 31 December 2003, of which EUR 149 038 978.87 was accounted for by interest due but not yet paid. The ratio between the Fund's resources and outstanding capital liabilities within the meaning of the amended Regulation was 10.47%. Since this is higher than the target amount of 9%, a repayment from the Fund to the general budget of the European Union had to be made, as provided for in the Regulation. The amount to be repaid to the budget came to EUR 223 160 000.00.

Guarantee Fund for external actions

1993/1004(CNS) - 21/06/2005 - Follow-up document

The Commission has presented its Annual Report on the Guarantee Fund and its Management in 2004.

At the close of the 2004 financial year, the Fund totalled EUR 1,612,856,213.44. This is the sum, since the Fund was established, of all: budget payments to the Fund (EUR 2,532,164,500.00); successive yearly net results (EUR 473,032,495.02); late repayments from non-member countries (EUR 575,673,913.77); debts corresponding to the repayments not made to the EIB (EUR 765,497.93); commission received on late recovery in 2002 (EUR 5,090,662.91); less calls on the Fund's resources (EUR 477,860,856.19) and successive repayments to the budget of the surplus in the Fund (EUR 1,496,010,000.00).

After the deduction of accruals (EIB's remuneration), the Fund total at 31 December 2004 amounts to EUR 1,612,090,715.51.

The total amount of the consolidated balance sheet is EUR 1,614,117,863.19. This includes the total amount of the Fund plus the arrears covered by the Fund and the accruals of interests on late payments.

Council Regulation 2728/94/EC, Euratom requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Council Regulation 2273/2004/EC, Euratom stipulates that operations towards accession countries covered by the Guarantee Fund remain covered by the Communities guarantee after the date of accession. However, from that date, they cease to be external actions of the Communities and are covered directly by the general budget of the European Union and no longer by the Guarantee Fund.

Therefore, outstanding lending and loan guarantee operations for third countries plus unpaid interest due totalled EUR 12,068,132,585.66 at 31 December 2004, of which EUR 144,107,751.62 was accounted for by interest due but not yet paid.

Consequently, an amount of EUR 338,831,402.07 was repaid to the budget on 10 January 2005, representing 9% of the outstanding operations granted to the new Member States at 1 May 2004 (EUR 3,764,793,356.32).

The ratio between the Fund's resources (EUR 1,612,090,715.51 - EUR 338,831,402.07) and outstanding capital liabilities within the meaning of the amended Regulation was 10.55%. Since this is higher than the target amount of 9%, a repayment from the Fund to the general budget of the European Union had to be made, as provided for in the third paragraph of Article 3 of the Regulation. The amount to be repaid to the budget in 2005 came to EUR 187,130,000.00.

Guarantee Fund for external actions

1993/1004(CNS) - 31/10/1994 - Final act

PURPOSE : to establish a Guarantee Fund for external actions. **COMMUNITY MEASURE** : Council Regulation 2728/94/EEC, Euratom establishing a Guarantee Fund for external actions. **CONTENT** : a Guarantee Fund is hereby established, whose resources shall be used to repay the Community's creditors in the event of default by the beneficiary of a loan granted or guaranteed by the Community. The lending and guarantee operations referred to in the first paragraph, hereinafter referred to as 'operations', shall be those carried out for the benefit of a third country or for the purpose of financing projects in third countries. The Fund shall be endowed by: - payments from the general budget of the European Communities, - interest on Fund resources invested, - amounts recovered from defaulting debtors where the Fund has already honoured the guarantee. The Fund shall rise to an appropriate level. The target amount shall be 10 % of the Community's total outstanding capital liabilities arising from each operation, increased by unpaid interest due. If, at the end of a year, the target amount is exceeded, the surplus shall be paid back to a special heading in the statement of revenue in the general budget of the European Communities. **ENTRY INTO FORCE** : this Regulation shall enter into force on 19/11/1994.

