Guarantee Fund for external actions: asset management

2016/0274(COD) - 14/09/2016 - Legislative proposal

PURPOSE: to create the necessary preconditions in order for the Guarantee Fund for external action to receive the risk premiums originating from EIB financing operations under the private sector mandate dedicated to projects in support of refugees and/or host communities.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with Council.

BACKGROUND: the proposal forms part of the ambitious external investment plan ("EIP") announced in the Commission communication of 7 June 2016 on establishing a new partnership framework with third countries under the European agenda on migration. On 28 June 2016, the European Council endorsed the EIP initiative, which aims to address root causes of migration, while contributing to the achievement of sustainable development goals. Together with a separate legislative proposal to amend Decision No 466/2014/EU of the European Parliament and of the Council on granting an EU guarantee to the European Investment Bank ("EIB") against losses under financing operations supporting investment projects outside the Union, the proposal will enable the EIB to contribute to the EIP by expanding both quantitatively and qualitatively the EIBs external lending mandate.

CONTENT: the proposal seeks to amend Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions. It contains ancillary provisions necessary for the functioning of the EIP, in particular the new private sector lending mandate to the EIB.

Endowment of the Fund: currently, the Guarantee Fund is endowed by the following: (1) one annual payment from the general budget of the Union, (2) interest on Guarantee Fund resources invested, and (3) amounts recovered from defaulting debtors. It is proposed that the risk premium revenues generated under the new private sector lending mandate of the EIB should represent a fourth source of income for the Guarantee Fund.

In order to better protect the budget against potential additional risk of default of the EIB financing operations related to migration crisis, the amount of the Guarantee Fund in surplus exceeding 10% of the outstanding of loans will be paid back to the EU budget.

Management of the Fund: until now, the assets of the Guarantee Fund have been managed by the EIB. In view of the facts that the Commission has strong experience managing similar financial operations, and is already entrusted with the management of the Guarantee Fund for the EFSI, it is proposed that the management of the assets of the Guarantee Fund be transferred to the Commission.

Reports: the Commission will, by 31 March of each year, in the context of the financial statements of the Commission, submit to the European Parliament, to the Council and to the Court of Auditors the required information on the situation of the Guarantee Fund.

BUDGETARY IMPLICATIONS: under the new private sector lending mandate set up by a separate legislative act, the Union will be entitled to the risk premium revenues generated under EIB financing operations. The risk premium revenues will remunerate the higher risk and contribute over the lifetime of the instrument to the funding of the additional provisioning needs for the Guarantee Fund.

The proposal is not expected to have any net budgetary implication because the risk premiums constitute inflows to the Guarantee Fund. They will be charged to the EIB in return for risks borne by the Union budget.