COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 364 final
Brussels, 08.09.1994

REPORT FROM THE COMMISSION

ON GUARANTEES

COVERED BY THE GENERAL BUDGET -

SITUATION AT 31 DECEMBER 1993

REPORT ON GUARANTEES COVERED BY THE GENERAL BUDGET SITUATION AT 31 DECEMBER 1993

This report describes the situation as regards budget guarantees at 31 December 1993.

It is in response to the statement made by the Commission, when the vote was taken on supplementary and amending budget No 1/91, that it would report to the budgetary authority twice a year on budget guarantees and the corresponding risks.

The Commission has already presented five reports to the budgetary authority.

The report is in three parts:

1. Description of operations entered in the budget and events since the last report.

2. Situation at 31 December 1993 as regards risks for the budget in future years and guarantees already activated.

3. Assessment of the economic and financial situation of non-Community countries benefiting from the most important operations.

PART ONE: OPERATIONS ALREADY ENTERED IN THE BUDGET

The budgetary authority has authorized 22 headings with token entries in the 1994 budget to cover any payment of guarantees. These headings can be divided into three categories: borrowing and lending within the Community, borrowing and lending outside the Community and guarantees given to financial institutions.

I. BORROWINGS TO BE ON-LENT WITHIN THE COMMUNITY

A. COMMUNITY BORROWING OPERATIONS TO PROVIDE BALANCE-OF-PAYMENTS SUPPORT

The Community is authorized to borrow on the capital markets or from financial institutions and make the sums raised available to Member States experiencing temporary balance-of-payments difficulties.

The outstanding amount of loans granted to Member States for this purpose may not exceed ECU 14 billion in principal.

At 31 December 1993 there were two operations in respect of Greece under the decisions of 9 December 1985 and 4 March 1991 and one operation in respect of Italy under the decision of 18 January 1993.

At 31 December 1993 the amount outstanding was ECU 1 200 million in loans to Greece and ECU 3 989.8 million in loans to Italy (Table 1).

B. EURATOM BORROWING OPERATIONS

In 1977 the Commission was empowered to borrow funds to be used to help finance nuclear power stations.

Loans are made to electricity producers and carry the usual guarantee demanded by banks. Recipients are often State-owned companies or companies enjoying a State guarantee.

The maximum amount of borrowings authorized is ECU 4 billion, of which ECU 500 million was authorized by the 1977 decision, ECU 500 million in 1980, ECU 1 billion in 1982, ECU 1 billion in 1985 and ECU 1 billion in 1990. The amount borrowed comes to around ECU 2 900 million, leaving ECU 1 100 million which may still be raised.

At 31 December 1993 the total outstanding was ECU 1 018.2 million.

On 9 December 1992 the Commission proposed that the balance of borrowings not used in the Member States could be used to finance the improvement of the degree of efficiency and safety of nuclear power stations in the countries of Central and Eastern Europe and in the CIS.

C. BORROWING OPERATIONS FOR THE PROMOTION OF INVESTMENT IN THE COMMUNITY

The Commission was empowered by a Council Decision of 16 October 1978 to borrow funds to be used to promote investment in the Community (New Community Instrument).

The authorized borrowing ceiling was fixed at ECU 1 billion by the Decision of 16 October 1978 and was then raised by ECU 1 billion by the Decision of 15 March 1982. The ceiling was further raised by ECU 3 billion by the Decision of 19 April 1983 and by ECU 750 million by the Decision of 9 March 1987.

The proceeds of the operations are paid out in the form of loans granted by the EIB, acting for the Commission, to finance investment projects which contribute to greater convergence and growing integration and are consistent with the priority Community objectives in the energy, industry and infrastructure sectors, taking account of such factors as the regional impact of the projects and the need to combat unemployment. Support for small businesses was also made a priority objective by the Decision of 26 April 1982.

A Decision of 20 January 1981 also empowered the Community to contract loans in order to provide exceptional aid of ECU 1 billion to the regions of Italy affected by the earthquake of November 1980. A similar decision involving ECU 80 million was adopted on 14 December 1981 for the regions affected by the earthquakes in Greece in February/March 1981.

The maximum amount of borrowings authorized thus comes to ECU 6 830 million.

At 31 December 1993 the total outstanding was ECU 2 202 million, 33.7% less than on 31 December 1992.

The risk is spread over a large number of borrowers. In addition, most of the loans are global loans to financial institutions which guarantee repayment of the funds.

Every year the EIB provides the Commission with a list of debtors who, according to its information, risk defaulting in the coming year. So far, no names have been recorded on this list.

II. LOANS RAISED FOR ON-LENDING TO NON-COMMUNITY COUNTRIES

A. PROGRAMME OF BORROWINGS CONTRACTED BY THE COMMUNITY TO PROVIDE MEDIUM-TERM FINANCIAL ASSISTANCE TO HUNGARY (Hungary I)

The Community is granting Hungary a medium-term loan of up to ECU 870 million in principal for a maximum of five years. The loan is intended to facilitate the adjustment of the Hungarian economy in a way which will enable it to derive all the benefits of a market–based economy. It is being made available in tranches.

The first tranche of ECU 350 million was paid on 20 April 1990. A second tranche of ECU 260 million was paid on 14 February 1991. The third tranche, which is not to exceed ECU 260 million, was planned for 1992 but was not paid out as Hungary's balance of payments has been more favourable than expected. The tranches will be repaid in one instalment after five years and interest, which is at variable rates, is payable half–yearly.

B. ADDITIONAL MEDIUM-TERM FINANCIAL ASSISTANCE TO HUNGARY (Hungary II)

As the break-up of the Council for Mutual Economic Assistance (Comecon) and the Gulf crisis threatened to compromise the initial encouraging results of the reforms undertaken, it was decided to launch a supplementary borrowing and lending operation for ECU 180 million under an overall ECU 360 million G-24 aid programme.

The first tranche of ECU 100 million was paid on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half–yearly. The second tranche of ECU 80 million was due paid on 15 January 1993. It will be repaid in January 1997 and interest, which is at a fixed rate, is payable annually.

C. BORROWING CONTRACTED BY THE COMMUNITY TO PROVIDE MEDIUM-TERM FINANCIAL ASSISTANCE FOR THE CZECH AND SLOVAK FEDERAL REPUBLIC

As part of G–24's total aid of around ECU 750 million, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 375 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to the Czech and Slovak Federal Republic.

The first tranche of ECU 185 million was paid on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half–yearly.

The second tranche of ECU 190 million was paid on 2 March 1992 and will be repaid in one instalment after six years.

Following the division of Czechoslovakia into the Czech Republic and the Slovak Republic on 1 January 1993, the Commission proposed that the loan be divided between the two Republics.

Two thirds of the loan - ECU 250 million - would be for the Czech Republic and one third - ECU 125 million - for the Slovak Republic.

D. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT BULGARIA MEDIUM-TERM FINANCIAL ASSISTANCE

As part of G–24's total aid of ECU 580 million, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 290 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to Bulgaria.

The first tranche of ECU 150 million was paid to Bulgaria on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half–yearly.

The second tranche of ECU 140 million was paid on 2 March 1992 and will be repaid in one instalment after five years. Interest, which is at variable rates, is payable quarterly.

E. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT BULGARIA ADDITIONAL MEDIUM–TERM FINANCIAL ASSISTANCE

As part of G–24's total aid of ECU 220 million in 1992 and 1993, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 110 million for a period of seven years. The proceeds of this operation were to be on–lent to Bulgaria.

Since the conditions for Community assistance had not been met by the end of 1993, neither of the two tranches have yet been paid out.

F. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT ISRAEL MEDIUM–TERM FINANCIAL ASSISTANCE

As part of the financial assistance agreed for Israel and the population of the occupied territories, the Commission was empowered to borrow, on behalf of the Community, ECU 160 million in one tranche for a period of seven years. The proceeds were to be paid out to Israel on the same terms and are accompanied by an interest subsidy of ECU 27.5 million paid from the Community budget.

This operation started on 2 March 1992. The borrowing is to be repaid in full on 15 December 1997.

G. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT ROMANIA MEDIUM-TERM FINANCIAL ASSISTANCE

As part of G–24's total aid of ECU 750 million, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 375 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to Romania.

The first tranche of ECU 190 million for a term of seven years was paid on 22 January 1992. It will be repaid in one instalment on 1 February 1999, and interest, which is at variable rates, is payable half–yearly.

The second tranche of ECU 185 million for a term of six years was paid on 1 April 1992 and will be repaid in one instalment on 18 March 1998. Interest, which is at variable rates, is payable half-yearly.

H BORROWING CONTRACTED BY THE COMMUNITY TO GRANT ROMANIA ADDITIONAL MEDIUM–TERM FINANCIAL ASSISTANCE

As part of G-24's new aid of ECU 160 million, the Commission, on behalf of the Community, was empowered to borrow ECU 80 million for a maximum period of seven years. The proceeds of this operation were to be on–lent on the same terms to Romania.

In view of its size, the loan was paid out in a single tranche on 26 February 1993. It will be repaid in one instalment on 26 February 2000, and interest is payable half–yearly.

I. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT ALGERIA MEDIUM-TERM FINANCIAL ASSISTANCE

The Commission, on behalf of the Community, was empowered to borrow ECU 400 million for a maximum period of seven years in two tranches of ECU 250 million and ECU 150 million. The proceeds of this operation were to be on-lent on the same terms to Algeria.

A bridging loan was granted on 23 December 1991 to cover the first tranche and was repaid from the net proceeds of the borrowing contracted on 14 January 1992 for a period of six years.

The loan is to be repaid in one instalment on 15 December 1997 and interest is payable annually every 15 December.

The second tranche has not yet been paid.

J. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT MEDIUM-TERM FINANCIAL ASSISTANCE TO THE SOVIET UNION AND/OR ITS REPUBLICS

The Commission has proposed a medium-term loan of up to ECU 1 250 million for the Soviet Union and/or its Republics in order to finance imports of agricultural products, foodstuffs and medicines from the Community and Eastern Europe.

Parliament delivered a favourable opinion and the Council adopted its formal decision on 16 December 1991. The guarantee heading was set up when the 1992 budget was adopted in December 1991.

The loan will be divided between the various Republics of the former Soviet Union for a maximum period of three years.

Most of the loan contracts were signed in the course of 1992:

- with Armenia (ECU 38 million), Kyrgyzstan (ECU 32 million), Turkmenistan (ECU 45 million) and Moldova (ECU 27 million) on 10 July 1992;
- with Ukraine (ECU 130 million) on 13 July 1992;
- with Belarus (ECU 102 million), Tajikistan (ECU 55 million) and Georgia (ECU 70 million) on 24 July 1992;
- with Russia (ECU 150 million) on 9 September 1992;
- with Russia (ECU 349 million) on 9 December 1992;
- with Kazakhstan (ECU 25 million) on 15 December 1992;

On 5 May 1993 two further contracts were signed with Armenia (ECU 20 million) and Georgia (ECU 10 million).

These contracts were financed through the reallocation of ECU 30 million originally intended for Kazakhstan, which stated that it would not use all this amount since ECU 25 million was sufficient, and a reduction in the allocation of Uzbekistan.

On 6 December 1993 a further loan contract of ECU 40 million was signed with Georgia. This amount had originally been allocated to Uzbekistan (whose initial allocation came to ECU 129 million). Neither Uzbekistan nor Azerbaijan (with an allocation of ECU 68 million) received Community loans in 1992-93 since they did not satisfy one of the criteria for eleigibility - they do not accept joint and several responsibility for the debt of the former Soviet Union.

At 31 December 1993 the amount of loans actually being used came to ECU 802.7 million. This figure corresponds to the total outstanding at the end of December 1993.

The capital repayment and interest payment dates for this operation vary depending on the amount of the loan and on the Republic:

- Armenia (ECU 38 million), Belarus, Georgia (ECU 70 million), Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Russia (ECU 150 million):
  - interest on 20 April and 20 October
  - capital on 20 August 1995 (20 August 1994 and 1995 for Belarus, Ukraine and Russia)
  - Armenia (ECU 20 million), Kazakhstan, Russia (ECU 349 million), Georgia (ECU 10 million and ECU 40 million):
  - interest on 15 January and 15 July
  - capital on 15 January 1996 (15 January 1995 and 1996 for Russia and 15 January 1997 for Georgia (ECU 40 million)).

K. BORROWING CONTRACTED BY THE COMMUNITY TO GRANT MEDIUM -TERM FINANCIAL ASSISTANCE TO ESTONIA, LATVIA AND LITHUANIA

As part of the G-24's total aid of ECU 440 million for these three countries, the Commission, on behalf of the Community, was empowered to borrow ECU 220 million for a period of seven years. The proceeds of this operation are to be on–lent on the same terms in two tranches:

- ECU 40 million for Estonia;
- ECU 80 million for Latvia;
- ECU 100 million for Lithuania.

The first tranches of the loan for Estonia (ECU 20 million) and for Latvia (ECU 40 million) were paid on 31 March 1993. The loans are to be repaid in one instalment on 31 March 2000 and interest is payable half–yearly every 31 March and 30 September.

The first tranche for Lithuania was paid on 27 July 1993; it is to be repaid in one instalment on 27 July 2000 and interest is payable annually every 27 July.

III. COMMUNITY GUARANTEE TO NON-COMMUNITY COUNTRIES

A. EUROPEAN INVESTMENT BANK LOANS TO MEDITERRANEAN COUNTRIES GUARANTEED BY THE GENERAL BUDGET

Under the terms of the Council Decision of 8 March 1977, the Community guarantees loans to be granted by the European Investment Bank as part of the Community's financial commitments towards the Mediterranean countries.

This decision was the basis for the contract of guarantee signed by the European Economic Community and the European Investment Bank on 30 October 1978 in Brussels and 10 November 1978 in Luxembourg introducing a global guarantee of 75% on all credit lines made available for loans in the following countries: Portugal (Financial Protocol, pre-accession aid), Greece, Spain (financial cooperation), Malta, Tunisia, Algeria, Morocco, Turkey, Cyprus, Egypt, Jordan, Syria, Israel, Yugoslavia and Lebanon.

In addition, by way of exception, a 100% guarantee covers loans allocated for emergency aid to Portugal in accordance with the Council Decision of 7 October 1975.