Guarantee Fund for external actions

1993/1004(CNS) - 27/04/2000 - Follow-up document

This document consists of the Annual Report from the Commission on the Guarantee Fund and its Management in 1999. At the close of the 1999 financial year, the Fund totalled EUR 1 313 736 732.83. This is the sum, since the Fund was established, of all:

- budget payments (EUR 1 638 413 000.00);
- incremental yearly net results (EUR 153 081 422.50);
- late payments from non-member countries (EUR 326 997 234.09);
- debts corresponding to the payments not made to the Bank (EUR 604 761.67);
- minus: calls on the Fund's resources (EUR 441 559 685.43) and successive repayments to the budget of the surplus in the Fund (EUR 363 800 000.00).

After the Bank's remuneration is deducted, the Fund total at 31 December 1999 comes to EUR 1 313 131 971.16.

The total amount of the consolidated balance sheet is EUR 1 498 268 553.20, which breaks down into EUR 480 000 000 in deposits, EUR 4 749 649.43 on current account, EUR 813 073 283.47 in the securities portfolio, EUR 15 913 799.93 in interest accrued and not paid at 31 December 1999 (EUR 2 156 579.72 in interest accrued and not yet due on fixed-term deposits, EUR 13 757 220.21 in coupons accrued and not yet due) and EUR 184 531 820.37 in receivables from the recipients of loans granted or

guaranteed by the Community, including EUR 147 242 798.63 in principal, interest due and default interest covered by guarantee payments under the Fund and EUR 37 289 021.74 in default interest incurred but not received at 31 December 1999.

Moreover, two transfers totalling EUR 300 069 000 were adopted by the budgetary authority in 1999 to endow the Guarantee Fund.

- Transfer 5/99: EUR 229 089 000: this first transfer at the beginning of the year was for payments into the Fund under the Council Decisions of 24 January 1994, 14 April 1997, 19 May 1998 and 14 December 1998, in accordance with the arrangements set out in the Annex to the Regulation establishing the Fund;

- Transfer 67/99: EUR 70 980 000: this second transfer was for payments into the Fund in respect of loan operations adopted by the Council on 22 April 1999, 10 May 1999, 8 November 1999 and 29 November 1999. The decisions covered by this transfer are given in Annex I. The two transfers to the Fund were made in June and December 1999.

Lastly, in 1999 interest on deposits, the Guarantee Fund current account and securities totalled EUR 48 562 534.63.

Guarantee Fund for external actions

1993/1004(CNS) - 04/02/1994 - Modified legislative proposal

The Commission's amended proposal incorporates Parliament's amendments which refer to the links between this proposal and the budget and, more importantly, Article 203 of the Treaty, the interinstitutional agreement and the inclusion of certain Guarantee Fund operations in the budget. However, the Commission has rejected amendments seeking to change the payment rate, the target amount and the type of payments made.

Guarantee Fund for external actions

1993/1004(CNS) - 08/06/2009 - Follow-up document

In accordance with provisions set out in Council Regulation (EC, Euratom) No 2728/94 setting up a Guarantee Fund for external actions in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community, the Commission is required to send an annual audit report on the Fund's situation. This report is the Commission's annual report on the Guarantee Fund and its Management for 2008.

The Fund totalled EUR 1 091 447 384.92 at 31 December 2008. This is the sum, since the Fund was established, of all:

- budget payments to the Fund: EUR 2 799 914 500.00
- successive yearly net results: EUR 676 733 999.20
- recoveries of payments made by the Fund for defaults: EUR 576 705 008.19
- accrued EIB management and audit fees in 2008 corresponding to the payments to be made in 2009: EUR 689 972.32
- commission received on later recovery in 2002: EUR 5 090 662.91
- adjustment due to the application of IFRS for the valuation of the Fund's portfolio: EUR 11 565 625.28
- less class on the Fund's resources: EUR 477 860 856.19
- less successive repayments to the budget of the surplus in the Fund: - EUR 1 901 620 000.00
- less the repayment to the budget in 2005, accounting for 9% of outstanding operations as at 1 May 2004 granted to the ten new Member States: - EUR 260 940 124.72.

The total net balance sheet of the Fund (i.e. the Fund's net cash resources) at 31 December 2008 amounts to EUR 1 182 717 412.60. This is the sum of the financial position of the Fund EUR 1 091 447 384.92, minus accrued EIB and audit fees of EUR 689 972.32, of which EUR 658 322.32 in management fees (2008 EIB remuneration), and the transfer from the budget of EUR 91 960 000.00, as established in 2008 for the 2009 budget.

