Financial rules applicable to the general budget of the Union. Financial Regulation

2010/0395(COD) - 23/10/2019 - Follow-up document

The Commission presents its report on guarantees covered by the general budget - situation at 31 December 2018.

The main objective of this report is to monitor the credit risks borne by the EU budget resulting from the guarantees given for lending operations implemented directly by the European Union or indirectly through the guarantee granted for EIB financing projects outside the Union.

Operations guaranteed by the EU budget and crisis mechanisms of the Euro-Area not covered by the EU budget

The risks covered by the EU budget derive from a variety of lending and guarantee operations which can be divided into four categories:

Loans granted by the European Union with macroeconomic objectives

Such loans comprise (a) Macro-Financial Assistance (MFA) loans to third countries, (b) Balance-of-Payments (BOP) loans granting support to non-euro Member States experiencing balance-of-payments difficulties and (c) loans under the European Financial Stabilisation Mechanism (EFSM) granting support to all Member States experiencing or seriously threatened with a severe economic financial disturbance caused by exceptional occurrences beyond their control. They are activated in conjunction with financial support by the International Monetary Fund (IMF).

Loans with microeconomic objectives

This heading refers to Euratom loans. The Euratom loan facility may be used: (i) in Member States: investments in nuclear power stations and in industrial installations in the nuclear fuel cycle 8 and; (ii) in certain non-member countries: investments to improve the safety and efficiency of nuclear power stations that exist or are under construction, as well as decommissioning projects.

European Investment Bank (EIB) financing of operations in non-Member States (EIB external financing) covered by EU guarantees

Under the External Lending Mandate (ELM), the EU provides a guarantee from the EU budget to enable the EIB to increase its lending outside the EU in support of EU policies. The ELM supports EIB activity in the pre-accession countries, the Eastern and Southern Neighbourhood, Asia, Latin America and South Africa.

Under the EIB ELM mandate covering the period 2014-2020, a total amount of EUR 17.64 billion had been signed at 31 December 2018, of which only EUR 5.77 billion was disbursed at that date, leaving the outstanding capital at EUR 5.41 billion. Defaults on interest payments and loan repayments from the Syrian Government continued in 2018. The EIB has called on the Guarantee Fund to cover those defaults.

On 14 March 2018, the European Parliament and the Council adopted the Decision (EU) 2018/412 amending Decision No 466/2014/EU in the context of the mid-term review of the ELM notably increasing the maximum ceiling for the current ELM from EUR 27 billion to EUR 32.3 billion. This review adds a new objective of the long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing root causes of migration.

Guarantee Fund for External Actions

The guaranteed EIB external financing, MFA and Euratom loans to third countries have since 1994 been covered by the Guarantee Fund for External Actions, while BOP, EFSM and Euratom loans to Member States are directly covered by the EU budget.

In accordance with the Regulation establishing the Guarantee Fund for External Actions ("the Guarantee Fund Regulation"), the appropriate level (target amount) is set at 9% of the total outstanding capital liabilities arising from each operation, plus accrued interest. A provisioning mechanism is in place to ensure the target amount is met.

On the basis of the provisioning mechanism, the EU budget paid EUR 137.8 million to the Fund in February 2018, while in February 2019 the respective payment amounted to EUR 103.2 million.

European Investment Bank (EIB) and European Investment Fund (EIF) financing of operations in Member States covered by EU guarantees - The European Fund for Strategic Investments (EFSI)

The European Fund for Strategic Investments (EFSI) is the core of the investment plan for Europe, aimed at boosting long-term economic growth and competitiveness in the European Union. The EU Guarantee covers financing and investment operations signed by the EIB under the main part of the Infrastructure and Innovation Window (IIW), and by the EIF under the SME Window (SMEW) and the SME / MidCap fund investment sub-window of IIW.

As of 31 December 2018, total cumulated signatures under EFSI amounted to EUR 53.6 billion covering 28 Member States, of which EUR 39.1 billion were signed under the Innovation Window (IIW) (407 operations) and EUR 14.5 billion were signed under the SME window (SMEW) (470 operations). Overall, this represents a significant increase compared to 2017, at the end of which total signatures amounted to EUR 37.4 billion.

As of 31 December 2018, the overall outstanding disbursed exposure covered by the EU Guarantee amounted to nearly EUR 15.8 billion, up from EUR 10.1 billion in 2017.

The European Fund for Sustainable Development (EFSD)

The European Commission proposed on 14 September 2016 an External Investment Plan (EIP) to encourage investment in the EU’s partner countries in Africa and the EU Neighbourhood region, to strengthen partnerships and contribute to achieving Sustainable Development Goals, helping to address some root causes of migration.

Part of the External Investment Plan (EIP) is the new European Fund for Sustainable Development (EFSD) as an integrated financing mechanism to support investments by public financial institutions and the private sector.

The guarantee is designed to mobilise private investment worth EUR 1.54 billion. This amount has been allocated to 28 proposed investment programmes, expected to leverage up to EUR 17.5 billion of sustainable investment in partner countries (much of it from private sources).