A new extension of the contract of guarantee is established for each new Financial Protocol.

The loans authorized at 31 December 1993 total ECU 7 667 million, of which ECU 1 500 million is for Spain, Greece and Portugal and ECU 6 167 million for the non–member Mediterranean countries. At 31 December 1993 the total of outstanding loans came to ECU 2 168 million (taking account of the 75% limit), of which ECU 572 million was accounted for by Spain, Greece and Portugal and ECU 1 596 million by the non–member Mediterranean countries.

There is also provision for EIB loans outside these protocols under Council Regulation (EEC) No 1763/92 of 29 June 1992 concerning financial cooperation in respect of all Mediterranean non–member countries.

EIB loans under this operation must not exceed ECU 1 800 million.

At 31 December 1993 ECU 317 million had been made available but no disbursements had taken place.

In July 1993 the Council decided to conclude a new protocol with the Republic of Slovenia in order to finance projects to contribute to the country's economic development through loans totalling ECU 150 million from the EIB's own resources for a period of up to five years with a budget guarantee.

At 31 December 1993, the breakdown of authorizations by country (non–member countries only) was as follows:

Algeria	640
Cyprus	92
Egypt	802
Israel	215
Jordan	198
Lebanon	222
Malta	55
Morocco	517
Slovenia	150
Syria	208
Tunisia	418
Turkey	90
Yugoslavia[4]	760
Protocols - Total	4367
Horizontal financial cooperation	1800
Mediterranean - Total	6167

The loans are generally for 15 years with 3 to 4-year periods of grace on capital repayments.

[4] The second protocol with Yugoslavia was suspended when ECU 100 million of credits could still be granted.

B. LOANS GRANTED BY THE EUROPEAN INVESTMENT BANK IN COUNTRIES OF CENTRAL AND EASTERN EUROPE

In response to a call made by the Council on 9 October 1989, the Board of Governors of the European Investment Bank decided on 29 November 1989 to authorize the Bank to provide loans from its own resources to finance investment projects in Hungary and Poland for a total amount not exceeding ECU 1 billion. These loans are granted to finance investment projects which satisfy the Bank's usual requirements for loans from its own resources. The contract of guarantee was signed on 24 April 1990 in Brussels and 14 May 1990 in Luxembourg.

On 14 May 1991 the budgetary authority extended this guarantee to loans made in Czechoslovakia, Bulgaria and Romania up to a maximum of ECU 700 million.

The extension of the contract of guarantee was signed on 31 July 1991.

On 23 October 1992 the Commission presented a proposal for a Council Decision extending this Community guarantee to losses incurred by the EIB as a result of loans granted to Estonia, Latvia and Lithuania; this has been approved by the budgetary authority.

The overall ceiling on loans which the EIB may grant in these countries was set at ECU 200 million for a period of three years.

On 18 December 1992 the Commission also proposed the extension of this guarantee to losses incurred by the EIB as a result of loans granted in Albania.

On 13 December 1993 the budgetary authority renewed the Community guarantee for a period of three years for loans granted by the EIB in the countries of Central and Eastern Europe (including the Baltic States and Albania) up to a maximum of ECU 3 billion.

The loans are generally long-term: 15 years on average with 3 to 4-year periods of grace on capital repayments.

At 31 December 1993, ECU 1 655 million had been made available in the Central and Eastern European countries but only ECU 300 million had been disbursed.

C. LOANS GRANTED BY THE EUROPEAN INVESTMENT BANK IN NON-MEMBER COUNTRIES

At its meeting of 19 May 1992 the Council (Economic and Financial Affairs) adopted the guidelines proposed by the Commission for the extension of EIB activities outside the Community and asked it to grant loans in accordance with its statutes and its usual criteria to projects of mutual interest in countries with which the Community has concluded cooperation agreements.

An overall limit of ECU 250 million per year has been set for a 3-year period; this ceiling will be reviewed at the end of the period.

These loans benefit from Community budget guarantees. The Commission presented a proposal for a decision to this effect on 3 June 1992. The formal Council Decision followed on 15 February 1993. The contract of guarantee was signed on 4 November 1993 in Brussels and on 17 November 1993 in Luxembourg.

The budgetary authority inserted a heading for this purpose in the 1993 budget.

At 31 December 1993 credit lines of ECU 99 million had been signed but no disbursements had taken place.

D. COMMUNITY CREDIT GUARANTEE FOR EXPORTS OF AGRICULTURAL PRODUCTS AND FOODSTUFFS FROM THE COMMUNITY TO THE FORMER SOVIET UNION

The Community has decided to guarantee loans granted to the former Soviet Union by a pool of banks to finance imports of agricultural products and foodstuffs originating in the Community and the countries of Central and Eastern Europe.

The Community guarantee covers 98%, up to a maximum of ECU 500 million, of any losses in principal (around ECU 408 million) and interest (around ECU 92 million).

As the credit line has not been used in full and as the time limit for use has not been extended, the amount guaranteed comes to only ECU 375.5 million in principal and ECU 80.3 million in interest.

The Community will receive a surety commission of 0.67% of the amount guaranteed in consideration for this guarantee. Half of this commission was paid on 26 December 1991 under the terms of the contract. The balance corresponding to the Community guarantee was paid on 28 January 1993.

On 26 November 1991 the terms of the loan and the arrangements for the utilization of the funds were laid down in an exchange of letters between the Commission and the Soviet authorities. On the same day the Community and the banks signed a contract of guarantee.

Following the disappearance of the Soviet Union, it has been decided that the funds will be used by the Russian Republic.

The loan is for three and a half years from the date of signature.

Interest will be payable half-yearly and the principal will be repaid in three instalments, 20, 31 and 42 months after the agreement has been signed.

The first interest payment was due on 9 September 1992 and was made on 25 September 1992.

The second interest payment was due on 9 March 1993 and was made on 2 April 1993 together with the interest for late payment of the September instalment.

The capital repayment due on 26 July 1993 and the third interest payment due on 9 September 1993 were made on 18 November 1993 together with the interest for late payment of the instalments due on 9 March and 26 July.

PART TWO: RISK SITUATION

There are two possible methods for evaluating the risks borne by the Community budget:

- the method, often used by bankers, of the total amount of capital outstanding for the operations concerned on a given date;

- the more budgetary approach of calculating the maximum amount which the Community could have to pay out in each financial year.

The second approach itself has been applied in two different ways:

- by reference only to actual disbursements at 31 December 1993, giving the minimum level of risk to the Community assuming that there are no early repayments;

- on a more forward-looking basis, by reference to all the operations proposed by the Commission in order to estimate the impact on future budgets, giving the maximum risk borne by the Community assuming that the Commission's proposals are accepted.

For the latter exercise a number of assumptions have to be made about dates of disbursement, terms of repayment, interest and exchange rates, etc.; details are given in the annex. However, this method does give some idea about the future level of risks connected with the proposals made.

The results are shown in the attached tables, which assess the risk relating to countries inside the Community and countries outside the Community.

The overall figures quoted cover risks of different types; loans to one country in the case of financial assistance and loans for projects guaranteed by the borrowers in the case of NCI and EIB operations, for example.

The following analysis distinguishes between total risk, the risk in respect of Member States and the risk in respect of non–member countries.

I. TOTAL RISK

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1993 (Table 1)

The total risk at 31 December 1993 came to ECU 14 377 million, 12% more than at 30 June 1992.

B. MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1993 (Table 2)

The total risk, which came to ECU 3 270 million in 1993, will drop to ECU 2 766 million in 1994 after which it will rise to ECU 3 033 million in 1996 and then fall again before increasing to ECU 3 204 million in 2000.

C. MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

This risk comes to ECU 3 200 million in 1994 and will increase gradually to ECU 4 317 million in 1996; it will fall to ECU 4 050 million in 1997, increase to ECU 4 675 million in 1998, fall again in 1999 and reach ECU 7 971 million in 2000.

II. RISK IN RESPECT OF THE MEMBER STATES

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1993 (Table 1)

The amount of capital outstanding in respect of operations in the Member States came to ECU 8 982 million at 31 December 1993, an increase of 15.6% compared with 30 June 1992.

This increase is mainly due to the operation in Italy which accounts for ECU 3 990 million.

The amount outstanding from the other operations has fallen or remained stable.

B. MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1993 (Table 2)

The risk for 1993 came to ECU 2 744 million.

The risk will drop to ECU 2 091 million in 1996 and will again fall to a very low level in 1999 (ECU 291 million) before rising to ECU 2 771 million in 2000 when part of the loan granted to Italy falls due (ECU 2 655 million in principal and interest)..

C. MAXIMUM THEEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

The trend is the same as in the previous case up to 1996 when the risk will amount to ECU 2 638 million. It will then drop to ECU 1 983 million in 1997, and increase to ECU 2 596 million in 1998 before reaching a peak of ECU 5 827 million in 2000.

III. RISK IN RESPECT OF NON-MEMBER COUNTRIES

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1993 (Table 1)

The amount of capital outstanding at 31 December 1993 came to ECU 5 395 million, an increase of 6.4% compared with 30 June 1993.

The increase in the first half of the year was 20.5%.

B. MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1993 (Table 2)

The risk for 1993 came to ECU 526 million and will increase to ECU 1 597 million in 1995, mainly because two repayments of principal then fall due:

- ECU 350 million from Hungary;
- ECU 511 million from the Republics of the former Soviet Union.

The risk will drop in 1996 and increase again in 1997 to ECU 1 276 million as the following payments fall due:

- ECU 80 million from Hungary;
- ECU 190 million from the Czech and Slovak Republics;
- ECU 140 million from Bulgaria;
- ECU 250 million from Algeria;
- ECU 160 million from Israel.

At ECU 988 million, the risk will be smaller but still at a high level in 1998, but should fall to less than ECU 500 million in 1999 and 2000.

C. MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

The risk for 1995 should come to ECU 2 051 million; in particular, the Republics of the former Soviet Union are to repay principal of ECU 653 million that year.

The risk will drop to ECU 1 680 million in 1996, rise again to ECU 2 067 million in 1997, ECU 2 079 million in 1998, ECU 2 117 million in 1999 and ECU 2 144 million in 2000.

IV. ACTIVATION OF GUARANTEES

In the second half of 1993, the EIB again called on the budget guarantee in respect of loans of around ECU 6.1 million to the Republics of former Yugoslavia (Bosnia–Hercegovina, Macedonia and Serbia). Payments of ECU 13.5 million were made to the EIB on 7 September and 10 December 1993.

At 31 December the Republics of former Yugoslavia still had to repay ECU 28.6 million in respect of debts paid by the Community.

The Commission also made payments from its cash resources under Article 12 of Council Regulation No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources:

- payment of principal and interest due from Russia on 26 July and interest due on 9 September 1993 in respect of a loan granted by a consortium of banks and guaranteed by the Community;

- payment of interest:

  due from three Republics of the former Soviet Union (Russia, Armenia, Kazakhstan) on 15 July 1993 in respect of the borrowing and lending operation of ECU 1 250 million for these Republics,

  due from nine Republics of the former Soviet Union on 20 October 1993 in respect of the same operation,

  due from Algeria and Bulgaria on 15 December 1993 in respect of the loans and financial assistance granted to each of these countries.

These payments were eventually made by the debtors concerned, except in the case of Tajikistan which had still not settled its debt on 31 December 1993.

PART THREE: CHANGES IN POTENTIAL RISKS

The figures given in the previous parts provide information on the quantitative aspects of the risks borne by the general budget.

However, these data should be weighted in accordance with aspects relating to the quality of the risk, which depend on the type of operation and the standing of the borrower.

I. TYPES OF OPERATION

The risks to which the above figures relate derive from a variety of operations which can be divided into two categories: operations with macroeconomic objectives and those with microeconomic objectives.

A. OPERATIONS WITH MACROECONOMIC OBJECTIVES

The first of these are the balance of payments loans for Member States, normally carrying strict economic conditions and undertakings.

Financial assistance operations are similar in nature but are intended for non-member countries.

Finally, this category includes the credit guarantee of ECU 500 million and the loan of ECU 1 250 million to finance imports of agricultural products and foodstuffs into the Soviet Union, since the risk involved in these two operations depends to a large extent on macroeconomic and political developments in the country.

B. OPERATIONS WITH MICROECONOMIC OBJECTIVES

These are loans to finance specific projects which are usually repaid over the long term from funds which these projects are expected to generate; as a rule, they are granted to State companies or financial institutions and, in addition to the Community guarantee, are covered by the usual guarantees demanded by banks.

They are the Euratom and NCI loans in Member States and the Euratom and EIB loans outside the Community (Mediterranean and Central and Eastern Europe).

ECONOMIC AND FINANCIAL SITUATION OF THIRD COUNTRIES RECEIVING EU ASSISTANCE UNDER OPERATIONS WITH MACRO-ECONOMIC OBJECTIVES[5]

A. ALGERIA

1. General economic situation

GDP registered a 2% decline in 1993. Apart from the general climate of insecurity, economic activity was hampered by a shortage of inputs, spare parts and equipment goods due to a very strict administrative control of the use of available foreign exchange resources. The financial situation of the enterprise sector further deteriorated and industry subsidies continued to weigh heavily on the state budget. The government budget deficit deteriorated substantially to an unsustainable level of 14.9% of GDP. Growing government and state enterprises deficits resulted in increased credit volumes and a growth in the broad money supply by 21%.

In spite of these inflationary pressures, inflation actually slowed down from 32% end 1992 to 16% end 1993. This can only be explained in the light of continued administrative price controls and coercion, especially in the state enterprises sector.

2. The balance of payments

Export revenues, generated almost exclusively by hydrocarbon products, diminished by almost 20% as world oil prices fell. Given the strict foreign exchange allocation system established end 1992, this has provoked a sharp decline in imports, from around US$ 10 billion in 1992 to US$ 7.8 billion only in 1993. The current account surplus declined to around US$ 1 billion. In view of the economic and security situation, foreign investments virtually disappeared. As the economic programme agreed with the IMF went off-track in 1992 and no new programmes were agreed upon in 1993, official medium and long term financing resources diminished and were replaced, to a limited extent, by short-term commercial credits.

The exchange rate also remained under administrative control and depreciated by 5.5% only, thus leading to a substantial appreciation of the real effective exchange rate and a consequent loss of competitiveness for domestic industries. The margin between the official exchange rate and the parallel market rate widened to nearly 160%.

