

# Guarantee Fund for external actions: target amount

1998/0117(CNS) - 18/03/1998 - Legislative proposal

**OBJECTIVE:** In the context of Agenda 2000 (COS0590) and the new Financial Perspective for 2000-2006 (COS695), to amend the target amount of the Guarantee Fund and the rate at which Member States are to contribute to it (the 'provisioning rate'). **SUBSTANCE:** The Guarantee Fund instituted by Regulation (EC, Euratom) No 2728/94 has two objectives: to provide the Community with an instrument to protect it against budgetary impacts arising from activation of the Community guarantee, and to create an instrument of budgetary discipline with regard to the Community's policy on lending to third countries. In the light of experience gained since 1994, amendments are needed to enable the Fund to operate normally without maintaining a reserve disproportionate to its needs. This is the aim of the present proposal, whose purpose is to: 1) reduce from 10% to 8% the target amount of the Guarantee Fund, giving the Fund access to resources which are adequate but not too much to be financially viable and to cover any defaults on loans guaranteed by the Community budget; 2) set the Fund's provisioning rate at 6% rather than the current 14% in order not to make excessive demands on Member States for funds for the guarantee reserve (corrective measures are provided for if the target amount is not attained following the reduction of the provisioning rate). The reduction in the provisioning rate should be accompanied by a proportional reduction in the reserve to a level of euro 150 m per annum over the period of the next Financial Perspective (with the possibility of establishing a limited reserve of euro 150 m as of 1999). This reserve ceiling should make it possible to guarantee euro 2500 m in loans in 2000-2006. Other amendments are also provided for with regard to management; the Commission is to undertake the financial management of the Fund. The Court of Auditors will monitor its management. The proposal provides for an overall report to be drawn up concerning the Fund's operation before 31.12.2006.