Article 3 of the amended Regulation requires the Fund to reach a target amount set at 9% of the total outstanding capital liabilities arising from each operation, plus any unpaid interest receivable. Thus, outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 14 183 712 378.94 at 31 December 2008, of which EUR 136 800 205.24 was accrued interest. The ratio between the Fund's resources of EUR 1 182 717 412.60 and outstanding capital liabilities within the meaning of the amended Regulation was 8.34%. Since this is lower than the target amount of 9% of the total guaranteed outstanding amount (EUR 1 276 530 000.00), a transfer from the general budget of the EU to the Fund has to be made. The amount to be included in 2009 as provisioning in the Preliminary Draft Budget of 2010 is EUR 93 810 000.00.

The total amount of the **pre-consolidated balance sheet is EUR 1 091 447 384.92.**

With regard to **interest from investment of the Fund's liquid assets**, in 2008, the portfolio achieved a total return of 6.42%.

Market conditions in 2008 were extremely difficult, as the financial crisis spread and affected all banks and started to impact on the real economy. The performance of the portfolio was inferior to the benchmark. At the end of 2008, this underperformance amounted to 77.56 basis points. Underperformance of the Fund was particularly significant from the middle of September after the collapse of Lehman Brothers, and a substantial widening of yield spreads had a negative impact on securities not belonging to the basket of bonds underlying the Eurozone Sovereign Iboxx indexes. In particular, bonds issued by eastern European governments, in which the Fund portfolio has positions, suffered significant price drops in October and November. In December 2008 this underperformance was less severe due to the stabilisation of the market. In 2008, interest income on cash and cash equivalents, on the Fund current accounts and on securities totalled EUR 48 802 560.79

Recovery from defaulting debtors: penalty interest of USD 1 448 433.44 was recovered from Argentina on 12 December 2008. At 31.12.2008, the Fund has no amount called to be recovered.

Guarantee Fund for external actions

1993/1004(CNS) - 09/07/2003 - Follow-up document

This document consists of the Annual Report from the Commission on the Guarantee Fund and its Management in 2002. The position of the fund at 31 December 2002 is as follows: At the close of the 2002 financial year, the Fund totalled EUR 1 646 291 687.98. This is the sum, since the Fund was established, of all: - budget payments to the Fund (EUR 2 198 599 500.00); - successive yearly net results (EUR 456 474 871.71) and interest received on late recoveries; - late repayments from non-member countries (EUR 568 217 579.44); - debts corresponding to the repayments not made to the EIB (EUR 737 316.27); - less: calls on the Fund's resources (EUR 468 662 140.15) and successive repayments to the budget of the surplus in the Fund (EUR 1 009 520 000.00). After the EIB's remuneration is deducted, the Fund total at 31 December 2002 comes to EUR 1 645 554 371.71. The total amount of the consolidated balance sheet is EUR 1 646 291 687.98, which breaks down into EUR 299 500 000.00 in deposits, EUR 1 863 221.88 on current account and EUR 1 311 255 202.45 in the securities portfolio. Article 3 of the Regulation establishing the Fund requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due. Outstanding lending and loan guarantee operations for non-member countries plus unpaid interest due totalled EUR 15 357 955 465.62 at 31.12.2002, of which EUR 142 811 943.97 was accounted for by interest due but not yet paid. The ratio between the Fund's resources and outstanding capital liabilities within the meaning of Regulation No 2728/94 was 10.71%. Since this is higher than the target amount of 9%, there had to be a repayment from the Fund to the general budget of the Communities, as provided for in the third paragraph of Article 3 of the Regulation. The amount to be repaid to the budget came to EUR 263 330 000.00.

Guarantee Fund for external actions

1993/1004(CNS) - 08/04/2014 - Follow-up document

The Commission presented a comprehensive report on the functioning of the Guarantee Fund for external actions. This Fund was established in 1994 by Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 in order to shield the Union budget in the event of any default by the beneficiaries of loans granted or guaranteed by the European Union. The Regulation has been amended three times and the Fund is currently operated under Council Regulation (EU, Euratom) No 480/2009 of 25 May 2009 (codified version).