3. Foreign debt

In 1993, on average about 90% of all export revenues were used to service a foreign debt stock of some US$ 26.3 billion, requiring US$ 2.1 billion in interest payments and US$ 7.1 billion in repayments of principal. Nearly three quarters of this debt stock consists of publicly guaranteed private sector credits. Non-guaranteed credits are non-existant.

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[5] This section also provides information on the republics of the former Soviet Union.

About 13% are bilateral credits, mostly non-concessional. Short-term debt is marginal in the total stock, although its share may have increased recently.

Towards the end of 1993, Algeria started, for the first time, to run into arrears on debt service. These may be, initially, of a purely technical nature. But the negative trend in export revenus, due to decreasing oil prices, causes concern as it undermines Algeria's debt service capacity. By the end of the year, the debt service-to-exports ratio climbed to close to 100%, up from an already very high 72% in late 1992. This created a situation which is unsustainable in the long run as the administrative compression of imports, in order to ensure external debt service, erodes the economy's productive capacity and creates consumer hardship. As this situation continued to aggravate early 1994, external debt reprofiling or rescheduling operations are now contemplated by the authorities.

B. BULGARIA

1. General economic situation

Stabilization and reform in Bulgaria slowed down in 1993. The budget deficit deteriorated significantly to some 11% of GDP (against 7% a year earlier). Financial discipline within state-owned enterprises also weakened. With virtually no external financing, the budget deficit was financed through domestic bank credit. Inflation remained high, at 64% in the year to December 1993 (79% in 1992). Real GDP is estimated to have dropped by 3 to 4% in 1993. Unemployment rose to around 16% of the labour force in the first months of 1993; it stabilized since. On the side of structural reform, the results of 1993 were disappointing although restitution of land and urban property advanced.

In December 1993, the Bulgarian authorities reached an agreement with the IMF staff on an economic programme for 1994 that could be supported by a new twelve-month stand-by arrangement. The programme is intended to restore domestic and external balances (it aims in particular to halve inflation - to 30% by year-end) and accelerate the transformation process, mainly in the areas of financial sector reform and privatization.

2. The balance of payments

Bulgaria's external financial situation remained weak in 1993. Exports in convertible currencies that had grown in 1992 are likely to have remained stable (clearly, export performance in 1993 was adversely affected by UN sanctions against Serbia and Montenegro), while imports increased somewhat. As a result, the trade balance shifted from a slight surplus in 1992 to a deficit of some $0.5 billion (about 4% of GDP), and the current account deficit approached $1 billion. The effects of the sanctions (their impact on the current account is estimated by the IMF at up to $700 million in 1993) were compounded by lack of official external financing following the failure of Bulgaria to conclude a stand-by arrangement with the IMF before the very end of 1993. Bulgaria also remained cut off from private financing as it did virtually no servicing of the country's commercial debt inherited from the previous regime. Foreign direct investment remained marginal despite a particularly liberal foreign investment law.

However, the national currency remained relatively stable in nominal terms until October 1993, resulting in a strong real appreciation. Since then, there has been a sharp depreciation of the Lev. The Central Bank tried to limit it by raising interest rates and by intervening on the interbank foreign exchange market. These interventions amounted to some $250 million over the last three months of 1993, and international reserves declined to $700 million at the end of the year, against some $1 billion in 1992.

In 1994, the trade balance is expected to improve marginally and the current account deficit to decline to $0.8 billion. The financing of the current account deficit, of the upfront cost of the DDSR agreement with the commercial banks (see below) and of a moderate increase in international reserves is assumed to be provided mainly through debt relief and official financial support. In this context, the Bulgarian authorities have requested assistance from the Community and the G-24 for some $330 million.

3. Foreign debt

Bulgaria's external debt is estimated at $14 billion (equivalent to the GDP, or 400% of exports). It includes about $9.5 billion owed to some 300 commercial banks, out of which about half of which is made up of interest arrears (some $2 billion) and arrears on short-term deposits and letters of credit. The debt-service ratio is around 70% of exports.

In November 1993, Bulgaria reached an agreement in principle with the country's commercial creditors on the parameters of a comprehensive debt and debt service reduction (DDSR) deal. The reduction of the debt stock and of the debt servicing will be implemented through debt buy-backs and long-term securities (discount bonds at 50% of face value and interest reduction bonds). In the long run, the deal, which the parties hope will be implemented by mid-1994, is likely to improve substantially the country's prospects for attaining a viable external financial position. In the short run, however, it will cost Bulgaria up to $900 million upfront - more than the Central Bank's present international reserves. After the announcement of the agreement, the price of the Bulgarian debt on the secondary market, that had fluctuated below 30% earlier in 1993 (it was at about only 20% in 1992), soared to almost 40%. It has decreased since then.

Bulgaria will also need in 1994 to negotiate a new official debt rescheduling with the Paris Club (the previous agreement with the official creditors, concluded in December 1992, came to its end in April 1993). It is expected that the official creditors will grant Bulgaria the same traditional rescheduling terms as in the past. Since their agreement with the commercial banks, however, the Bulgarian authorities have repeatedly indicated their intention to seek similar treatment from the Paris Club.

C. THE CZECH REPUBLIC

1. General economic situation

Helped by the recovery of domestic demand and a strong performance of convertible exports, real GDP in the Czech Republic is estimated to have grown between 0 and 1% in 1993, the first positive rate since real output began declining in 1990. The unemployment rate has remained at very low levels (3.5% at end-1993). In 1994, the economy is expected to grow by 1-3%.

Following a 8.5% price jump in January 1993 associated with the introduction in that month of the VAT, inflation came down rapidly to about 0.5% per month in March-July, ending the year at 18.2%.

Speculation against the currency, unfavourable wage and price developments and the need to drain the excess bank liquidity that resulted from the conversion of cash holdings and bank deposits ahead of the currency split, led the Czech National Bank to tighten monetary policy in the first months of the year. However, since the end of April 1993 monetary policy has been gradually eased. Regarding fiscal policy, the state budget finished 1993 with a small surplus. For 1994, the government has presented a balanced budget.

As far as structural reform is concerned, the second wave of large-scale privatization is already underway. As was the case in the first wave, almost one third of the assets will be sold through the voucher method. The second wave should be completed by end-1994, by which time about 90% of the assets of the economy will be in private hands.

2. The balance of payments

The Czech current account (excluding transfers to Slovak citizens of shares in enterprises privatized in the first wave of voucher-privatization) is tentatively estimated to have posted in 1993 a surplus of some US$ 600 mio (1.9% of GDP). This is a surprisingly good result given the acceleration of domestic demand and imports and the weakness of the Czech Republic's main export markets.

After contracting by about 40% in the first quarter of 1993, trade with Slovakia has recovered somewhat and is now estimated to have declined by about 20% in the whole of 1993 In recent months, the surplus of the clearing account with Slovakia has been growing rapidly. In response, in early December, the Czech crown was revalued by 3% against the clearing ECU and the Slovak crown was devalued by 5%. In early March 1994, however, the revaluation of Czech crown was fully reversed in reaction to the introduction by Slovakia of a 10% import surcharge.

Although the net inflow of FDI slowed down in 1993 to US$ 450 mio (from US$ 983 mio in 1992), the Czech Republic has been experiencing a surge in other capital inflows since the third quarter of 1993. Thus, net portfolio investment reached in 1993 about US$ 700 mio and Czech enterprises borrowed abroad US$ 750 mio (basically in the form of bank credits). Furthermore, the Czech National Bank successfully placed several international bond issues last year. This relatively high degree of access of the Czech Republic to the international capital markets has been reinforced by the upgrading to an investment grade of Moody's rating (from the Ba1 previously assigned to the CSFR, to Baa3) and by the assignment by Standard and Poor's of a comparable BBB rating.

The combination of a healthy current account position and a strong capital inflow has put upward pressure on the nominal exchange rate and has resulted in a rapid growth of official foreign exchange reserves, which stood at US$ 3.8 bn at end-1993, compared to US$ 0.7 bn at end-1992. In order to stem the upward pressure on the exchange rate, the Czech National Bank is planning to make the crown fully convertible for current account transactions and to liberalize controls on capital outflows in a phased manner.

Despite recent speculation on a possible revaluation of the Czech crown, the currency has remained stable against the reference basket of Western currencies used to peg its value. The persistence of a significant inflation differential between the Czech Republic and its main trading partners, however, has continued to appreciate the real exchange rate, which stands now at a level similar to that which prevailed before the 1990 devaluations.

The IMF approved a 12-month, SDR 177 mio stand-by credit to the Czech Republic in March 1993. Granted in the wake of the sharp decline in reserves that accompanied the dissolution of the CSFR, the credit aimed at providing an early boost to reserves and helping the Czech authorities reestablish international confidence in its policies.

The current account surplus is projected to disappear in 1994 and turn into a deficit of about 2% of GDP in 1995, reflecting the acceleration of domestic demand and imports and a further appreciation of the real exchange rate. Such a deterioration in the current account, however, is expected to be amply financed by a continued surge in the inflow of private capital, resulting in a further increase in foreign exchange reserves in those years.

3. <u>Foreign debt</u>

Despite a significant growth of convertible debt in 1993, mostly associated with strong foreign borrowing by Czech companies, the Czech Republic continues to enjoy a low foreign debt burden. Total convertible debt is estimated to have increased from US$ 6.9 bn at end-1992 to US$ 9.0 bn at end-1993, but this still implies a relatively low debt/GDP ratio of 28.7% and a comfortable 55.3% debt/exports ratio. At US$ 1.5 bn in 1993, total debt service also remains moderate, having even decreased as a percentage of exports (from 9.5% in 1992 to 8.9%). While projections for 1994 point towards an increase in all debt and debt service indicators, they are expected to remain at fairly reasonable levels.

D. ESTONIA

1. General economic situation

Following sharp output contractions in 1991 (-12%) and 1992 (-23%) and a further decline in the first half of 1993, the economic situation in Estonia improved considerably in the second half of 1993. The economic rebound, which is expected to continue in 1994, reflects the successful implementation of the Estonian programme of macroeconomic stabilization and reform backed by the first IMF stand-by programme (mid-1992 to mid-1993), its reorientation towards Western markets and support from the international community. The official unemployment rate barely rose in the course of last year; with only 1.7%, it does not yet reflect the production decline of the early 1990's.

The Estonian authorities have been very successful in cutting inflation from 954% in 1992 (year-end) to 36% in 1993. Apart from the virtual completion of price liberalization by the end of 1992, this is due to the strict monetary incomes policies. The central bank is also prohibited from extending credits to the Government which has been able to balance its budget in 1993, following a small surplus in 1992.

Estonia has made continuing progress on structural reform. In 1993, Estonia advanced further in the area of privatization, especially for small enterprises. The Estonian Privatization Office was also created to better coordinate policies towards the enterprise sector. In some cases the bankruptcy law was applied. Banking supervision was improved. Following the banking crisis of 1993, the banking system was restructured. Estonia maintained liberal foreign trade and investment laws.

2. The balance of payments

In 1992, Estonia's current account was roughly in balance instead of a projected US$ 180 mio deficit. The better than expected performance was largely due to a dynamic expansion of exports of goods to industrialized countries, limiting the trade deficit to some US$ 50 mio, and increasingly also from services earnings. In 1993, imports from Western countries grew very dynamically (101%). The trade deficit widened to some US$ 150 mio and the current account turned into deficit despite vigorous export expansion and an increased surplus in the services account. It is likely that the strengthening of domestic demand and the gradual reduction of the comparative advantage will lead to a further deterioration of the current account in 1994.

The capital account surplus observed in 1992 (US$ 109 mio) expanded further in 1993, given the inflow of foreign official capital and an increase of foreign direct investment from US$ 58 mio in 1992. The continued capital inflow was supported by Estonia's liberal foreign exchange and investment law and the stability of its currency (pegged to the D-Mark under a currency board system since June 1992). It permitted the Bank of Estonia to accumulate reserves in the order of US$ 200 mio in 1992 and some US$ 100 mio in 1993, to a level equivalent to about 4.5 months of goods imports.

3. Foreign debt

In the course of 1993, Estonia's external debt increased from US$ 38 mio to US$ 168 mio (nearly 10% of GDP). Nearly half of the increase in 1993 is due to purchases from the Fund (US$ 59 mio). Debt service stabilized at $20 mio in 1992 and 1993, with the ratio to exports of goods and services declining from 3.2% to 2%.

E. HUNGARY

1. General economic situation

In spite of a clear recovery of industrial production in the second half of the year, real GDP is estimated to have declined by 1% in 1993, basically as a result of the sharp fall of agricultural output and the partly related collapse of exports. After a peak in March 1993, the unemployment rate steadily declined to 12.1% by the end of 1993. In 1994, the recovery of agricultural production and exports from the very low 1993 base, and the gradual strengthening of domestic demand, should result for the first time since 1989 in a positive, though moderate, rate of growth of GDP.

VAT increases aimed at controlling the budget deficit, combined with above-average price increases, have caused inflation pressures to remain high. At the end of December 1993, year-on-year inflation stood at 21.1%.

As part of the SDR 360 million stand-by arrangement agreed with the IMF in September 1993, fiscal policy is aimed at bringing down the consolidated state budget deficit from 7.8% of GDP in 1992 to 5.5% in 1994. The 1993 deficit target (7% of GDP) has been met.

Regarding structural reforms, progress has continued to be made in the area of privatization, the strengthening of governance in state enterprises, the application of the 1992 bankruptcy law, and the reform of the tax and social security systems. Also, a new bank consolidation scheme was launched in December 1993.

2. The balance of payments

Since the third quarter of 1992, the Hungarian current account has suffered a sharp deterioration and is estimated to have reached a deficit of about US$ 2.7 bn (7.5% of GDP) in 1993 (against a US$ 261 mio surplus in 1992). This is explained by four factors. First, domestic demand is experiencing a recovery at a time when Hungary's main Western export markets are suffering from recession or very weak growth. Second, agricultural production and exports have collapsed as a result of recent droughts and the disorganization caused by the privatization or transformation of state-owned farms and cooperatives. Third, exports have also been negatively effected by the observance of the UN embargo against Serbia and Montenegro. And fourth, Hungary has suffered an important loss of external competitiveness in recent years, as reflected in a cumulative appreciation of the forint's real exchange rate of around 35% (measured with consumer prices) since the beginning of 1990.

