

Basic information	
<b>2008/0117(CNS)</b> CNS - Consultation procedure Regulation	Procedure completed
Guarantee Fund for external actions. Codification  Repealing Regulation (EC, Euratom) No 2728/94 1993/1004(CNS) Repealed by <a href="#">2018/0243(COD)</a> Amended by <a href="#">2016/0274(COD)</a>  <b>Subject</b>  6.30.04 Loans to third-countries, Guarantee Fund 8.40.07 European Investment Bank (EIB)	

Key players				
European Parliament	<b>Committee responsible</b>		<b>Rapporteur</b>	<b>Appointed</b>
	<div style="border: 1px solid red; display: inline-block; padding: 2px;">JURI</div> Legal Affairs		WALLIS Diana (ALDE)	25/06/2008
Council of the European Union	<b>Council configuration</b>		<b>Meetings</b>	<b>Date</b>
	Agriculture and Fisheries		2944	2009-05-25
European Commission	<b>Commission DG</b>		<b>Commissioner</b>	
	Economic and Financial Affairs		ALMUNIA Joaquín	

Key events			
Date	Event	Reference	Summary
17/06/2008	Legislative proposal published	COM(2008)0365 	Summary
10/07/2008	Committee referral announced in Parliament		
07/10/2008	Vote in committee		Summary
09/10/2008	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0387/2008</a>	
18/11/2008	Decision by Parliament	<a href="#">T6-0533/2008</a>	Summary
18/11/2008	Results of vote in Parliament		
25/05/2009	Act adopted by Council after consultation of Parliament		
25/05/2009	End of procedure in Parliament		
10/06/2009	Final act published in Official Journal		

Technical information	
Procedure reference	2008/0117(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Codification
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EC, Euratom) No 2728/94 1993/1004(CNS) Repealed by <a href="#">2018/0243(COD)</a> Amended by <a href="#">2016/0274(COD)</a>
Legal basis	Euratom Treaty A 203 EC Treaty (after Amsterdam) EC 308
Stage reached in procedure	Procedure completed
Committee dossier	JURI/6/64318

Documentation gateway				
<b>European Parliament</b>				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A6-0387/2008</a>	09/10/2008	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T6-0533/2008</a>	18/11/2008	<a href="#">Summary</a>
<b>European Commission</b>				
Document type		Reference	Date	Summary
Legislative proposal		<a href="#">COM(2008)0365</a>	17/06/2008	<a href="#">Summary</a>
Follow-up document		<a href="#">COM(2010)0353</a>	02/07/2010	<a href="#">Summary</a>
Follow-up document		<a href="#">SEC(2010)0805</a>	02/07/2010	
Follow-up document		<a href="#">COM(2010)0418</a>	03/08/2010	<a href="#">Summary</a>
Follow-up document		<a href="#">SEC(2010)0968</a>	03/08/2010	
Follow-up document		<a href="#">COM(2011)0476</a>	05/08/2011	<a href="#">Summary</a>
Follow-up document		<a href="#">SEC(2011)0990</a>	05/08/2011	
Follow-up document		<a href="#">COM(2012)0399</a>	18/07/2012	<a href="#">Summary</a>
		<a href="#">SWD(2012)0217</a>		

Follow-up document		18/07/2012	
Commission document (COM)	COM(2014)0463 	16/07/2014	<a href="#">Summary</a>
Commission working document (SWD)	SWD(2014)0241 	16/07/2014	
Follow-up document	COM(2015)0343 	16/07/2015	<a href="#">Summary</a>
Follow-up document	SWD(2015)0163 	20/08/2015	
Follow-up document	COM(2016)0439 	05/07/2016	<a href="#">Summary</a>
Follow-up document	SWD(2016)0220 	05/07/2016	
Follow-up document	COM(2019)0363 	05/08/2019	<a href="#">Summary</a>
Follow-up document	SWD(2019)0314 	07/08/2019	<a href="#">Summary</a>
Follow-up document	COM(2020)0327 	17/07/2020	
Follow-up document	SWD(2020)0136 	17/07/2020	
Follow-up document	COM(2021)0465 	20/08/2021	
Follow-up document	SWD(2021)0224 	23/08/2021	

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act
<a href="#">Regulation 2009/0480</a> <a href="#">OJ L 145 10.06.2009, p. 0010</a> <span style="float: right;"><a href="#">Summary</a></span>

## 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.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 03/08/2010 - Follow-up document

The Commission presents a comprehensive report on the functioning of the Guarantee Fund.