Four reviews of the functioning of the Fund have taken place (in 1998, 2003, 2006 and 2010).

Further to the review in 2006, a new provisioning mechanism was implemented. It entered into force in 2007.

This report presents the **fifth review** of the Fund and is structured as follows:

- the key features of the current provisioning mechanism and the functioning of the Fund;
- the main events which affected the Fund since the last comprehensive report in 2010;
- the management of the Fund's assets;
- the outlook of operations covered by the Fund and their impact on provisioning needs for the MFF 2014-2020;
- the target provisioning rate.

Two events which affected the Fund in the period were the **defaults of guaranteed loans provided by the EIB to Syria and the EU membership of Croatia**:

Defaults of guaranteed loans to Syria: in the wake of the deteriorating situation in Syria, the Foreign Affairs Council, the European Parliament and the European Council took certain decisions in 2011 towards the country. In particular, they prohibited disbursements by the EIB in connection with existing loan agreements. Whereas in previous years Syria had fully and timely serviced its loans to the EIB, since November 2011 the bank is facing **arrears on loans to projects in Syria**. As a consequence, and in line with the Guarantee Agreement between the EU and the EIB, the EIB has made 4 calls on the Fund in 2012 for a total amount of about **EUR 42 million**. During 2013, 8 supplementary calls were made on the Fund, for a total amount of **EUR 82.5 million**. An amount of EUR 2.1 million was recovered in 2012. The **total outstanding capital of guaranteed loans related to Syria amounts to approximately EUR 551 million** with the last loan maturity in 2030. In conformity with the Guarantee Agreement, when the EU has made a payment under the EU Guarantee, it subrogates into the rights and remedies of the EIB. Recovery proceedings are to be undertaken by the EIB in respect of the subrogated sums.

Croatia has become an EU member in 2013: following Croatia's accession into the EU in June 2013, the risk associated with this country continues to be covered by the EU budget but will no longer be covered by the Fund. Consequently, an amount of about EUR 30.3 million corresponding to an exposure on Croatia of about EUR 337 million (outstanding amounts plus accrued interest) was transferred from the Fund to the EU budget in 2013.

Provisioning proposal for the 2014-2020 MFF: according to the Commission proposal of 23 May 2013 for a new EIB external mandate, the total ceiling for the provisioning of the Fund for the 2014-2020 mandate would amount to **EUR 1.193 billion**, compared to EUR 1.4 billion under the 2007-2013 financial framework (both amounts in current prices).

The subsequent agreement of 17 December 2013 (in the course of negotiations between the Council, the Parliament and the Commission, still to be adopted by the co-legislator) to increase by **EUR 2 billion** the fixed ceiling of the EU Guarantee to the EIB also foresees an additional amount of EUR 110 million in assigned revenue to cover the additional provisioning needs of the Fund.

The total provisioning amount for the 2014-2020 MFF is expected to cover the needs of the Fund over the period 2014-2020, on the basis of the information available at the writing of this report and on the basis of expected patterns of disbursements and reimbursements of the guaranteed loans. The effective annual needs for the provisioning of the Fund in 2014-2020 will nevertheless ultimately depend on the **actual rhythm of signatures, disbursements and reimbursements of the loans on the three activities covered by the Fund** (EIB's guaranteed loans, MFA and Euratom).

Another important factor which has an impact on the potential change in the needs of budgetary resources for this period is the impact of the calls on the Fund's assets following **defaulted payments on guaranteed loans to Syria** since 2011. The expected provisioning needs for 2014-2020 take account of the impact of existing calls related to Syrian defaulted loans having taken place in 2012 and 2013, as well as the hypothesis of continuing defaults on payments falling due until mid-2015.

Target provisioning rate: the report noted that a quantitative analysis of the risk covered by the Fund and the Fund's **9% target rate** has shown that this target rate, coupled with the other key features of the Fund, are **appropriate**. The Commission therefore does not see a need to change the target rate, or other Fund features. Nevertheless, the target rate should be reviewed from time to time in order to assess if it continues to be commensurate with the risk profile borne by the Fund. Such a review will be undertaken at the time of the mid-term review of the external mandate. If such review concludes that changes in the functioning of the Fund are required, a new comprehensive report on the functioning of the Fund would be issued.