The poor performance of exports since the third quarter of 1992 has led the authorities since early 1993 to increase the frequency and magnitude of the forint devaluations within the "crawling peg" in order to produce some real depreciation of the currency. With inflation remaining above 20%, however, the impact of this shift in policy on the real exchange rate has so far been very limited.

While exports are expected to grow substantially in 1994, as agricultural production and, to a lesser extent, foreign demand recover, this will be partly offset by the increase in imports as domestic demand accelerates. In this context, the current account deficit is expected to shrink only moderately in 1994 (to about 6.5% of GDP).

Despite the very high current account deficit, official foreign exchange reserves expanded from US$ 4.4 bn at end-1992 to US$ 5.7 bn at the end of October 1993. This was made possible by a continuing strong inflow of FDI and by the placement by the National Bank of Hungary (NBH), taking advantage of favourable market conditions, of about US$ 4.5 bn in international bonds in 1993.

3. Foreign debt

The negative side of the aggressive international borrowing programme of the NBH has been a rapid growth of foreign debt in 1993. Total convertible debt, which had decreased by US$ 0.9 bn in 1992, is estimated to have risen from US$ 21.5 bn at end-1992 to US$ 24.9 bn at end-1993. The debt/GDP ratio has also deteriorated slightly, reaching an estimated 66.3% at the end of last year. There has been, however, a significant improvement in the structure of the debt, with the proportion of medium and long-term debt increasing from 89.8% to 92.8%.

Total debt service amounted to 4.3 bn, practically the same level as in 1992. However, with exports estimated to have fallen by about 20% in 1993, the debt service ratio has worsened, increasing from 43.9 to 48.1%. Principal repayments are expected to amount to around US$ 2.5 bn this year, down from US$ 2.8 bn in 1993, but they are projected to rise sharply in 1995 and 1996 to, respectively, US$ 3.4 bn and US$ 3.9 bn. With the current account deficit expected to remain at relatively high levels in those years, this "bunching" of amortizations could put considerable pressure on Hungary's balance of payments.

F. ISRAEL

1. General economic situation

GDP increased by 3.5% only in 1993, the lowest growth rate since 1989. The closure of the Occupied Territories in the second quarter slowed down economic activity, but an increase was registered towards the end of the year, following the peace agreement with the Palestinians. While growth in the early 90s was driven mainly by immigrant inflows, privatisation and deregulation is now creating a basis for more sustainable long-term growth.

The government budget deficit was reduced to 3.2% of GDP, following an acceleration of privatisation and a reduction in the housing programme and other subsidies for immigrants, including unemployment benefits. Budget revenue from privatisation was US$ 250 million only in 1992 and initially estimated at US$ 400 million for 1993, which is very small compared to the substantial share of state enterprises in the economy. The acceleration of privatisation, announced in August, is expected to increase revenue to over US$ 1 billion by end 1993. Unemployment continued to fall, from 11.2% end 1992 to 9% by end 1993, as the wave of immigration from Eastern Europe and the ex-Soviet Union of the early 1990s came to an end. Recent immigrants were gradually integrated into the economy.

At the start of 1993, inflation accelerated sharply from 9% p.a. end 1992 to 16% p.a. in the first quarter of 1993. Consequently, monetary policy was tightened. By July, inflationary pressures had decreased sufficiently and monetary policy eased again. At the end of 1993, inflation had slowed down to 11.5% p.a. which is still somewhat above the initial target of 10%.

2. The balance of payments

Foreign trade was further liberalised in 1993 with the cancelation of a 2% import duty surcharge, a 2% export subsidy and travel taxes, which constituted trade restrictions under the GATT rules. This led to the effective unification of the exchange rate in July, for the first time in Israel's history. In September, Israel accepted the obligations concerning the free movement of current account transactions under article VIII of the IMF Articles of Agreement. The Central Bank of Israel maintains a "crawling peg" exchange rate system with a target depreciation rate announced by the Central Bank, in line with expected inflation, and a 2% variation allowed around the targeted exchange rate. The announced rate of depreciation was reduced in July from 8% to 6%, thought to be in line with the slow-down in the inflation rate.

Following the end of the Gulf War, external trade started to pick up again in 1992 and this trend continued in 1993. The increase in exports, estimated at 10%, was a strong driving force for growth in 1993. Tourism also revived strongly. As a result, the current account deficit were somewhat reduced from US$ 1.2 billion in 1992 to US$ 0.9 billion in 1993. Private capital inflows increased as monetary policy was tightened and interest rates increased. Long-term capital inflows also increased following the approval of a US$ 10 billion credit guarantees package by the US administration.

Official foreign exchange reserves reached a satisfying level of US$ 6.2 billion or the equivalent of nearly three months of imports.

3. Foreign debt

The credit guarantees obtained from the US government in 1992 have enabled the authorities to draw on medium and long-term credit lines for investment projects. Total external debt increased to US$ 34.6 billion, of which nearly three quarters was public sector debt. The debt service to exports ratio improved slightly as export growth was strong in 1993. Other debt ratios remained more or less stable.

At the end of 1992, the net external debt stock stood at US$ 15.1 billion and the net external debt service amounted to US$ 3 billion. Net debt and debt service ratios are less than half of the gross ratios.

G. LATVIA

1. General economic situation

Following severe output contractions in 1991 (-8.3%) and 1992 (-33.8%), the Latvian economy stabilized in the course of 1993. For the year as a whole, output contraction was limited to some 10%, and it is expected that GDP will expand in 1994. During 1993, the official unemployment rate increased from 2.3% to 5.6%. Although this is more than double the unemployment rates of the other two Baltic countries, it still leaves much room for adjustment to the lower production level compared to the late 1980s.

Last year, the Latvian authorities succeeded in bringing down inflation significantly in line with the plan set out in the IMF stand-by arrangement of September 1992. At the end of 1993, the level of consumer prices was 31.3% higher than one year earlier (958.6% in 1992). Apart from the virtual completion of price liberalization by the end of 1992, this was due to the tight stance of monetary policy (since the monetary reform of July 1992), as well as of fiscal and incomes policies. However, a substantial capital inflow in the course of 1993 caused a relatively rapid expansion of reserve money.

During the first three quarters of 1993, the Latvian budget was in surplus. This was not only due to tight budget control, but also to higher than estimated profit and value added tax revenues and lower unemployment benefits. Following the approval of a supplementary budget in October 1993 authorizing increased expenditures for pensions and public sector wages, the budget recorded a small deficit. For 1994 a deficit of 1.7% of GDP is envisaged.

In 1993, Latvia also advanced further in a number of areas of structural reform. In particular, significant progress was made in the area of banking sector reform. Banking supervision was also strengthened. In addition, progress was made in land restitution and privatization of small-scale enterprises. On the other hand, large-scale privatization did not progress much. This may have been partly linked to the Parliamentary election in June 1993 and the subsequent reorganization of the Latvian Government; in this area the speed of reform picked up at the end of the year.

2. The balance of payments

Latvia's current account position was considerably better than expected under the first IMF programme both for 1992 and 1993. The surplus decreased from US$ 53 mio in 1992 to some US$ 40 mio in 1993, compared to estimated deficits in the order of US$ 90 mio and US$ 240 mio, respectively. To some extent, there may still be a problem of underreporting of imports from the former Soviet republics, but the situation also reflects a better than expected performance in the services account. The reorientation of trade towards Western markets continued in 1993, with exports to the CIS and Baltics declining by 45% in volume terms, while expanding another 21% to the rest of the world. It is likely that the strengthening of domestic demand and the gradually diminishing comparative advantage will lead to a deterioration of the current account in 1994.

As a consequence of the strong capital inflow in 1993, the Bank of Latvia accumulated a large amount of reserves (some US$ 360 mio), increasing its gross level to some US$ 530 mio or an equivalent of 4.7 in months of total imports (from 1.8 at the end of 1992).

3. Foreign debt

La TVA's external debt increased from US$ 53 mio to US$ 504 mio (nearly 14% of gdp). the debt service barely increased from US$ 15 mio in 1992 to US$ 18 mio in 1993, with the ratio to exports of goods and services declining from 2% to 1%.

H. LITHUANIA

1. General economic situation

In Lithuania, output contraction seems to have halted at the end of 1993, and the overall GDP decline is estimated at 16% for the whole year, following declines of 13% in 1991 and 38% in 1992. The official unemployment rate rose only moderately in the course of 1993 and reached a mere 1.6% at the end of 1993. Hidden unemployment is estimated at some 7%.

The Lithuanian authorities have reduced inflation in 1993, even though less rapidly than the other two Baltic States. The increase in consumer prices which reached 1163% at the end of 1992 fell to 189% at end-1993. Strict incomes and fiscal policies throughout the year, combined with a monetary policy that was tightened in Spring 1993, contributed to the strong deceleration of inflation during the Summer. However, as the central bank intervened in the foreign exchange to prevent a strong appreciation of the litas as a result of capital inflows, monetary expansion picked up and contributed to a pickup of inflation towards the end of the year.

The Lithuanian authorities managed to keep public expenditures under tight control in 1993. They also strengthened revenues through trade reforms and an increase in the general sales tax, such that the budget was broadly in balance, following a deficit in the order of 1% of GDP in 1992. For 1994, a deficit of some 1% of GDP is envisaged, which the Government plans to finance through the sale of treasury bills.

Regarding structural reform, Lithuania also continued to progress in a number of areas as foreseen under the IMF stand-by arrangement of October 1993. Privatization advanced further; by January 1994, 2/3 of all companies eligible for privatization (1/3 of all state capital) had been privatized through vouchers, public share subscription and auctions. There were also additional price liberalization measures, including the abolition of profit margins. Progress in banking reform was relatively slow in 1993 and should speed up in 1994.

2. The balance of payments

The current account shifted from a surplus of US$ 90 mio in 1992 (originally a deficit of US$ 160 mio had been expected) into an estimated deficit of about US$ 250 mio in 1993 (8.4% of GDP). A major factor contributing to this deterioration in 1993 was Russia's move to world market levels for its energy exports to Lithuania in Fall 1992. The trade balance swung from a US$ 65 mio surplus to a deficit of US$ 270 mio. The reorientation of trade continued in 1993. It is expected that the current account will deteriorate further in 1994 to reach a deficit in the order of US$ 400 mio (some 8% of GDP).

The deterioration of the current account in 1993 was accompanied by a substantial improvement in the capital account from a surplus of US$ 90 mio in 1992 to some US$ 270 mio in 1993. Foreign direct investment increased substantially (from US$ 10 mio to US$ 40 mio), but remained low in comparison with that of the other two Baltic States, and Estonia in particular. The inflow of official transfers and medium- and long-term loans roughly tripled to reach in total some US$ 280 mio in 1993. This capital inflow permitted the central bank to accumulate US$ 160 mio in reserves bringing the stock up to US $ 280 mio. In terms of months of imports, this signifies however a decrease from 2.6 in 1992 to 1.8 in 1993, mainly reflecting the rise in imports.

3. Foreign debt

In 1993, Lithuania's external debt stock increased from US$ 99 mio to US$ 345 mio (some 11% of GDP) and the debt service increased from a mere US$ 2 mio in 1992 to US$ 15 mio (0.7% exports of goods and services).

I. ROMANIA

1. General economic situation

In the course of 1993, the decline in real GDP has apparently halted and annual GDP growth is expected to be around zero. The decline in industrial output has been reversed in the second half of 1993 and agricultural output has increased substantially. In December, 9.9% of the labour force was unemployed, compared to 8.8% in January.

The expected consolidated government budget deficit for 1993 is in the range of 1-2% of GDP. A fundamental change in the revenue structure was achieved by the replacement of the turnover tax by a single-rate VAT in July 1993, which also led to a better-than-expected outturn of fiscal revenues. The abolition of most consumer subsidies in May 1993 as well as a restrictive public sector wage indexation policy have restrained expenditures.

Most consumer prices had been liberalised and subsidies eliminated by May 1993. Prices of energy products remain controlled, with frequent adjustments to keep them broadly in line with border prices. Inflation increased from about 200% in 1992 to over 300% in 1993 as monetary policy remained weak.

Commercial bank interest rates as well as NBR (National Bank of Romania) refinancing rates have remained strongly negative in real terms throughout 1993. This has led to a flight out of the Leu into foreign currency holdings, as indicated by the growth of foreign currency deposits.

Inter-enterprise arrears continued to accumulate, although at a slower pace. Privatisation of state-owned companies hardly made any progress, except for small businesses privatised through management and employee buyouts.

The economic stabilisation and reform programme, agreed upon with the IMF, got off-track in early 1993. However, by end 1993, an understanding on a new stabilization and reform programme had been reached.

2. The balance of payments

The NBR has continued to manage the official rate and multiple exchange rates have persisted throughout 1993. The official exchange rate depreciated from 433 Lei/US$ end 1992 to 1360 Lei/US$ end 1993. As the speed of depreciation of the Leu was slowed down by the NBR during the last quarter of 1993, the gap between the official and the exchange bureaux' exchange rate widened substantially to more than 50% by the end of the year. A 20% depreciation of the official rate end December was not sufficient to substantially reduce this gap.

Imports stabilised around the 1992 level as domestic demand remained weak. Exports registered an increase as the Interim trade agreement with the European Community became operational. As a result, the current account deficit slightly diminished to US$ 1.3

billion. The impact of the Interim Agreement and the granting of MFN status on the US market will further improve the current account in 1994.

Direct foreign investment inflows remain very low as large-scale privatisations have not really started yet. Although macro-economic reform programmes were stalled in 1993, medium and long term official aid inflows continued at virtually the same levels as in 1992.

The overall balance of payments remained positive throughout 1992 and 1993, reflecting an increase in foreign exchange reserves held by commercial banks while the NBR foreign reserves shrank. They were below US$ 50 million by end 1993, equivalent to 3 days of imports, while commercial banks held some US$ 1 billion in foreign assets.

3. Foreign debt

Total external debt increased rapidly from virtually zero in 1989 to over US$ 5.8 billion or 22% of GDP end 1993 and debt service accounted for 16.7% of export revenues. As foreign investment inflows are unlikely to increase rapidly, official medium and long term loans will remain the principal source of finance for the current account deficit and, consequently, the growth of the debt stock is projected to continue.

