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 management6, 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 profitand- loss account and as accruals (liabilities) on the balance sheet.