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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL AND THE EUROPEAN COURT OF AUDITORS**

**ON THE MANAGEMENT OF THE GUARANTEE FUND OF THE EUROPEAN
FUND FOR STRATEGIC INVESTMENTS IN 2015**

Table of Contents

1. INTRODUCTION	3
2. OPERATIONAL CONTEXT	3
3. FINANCIAL ACCOUNTS	4
4. MANAGEMENT OF THE EFSIGF IN 2015	4
5. ASSESSMENT OF THE ADEQUACY OF THE TARGET AMOUNT AND THE LEVEL OF THE EFSIGF	5

1. INTRODUCTION

The legal basis for this report is Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments¹ (the "EFSI Regulation"). The agreement on the management of the EFSI and on the granting of the EU guarantee (the "EFSI Agreement") was signed by the European Commission and the European Investment Bank (the "EIB") on 22 July 2015.

Article 16(6) of the EFSI Regulation provides that the Commission shall, by 31 May of each year, submit to the European Parliament, to the Council and to the European Court of Auditors an annual report on the management of the EFSI Guarantee Fund (the "EFSIGF") in the previous calendar year, including an assessment of the adequacy of the target amount and the level of the EFSIGF and of the need for its replenishment. This annual report shall contain the presentation of the financial position of the EFSIGF at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance and the risk of the EFSIGF at the end of the previous calendar year.

The EFSI Regulation also provides, in Article 16(2), that the EIB, in cooperation with the European Investment Fund (the "EIF") where appropriate, shall submit a separate annual report to the European Parliament and to the Council on EIB financing and investment operations covered by the Regulation ("EFSI operations"), which shall be made public. To date, the EIB has not yet adopted the annual report for 2015.

2. OPERATIONAL CONTEXT

The EU Guarantee covers financing and investment operations signed by the EIB under the Infrastructure and Innovation Window and by the EIF under the SME Window. Part of these operations is covered by the EU Guarantee while a part is carried out at the own risk of the EIB Group.

In 2015, total signatures under EFSI amounted to EUR 3 billion covering 19 Member States, of which EUR 1.2 billion signed by the EIB (10 operations) and EUR 1.8 billion signed by the EIF (83 operations). Of these signatures, as of end 2015, EUR 1,553 million was covered by the EU Guarantee (EUR 1,155 million from EIB and EUR 398 million from EIF). The total outstanding exposure covered by the EU Guarantee in terms of disbursements was around EUR 202 million.

The EIB and the EIF are responsible for assessing and monitoring the risk of the individual

¹ OJ L 169, 1.7.2015, p. 1.

operations and reported back to the Commission and the European Court of Auditors in line with Article 16(3) of the EFSI Regulation in March 2016. On the basis of this reporting, the Commission will review the adequacy of the target amount and the level of the EFSIGF.

Pursuant to Article 16(2) of the EFSI Regulation, the annual report of the EIB to the European Parliament and Council shall contain specific information on the aggregate risk associated with the financing and investment operations carried out under EFSI as well on guarantee calls.

According to Article 12 of the EFSI Regulation, the EFSIGF shall constitute a liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee. In accordance with the EFSI Agreement between the EU and the EIB, calls are paid by the EFSIGF if their amount is in excess of the funds at the disposal of the EIB on the EFSI Account. The EFSI Account, managed by the EIB, has been established for the purposes of collecting the EU revenues resulting from EFSI guaranteed operations and recovered amounts and to the extent of the available balance, for the payment of calls under the EU guarantee.

The EFSIGF is provisioned progressively taking into account the increase in exposure borne by the EU Guarantee.

The resources of the EFSIGF are directly managed by the Commission and invested in accordance with the principle of sound financial management following appropriate prudential rules.

3. FINANCIAL ACCOUNTS

There were no funds in the EFSIGF as at 31 December 2015. Consequently, the 2015 consolidated financial statements of the European Union do not contain the EFSIGF.

A receivable of EUR 1,399,423, corresponding to the net EU revenue stemming from the 2015 EFSI guaranteed operations was recorded in the 2015 financial statements of the EU and credited to the EFSI Account in January 2016.

The guarantee exposure of the EU in relation to disbursed outstanding EFSI operations amounted to EUR 201,899,614, as at 31 December 2015, out of the overall maximum amount of EUR 16,000,000,000 guaranteed by the EU (Article 11 of the EFSI Regulation). The amount of EUR 201,899,614 is recorded as a contingent liability in the notes to the 2015 financial statements of the EU.

Significant transactions

A budgetary appropriation of EUR 1.35 billion was committed in 2015 relating to the provisioning of the EFSIGF in 2016 and 2017.

It is disclosed under the chapter "Outstanding budgetary commitments not yet expensed" of the notes to the financial statements of the EU for 2015.

4. MANAGEMENT OF THE EFSIGF IN 2015

On 21 January 2016, the Commission adopted Decision C(2016)165 approving the asset management guidelines of the guarantee fund of the European Fund for Strategic Investments.

There were no funds in the EFSIGF at any time in 2015. The first report on the financial management, performance and risk of the assets of the EFSIGF will therefore be presented in 2017 for the year 2016.

5. ASSESSMENT OF THE ADEQUACY OF THE TARGET AMOUNT AND THE LEVEL OF THE EFSIGF

As of end of 2015, ten operations with EFSI guarantee coverage were signed by the EIB for a total amount of EUR 1,155 million, of which EUR 202 million disbursed. Should there be any losses due to these operations, these will be covered by the EU Guarantee in accordance with the terms set out in the EFSI Agreement. In particular, the EU Guarantee under the Infrastructure and Innovation Window is granted in the form of a Portfolio First Loss Piece coverage for EIB debt operations and in the form of a full guarantee for equity/equity-type operations where the EIB invests at its own risk on a pari passu basis the same amount of resources.

EIF operations signed in 2015 under EFSI guarantee coverage amount to around EUR 398 million; should there be any losses due to these operations, those would be covered primarily by the contributions of the InnovFin SME Guarantee Facility and the COSME Loan Guarantee Facility.

According to the EFSI Regulation, the target amount of the EFSIGF is set at 50% of the total EU guarantee obligations, which currently stand at EUR 16 billion. Given the relatively limited level of signatures and disbursements until the end of 2015, there are no sufficient elements allowing an assessment of the adequacy of the target amount based on actual operations. The first report on the assessment of the adequacy of the target amount and the level of the EFSIGF will therefore be presented by 31 May 2017 for the year 2016.

It is presently foreseen in the EU budget that around EUR 500 million will be paid into the EFSIGF during the course of 2016.

As the size of the portfolio of EFSI operations is expected to considerably increase over time, and also in view of budgetary constraints over the EFSI programming period, more detailed assessments will be carried out by the Commission going forward.