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**ANNUAL REPORT FROM THE COMMISSION TO THE COUNCIL
AND TO THE EUROPEAN PARLIAMENT ON THE BORROWING
AND LENDING ACTIVITIES OF THE COMMUNITY IN 1997**

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INTRODUCTION

1. The Council decisions establishing the New Community Instrument (NCI)¹ and the lending instruments for research and Euratom activities² provide for the Commission to inform the Council and Parliament each year of the use made of these instruments. In addition, Parliament, in its resolution on improving political monitoring of the Community's borrowing and lending activities,³ called for the activities of the ECSC and the EIB to be included. Decisions 83/200/EEC (NCI III) and 87/182/EEC (NCI IV) stipulate that information must be provided on a six-monthly basis on the rate of utilisation of the authorised ceilings.

These activities for 1997, including the second half of the same year for the NCI, are described in Chapter 1 of this report.

2. Since 1997 the Commission has been required pursuant to a Council Decision⁴ to inform the Council and Parliament on an annual and a six-monthly basis of the situation regarding EIB loans guaranteed by the Community budget in Central and Eastern Europe, in the Mediterranean countries, in the Latin American and Asian countries and in South Africa. With a view to providing an overview of the EU's external activities, this report also gives a brief summary of macrofinancial assistance given by the Community to third countries, of the EIB's activities in the ACP states and of the EBRD's activities.

These activities are described in Chapter 2 of this report.

3. With a view to complying with the information and monitoring requirements imposed by the Council and Parliament regarding utilisation of the Community budget for the Community's borrowing and lending activities, Chapter 3 of this report provides details of the budgetary impact of interest subsidies paid and of the outstanding amount of guarantees granted in connection with the various financial instruments mentioned above.

¹ Decision 78/870/EEC (OJ L 298, 25.10.1978).
Decision 81/19/EEC (OJ L 37, 10.2.1981).
Decision 81/1013/EEC (OJ L 367, 23.12.1981).
Decision 82/169/EEC (OJ L 78, 24.3.1982).
Decision 83/200/EEC (OJ L 112, 28.4.1983).
Decision 87/182/EEC (OJ L 71, 14.3.1987).

² Decision 77/270/Euratom (OJ L 88, 6.4.1977).

³ Doc. PE/67134 (OJ C 287, 9.11.1981).

⁴ Decision 97/256/EC (OJ L 102, 19.4.1997).

1. BORROWING AND LENDING ACTIVITIES

1.1 BORROWING

1.1.1 International financial situation

The volume of international financing continued to increase substantially in 1997 following the considerable expansion recorded in 1996 and notwithstanding the financial crisis which developed in South-East Asia in July. This sustained activity is generally attributed to the low level of long-term interest rates and inflation, a US economy which remained buoyant and the better outlook for Europe, coupled with positive decisions about the introduction of the euro. These factors favoured bond issues, which increased in the OECD area by 31% following a rise of 56% the previous year. Eurobonds also remained attractive, expanding by 40% in the wake of growth in excess of 64% in 1996. International loans also increased in 1997 (up 26%) after contracting in 1996 (see Table 1-1).

The sounder economic environment and the low level of nominal long-term interest rates gave a boost to fixed-rate issues floated at attractive rates and to subscriptions of shares convertible into bonds.

1-1 Capital borrowed on the international markets

	(ECU billion)							
	1990	1991	1992	1993	1994	1995	1996	1997
1. European Institutions	12,5	16,9	15,7	20,1	15,2	13,2	18,0	23,7
of which:								
1.1 ECSC	1,1	1,4	1,5	0,9	0,6	0,4	0,3	0,5
1.2 EC (1)	0,4	1,7	1,2	5,0	0,3	0,4	0,1	0,2
1.3 Euratom	—	—	—	—	0,1	—	—	—
1.4 EIB	11,0	13,7	13,0	14,2	14,2	12,4	17,6	23,0
2. OECD countries (2)	283,8	340,1	353,1	534,5	563,0	643,2	833,6	1 080,0
(by instrument)								
2.1 Bond issues	180,5	240,2	257,1	410,8	360,3	357,3	558,2	733,3
of which: Eurobonds	141,4	200,5	212,7	337,0	309,7	283,9	464,5	648,2
2.2 Loans	103,3	99,9	96,0	123,7	202,7	285,9	275,4	346,7
3. Bond issues by the European Institutions as a % of OECD	6,9	7,0	6,1	4,9	4,2	3,7	3,2	3,2
(1)	NCI + balance of payments.							
(2)	Calculations based on yearly average exchange rate of the Ecu.							