The Guarantee Fund for external actions was established by Council Regulation (EC, Euratom) No 2728/94 in order to shield the Union budget in the event of any default by the beneficiaries of loans granted or guaranteed by the EU. The Fund regulation was amended three times and is currently operating under Council Regulation (EC, Euratom) No 480/2009. Three reviews of the functioning of the Fund took place in 1998, 2003 and 2006. Further to the last review in 2006, a new provisioning mechanism was implemented which entered into force in 2007. An Inter-institutional agreement

between the Council and the Commission concluded that a full analysis of the new provisioning mechanism be provided. An evaluation of the Guarantee Fund was commissioned by the Commission in September 2009 with an external consulting company in order to assess the functioning of the new provisioning mechanism and the different parameters of the Guarantee Fund particularly the 9% provisioning target rate.

The **main findings** of the external evaluation are as follows:

- the Fund is an effective and efficient mechanism for provisioning for the risks associated with EU's external lending actions;
- the costs of operating the Fund are modest in relation to the budgetary protection and stability offered by the Fund;
- the current management methods for the Fund are working effectively and are fit for purpose;
- the 9% provision target rate is at an appropriate level and provides a comfortable buffer against loss. Even under an accelerated scenario (a type of default as yet not observed with EU lending), the quantitative assessment indicates that a one in twenty year loss could potentially be provided for;
- the provisioning mechanism takes into account sufficiently well the risk profile of the Fund. Given the unlikelihood of the Fund breaching either the 80 % or 70% triggers, the current mechanism does allow satisfactorily for the associated missed loan payment risks.

As regards the adequacy of budgetary resources foreseen for the Fund, the conclusions of the evaluation are that:

- the payments to the Fund that are due to losses are capped by the smoothing mechanism at EUR 100 million. The modelling results suggest that the smoothing mechanism and the EUR 100 million limit are appropriate;
- the payments to the Fund that arise from additional disbursements are projected to rise above the current annual budget allocation of EUR 200 million.

The **main recommendations** are as follows:

- the Fund should continue to cover the external lending operations of the EU;
- the target rate of the Fund should be maintained at 9%; although it should be reviewed from time to time;
- in the next financial framework, the budgetary resources foreseen for the Fund should better reflect the expected profile of provisioning needs. Accordingly, it would be prudent to increase the annual budget allocation to between EUR 250-300 million;
- further analysis should be carried out to determine whether the same quality of portfolio management services could be achieved by the Commission (as compared to EIB) at a lower cost (in relation to management fees paid to EIB).

In the light of the evaluation, **the report concludes that the Guarantee Fund in its present setting functions well** and that there is at present no need to change the legal base of the Fund or any of the Fund's parameters:

- the new provisioning mechanism has delivered the promised improvement in the budgetary process with a provisioning based on the observed net-disbursements. This has resulted in an improved budgetary process for provisioning the Fund;
- a thorough quantitative analysis of the risk covered by the Fund and the Fund's 9% target rate has shown that this target rate and the other main parameters of the Fund are appropriate. The Commission therefore does not see a need to change the target rate or other Fund parameters. Nevertheless these parameters should be reviewed from time to time in order to consider if they continue to take sufficiently into account the risk profile borne by the Fund. Such a review will be presented in the context of the next comprehensive report on the functioning of the Fund due in 2013;
- under the present financial framework, the total budgetary resources foreseen for the Fund are appropriate however improvements exist regarding the profile of the provisioning needs of the Fund. These should be implemented in the planning of the post 2013.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 02/07/2010 - Follow-up document

The Commission presents its annual report on the Guarantee Fund and its management in 2009. Council Regulation No 480/2009 (codified version) established a Guarantee Fund for external actions in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the EU. The Commission entrusted the financial management of the Fund to the European Investment Bank (EIB) under an Agreement signed between the Community and the EIB on 23 November 1994 in Brussels and on 25 November 1994 in Luxembourg ('the Agreement').

**Position of the Fund at 31 December 2009:** the Fund totalled EUR 1 240 497 760.63 The Fund's net assets (i.e. the Fund's net cash resources) at 31 December 2009 totalled EUR 1 333 590 221.03. This is the sum of the accounting value of the Fund, i.e. EUR 1 240 497 760.63, minus accrued EIB and audit fees of EUR 717 539.60, of which EUR 687 539.60 were management fees (2009 EIB remuneration) and the transfer from the budget of EUR 93 810 000.00, as established in 2009 for the 2010 budget.

Outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 16 360 727 665.19 at 31 December 2009, of which EUR 121 760 043.39 was accrued interest. The ratio between the Fund's net assets of EUR 1 333 590 221.03 and the outstanding capital liabilities referred to in the Regulation was 8.15%. Since this is lower than the target amount set by the Regulation of 9% of the total guaranteed outstanding amount (rounded to EUR 1 472 470 000.00), a transfer has to be made from the general budget of the EU to the Fund, as provided for in the Regulation. The amount to be included in 2010 as provisioning in the preliminary draft budget for 2011 is EUR 138 880 000.00.

**Presentation of the accounts:** since the Commission decided to present its accounts in accordance with new accounting rules based on IPSAS/IFRS principles, the pre-consolidated financial statements for the Fund have also been drawn up in accordance with these principles.

**Pre-consolidated financial statement for the Guarantee Fund at 31 December 2009:** the total amount indicated in the pre-consolidated balance sheet is EUR 1 091 447 384.92. This includes the total amount of the Fund plus any arrears covered by the Fund, the interest accrued on late payments and

other accounting accruals and thus produces a full set of financial statements for the Fund at the end of the year to be consolidated in the EU consolidated balance sheet.

**Payments to or from the Fund:** in line with the amended Regulation, a new rule applies to provisioning of the Fund. The target amount is 9% of the loans and guaranteed loans outstanding, including all types of operations covered (EIB, MFA and Euratom loans) outside the EU. The difference between the target amount and the value of the Fund's net assets will result in provisioning from budget line 01040114 'Provisioning of the Guarantee Fund' to the Fund or in payment from the Fund to the budget in the event of a surplus.

Under the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>6</sup>, the amount available for financing the Fund is provided from budget line 01040114 'Provisioning of the Guarantee Fund' under Heading 4 (External Relations) and not 'off budget' as was the case before 2007.

**Payments to or from the general budget in the course of the financial year:** on the basis of outstanding guaranteed operations of EUR 16 360.73 million as at 31.12.2008, an amount of EUR 93.81 million, corresponding to the 2008 provisioning, was inserted in budget line 'Provisioning of the Guarantee Fund' for 2009 in the statement of expenditure in the general budget of the EU for 2010.

**Interest from investment of the Fund's liquid assets:** the report recalls that 20% of the Fund must be invested in short-term investments (up to one year). In 2009 the portfolio yielded a total return of 4.56%, against 6.42% in 2008. The accounting results were strongly affected by the very low levels of absolute interest rates, which reduced the level of financial income. Market conditions in 2009 slowly improved compared with 2008, helped by the combination of the various rescue packages, government intervention and central bank measures which kept interest rates low and liquidity abundant. The portfolio outperformed the benchmark by 77.80 basis points. The Fund's performance accelerated during the second half up to December. This significant increase was mainly due to higher asset prices resulting from a tightening of credit spreads, generating a positive impact on the return on the securities portfolio.

The list of banks authorised to receive deposits is agreed by the Commission and the EIB. The original list has been regularly revised in the light of the latest changes in bank ratings.

In 2009, interest income on cash and cash equivalents, on the Fund's current accounts and on

securities totalled EUR 41 753 692.10, broken down as follows:

-from deposits and current accounts: EUR 3 496 637.06; this reflects the situation at 31 December 2009, including interest received on bank deposits of EUR 4 206 817.81 and changes in accrued interest of -EUR 740 074.75 in 2009. Current accounts raised EUR 29 894.00 from interest.

-from securities: EUR 38 180 007.32; this includes EUR 36 922 145.60 of interest on securities and changes in accrued interest of +EUR 1 416 618.39 at 31 December 2009.

**Recovery from defaulting debtors:** the Fund has no amount to be recovered.

**Default payments:** the Fund was not called on for default payments in 2009.

**EIB remuneration:** the Bank's remuneration for 2009 was set at EUR 687 539.60 and was entered in the profit-and-loss account and as accruals (liabilities) on the balance sheet.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 18/11/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 632 votes to 21 with 14 abstentions, a legislative resolution, following the consultation procedure, and approved the proposal for a Council regulation establishing a Guarantee Fund for external relations (codified version). The report had been tabled for consideration in plenary by Diana WALLIS (ADLE, UK) on behalf of the Legal Affairs Committee.