J. RUSSIA

1. General economic situation

Russia's economic performance has been particularly disappointing in 1992 and 1993. The fall of output (-19% in 1992) was still pronounced in 1993 (-12%). Investment has fallen to no more than half of its 1989 level. Financial policies have been loose for most of the period and inflation has remained very high - 20-25% per month. Living standards have declined markedly. Also, progress with putting in place the legislative and institutional framework for a market economy has been patchy, and structural reform slow in most respects. A bankruptcy law came into force in March 1993, but has not begun to be implemented, as was the case with many other key measures. However, a large share of small enterprises has been privatized and a mass privatization programme was developed, under which close to half of large enterprises had been privatized by the end of 1993. In October 1993, a decree was issued allowing for the first time the privatization of land.

In May 1993, agreement was reached between the government and the Central Bank to reduce credit expansion, increase interest rates and limit the budget deficit. The measures implemented in the following months brought down money supply growth, which helped to reduce monthly inflation to 13% in December. The steep fall of the exchange rate was arrested. Progress in stabilization allowed the IMF to agree on 1 July on the disbursement of the first half of a $3 billion loan under its new Systemic Transformation Facility. However, as the curbs on government spending were often achieved by deferrals rather than by cuts, a renewed inflationary impulse was expected in early 1994. January 1994 inflation was 22%, and the exchange rate of the rouble, that had remained fairly stable since the end of September, went down from around 1250 roubles per dollar to over 1600 roubles since the beginning of 1994.

As a result of the strong showing of nationalist and conservative forces in December 1993 elections, economic policy looks set to give less attention to macroeconomic stabilization, but rather to safeguarding incomes, employment and production, with a greater use of the instruments of direct government control.

2. The balance of payments

Russia's external situation worsened substantially in 1992 and 1993, reflecting the impact of the systemic changes, the disruptions of traditional trade and payments arrangements and domestic macroeconomic policies. However, during this period Russia's gross foreign exchange reserves increased to close to $4.5 billion (they were virtually nil two years earlier).

In 1992, official balance of payments support from the West (bilateral trade credits and grants and credit from the IMF of $1 billion under the first credit tranche arrangement) approached $17 billion. However, owing to a weaker export performance, a bunching of debt servicing obligations and large recorded or unrecorded capital flight (estimated to some $10 billion), this did not prevent either a sharp reduction of imports or a dramatic increase in debt arrears. In 1993, imports appear to have been further reduced and the trade surplus is likely to have widened substantially, maybe to over $10 billion; also, the capital outflows were quite significant - certainly larger than new financing. This is due, at least in part, to lower levels of official external financing (around $9 billion) and not sufficiently strong domestic financial policies.

3. Foreign debt

At the end of 1992, total foreign debt of the former Soviet Union approached $78 billion, up from $67 billion a year later. It was over $80 billion at the end of 1993. More than half of the debt is owed to official creditors. The debt remains, however, relatively modest in view of the size of the economy (some 60% of GDP at the end of 1993). In 1993, total scheduled debt servicing ($19 billion) represented almost 50% of exports.

In December 1991-January 1992, the official and private creditors of the former Soviet Union agreed with the former republics on a deferral of some $7.1 billion (principal repayment obligations on credits extended to the USSR before 1991). The deferral proved, however, insufficient since Russia, the only former Soviet republic to have made any debt servicing in 1992 (the payments were supposed to be made by all the NIS made jointly and severally responsible for the debt), was unable to meet the still substantial obligations. Russia's debt payments in 1992 amounted to only $1.6 billion. As a result, arrears increased dramatically; at the end of 1992, they approached $12 billion.

In early April 1993, a generous debt rescheduling agreement was reached with the Paris Club that reduced the official debt servicing in 1993 by some $15 billion. The agreement was this time concluded with Russia alone, making it the sole actual manager of the ex-Soviet debt. The agreement goes well beyond the deferrals agreed earlier and the standard creditors' practice. It was granted before a fully fledged IMF programme was put in place; it covers credits extended in 1991, i.e. after the cut-off date agreed previously; it provides for a medium-term deferral of part of moratorium interest. The creditors have recently decided to prolong the validity of the 1993 agreement until the end of April 1994, but further negotiations may prove difficult in the absence of an IMF programme.

Also, in July 1993, Russia reached an agreement in principle with the commercial banks on a long-term rescheduling of the ex-Soviet commercial debt ($24-26 billion is owed to some 600 banks). In parallel with progress in the negotiations with the commercial creditors, the price of the Russian debt on the secondary market that had been below 20% at the beginning of 1993, rose gradually to some 55% by early December. Subsequent delays in the final agreement due to unsettled legal issues and Russia's failure to make the payment of part of interest arrears due in 1993 ($450 million) have, however, led to a new fall of the price - to 35%.

K. OTHER NEWLY INDEPENDENT STATES

1. General economic situation

The situation in the other Newly Independent States varies considerably. All the former republics have suffered in 1992-1993 from the weakening of old structures which have not yet been replaced by market-oriented institutions and the collapse of inter-republican trade links. The decline in trade among the former republics (20-30% in 1992, probably of a similar magnitude in 1993) has had serious knock-on effects on output. Output declines in 1992 ranged from around 10% in Belarus and Uzbekistan, to 40% in Georgia and Armenia. Declines in activity continued in 1993 (between 7% in Moldova and 25% in Tajikistan), but two countries (Turkmenistan and Uzbekistan) reported increased aggregate output in 1993. Loose financial policies in many NIS compounded the adverse effects of the external shocks. Inflation remained very high throughout the area. In 1992, it varied from around 6 times (in Azerbaijan) and over 16 times (in Ukraine). In 1993, inflation accelerated markedly in a number of NIS, and several new states (Armenia, Georgia, Ukraine) are clearly in hyperinflation.

Far-reaching economic reform has begun in most NIS, and some of them have already made considerable strides in the transition to market-based system while implementing stricter financial policies. Kyrgyzstan, Moldova, Kazakhstan and Belarus have received financial support from the IMF (the first three, in the form of stand-by arrangements). Other States have yet done little to change the inherited economic structures. Some are hardly in a situation which allows them to contemplate systemic reform: Armenia is suffering a blockade, Tajikistan and Georgia are devastated by civil war or ethnic unrest.

2. The balance of payments

The balance of payments situation of the area is extremely weak, with probably the exception of Turkmenistan. Large trade deficits with Russia, linked primarily to higher prices for energy and raw materials imports from Russia, make the current account position of number of the new states hardly sustainable. The financial credibility of most NIS is further aggravated by lack of international reserves.

In a longer term perspective, the new states present rather variable prospects. Some have considerable hard currency earning potential (Kazakhstan, Uzbekistan) and industrial capacity. Others are clearly close to developing countries and will therefore strongly depend on external assistance. Armenia and Kyrgyzstan have already been made eligible to highly concessional IDA lending.

3. Foreign debt

In 1993, the NIS have achieved substantial progress in clarifying their position vis-à-vis the question of the foreign debt of the former Soviet Union. Initially (at the end of 1991), the former republics were made jointly and severally responsible for such debt. The Memorandum of Understanding setting forth the principle of joint and several responsibility was signed on 28 October 1991. The April 1993 Paris Club agreement with Russia was accompanied by a change in legal arrangements on debt servicing within the FSU making in fact Russia the sole actual manager of the debt. Accordingly, the creditors acknowledged that the so-called "zero-option" agreements concluded by Russia with other former republics (by virtue of which Russia takes over the full amount of the ex-Soviet debt, in exchange for the full amount of the ex-Soviet external assets) discharge them of any servicing of such debt. Already in 1992, Russia had concluded full zero-option agreements with Belarus, Kyrgyzstan, Turkmenistan and Uzbekistan; it had also signed temporary protocols with several other NIS. More recently similar agreements were concluded with Armenia, Azerbaijan and Moldova.

L. THE SLOVAK REPUBLIC

1. General economic situation

Slovak real GDP is estimated to have declined by 5-7% in 1993, implying a fourth consecutive year of recession, and is expected to show at best zero growth in 1994. The unemployment rate reached 14.4% at end-1993.

The split of the CSFR has disrupted trade with the Czech Republic and has obliged the Slovak authorities to pursue restrictive macro-economic policies. Monetary policy had to be very tight in the first half of 1993 in order to defend the country's reserves amid speculation about a devaluation of the Slovak crown. While the monetary stance was gradually eased after the July devaluation, the reemergence of pressures on the exchange rate at the end of 1993 obliged the National Bank of Slovakia (NBS) to raise the discount rate on December 21. On the fiscal front, the authorities have made a significant effort to control the budget deficit after the termination of the fiscal transfers from the Czech lands, in spite of which the general government is estimated to have run a deficit of about 7% of GDP last year.

Increases in indirect taxation and the 10% devaluation of the Slovak crown in July 1993 have resulted in an increase in CPI inflation from 12.7% at end-1992 to 25.1% at end-1993.

With the first wave of large-scale privatization having been completed last spring, the Slovak government is now preparing a second wave that will primarily rely on traditional privatization methods, such as direct sales to foreign investors and tenders. Coupon privatization will still be used but in a much smaller scale than before.

2. The balance of payments

The loss of the fiscal transfers from the Czech Republic was expected to unmask a large deficit in the Slovak current account. In the event, however, the sharp compression of domestic demand and imports and the devaluation of the Slovak crown have avoided the emergence of a serious deficit. Thus, excluding transfers from the Czech Republic associated with the distribution of voucher-shares to Slovak citizens, NBS data show a total current account deficit of US$ 289 mio (or 2.9% of GDP) in the first 10 months of 1993.

Slovakia is, however, having problems to finance even this smaller-than-expected account deficit. At an estimated US$ 100 mio in 1993, net FDI continues to be of little significance. Furthermore, Slovakia lacks good access to the international capital markets, partly because, unlike the Czech Republic, Slovakia can no longer benefit from the solid international economic reputation that the federal government had built since the beginning of the reforms. Slovak borrowers have placed only two international bonds since the break-up of the CSFR. Finally, speculation about a devaluation of the Slovak crown has resulted both in the first half of 1993 and since the end of that year in a significant outflow of short-term capital.

To help ease its balance of payments constraint, the IMF granted to Slovakia an SDR 64,35 mio (US$ 89 mio) Systemic Transformation Facility (STF) loan in July 1993. The IMF is also about to reach agreement with the Slovak authorities on an economic policy progamme that could be supported in the coming months by a stand-by arrangement and, possibly, a second purchase from the STF. In addition, the World Bank approved in November 1993 a US$ 80 mio Economic Recovery Loan.

The weakness of Slovakia's balance of payments has been reflected in a very vulnerable foreign exchange reserves position. Capital flight in early 1993 practically depleted official hard-currency reserves. This led the authorities to introduce temporary restrictions in February[6]. While official reserves recovered between May and September, the NBS has again been losing reserves in recent months. Official foreign exchange reserves stood at only US$ 343 mio (two weeks of imports) at the end of January 1994.

The balance of payments is expected to strengthen somewhat but remain weak in 1994. Depressed economic activity, the introduction of a 10% import surcharge on consumer goods in early March and, perhaps, a new devaluation of the currency could result in some reduction in the current account deficit. The capital account is also likely to improve, supported by substantial official financial assistance and by a reversal of capital flight once the exchange rate situation is clarified. This would be consistent with an increase in official reserves in 1994.

On top of the 10% devaluation of the Slovak crown against convertible currencies, decided last July in the context of the adjustment programme agreed with the IMF, the currency has been devalued by 5% against the clearing ecu.

3. Foreign debt

Despite last year's significant growth of foreign debt, Slovakia continues to show a relatively low foreign debt burden. Total convertible debt is estimated to have increased from US$ 2.6 bn at end-1992 to US$ 2.8 bn at end-1993, a level which still implies relatively comfortable debt/GDP and debt/export ratios of, respectively, 28 and 42%

Slovakia remains current in all its debt service obligations. Total debt service is estimated to have amounted to US$ 670 mio in 1993, practically unchanged from 1992. While the decline in exports has resulted in some deterioration in the debt service ratio, such a ratio is still at a reasonable level (10%). Principal repayments, however, are projected to increase considerably in the coming years, putting some additional pressure on the balance of payments.

[6] These restrictions were removed in December 1993.