Source: OECD and EU

1.1.2 Ceilings on Community issues

In order to attain the objectives of the Treaty covering the territory of the Community, the Commission has been empowered to borrow funds on the capital market. These borrowings must finance the construction of, and improvements to, nuclear power stations (current Euratom ceiling of ECU 4 billion) and investment in the Community under the NCI (current ceiling of ECU 6,8 billion) and must, under the ECSC Treaty, promote

productive capacity or conversion projects in the coal and steel industries and, where appropriate, loans for Member States with balance-of-payments difficulties (ceiling of ECU 14 billion). The amounts still available for these borrowing authorisations are indicated in the paragraphs corresponding to each instrument.

On the basis of **agreements concluded with non-Community countries**, the Commission is empowered to borrow in order to finance programmes of financial assistance for the countries of Central and Eastern Europe, for the African, Caribbean and Pacific (ACP) countries and for measures adopted pursuant to the Mediterranean protocols.

Within and outside the Union, the European Investment Bank has been closely involved in the financing of common policies and priorities, to the point where its borrowings account for most Community issues.

1.1.3 Borrowing trends

Against a background of very dynamic financial markets, issues by the Community institutions continued to grow in 1997 by 31,7%, following an increase of 36,4% in 1996. This increase is due to issues made both by the EIB and by the ECSC, bringing total issues to ECU 23,7 billion. Overall, the share of Community issues remained unchanged in relation to that of bonds issued in the OECD area. Demand for currency arbitrage declined as monetary convergence gathered pace; as a result, the currencies in which borrowings were effected reflect more closely the volume of loans contracted in the corresponding countries (see breakdown in Table 4-3).

The amount of borrowings outstanding as at 31 December 1997 was ECU 120,22 billion, 10% up on 1996. This increase was due entirely to EIB activity; the other Community instruments continued to follow the disengagement guidelines laid down by the Council a few years previously.

1.2 LENDING WITHIN THE EUROPEAN UNION

1.2.1 Investment demand in Europe

After the downturn in activity recorded in 1996, the efforts made to improve the fundamentals by all the Member States began to bear fruit. The Community's real GDP is estimated to have grown by 2,7% in 1997, as against 1,8% the previous year. Economic activity was underpinned by an upturn in real investment of 4,5%, as opposed to 3% in 1996. The total value of fixed investments at current prices in the EU thus amounted to some ECU 1 300 billion. Total employment also began to rise again, with a concomitant downturn in unemployment (from 10,9% to 10,7% of the labour force).

The financial crisis in Asia, which hit European exports, has only had a limited impact on economic activity in the Community. Concern about European claims on the region, which surfaced when stock market prices slumped by 15% in October/November, was short-lived as prices have since shown an increasing trend.

1.2.2 *European Investment Bank (EIB)*

In 1997, in a macroeconomic climate more favourable to growth, the EIB granted loans in the European Union to the tune of ECU 23 billion, 10% up on 1996. The funding contributed to investment estimated at 4,7% of gross fixed capital formation (GFCF) in the Union. Loans were signed in all fifteen Member States of the Union. Loans in the three new Member States once again increased significantly (15%).

In reply to the Amsterdam European Council's resolution of June 1997 (cf. OJ C 10, 15.1.98), the EIB and its Management Committee drew up the Amsterdam special action programme (ASAP), which comprises a series of innovations, in particular acceptance of risk by the EIB for innovative SMEs with high growth potential. The programme is designed to channel some of the Bank's funding to investments which are labour-intensive, such as health projects or urban renewal schemes, or future-oriented, such as educational and environmental projects and trans-European networks. It aims to increase the foreseeable volume of funding granted to these sectors by some ECU 10 billion over the period 1997-2000.