The Commission proposal is approved as adapted to the recommendations of the Consultative Working Party of the legal services of the European Parliament, the Council and the Commission.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 17/06/2008 - Legislative proposal

**PURPOSE:** to codify Council Regulation (EC, Euratom) No 2728/94 establishing a Guarantee Fund for external actions.

**PROPOSED ACT:** Council Regulation.

**CONTENT:** the purpose of this proposal is to undertake a codification of Council Regulation (EC, Euratom) No 2728/94 establishing a Guarantee Fund for external actions. The new Regulation will supersede the various acts incorporated in it. This proposal fully preserves the content of the acts being codified and hence does no more than bringing them together with only such formal amendments as are required by the codification exercise itself.

The codification proposal was drawn up on the basis of a preliminary consolidation, in all official languages, of Regulation (EC, Euratom) No 2728/94 and the instruments amending it, carried out by the Office for Official Publications of the European Communities, by means of a data-processing

system. Where the Articles have been given new numbers, the correlation between the old and the new numbers is shown in a table contained in Annex II to the codified Regulation.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 05/08/2011 - 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') in and its management for 2010.

**Position of the Fund at 31 December 2010:** the position of the Fund is presented in accordance with International Financial Reporting Standards (IFRS) at the close of the 2010 financial year. The Fund totalled EUR 1 347 330 925.77.

The Fund's net assets (i.e. the Fund's net cash resources) at 31 December 2010 totalled **EUR 1 485 463 867.59**. This is the sum of the accounting value of the Fund, i.e. EUR 1 347 330 925.77, minus accrued EIB and audit fees of EUR 747 058.18, of which EUR 715 037.50 were management fees (2010 EIB remuneration) and the transfer from the budget of EUR 138.88 million, as established in 2010 for the 2011 budget.

Article 3 of the Regulation sets a target amount for the Fund of 9% of the total outstanding capital liabilities arising from each operation, plus any unpaid interest due.

Outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 19 395 882 340.31 at 31 December 2010, of which EUR 137 336 644.89 was accrued interest. The ratio between the Fund's net assets of EUR 1 485 463 867.59 and the outstanding capital liabilities referred to in the Regulation was 7.7%. Since this is lower than the target amount of 9% of the total guaranteed outstanding amount, a transfer has to be made from the general budget of the EU to the Fund, as provided for in Article 5 of the Regulation. The amount included in 2011 as provisioning in the draft budget for 2012 is EUR 260 170 000.00.

**Pre-consolidated financial statement for the Fund at 31 December 2010:** the total amount indicated in the pre-consolidated balance sheet is EUR 1 347 330 925.77.

### Payments to or from the general budget in the course of the financial year

**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, corresponding to the 2009 provisioning, was paid in one transaction from the budget to the Fund on 28 February 2011.

Investment: performance was achieved against the background of the financial crisis and a very low interest rate environment. Overall, market conditions in 2010 slightly improved compared to 2009, mainly due to the setting up of a rescue mechanism for euro area countries in difficulties and accompanying measures from the ECB which kept interest rates low and liquidity abundant. The portfolio underperformed its benchmark by 13.26 basis points. While the Fund's performance totalled 1.40 % during the first half of 2010, during the second half the performance deteriorated as the problems in Greece negatively impacted the Fund's holdings in bonds of other euro area Member States, mainly Ireland, Portugal, Spain, Italy and Belgium. The spread widening of these countries against the AAA euro area Member States contributed strongly to the observed performance of the Fund.

**Interest income in 2010:** interest income on cash and cash equivalents, on the Fund's current accounts and on securities totalled EUR 43 367 717.93, broken down as follows:

- **from deposits and current accounts:** EUR 1 359 361.52; this reflects the situation at 31 December 2010, including interest received on bank deposits of EUR 1 253 213.48 and changes in accrued interest of +EUR 91 363.69 in 2010. Current accounts raised EUR 14 784.35 from interest;
- **from securities:** EUR 40 351 233.09; this includes EUR 39 633 686.93 of interest on securities and changes in accrued interest of +EUR 1 396 474.35 at 31 December 2010. The interest on securities is generated by investments placed in the form of securities in accordance with the investment principles laid down in the Agreement giving the EIB the mandate to manage the Fund's liquid assets. Of this amount, an adjustment of -EUR 678 928.19 must be made from the securities entered in the course of the year as the difference between the entry price and the redemption value divided pro rata temporis over the remaining life of the securities held (corresponding to the spread of the premium or discount entered in the profit-and-loss account).