II-F-3 Last update: 28/02/94	Country Risk Indicators Country: Algeria			
		1991	1992	1993 (1)
Real GDP growth rate (in %)		-2.8	1.8	-2.0
Industrial production (% change)		1.0	-2.5	n.a
Unemployment rate (end of period)		20.2	21.9	n.a
Inflation rate	*(Dec/Dec)*	22.8	32.1	16.1
Exchange rate (dinars per USD)	*(change, Dec/Dec)*	75.5	6.5	5.4
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-50.0	1.0	(Q3/Q3) 5.3
Real effective exchange rate (1990=100)	*(change, Q4/Q4) (- = depreciation)*	-38.6	25.0	(Q3/Q3) 22.4
General government balance (as % of GDP)		1.0	-6.6	-14.9
Balance of payments				
Exports of G&S (in bn USD)		13.0	12.2	10.3
Current account balance (in % of GDP)		2.6	1.2	1.2
Net inflow of foreign direct investment (in mio USD)		-90.0	40.0	n.a
Official FX reserves (end of period)				
in bn USD		1.6	1.7	1.9
in months of imports of G&S		2.0	2.0	2.3
External debt				
External debt *(in convertible currencies, in bn USD, end of period)*		27.2	26.2	25.7
medium and long-term (> 1 year)		26.2	25.0	n.a
short-term (=< 1 year)		1.0	1.2	n.a
Convertible debt service (in bn USD)		9.2	9.5	9.1
principal		6.7	7.1	7.0
interest		2.5	2.4	2.1
External debt/GDP (%)		63.3	57.6	55.9
External debt/exports of G&S (%)		209.4	215.6	249.5
Debt service/exports of G&S (%)		70.5	78.6	89.3
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		SBA	No	No
(Date / -)		(6/91-3/92)		
On track/off track		Off-track		
(- / Date)		Q1 1992		
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (2)				
Score (end of period)		Not rated	Not rated	Not rated
Rating (end of period)		Not rated	Not rated	Not rated
Euromoney				Mar Sep
Position in the ranking (3)		83	66	68 79
(number of countries)		(130)	(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		47 52	53 57	62 69
(number of countries)		(111) (113)	(119) (126)	(127) (133)
Credit rating (4)		37.9 34.2	33.1 28.9	28.2 27.1

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 09/03/94	Country Risk Indicators Country : Bulgaria		
		1992	1993(1)
Real GDP growth rate (in %)		-5,4	- 4,0
Industrial production (% change)		-11,0	- 9,0
Unemployment rate (end of period)		15,6	16,4
Inflation rate	(Dec/Dec)	79,4	64,0
Exchange rate (Leva per USD)	(change, Dec/Dec)	12,4	36,0
Nominal effective exchange rate	(change, Q4/Q4) (- = depreciation)	-15,7	(Q3/Q3) -3,1
Real effective exchange rate	(change, Q4/Q4) (- = depreciation)	43,6	59,2
General government balance (as % of GDP)		-6,9	-11,0
Balance of payments			
Exports of G&S (in bn USD)		3,5	3,4
Current account balance (in % of GDP)		-4,4	-7,9
Net inflow of foreign direct investment (in mio USD)		42,0	n.a.
Official FX reserves (end of period)			
in bn USD		1,0	0,7
in months of imports of G&S		3,2	2,2
External debt			
External debt (2)		12,0	12,4
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)		n.a.	n.a.
short-term (= < 1 year)		n.a.	n.a.
Convertible debt service (in bn USD)		2,9	2,4
principal		2,0	1,2
interest		0,9	1,2
External debt/GDP (%)		133,3	98,4
External debt/exports of G&S (%)		368,0	412,0
Debt service/exports of G&S (%)		85,0	69,0
Arrears (on both interest and principal, in bn USD)		6,1	n.a.
Debt relief agreements and rescheduling		Paris Club (resched.) London Cl. (roll-over)	London Cl. (roll-overs, and DDSR agreed in principle)
IMF arrangements			
Type/no		SBA	No
(Date/ -)		(04/92-04/93)	-
On track/off track		On track	-
(- / Date)			-
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)		No rated	No rated
S&P long-term foreign currency rating (end of period)		No rated	No rated
EIU country risk service (3)			
Score (end of period)		80	80
Rating (end of period)		E	E
Euromoney			Mar Sep
Position in the ranking (4)		91	118 125
(number of countries)		(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep
Position in the ranking (4)		81 86	91 89
(number of countries)		(119)(126)	(127) (133)
Credit rating (5)		21,1 19,8	18,9 19,5

(1) For some data, preliminary estimates.
(2) Any short-term debt is actually arrears.
(3) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(4) The higher the score in the ranking, the lower the creditworthiness of the country.
(5) Countries are rated on a scale of zero to 100, with 100 representing the least change of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rates countries improves.

II-F-3
Last update: 28/02/94

Country Risk indicators

Country: Czech Republic

		1992	1993 (1)
Real GDP growth rate (in %)		-7.1	0.5
Industrial production (% change)		-10.6	-5.4
Unemployment (% of labour force) (end of period)		2.6	3.5
Inflation rate	*(Dec/Dec)*	12.7	18.2
Exchange rate (CK's per USD)	*(change, Dec/Dec)*	3.8	2.4
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	1.0	(Q3/Q3) 3.7
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	9.4	(Q3/Q3) 15.9
General government balance (as % of GDP)		0.4	0.0
Balance of payments			
Exports of G&S (in bn USD)		14.8	16.3
Current account balance (in % of GDP)		0.4	1.9
Net inflow of foreign direct investment (in mio USD)		983	450
Official FX reserves (end of period)			
in bn USD		0.7	3.8
in months of imports of G&S		1.1	2.7
External debt (end of period)			
External debt		6.9	9.0
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)		5.1	6.8
short-term (=< 1 year)		1.8	2.2
Convertible debt service (in bn USD)		1.4	1.5
principal		0.9	0.9
interest		0.5	0.6
External debt/GDP (%)		25.4	28.7
External debt/exports of G&S (%)		46.8	55.3
Debt service/exports of G&S (%)		9.5	8.9
Arrears (on both interest and principal, in mio USD)		No	No
Debt relief agreements and rescheduling		No	No
IMF arrangements			
Type/no		SBA	SBA
(Date / -)		(4/92-4/93)	(3/93-3/94)
On track/off track		on-track but	On-track
(- / Date)		expired with dissolution of CSFR	
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period) (2)		Ba1	Baa3
S&P long-term foreign currency rating (end of period)		Not rated	BBB
EIU country risk service (3)			
Score (end of period)		30	25
Rating (end of period)		B	B
Euromoney			Mar - Sep
Position in the ranking (4)		49	48 43
(number of countries)		(169)	(169) (170)
The Institutional Investor (2)		Mar - Sep	Mar - Sep
Position in the ranking (4)		37 39	42 40
(number of countries)		(119) (125)	(127) (133)
Credit rating (5)		47.1 46.1	44.6 46.6

(1) For some data, preliminary estimates.
(2) For 1992, rating or position in the ranking assigned to the former CSFR.
(3) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(4) The higher the score in the ranking, the lower the creditworthiness of the country.
(5) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

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II-F-3	Country Risk indicators		
Last update: 28/02/94	Country: Estonia		

		1992	1993 (1)
Real GDP growth rate (in %)		-23.0	-5.0
Industrial production (% change)		-38.7	-35.2
Unemployment rate (end of period)		2.0	1.7
Inflation rate (Dec/Dec)		953.5	35.7
Exchange rate (Kroons per USD)	*(change, Dec/Dec)*	n.a.	8.2
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.
General government balance (as % of GDP)		1.7	0.0
Balance of payments			
Exports of goods (in mio USD)		650	1000
Current account balance (in % of GDP)		8.9	-1.7
Net inflow of foreign direct investment (in mio USD)		57.9	86.4
Official FX reserves (end of period)			
in mio USD		195.1	344.9
in months of imports of G&S		3.6	4.1
External debt			
External debt		38.1	168.3
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)		n.a.	n.a.
short-term (=< 1 year)		n.a.	n.a.
Convertible debt service (in mio USD)		20.8	20.8
principal		n.a.	n.a.
interest		n.a.	n.a.
External debt/GDP (%)		3.6	9.7
External debt/exports of G&S (%)		5.9	16.8
Debt service/exports of G&S (%)		3.2	2.1
Arrears (on both interest and principal, in mio USD)		No	No
Debt relief agreements and rescheduling		No	No.
IMF arrangements			
Type/no		SBA	SBA/STF
(Date / -)		(9/92-9/93)	(10/93-3/94)
On track/off track		On track	On track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated
EIU country risk service (2)			
Score (end of period)		80	75
Rating (end of period)		E	D
Euromoney			Mar Sep
Position in the ranking (3)		117	126 122
(number of countries)		(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep
Position in the ranking (3)		68 74	81 84
(number of countries)		(119) (126)	(127) (133)
Credit rating (4)		25.7 22.1	21.4 20.9

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 — **Country Risk indicators**

Last update: 28/02/94 — **Country: Hungary**

		1991	1992	1993 (1)
Real GDP growth rate (in %)		-11.9	-4.4	-1.0
Industrial production (% change)		-19.1	-9.8	(Jan-Nov) 4.3
Unemployment (% of labour force) (end of period)		8.0	12.3	12.1
Inflation rate		32.2	21.6	21.1
Exchange rate (forints per USD)	*(change, Dec/Dec)*	24.9	8.0	12.7
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-13.7	-8.5	-10.2
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	10.5	7.6	5.4
General government balance (as % of GDP) (GDS definition)		-4.4	-6.9	-7.0
Balance of payments				
Merchandise exports (in mio USD)		9258	10028	8184
Current account balance (in % of GDP)		0.8	0.8	-6.1
Net inflow of foreign direct investment (in mio USD)		1474	1471	1200
Official FX reserves (end of period)				
in bn USD		4.0	4.4	(Oct) 5.7
in months of imports of merchandises		5.3	6.1	(Oct) 6.9
External debt				
External debt		22.4	21.5	24.9
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		20.2	19.3	23.1
short-term (=< 1 year)		2.2	2.3	1.8
Convertible debt service (in bn USD)		4.0	4.4	4.3
principal		2.4	2.8	2.7
interest		1.6	1.6	1.6
External debt/GDP (%)		72.5	65.5	66.3
External debt/ merchandise exports (%)		242.0	214.4	278.8
Debt service/ merchandise exports (%)		43.2	43.9	48.1
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		EFF	EFF	SBA
(Date / -)		(2/91-2/94)		(9/93-12/94)
On track/off track		On track	Off track	On track
(- / Date)		-	Summer	-
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	Ba1
S&P long-term foreign currency rating (end of period)		Not rated	BB+	BB+
EIU country risk service (2)				
Score (end of period)		n.a	40	50
Rating (end of period)		n.a.	B	C
Euromoney				Mar Sep
Position in the ranking (3)		44	46	47 46
(number of countries)		(130)	(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		41 42	42 43	43 43
(number of countries)		(111) (113)	(119) (126)	(127) (133)
Credit rating (4)		41.1 40.9	41.7 42.3	44.3 44.8

(1) For some data, preliminary estimates.

(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.

(3) The higher the score in the ranking, the lower the creditworthiness of the country.

(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3
Last update:
01/03/94

Country Risk indicators

Country: Israël

		1991	1992	1993 (1)
Real GDP growth rate (in %)		5.9	6.5	3.5
Industrial production (% change)		8.0	10.0	9.3
Unemployment rate (average)		10.6	11.2	9.0
Inflation rate	*(Dec/Dec)*	18.0	9.0	11.5
Exchange rate (shehels per USD)	*(change, Dec/Dec)*	11.5	21.1	6.8
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-9.4	-9.3	(Q3/Q3) -3.1
Real effective exchange rate (1990=100)	*(change, Q4/Q4) (- = depreciation)*	3.6	-4.5	(Q3/Q3) 2.5
General government balance (as % of GDP)		5.9	-4.9	-3.2
Balance of payments				
Exports (in bn USD)		12.2	13.3	14.7
Current account balance (in % of GDP)		-0.3	-1 2	-0.9
Net inflow of foreign direct investment (in mio USD)		-161	-340	n.a
Official FX reserves (end of period)				
in bn USD		6.3	5 1	6.2
in months of imports of G&S		3.4	2.5	2.9
External debt				
External debt		33.0	33 9	34.6
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		n.a	n a	n.a
short-term (=< 1 year)		n.a	n a	n.a
Convertible debt service (in bn USD)		7.0	6 3	6.5
principal		n.a	n a	n.a
interest		n.a	n.a	n.a
External debt/GDP (%)		56.9	53 3	54
External debt/exports (%)		170.0	155.0	135.0
Debt service/exports (%)		57.4	47 4	44 2
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		No	CCFF	No
(Date / -)			(3/92-3/93)	
On track/off track			On-track	
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		BBB-	BBB-	BBB+
EIU country risk service (2)				
Score (end of period)		Not rated	Not rated	Not rated
Rating (end of period)		Not rated	Not rated	Not rated
Euromoney				Mar Sep
Position in the ranking (3)		38	32	29 29
(number of countries)		(130)	(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		51 51	50 52	46 46
(number of countries)		(111) (113)	(119) (126)	(127) (133)
Credit rating (4)		34.9 35.2	37.1 35.1	39.6 40.5

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves

II-F-3 | **Country Risk indicators**
Last update: 28/02/94 | **Country: Latvia**

		1992	1993 (1)
Real GDP growth rate (in %)		-33.8	-10.0
Industrial production (-% change)		-35.1	-38.0
Unemployment (end of period)		2.3	5.6
Inflation rate (Dec/Dec)		958.6	31.3
Exchange rate (Lats per USD)	*(change, Dec/Dec)*	n.a.	n.a.
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.
General government balance (as % of GDP)		0.0	-0.4
Balance of payments			
Exports (in mio USD)		831	1149
Current account balance (in % of GDP)		4.0	1.0
Net inflow of foreign direct investment (in mio USD)		43	50
Official FX reserves (end of period)			
in mio USD		156	522
in months of imports of G&S		1.8	4.7
External debt			
External debt			
(in convertible currencies, in mio USD, end of period)		53	504
medium and long-term (> 1 year)		n.a.	n.a.
short-term (=< 1 year)		n.a.	n.a.
Convertible debt service (in mio USD)		15.1	18.0
principal		n.a.	n.a.
interest		n.a.	n.a.
External debt/GDP (%)		4.0	14.0
External debt/merchandise exports (%)		7.0	28.0
Debt service/merchandise exports (%)		2.0	1.0
Arrears (on both interest and principal, in mio USD)		No	No
Debt relief agreements and rescheduling		No	No
IMF arrangements			
Type/no		SBA	SBA/STF
(Date / -)		(9/92-9/93)	(12/93-3/95)
On track/off track		On track	On track (2)
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated
EIU country risk service (3)			
Score (end of period)		80	75
Rating (end of period)		E	D
Euromoney			Mar Sep
Position in the ranking (4)		123	133 132
(number of countries)		(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep
Position in the ranking (4)		72 77	89 87
(number of countries)		(119) (126)	(127) (133)
Credit rating (5)		23.9 21.4	19.5 20.0

(1) For some data, preliminary estimates.
(2) Following the review of fourth quarter 1993 performance criteria, it was decided that Latvia could not purchase the relevant tranche for failure of observing the criterion on reserve money. Next review expected for April 1994.
(3) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(4) The higher the score in the ranking, the lower the creditworthiness of the country.
(5) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3	Country Risk indicators		
Last update:			
28/02/94	Country: Lithuania		