As at 31 December, contracts totalling ECU 880 million had already been signed, of which 730 million for projects in the education and healthcare sectors and 150 million for the special window for SMEs.

As regards the Bank's normal activities, assistance towards **regional development** amounted to ECU 14,6 billion, or 67% of financing, and was heavily concentrated in areas qualifying for support under the Structural Funds. The "cohesion" countries (Portugal, Spain, Greece, Ireland) mobilised ECU 4 billion. Since the reform of the Funds in 1989, loans for regional development have totalled 100 billion, helping to finance investment estimated at some 300 billion.

Financing for **communications infrastructures** increased by 35%, to ECU 8,8 billion as against 6,5 billion in 1996. Financing for the transport sector totalled 6,9 billion (railways, motorways, air transport and major one-off public works, in particular the Grand Belt and Öresund fixed links).

Lending for telecommunications networks, in particular mobile telephones, remained high (ECU 1,9 billion).

Financing for **trans-European networks** in transport, energy transfers and telecommunications continued. In the last five years, the EIB has made a total of ECU 42 billion available for the establishment of trans-European networks and their extension to neighbouring countries. At the end of 1997 lending to nine of the fourteen priority trans-European networks in the transport sector amounted to 6,9 billion. Signed projects for six out of ten priority trans-European networks in the energy sector totalled 2 billion.

1-2 Structure of EIB lending (loan contracts signed) -Geographical distribution

	1994		1995		1996		1997	
	ECU million	%	ECU million	%	ECU million	%	ECU million	%
Belgium	615	3,1	665	3,1	657	2,8	1 140	4,4
Denmark	850	4,3	825	3,9	688	3,0	737	2,8
Germany	2 408	12,1	2 715	12,7	3 022	13,0	3 518	13,4
Greece	535	2,7	525	2,5	721	3,1	730	2,8
Spain	3 012	15,1	2 818	13,2	2 553	11,0	2 716	10,4
France	2 477	12,4	2 207	10,3	2 509	10,8	2 721	10,4
Ireland	291	1,5	327	1,5	189	0,8	207	0,8
Italy	3 100	15,6	3 435	16,0	4 121	17,7	3 517	13,4
Luxembourg	5	0,0	79	0,4	0	0,0	96	0,4
Netherlands	400	2,0	319	1,5	766	3,3	398	1,5
Austria	90	0,4	242	1,1	490	2,1	555	2,1
Portugal	1 110	5,6	1 232	5,8	1 294	5,6	1 350	5,2
Finland	60	0,3	179	0,8	302	1,3	401	1,5
Sweden	15	0,1	273	1,3	846	3,6	925	3,5
United Kingdom	2 455	12,3	2 244	10,5	2 386	10,3	3 765	14,4
Other (Article 18)	261	1,3	519	2,4	402	1,7	184	0,7
Community total	17 682	88,7	18 604	86,9	20 946	90,1	22 958	87,6
Non-Community total	2 246	11,3	2 806	13,1	2 294	9,9	3 244	12,4
TOTAL LOANS SIGNED	19 928	100,0	21 410	100,0	23 240	100,0	26 202	100,0

Financing for **environmental protection** projects was up by 23% on 1996. These loans, which totalled ECU 7,2 billion, were earmarked primarily for water and waste management projects (3,1 billion) and urban renewal schemes (2,4 billion).

Financing for **energy objectives** was, to a very large extent (1,6 billion out of a total of ECU 2,6 billion), channelled towards promoting efficient use of energy, both in the transport and distribution of electricity and heat and in the industrial sector.

The year 1997 was also marked by a pronounced pick-up in loans for **industrial projects** and SMEs (ECU 4,6 billion), 2,5 billion of which went to individual projects to boost the international competitiveness of Community industry. Global loans allowed funding to be provided to about 13 000 SMEs, two thirds of which were located in assisted regions (see Table 4-5).