**Recovery from defaulting debtors:** the Fund has no amount to be recovered.

**Liabilities:** the Fund's liabilities correspond to all the financial commitments due by the Fund.

**Default payments:** the Fund was not called on for default payments in 2010.

**EIB remuneration:** the Bank's remuneration for 2010 was set at EUR 715 037.50 and was entered in the profit and-loss account and as accruals (liabilities) on the balance sheet.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 25/05/2009 - Final act

PURPOSE: to codify Council Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions.

LEGISLATIVE ACT: Council Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions (Codified version).

CONTENT: the purpose of this Regulation is to undertake a codification of Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external actions. The new Regulation will supersede the various acts incorporated in it. It fully preserves the content of the acts being codified and hence does no more than bringing them together with only such formal amendments as are required by the codification exercise itself.

ENTRY INTO FORCE: 30/06/2009.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 07/08/2019 - Follow-up document

This Commission staff working document accompanies the report on the Guarantee Fund for external action and its management in 2018.

Article 8 of Council Regulation (EC, Euratom) No 480/2009 requires the Commission to send a report to the European Parliament, the Council and the Court of Auditors on the situation of the Fund and the management of the Fund at the end of the previous calendar year thereof for each financial year by 31 May of the following year.

That report together with this Commission staff working document provides this information. This staff document also includes the financial statements audited by an external auditor.

### ***Development of the Fund in 2018***

As at 31 December 2018 total assets (excluding accrued interest) of the Guarantee Fund amounted to EUR 2 596.7 million against EUR 2 546.6 million as at 31 December 2017, an increase of EUR 50.1 million.

### ***Contributions paid in as at 31 December 2018***

The net contributions paid into the Fund by the European Union budget increased by EUR 82.2 million or 5.8% from EUR 1 413.0 million at 31 December 2017 to EUR 1,495.2 million at 31 December 2018.

### ***Contributions payable and receivable as at 31 December 2018***

As at 31 December 2018 the Fund has recorded EUR 103.2 million (2017: EUR 137.8 million) as contributions to be paid in by the European Union.

The Fund's holdings at 31 December 2018 excluding accrued interest and contributions receivable totalled EUR 2 493.5 million as detailed below:

- EUR 14.0 million in the monetary portfolio (nominal value of interbank term deposits);
- EUR 27.6 million in the current accounts;
- EUR 2 451.9 million in the Available For Sale (AFS) (portfolio market value of fixed rate bonds, floating rate bonds, zero-coupon bonds and commercial papers, excluding accrued interest).

### ***Market development in 2018***

The year was characterised by volatile yield movements on European fixed income markets with rates moving higher in Q1 due to ECB QE taper expectations. Rates then moved to annual lows at the end of the year due to softening economic growth. Credit spreads edged higher during the year and the move accelerated in December on falling equity markets and expectation of tighter monetary policies.

Throughout the year, financial markets were affected by risk factors such as: the imposition of trade tariffs by president Trump slowed economic growth, and inflation remained below the central bank targets due to low commodity prices and globalisation factors and the uncertain outlook of Brexit negotiations weighed on UK financials and corporates.

## Guarantee Fund for external actions. Codification

2008/0117(CNS) - 05/08/2019 - Follow-up document

In accordance with the requirements of Council Regulation (EC, Euratom) No 480/2009, the Commission submits to Council and Parliament a report on the situation of the Guarantee Fund and its management for 2018.

The Fund was established in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the European Union.

The Commission entrusted the financial management of the Fund to the European Investment Bank (EIB).

### ***Financial position of the Fund at 31 December 2018***

The Guarantee Fund totalled EUR 2 609 881 747.51 as of 31 December 2018. The total balance sheet value of the Fund increased by about EUR 49.1 million in 2018.

This is mainly explained by the following:

**Increases:** (i) the contribution from the EU budget (provisioning amount) of EUR 103.2 million to adjust the Fund to its target amount of 9% of the total outstanding liabilities; (ii) the economic result on financial operations amounted to EUR 12.0 million.

**Decreases:** (i) interventions of the Fund to cover defaulted payments for a total amount of EUR 55.7 million; (ii) the portfolio valuation decreased by EUR 10.5 million due to the mark-to-market adjustment of its value.