		1992	1993 (1)
Real GDP growth rate (in %)		-37.7	-16.2
Industrial production (% change)		-51.6	-42.7
Unemployment rate (end of period)		1.0	1.6
Inflation rate (Dec/Dec)		1162.5	188.6
Exchange rate (Litas per USD)	*(change, Dec/Dec)*	n.a.	n.a.
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.
General government balance (as % of GDP)		0.9	-0.1
Balance of payments			
Exports of G&S (in mio USD)		999	1694
Current account balance (in % of GDP)		5.5	-8.4
Net inflow of foreign direct investment (in mio USD)		10	40
Official FX reserves (end of period)			
in mio USD		140	280
in months of imports of G&S		2.6	1.8
External debt			
External debt		98.8	345.3
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)		n.a.	n.a
short-term (=< 1 year)		n.a.	n.a
Convertible debt service (in mio USD)		2.0	15.0
principal		n.a.	n.a.
interest		n.a.	n.a.
External debt/GDP (%)		5.4	11.2
External debt/exports of G&S (%)		7.8	16.3
Debt service/exports of G&S (%)		0.2	0.7
Arrears (on both interest and principal, in mio USD)		No	No
Debt relief agreements and rescheduling		No	No
IMF arrangements			
Type/no		SBA	SBA/STF
(Date / -)		(10/92-9/93)	(10/93-3/94)
On track/off track		On track	On track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated
EIU country risk service (2)			
Score (end of period)		80	75
Rating (end of period)		E	D
Euromoney			Mar Sep
Position in the ranking (3)		118	134 130
(number of countries)		(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep
Position in the ranking (3)		73 80	91 93
(number of countries)		(119) (126)	(127) (133)
Credit rating (4)		23.7 20.7	18.9 19.0

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3	Country Risk indicators			
Last update: 28/02/94	Country: Romania			
		1991	1992	1993 (1)
Real GDP growth rate (in %)		-15.1	-15.4	1.0
Industrial production (% change)		-19.6	-22.1	7.7
Unemployment rate (end of period)		6.1	8.4	9.9
Inflation rate	*(Dec/Dec)*	222.8	198.5	294.7
Exchange rate (lei per USD)	*(change, Dec/Dec)*	433.1	134.1	214.1
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-72.9	-74.6	-56.9
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-17.1	-24.0	65.7
General government balance (as % of GDP)		0.6	-5.5	-2.0
Balance of payments				
Exports of G&S (in mio USD)		3538	4286	4500
Current account balance (in % of GDP)		-11.3	-11.6	-10.6
Net inflow of foreign direct investment (in mio USD)		37	73	50
Official FX reserves (end of period)				
in mio USD		198	93	52
in months of imports of G&S		0.5	0.2	0.1
External debt				
External debt		2.1	4.1	5.8
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		1.1	2.9	4.6
short-term (=< 1 year)		1.0	1.2	1.2
Convertible debt service (in mio USD)		90	444	750
principal		13	300	500
interest		77	144	250
External debt/GDP (%)		7.6	21.0	21.8
External debt/exports of G&S (%)		59.6	95.1	129.6
Debt service/exports of G&S (%)		2.5	10.4	16.7
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		SBA	SBA	No
(Date / -)		(4/91-4/92)	(05/92-03/93)	-
On track/off track		On track	Off track	-
(- / Date)		-	Dec 92	-
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (2)				
Score (end of period)		n.a.	60	65
Rating (end of period)		n.a.	D	D
Euromoney				Mar Sep
Position in the ranking (3)		89	72	74 75
(number of countries)		(130)	(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		60 64	69 68	73 75
(number of countries)		(111) (113)	(119) (126)	(127) (133)
Credit rating (4)		27.9 26.7	25.6 24.8	24.2 24.4

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 01/03/94

Country Risk indicators

Country: **Russia**

		1991	1992	1993 (1)
Real GDP growth rate (in %)		-12.9	-19.0	-12.0
Industrial production (% change)		-8.0	-18.0	-16.2
Unemployment rate (end of period - ILO definition)		n.a.	n.a.	5.1
Inflation rate	*(Dec/Dec)*	160	2500	840
Exchange rate (Rbs per USD)	*(change, Dec/Dec)*	n.a.	145	201
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-63.6	(Q4/Q1) -55.6	-62.5
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-25.3	(Q4/Q1) 90.0	268.4
General government balance (as % of GDP)		-16.5	-20.0	-10.0
Balance of payments				
Exports of G&S (in bn USD)		51	41	43
Current account balance (in % of GDP)		n.a.	-1.6	(Jan-Sep) 6.3
Net inflow of foreign direct investment (in bn USD)		-0.1	0.7	" 1.1
Official FX reserves (end of period)				
in mio USD		0.0	2.1	" 4.5
in months of imports of G&S		0.0	0.7	" 2.3
External debt				
External debt		67.0	77.7	(Q3) 82.0
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		54.3	64.7	" 72.0
short-term (=< 1 year)		12.7	13.0	" 10.0
Convertible debt service (in bn USD)		n.a.	15.8	" 20.0
principal		n.a.	10.4	" 14.0
interest		n.a.	5.4	" 6.0
External debt/GDP (%)		n.a.	98.0	" 59.0
External debt/exports of G&S (%)		131.0	190.0	" 190.0
Debt service/exports of G&S (%)		n.a.	38.0	" 46.0
Arrears (on both interest and principal, in bn USD)		4.8	14.9	n.a.
Debt relief agreements and rescheduling		No	Paris Club (deferrals) London Club (roll-overs)	Paris Club (resched.) London Club (roll-overs, and resched. agr in principle)
IMF arrangements				
Type/no		No	1st credit trancne	STF
(Date / -)			Aug 92	Jul 93
On track/off track				
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (2)				
Score (end of period)		n.a.	95	95
Rating (end of period)		n.a.	E	E
Euromoney				Mar Sep
Position in the ranking (3)		n.a.	129	149 137
(number of countries)		(130)	(169)	(169) (170)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		–	– 73	87 92
(number of countries)		–	– (126)	(127) (133)
Credit rating (4)		–	– 23.6	20.2 19.0

(1) For some data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 25/02/94	**Country Risk indicators** **Country : Former CSFR**		
		1991	1992
Real GDP growth rate (in %)		-15,9	-7,0
Industrial production (% change)		-21,2	-12,0
Unemployment rate (end of period)		6,6	5,0
Inflation rate	(Dec/Dec)	52,0	12,7
Exchange rate (korunys per USD)	(change, Dec/Dec)	-0,6	3,8
Nominal effective exchange rate	(change, Q4/Q4) (- = depreciation)	-12,4	1,0
Real effective exchange rate	(change, Q4/Q4) (- = depreciation)	31,4	9,4
General government balance (as % of GDP)		- 2,0	- 4,3
Balance of payments			
Exports of G&S (in mio USD)		12 595,0	14 070,0
Current account balance (in % of GDP)		3,0	0,8
Net inflow of foreign direct investment (in mio USD)		594,0	1 055,0
Official FX reserves (end of period)			
in bn USD		3,2	1,3
in months of imports of G&S		1,3	1,1
External debt			
External debt		9 793,0	9 484,0
(in convertible currencies, in mio USD, end of period)			
medium and long-term (> 1 year)		5 845,0	7 258,0
short-term (= < 1 year)		2 635,0	2 226,0
Convertible debt service (in mio USD)		1 778,0	1 984,0
principal		1 184,0	1 294,0
interest		594,0	690,0
External debt/GDP (%)		28,2	28,5
External debt/exports of G&S (%)		82,0	62,1
Debt service/exports of G&S (%)		14,1	14,1
Arrears (on both interest and principal, in mio USD)		4,0	No
Debt relief agreements and rescheduling		No	No
IMF arrangements			
Type/no		SBA	SBA
(Date/ -)		(1/91-3/92)	(4/92-4/93)
On track/off track		On track	On track but
(- / Date)			expired with dissolution of CSFR
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1
S&P long-term foreign currency rating (end of period)		No rated	No rated
Euromoney			
Position in the ranking (1)		35	CR 49 SR 58
(number of countries)		(130)	(169)
The Institutional Investor		Mar / Sep	Mar /Sep
Position in the ranking (1)		32 34	37 39
(number of countries)		(111)(113)	(119) (126)
Credit rating (2)		50,3 48,3	47,1 46,1

(1) The higher the score in the ranking, the lower the creditworthiness of the country.

(2) Countries are rated on a scale of zero to 100, with 100 representing the least change of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rates countries improves.

II-F-3 Last update: 28/02/94	Country Risk indicators Country: Slovak Republic		
		1992	1993 (1)
Real GDP growth rate (in %)		-6.0	-9.0
Industrial production (% change)		-12.8	-8.6
Unemployment (% of labour force) (end of period)		10.4	14.4
Inflation rate	*(Dec/Dec)*	12.7	25.1
Exchange rate (SK's per USD)	*(change, Dec/Dec)*	3.8	12.7
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	1.0	-4.9
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	9.4	16.7
General government balance (as % of GDP)		-14.0	-7.0
Balance of payments			
Exports of G&S (in mio USD)		7617	6683
Current account balance (in % of GDP)		0.2	-2.4
Net inflow of foreign direct investment (in mio USD)		100	100
Official FX reserves (end of period)			
in bn USD		0.4	0.4
in months of imports of G&S		0.4	0.4
External debt			
External debt		2.6	2.8
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)		2.1	2.4
short-term (=< 1 year)		0.4	0.4
Convertible debt service (in mio USD)		675	670
principal		415	450
interest		260	220
External debt/GDP (%)		25.7	28.1
External debt/exports of G&S (%)		33.6	41.9
Debt service/exports of G&S (%)		8.9	10.0
Arrears (on both interest and principal, in mio USD)		No	No
Debt relief agreements and rescheduling		No	No
IMF arrangements			
Type/no		SBA	STF
(Date / -)		(4/92-4/93)	(7/93 -)
On track/off track		on-track but expired with dissolution of CSFR	On-track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period) (2)		Ba1	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated
EIU country risk service (3)			
Score (end of period)		Not rated	Not rated
Rating (end of period)		Not rated	Not rated
Euromoney			Mar - Sep
Position in the ranking (4)		58	56 63
(number of countries)		(169)	(169) (170)
The Institutional Investor (2)		Mar - Sep	Mar - Sep
Position in the ranking (4)		37 39	57 57
(number of countries)		(119) (125)	(127) (133)
Credit rating (5)		47.1 46.1	31 30.6

(1) For some data, preliminary estimates.
(2) For 1992, rating or position in the ranking assigned to the former CSFR.
(3) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(4) The higher the score in the ranking, the lower the creditworthiness of the country.
(5) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

TABLE 1

CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED

Operations	Authorized ceiling	Capital outstanding 30.06.93.	Capital outstanding 31.12.93.	Remainder to be disbursed 31.12.93
MEMBER STATES				
A.Balance of payments	14000			
1. Greece I	1750	200	200	0
2. Greece II	2200	1000	1000	1200 1)
3. Italie	8000	1979	3990	4000 2)
B.Others				
4. Euratom	4000	1144	1018	0
5. NIC and NIC earthquakes	6830	2813	2202	0
6. EIB Mediterranean Spain,Greece, Port.	1500	629	572	0
MEMBER STATES TOTAL	26330	7764	8982	5200
THIRD COUNTRIES				
A.Financial assistance				
1. Hungary	1050	790	790	260
2. Czechoslovakia	375	375	375	0
3. Bulgaria	400	290	290	110
4. Romania	455	455	455	0
5. Algeria	400	250	250	150
6. Israel	160	160	160	0
7. Baltic States	220	60	110	110
8. Former Soviet Union	1250	616	803	447
B.Others				
9. EIB Med	6167	1532	1596	3901
10. EIB Central and Eastern Europe I	1700	191	300	1400
11. EIB Central and Eastern Europe I	3000			3000
12. EIB Asia,Latin America	750			750
12. Guarantees CIS	500	363	266	0
THIRD COUNTRIES -TOTAL	16427	5082	5395	10128
GRAND TOTAL	42757	12846	14377	15328

1) No disbursement is planned.

2) The third and fourth tranches could be paid on 1 February 1994 and 1995. So far, the Italian Government has not requested payment.

ANNEX TO TABLE 1

- SITUATION IN RESPECT OF EIB OPERATIONS

Operations	Credit line authorized	Loans made available, minus cancellations	Initial disbursement	Amount outstanding at 31.12.93
EIB Méd. Spain, Greece, Portugal	1500	1465	1620	572
Third countries EIB Méd.	6167	3573	2266	1596
Central and Eastern Europe I	1700	1650	300	300
Central and Eastern Europe II	3000	5	0	0
Asia, Latin America	750	99	0	0

NB: The fact the initial disbursement sometimes exceeds the authorized ceiling is due to differences in the ecu rate between the date on which the contracts were signed and 31 December 1993.