1.2.3 *European Investment Fund (EIF)*

A) EIF's private/public partnership activities.

The EIF is an international institution which operates in a private/public partnership with three groups of shareholders: the EIB, the European Commission and 76 financial institutions from all the Member States of the European Union. It operates under market conditions in cooperation with banks and other financial institutions. It is not a credit institution but guarantees loans made among other things as part of the trans-European Networks (TEN) programme and for financing SMEs. The TENS programme consists of infrastructure projects of European interest in the transport, energy and telecommunications sectors. The EIF may give guarantees to financial intermediaries to cover loans to SMEs in all sectors without restriction. It has also been authorised to become involved in equity participations in risk-capital companies since 1996. In 1997, three years after the EIF was set up, there was a marked upturn in the volume of contracts signed (50%) and the Fund acquired its first equity participations.

B) EIF guarantee activities

In 1997 the EIF gave guarantees for an amount of ECU 769 million to TENs and SME projects, bringing the overall volume of operations signed since it was set up in June 1994 to 2,3 billion. A breakdown of this total by country is given in the following table.

1-3 EIF activity since its establishment - Breakdown by country

	ECU million	
	Guarantees	Equity participations (1)
Belgium	60	2
Danmark	2	
Germany	98	3
Greece	142	
Spain	128	
France	331	6
Ireland	66	
Italy	499	
Luxemburg	4	
Netherlands	35	
Austria	59	
Portugal	204	
Finland	30	
Sweden	9	3
UK	400	12
Outside EU	232	
Total	2 300	26

(1) Country in which the fund is based.

The sectoral breakdown of contracts is as follows: 24,7% for TENs transport projects, 22,3% for TENs energy projects, 20% for TENs telecommunications projects (total for TENs projects: 67%) and 33% for SMEs.

Although the EIF operates mainly within the Union, operations outside the Community are not ruled out. In 1997 two operations were signed in Eastern Europe: the SPP gas pipeline project in Slovakia and a major telecommunications project in Hungary.

"Growth and environment" programme

Since the launch in 1996 at Parliament's initiative of a pilot project known as the "Growth and environment" programme, the EIF has signed agreements with financial partners in all the Member States.

Under this arrangement, the EIF provides partial cover for bank loans granted to SMEs investing in projects of potential benefit to the environment. The cost of guaranteeing the loans taken out by the SMEs is borne by the Community budget. In 1997 this mechanism accounted for about 84% of all guarantees concluded with SMEs.

C) Equity participations

At the end of 1997 the Fund's commitments from its own resources amounted to ECU 26 million. The total amount of the individual funds in which the EIF has acquired participations was 413 million as at 31 December 1997.

At the European Summit of Heads of State and Government devoted to employment, which was held in Luxembourg on 20-21 November 1997, the EIB and EIF signed an agreement

to establish a European Technology Facility (ETF) to fund SMEs with strong growth potential in the high-tech sector. In this connection, the EIF received a mandate from the EIB to manage on its behalf an amount of ECU 125 million drawn from its reserves in order to support investments in a risk capital pool intended for SMEs using state-of-the-art technology. By the end of 1997 an amount of 6,49 million had been committed for that purpose.

1.2.4 ECSC

As part of the arrangements for the ECSC's borrowing and lending activities decided on by the Commission in June 1994 (OJ C 175, 28 June 1994) ahead of the expiry of the ECSC Treaty on 23 July 2002, the payment of new loans within the Community increased sharply in relation to the previous year (see Table 4-6). This increase was due to the fact that 1997, and in particular the first half of the year, was the last period during which ECSC loans could be concluded, except in certain exceptional cases. The guidelines approved by the Commission in 1994 concerning the arrangements for the ECSC's borrowing and lending activities in the run-up to 2002 had the effect of mobilising potential borrowers and giving a (final) boost to this activity. It is no longer possible to obtain long-term loans, i.e. loans falling due after 2002, except for certain large infrastructure projects of Community interest for which state guarantees can be obtained.