#### **Significant transactions in 2018**

- **Syria:** the EIB continued facing arrears on Syrian sovereign loans. As a consequence, and in line with the Guarantee Agreements between the EU and the EIB, the EIB has made 9 additional calls on the EU Guarantee Fund up to 31 December 2018 for a total amount of EUR 55.73 million.

- **Tunisia:** the EIB recovered EUR 136 092.88 from the loan to Enfidha Airport (Tunisia) which were credited to the Guarantee Fund bank account with the value date 15 January 2018.

#### **Provisioning of the Fund**

In February 2018 an amount of EUR 137.8 million was transferred from the budget to the Fund corresponding to the provisioning amount for 2018. The calculation of the contribution from the EU budget to the Fund for 2019 was also calculated in February 2018 resulting in EUR 103.2 million to be transferred in February 2019.

#### **Interest from the investment of the Fund's liquid assets**

- **Investment policy:** sufficient assets shall be placed in monetary assets to cover the short term (less than one year) outflows, at a proportion to be set out in the annual investment strategy. The remaining assets may be allocated to medium and long term instruments, with a maximum maturity of 10 years and 6 months from the payment date (medium and long-term portfolio).

- **Performance:** 2018 was characterised by volatile yield movements on European fixed income markets with rates moving higher in Q1 due to expectations relating to the end of the ECB's quantitative easing policy (QE). Rates then moved to annual lows at the end of the year due to softening economic growth. Credit spreads edged higher during the year and the move accelerated in December on falling equity markets and expectation of tighter monetary policies. Throughout the year, financial markets were affected by the following risk factors:

- the imposition of trade tariffs by president Trump slowed economic growth, and inflation remained below the central bank targets due to low commodity prices and globalisation factors;
- the uncertain outlook of Brexit negotiations weighed on UK financials and corporates;
- the ramifications of the March Italian elections were felt in May, as Italian spreads widened out to more than 250 basis points vs Germany;
- monetary policy of major global central banks became tighter in 2018;
- economic growth is expected to slow down from 2.9% in 2018 to 2.5% in 2019 for US, and from 1.9% to 1.4% for the Euro area.

The performance of the Fund portfolio was monitored on a marked-to-market (MTM) basis (fair value). During 2018, the portfolio delivered a 0.1005% MTM yearly return, outperforming its benchmark by +13.5 basis points.

## **Guarantee Fund for external actions. Codification**

2008/0117(CNS) - 05/07/2016 - Follow-up document

In accordance with Council Regulation (EC, Euratom) No 480/2009, the Commission is required to send a report to the European Parliament, the Council and the Court of Auditors on the situation of the guarantee fund for external action and its management in 2015. The Fund was set up in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the European Union. The financial management of the Fund is entrusted to the European Investment Bank (EIB).

**Financial position of the Fund at 31 December 2015:** the Fund totalled **EUR 2 343 091 110.14** which corresponds to the sum of all the financial flows since the setting up of the Fund in 1994.

The accounting value of the Fund increased by about **EUR 205 million in 2015**. This is explained by:

#### **Increasing:**

- the contribution from the budget (provisioning amount) of EUR 257 million to adjust the Fund to the 9 % target amount;
- the net revenues on financial operations amounted to EUR 32 million.

#### **Decreasing:**

- intervention of the Fund to cover defaulted payments by Syria for a total amount of EUR 60 million.
- the portfolio valuation decrease by EUR 24 million due to the mark to market adjustment of its value.

**Significant transactions:** the report noted that since November 2011, the EIB is facing **arrears on Syrian sovereign loans**. As a consequence, and in line with the guarantee agreement between the EU and the EIB, the EIB has made 29 calls on the EU Guarantee Fund up to 31 December 2015 for a total amount of EUR 225.1 million.

The Regulation sets a target amount for the Fund of 9 % of the total outstanding capital liabilities arising from each operation, plus any unpaid interest due.

To adjust the Fund to the 9 % of the total outstanding capital liabilities, **an amount of EUR 257.1 million was entered in the 2016 budget** for the provisioning of the Fund.

At 31.12.2014, the target amount was EUR 2 371.8 million corresponding to the 9 % of the total outstanding guaranteed operations (EUR 26 353.2 million). The difference between the target amount and the net assets of the Fund of EUR 2 114.7 million at 31.12.2014 was equal to EUR 257.1 million.

