

Guarantee Fund for external actions

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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.