TABLE 2

MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in ECU million based on all operations disbursed at 31 December 1993)

	1993	1994	1995	1996	1997	1998	1999	2000	TOTAL
MEMBER STATES									
CAPITAL									
A.Balance of payments									
1. Greece	569	200		500		500			1769
2. Italy				500		992		2498	3990
B.Structural loans									
3. Euratom	358	265	46	152	434	92	16	12	1376
4. NCI et NCI EQ	1177	663	484	330	533	95	40	40	3363
5. EIB Med.Old. Prot. Sp,Gre,Port	54	91	84	77	76	58	51	46	537
Capital - subtotal	2158	1220	615	1559	1044	1737	107	2596	11035
INTEREST									
A.Balance of payments									
1. Greece	147	110	95	95	46	46			539
2. Italy		252	252	252	213	213	157	157	1496
B.Structural loans									
3. Euratom	112	81	61	57	44	10	3	1	369
4. NCI et NCI EQ	296	188	132	93	65	17	8	5	804
5. EIB Med.Old Prot. Sp,Gre,Port	31	50	42	35	27	21	16	11	233
Interest -subtotal	586	681	582	532	395	307	184	174	3441
MEMBER STATES TOTAL	2744	1901	1197	2091	1439	2044	291	2771	14476
NON-MEMBER COUNTRIES									
CAPITAL									
A.Financial assistance									
6. Hungary			350	260	80	100			790
7. Czechoslovakia					190	185			375
8. Bulgaria					140	150			290
9. Romania						185	190	80	455
10. Algeria					250				250
11. Israël					160				160
12. ex-USSR		112	511	179					802
13. Baltic States								110	110
B.Guarantees									
14. EIB Med.	56	130	139	137	140	144	140	129	1015
15. EIB C+ E Eur.1		2	13	22	26	29	28	26	146
16. Aid Russia 500	103	133	133						369
Interest -subtotal	159	377	1145	598	987	794	358	345	4763
INTERETS									
A.Financial assistance									
6. Hungary	81	79	79	44	18	10			311
7. Czecoslovakia	38	38	38	38	38	19			209
8. Bulgaria	29	29	29	29	29	15			160
9. Romania	42	46	46	46	46	46	27	8	307
10. Algeria	25	25	25	25	25				125
11. Israël	16	16	16	16	16				80
12. ex-USSR	30	80	69	18					197
13. Baltic States	3	11	11	11	11	11	11	11	80
B.Guarantees									
14. EIB Med.	61	120	109	99	88	78	67	57	679
15. EIB C+E Eur. I	8	21	21	20	18	16	14	12	129
16. Aid RussiA 500	34	24	9						67
Interest - subtotal	367	488	452	345	289	195	119	88	2344
NON-MEMBER COUNTRIES -TOTAL	526	866	1597	943	1276	988	477	433	7107
GRAND TOTAL	3270	2766	2794	3033	2715	3032	768	3204	21582
(Eastern Europe)	368	575	1308	666	596	767	270	247	4797
(Other non-member countries)	158	290	289	276	680	222	208	186	2309

TABLE 3

MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in ECU million based on all operations disbursed adopted and proposed by the Commissionion

	1993	1994	1995	1996	1997	1998	1999	2000	TOTAL
MEMBER STATES									
CAPITAL									
A.Balance of payments									
1. Greece	569	200		500		500	600	600	2969
2. Italy				500		1000		4498	5998
B.Structural loans									
3. Euratom + NCI	1535	929	531	482	967	187	56	53	4739
4. EIB Sp,Gr,Port	54	91	84	77	76	58	51	46	537
Capital- subtotal	2158	1220	615	1559	1044	1745	707	5196	14243
INTEREST									
A.Balance of payments									
1. Greece	147	170	215	215	166	166	120	60	1259
2. Italy		425	595	680	638	638	553	553	4081
B.Structural loans									
3. Euratom + NCI	408	270	193	149	109	27	10	6	1172
4. EIB Sp,Gr,Port	31	50	42	35	27	21	16	11	233
Interets- subtotal	586	915	1045	1079	940	851	698	630	6744
MEMBER STATES - TOTAL	2744	2134	1660	2638	1983	2596	1406	5827	20988
NON - MEMBER COUNTRIES									
CAPITAL									
A.Financial assistance									
5. Hungary			350	260	80	100	260		1050
6. Czechoslovakia					190	185			375
7. Bulgaria					140	150		55	345
8. Romania						185	190	80	455
9. Israel					160				160
10. Algeria					250			150	400
11. Ex-USSR		191	653	406					1250
12. Baltic States								110	110
13. Euratom, C+E Eur.							10	23	33
B.Guarantees									
14. EIB Med.	56	130	139	137	180	245	324	379	1590
15. EIB C+E Eur.I + II		2	13	22	70	139	227	301	774
16. EIB,Asia, Latin America					4	12	27	39	82
17.Aid Russia guar.500m	103	133	133						369
Interset - subtotal	159	456	1288	825	1074	1016	1038	1137	6993
INTEREST									
A.Financial assistance									
5. Hungary	81	92	105	70	44	36	26		454
6. Czechoslovakia	38	38	38	38	38	19			209
7. Bulgaria	29	35	40	40	40	26	11	11	232
8. Romania	42	46	46	46	46	46	27	8	307
9. Israel	16	16	16	16	16				80
10. Algeria	25	40	40	40	40	15	15	15	230
11. Ex-USSR	30	102	106	41					279
12. Baltic States	3	17	22	22	22	22	22	22	152
13. Euratom, C+E Eur.		8	25	45	65	85	102	107	437
B.Guarantees									
14. EIB Med.	61	143	193	270	345	394	414	392	2212
15.EIB C+ E Eur.I et II	8	47	113	204	298	367	400	390	1827
16. EIB, Asia, Latin America		2	10	23	39	53	62	62	251
17.Aid Russia guar.500m	34	24	9						67
Interest - subtotal	367	610	763	855	993	1063	1079	1007	6736
NON-MEMBER COUNTRIES -TOTA	526	1066	2051	1680	2067	2079	2117	2144	13729
GRAND TOTAL	3270	3200	3711	4317	4050	4675	3523	7971	34717
(Eastern Europe)	368	735	1653	1194	1033	1360	1275	1107	8724
(Other non-member countries)	158	331	398	486	1034	719	842	1037	5005

EXPLANATORY NOTES

The purpose of these tables is to show the annual repayments of capital and interest in respect of borrowing and lending operations for which the risk is covered by the Community budget. The figures show the maximum possible risk for the Community in respect of these operations and must not be read as meaning that these amounts will actually be drawn from the budget. In the case of Table 3, it is not certain that all the operations described will actually be disbursed. No account has been taken of interest on late payment or any additional costs such as lawyers' fees.

I. TYPES OF OPERATION AND PAYMENT OF THE BUDGET GUARANTEE

A. Types of operation

The risk covered by the Community budget results from two types of operation:

- borrowing/lending operations;
- guarantees given to third parties.

In the first type of operation, the Community borrows on the financial market and on-lends the proceeds (at the same rate and for the same term) to Member States (balance of payments), non-member countries (medium-term financial assistance) or firms (NCI, Euratom).

The loan repayments are scheduled to match the repayments of the borrowings due from the Community. If the recipient of the loan defaults, the Commission must draw on its budgetary resources to repay the borrowing on the due date.

The loan guarantee is in respect of loans granted by a financial institution (EIB or commercial banks in the case of the former Soviet Union). When the recipient of a guaranteed loan fails to make a payment on the due date, the bank asks the Commission to pay the amounts owed by the defaulter.

B. Mobilization of funds

The funds needed to pay the budget guarantee can be raised in three ways:

- The re–use of amounts repaid by debtors who have defaulted, leading to activation of the Community guarantee, allows payments to be made within a short period of time always providing, of course, that there are funds available.

- The transfer procedure can be used to provide the budget heading with the appropriations needed to cover the default. This method is used when there are insufficient appropriations for re-use and must be authorized in advance by the budgetary authority.

- The amount required may be taken provisionally from cash resources in accordance with Article 12 of the Financial Regulation. This method is used, in particular, when the Community has so short a deadline for the payment of a guarantee that the budgetary authority has no time to approve a transfer.

This operation is subsequently regularized by means of a transfer or a supplementary and/or amending budget.

II. CALCULATION

Some of the amounts indicated are the result of estimates made on the basis of the following assumptions.

Generally speaking, the exchange rates for loans in currencies other than the ecu are assumed to have been stable since 31 December 1993. However, borrowing and lending operations should not involve exchange risks for the Community. Unless otherwise stated, the average rate of interest is estimated at 10%. This rate is probably a little high for EIB loans, which often attract interest subsidies under the protocols.

A. Member States

1. Greece: The existing BOP loan to Greece has run its course and there will be no further disbursements. There are no plans for any new loans.

2. Italy: The Council decision of 18 January 1993 granted a ECU 8 000 million balance-of-payments loan to Italy. The loan is to be made available in four instalments amounting to ECU 2 000 million each and - with the exception of the first instalment - is conditional on the attainment of agreed targets on Italy's public debt and deficit.

   The first two instalments were released in 1993. Concerning the coming period, the Council Decision states that the third instalment could be released as of 1 February 1994 (but the Italian Government has not yet applied for it). The fourth instalment may be released not earlier than 1 February 1995.

   If the Italian Government decides to apply for the release of the third and fourth instalments and the conditions are deemed to be fulfilled ECU 2 000 million in 1994 and ECU 2 000 million in 1995 will be disbursed to the Italian Republic.

3. EIB, Mediterranean, old protocols: Spain, Greece, Portugal: These are Community guarantees for EIB operations in these countries prior to accession. The amounts are now final, since all the loans authorized have been disbursed.

B. Non-member countries

a. Financial assistance

1. Hungary I: The amounts of the first two tranches are final and certain. The third tranche of the macrofinancial assistance decided in 1990 is not expected to be disbursed in 1994 or 1995.

2. Hungary II: ECU 180 million has been granted and paid out in full.

3. Czechoslovakia: ECU 375 million has been granted in two tranches for a maximum term of seven years (bullet), with a first tranche of ECU 185 million and a second tranche of ECU 190 million for a term of six years.

4. Bulgaria I: ECU 290 million has been granted in two tranches for a maximum term of seven years (bullet), with a first tranche of ECU 150 million for a term of seven years and a second tranche of ECU 140 million for a term of five years.

5. Bulgaria II: The financial assistance of ECU 110 million decided in 1992 has not been disbursed since Bulgaria has failed to meet the necessary conditions.

6. Romania I: An estimated ECU 375 million in two tranches for a maximum term of seven years (bullet). The first tranche of ECU 190 million was disbursed in 1992 with a term of seven years and the second was disbursed in 1992 with a term of six years.

7. Romania II: The new operation involving ECU 80 million for a maximum term of seven years was disbursed in 1993.

8. Baltic States: The first tranche of a loan of ECU 220 million was paid in 1993. The second should be paid in 1994. The two tranches will be repaid in 2000 and 2001 respectively.

9. Algeria: ECU 400 million has been granted in two tranches of ECU 250 million and ECU 150 million. The first was paid in December 1991 for a term of six years. The second tranche has not been disbursed since Algeria has failed to meet the necessary conditions. This tranche may be disbursed in 1994 as a result of Algeria's new economic programme.

10. Israel: A loan of ECU 160 million has been paid in full and is repayable in 1997.

b. Guarantees

1. EIB

Figures provided by the EIB for loans disbursed at 31 December 1993.

For subsequent loans, we have made the following assumptions concerning the signature of loans (ECU million).

Year	1994	1995	1996	TOTAL
Mediterranean countries	890	870	870	2630
Central and Eastern Europe[7]	705	965	1270	3000
Other non-member countries	150	250	250	650

In the case of these loans and those already signed at the end of December 1993 but not yet disbursed (ECU 1 307 million for the Mediterranean countries and ECU 1 350 million for the countries of Central and Eastern Europe), we have assumed that an average of 10% of the loan will be disbursed in the year of signature and 30% in each of the three following years. In the case of the new operations following the renewal of EIB loans of ECU 3 000 million in the countries of Central and Eastern Europe for a period of three years, it is assumed that the signatures will take place as indicated in the financial statement drawn up by the Commission.

It is estimated that the average term will be fifteen years with a three-year period of grace.

2. Food aid for the former Soviet Union

(a) Guarantee

This is a guarantee for a bank loan of ECU 500 million, with principal and interest fully covered by the budget, for a term of three and a half years with three repayments at intervals of eleven months starting from the twentieth month. ECU 375 million has been used.

(b) Borrowing/lending

An operation involving ECU 1 250 million for a maximum term of three years.

This borrowing will be divided between the various Republics of the former Soviet Union. Loans amounting to less than ECU 100 million will be repaid in one instalment three years after the start of the period in which the funds may be drawn. Borrowings exceeding ECU 100 million will be repaid in two instalments two years and three years after the start of the period in which the funds may be drawn.

Depending on the type of contract, there are two periods in which funds may be drawn; one starts on 20 August, the other on 15 January.

It is assumed that the balance of ECU 448 million still to be used at 31 December 1993 will be disbursed in 1994.

3. Euratom, countries of Central and Eastern Europe

Of the ECU 1 100 million involved, it is assumed that ECU 150 million will be disbursed in 1994, ECU 200 million in each of the four following years and ECU 150 million in 1999.
It is assumed that the loans will be for an average term of twenty years with a five-year period of grace.

[7] Including renewal from 1993.

ANNEX

DEFINITION OF FIGURES USED IN THE REPORT

A. Authorized ceiling (Table 1)

This is the aggregate of the maximum amounts of capital authorized (ceilings) for each operation decided or of the amount proposed by the Commission for operations for which there has not yet been a Council decision.

In order to relate it to the risk which the budget might have to cover, account should be taken of the following factors which could affect it:

- factor increasing the risk: the interest on the loans must be added to the authorized ceiling;
- factors reducing the risk:

  limitation of the guarantee given to the EIB to 75% of the loans signed in the Mediterranean countries;

  operations already repaid, since the amounts concerned, except in the case of balance of payments support, are the maximum amount of loans granted and not outstanding amounts authorized;

  the amounts authorized are not necessarily taken up in full.

The breakdown of authorizations is as follows:

Member States

Balance of payments	14 000[8]
NCI	6 830
Euratom	4 000[9]
EIB; Spain, Greece, Portugal	1 500
Member States - total	26 330

[8] Authorized amount outstanding: once this figure is reached, further loans may be granted as previous operations are repaid.

[9] Including ECU 1 100 million which may be granted to the countries of Eastern Europe and the CIS.

Non-member countries

Hungary I	870
Hungary II	180
Czechoslovakia	375
Bulgaria I	290
Bulgaria II	110
Romania I	375
Romania II	80
Israel	160
Algeria	400
former Soviet Union I	408
former Soviet Union II	1 250
Baltic States	220
EIB, old protocols	3 032
EIB, Eastern Europe I	1 700
EIB, Eastern Europe II	2 750
EIB, Baltic States	200
EIB, Albania	50
EIB, new protocols	1 435
EIB, horizontal cooperation	1 800
Other non-member countries	750
Non-member countries - total	16 185
Grand total	42 515

B. Capital outstanding (Table 1)

This is the amount of capital still to be repaid on a given date in respect of operations disbursed.

Compared with the previous aggregate, the amount outstanding does not include loans which have not yet been disbursed nor the proportion of disbursed loans which have already been repaid. It may be described as the amount of loans which exist on a given date.

C. Annual risk

Estimated amount of principal and interest due each financial year.

This amount is calculated for:

- disbursements alone (Table 2), in which case the capital to be repaid corresponds to the amount outstanding;

- disbursements, decisions still awaiting disbursement and Commission proposals still awaiting decisions (Table 3), in which case the capital to be repaid corresponds to the ceiling on loans authorized plus, where applicable, the amounts in respect of operations proposed by the Commission and not yet decided.

ISSN 0254-1475

COM(94) 364 final

DOCUMENTS

EN 01

Catalogue number : CB-CO-94-380-EN-C

ISBN 92-77-72267-3

Office for Official Publications of the European Communities
L-2985 Luxembourg