This amount was requested for the provisioning of the Fund in 2016 and was **approved by the Council and the European Parliament** as part of the approval of the 2016 budget in November 2015. It was subsequently recognised as a receivable of the Fund from the budget.

In February 2015, an amount of **EUR 144.4 million** was transferred from the budget to the Fund corresponding to the provisioning amount for 2015.

#### **Interest from the investment of the Fund's liquid assets:**

- **Investment policy:** 20 % of the Fund must be invested in short-term investments (up to one year). These investments include variable-rate securities, irrespective of their maturity dates, and fixed-rate securities with a maximum of one year remaining to maturity, irrespective of their initial maturity period. To maintain a balance between the various instruments providing the required liquidity, a minimum of EUR 100 million is kept in money market instruments, particularly bank deposits. Up to 80% of the Fund can be placed in a portfolio of bonds with a remaining maturity of no more than 10 years and 6 months from the date of payment. In order to ensure a good risk diversification, the total amount invested in the bonds per single issuer must not exceed 10% of the total nominal amount of the portfolio.
- **Performance:** during the year 2015, the macro economic conditions and the very accommodative monetary policy environment has resulted in decreasing, and often negative, interest rates. The Fund delivered an absolute return of +0.47% during 2015, over performing its benchmark by 0.9 basis points.
- **Financial operations revenues:** in 2015, interest income on cash and cash equivalents, on securities and accrued income on subrogated loans totalled EUR 40 109 123.

**Products and operating activities:** the result from operating activities amounted to EUR -1 113 894, which include the EIB management fees for EUR 861 228, other operating expenses (mainly custody fees) for EUR 190 955, the external audit fees for EUR 39 500, unrealised exchange gain on subrogated Loans for EUR 477 789 and accrued EIB recovery fees for EUR 500 000 (maximum agreed amount).

**Default payments:** in the wake of the deteriorating **situation in Syria**, the Foreign Affairs Council, the European Parliament and the Council had taken some decisions in 2011 towards the country. In particular, they prohibited disbursements by the EIB in connection with existing loan agreements as well as they suspended EIB technical assistance contracts for sovereign projects in Syria.

As a consequence, no new financing operation has been pursued by the EIB since May 2011 and all on-going disbursements and technical assistance services to the Syrian Arab Republic have been suspended since November 2011 until further notice.

During the first two months of 2016, an additional call for defaulting payments in Syria has been made for a total amount of EUR 7.8 million.

## **Guarantee Fund for external actions. Codification**

2008/0117(CNS) - 16/07/2015 - Follow-up document

In accordance with the requirements of Council Regulation (EC, Euratom) No 480/2009, the Commission submits to Council and Parliament a report on the **situation of the Guarantee Fund and its management for 2014**. The Fund was established in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the European Union. The Commission entrusted the financial management of the Fund to the European Investment Bank (EIB).

**Financial position of the Fund at 31 December 2014:** the financial position of the Fund is the sum of all the financial flows since the setting up of the Fund in 1994. The Fund totalled **EUR 2 137 753 047.57**.

The accounting value of the Fund **increased by about EUR 133 million in 2014**. This is explained by the following factors:

#### **Increasing:**

- the contribution from the budget (provisioning amount) of EUR 144.4 million to adjust the Fund to the 9% target amount;
- the net revenues on financial operations amounted to EUR 30 million
- the portfolio valuation increase by EUR 19 million due to the mark to market adjustment of its value.

#### **Decreasing:**

- intervention of the Fund to cover defaulted payments by Syria for a total amount of EUR 60 million thereof 22 million are still to be paid as at 31 December 2014 (other accounts payable).

**Significant transactions:** the report notes that since November 2011, the EIB is facing **arrears on Syrian sovereign loans**. As a consequence, and in line with the guarantee agreement between the EU and the EIB, the EIB has made 21 calls on the EU Guarantee Fund up to 31 December 2014 for a total amount of EUR 165 million.

The Regulation sets a target amount for the Fund of 9 % of the total outstanding capital liabilities arising from each operation, plus any unpaid interest due. To adjust the Fund to the 9% of the total outstanding capital liabilities, **an amount of EUR 144.4 million was entered in the 2015 budget for the provisioning of the Fund**.

