

Guarantee Fund Principles (1)

- No financial collective responsibility like in FP6
- Instead: establishment of a **participant's Guarantee Fund** to cover risks
- However, there is “technical responsibility” to carry out the project jointly and severally *vis-à-vis* the Commission.



Guarantee Fund Principles (2)

- The Fund **belongs collectively to all beneficiaries** of grant agreements under the FP7
- The Fund is managed by the Commission on behalf of the beneficiaries and is kept in the European Investment Bank (EIB)
- All beneficiaries contribute to the Fund to **insure against financial losses** of the projects funded under FP7
- The contribution equals **5%** of the EC financial contribution to each project and it is disbursed when the pre-financing is paid
- **Financial interest** generated by the Fund will serve to cover financial risk
- The amount contributed to the Fund will be **reimbursed at the end of the action**



Guarantee Fund Operation(1)

Ongoing project:

1. a beneficiary does **not reimburse** to the coordinator any amount requested by the Commission
2. the remaining beneficiaries and the Commission agree to **continue** with the implementation of the grant agreement
3. the Commission orders the EIB to **transfer** an equivalent amount directly **from the Fund** to the coordinator
4. Amounts transferred from the Fund shall substitute the Community financial contribution not reimbursed by the beneficiary
5. The Commission will issue a recovery order against the defaulting beneficiary and on the benefit of the Fund



Guarantee Fund Operation(2)

Recoveries after termination or completion of the grant agreement:

1. The Commission **requests** the beneficiary concerned to reimburse the amount due (recovery order)
2. If payment not made by the due date, sums may be recovered by **offsetting** them against any sums the Community owes to the beneficiary concerned
3. Where offsetting is not possible, the Commission **recovers from the Fund** the amounts due



Guarantee Fund Operation(3)

Recoveries to the benefit of the Fund:

- Where amounts have been
 - transferred from the Fund to an ongoing project or
 - recovered from the Fund by the Communitythe beneficiary owing them shall **reimburse the Fund**
- The Commission shall issue a **recovery order** against this beneficiary **to the benefit of the Fund**