At 31.12.2013, the target amount was EUR 2 124.8 million corresponding to the 9% of the total outstanding guaranteed operations (EUR 23 609 million). The difference between the target amount and the net assets of the Fund of EUR 1 980.4 million at 31.12.2013 was equal to EUR 144.4 million.

This amount was requested for the provisioning of the Fund in 2015 and was **approved by the Council and the European Parliament as part of the approval of the 2015 budget in November 2014**. It was subsequently recognised as a receivable of the Fund from the budget.

In February 2014 an amount of **EUR 58.43 million** was transferred from the budget to the Fund corresponding to the provisioning amount for 2014

#### **Interest from the investment of the Fund's liquid assets**

**-Investment policy:** 20 % of the Fund must be invested in short-term investments (up to one year). These investments include variable-rate securities, irrespective of their maturity dates, and fixed-rate securities with a maximum of one year remaining to maturity, irrespective of their initial maturity period. To maintain a balance between the various instruments providing the required liquidity, a minimum of EUR 100 million is kept in money market instruments, particularly bank deposits.

The list of banks authorised to receive deposits, proposed by the EIB, is regularly revised in the light of the changes in bank ratings. All banks have a Moody's rating of at least P1 for short-term investments or an equivalent Standard & Poor's or Fitch rating.

**- Performance:** the Fund delivered an absolute return of **+2.55%** during 2014, overperforming its benchmark by an excess return of 0.19%.

**- Interest:** in 2014, interest income on cash and cash equivalents, on securities and accrued income on subrogated loans totalled **EUR 35 209 330**.

**Revenues and expenses from operating activities:** the result from operating activities amounted to EUR -1 253 614, which include the EIB management fees for EUR 844 873, other operating expenses for EUR 170 678, the external audit fees for EUR 39 500, unrealised exchange gain on subrogated Loans for EUR 263 355 and accrued EIB recovery fees for EUR 461 918.

## **Guarantee Fund for external actions. Codification**

2008/0117(CNS) - 16/07/2014 - Follow-up document

In accordance with Council Regulation (EC, Euratom) No 480/2009, the Commission sent a report to the European Parliament, the Council and the Court of Auditors on the situation of the Fund and the management thereof for each financial year by 31 May of the following year. The Fund was set up in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the European Union.

**Financial position of the Fund at 31 December 2013:** the financial position of the Fund is the sum of all the financial flows since the setting up of the Fund in 1994. The Fund totalled **EUR 2 004 356 642.91**.

The accounting value of the Fund decreased by about EUR 18 million in 2013. This is explained by:

#### **Increasing:**

- the contribution from the budget (provisioning amount) of EUR 58 million to adjust the Fund to the 9% target amount;
- the net revenues on financial operations amounted to EUR 32 million;
- a change of EUR 4 million consisting mainly of the payable for the guarantee calls to the Fund (payment occurred early 2014).

#### **Decreasing:**

- intervention of the Fund to cover defaulted payments by Syria for a total amount of EUR 65 millions thereof 22 million are still to be paid as at 31 December 2013 (other accounts payable);
- repayment to the budget of EUR 30 millions due to the accession of a new Member State (Croatia);
- the portfolio valuation decrease by EUR 17 million due to the mark to market adjustment of its value.

**Significant transactions:** the report notes that since November 2011, the EIB is facing **arrears on Syrian sovereign loans**. As a consequence, and in line with the guarantee agreement between the EU and the EIB, the EIB has made 4 calls on the EU Guarantee Fund in 2012 for a total amount of EUR 42 million (from which EUR 2.15 million have been recovered) and 9 calls in 2013 for an amount of EUR 64.83 million (refer to the paragraph on default payments).

To adjust the Fund to the 9% of the total outstanding capital liabilities, **an amount of EUR 58.43 million was entered in the 2014 budget for the provisioning of the Fund**. At 31 December 2012, the target amount was EUR 2,078.92 million corresponding to the 9% of the total outstanding guaranteed operations (EUR 23,099.15 million). The difference between the target amount and the net assets of the Fund of EUR 2,020.49 million at 31.12.2012 was equal to EUR 58.43 million.

This amount was requested for the provisioning of the Fund in 2014 and was approved by the Council and the European Parliament as part of the approval of the 2014 budget in November 2013. It was subsequently recognised as a receivable of the Fund from the budget.

On 20 February 2013 an amount of EUR 155.66 million was transferred from the budget to the Fund corresponding to the provisioning amount for 2013.