1-4 ECSC loans in 1997

(ECU thousand)					
	Article 54	Article 56	Article 95	Housing	Total
Belgium	-	20 078	-	369	20 447
Danmark	-	-	-	3	3
Germany	49 508	44 606	-	8 205	102 318
Greece	-	-	-	31	31
Spain	-	2 898	-	1 589	4 487
France	-	22 090	-	1 894	23 985
Ireland	-	-	-	19	19
Italy	4 048	33 610	-	1 809	39 467
Luxembourg	68 682	6 746	-	27	75 455
Netherlands	-	-	-	204	204
Austria	71 851	3 562	-	897	76 310
Portugal	122 442	-	-	-	122 442
United Kingdom	-	73 211	-	2 863	76 074
Non-EU	-	-	-	-	0
Total	316 530	206 800	0	17 911	541 241

Accordingly, ECSC loans in 1997 were almost double the figure for 1996. Demand for loans was particularly strong as regards the consumption of ECSC products (Art. 54), especially in Portugal, Austria, Luxembourg and Germany. Conversion of declining coal/steel areas (Art. 56) has also made rapid progress, particularly in Belgium, Germany and Austria.

1.2.5 New Community Instrument (NCI)

A) Overall view

As regards the NCI, no new lending operations have been undertaken since 1991. Repayments have continued and, in some countries, loans have been repaid virtually in full. The degree of utilisation of loan ceilings is given in Table 1-5.

1-5 NCI loans as at 31 December 1997

(ECU million)							
Financial agreements	NCI I	Reconstr. ITALY	Reconstr. GREECE	NCI II	NCI III	NCI IV	TOTAL
Global loans (1)	--	--	--	406,8	2 138,0	668,8	3 213,5
Productive sector (1)	5,4	--	--	10,6	--	--	15,9
Infrastructure	538,5	598,7	80,0	279,4	465,3	--	1 961,9
Energy	446,7	--	--	300,8	258,3	--	1 005,8
Total contracts signed, net (2)	990,5	598,7	80,0	997,5	2 861,5	668,8	6 197,1
EIB loans (own resources)	--	351,6	--	--	--	--	351,6
Authorised ceilings	1 000,0	1 000,0	80,0	1 000,0	3 000,0	750,0	6 830,0
Balance	9,5	49,7	0,0	2,5	138,5	81,2	281,3
(1)	Industry and agriculture.						
(2)	Contracts signed less cancellations.						

NCI IV is of interest because of its special features, such as the options of converting loans into risk capital, using loans to finance the purchase of intangible assets, deferring interest payments, etc.

B) Six-monthly rate of utilisation of the NCI

Council Decisions 83/200/EEC (Article 6) and 87/182/EEC (Article 8) on the financing of the NCI require the Commission to draw up a six-monthly report on the rate of utilisation of the tranches of NCI III and IV. Given that the ceilings have been practically exhausted (up to 96%), the six-monthly development in question does not alter the consolidated situation described in Table 1-5.

However, the amount outstanding of loans issued for that purpose varies every six months in the light of debt repayments and the exchange rate of the currencies borrowed. The situation for the six-month period from 1 July to 31 December 1997 is set out in Table 4-8.

1.2.6 Euratom

In recent years no financing applications for nuclear projects within the Community have been made under the remaining ECU 1,1 billion Euratom ceiling. However, a number of projects outside the Community are currently being examined (see point 2.5.1).

1.2.7 Community medium-term financing

No financing applications were made last year under the facility providing medium-term financial assistance for Member States' balances of payments. Taking account of amounts disbursed in the past to Greece (1 billion - first tranche of the 1991 ECU 2,2 billion loan) and to Italy, (4 billion - first two tranches of the 1993 ECU 8 billion loan) and repayments made in 1997, the total amount of loans outstanding under this facility was 4 billion at 31 December 1997. The available margin to be financed by Community loans on capital markets therefore amounted to 10 billion.

2. LENDING IN THIRD COUNTRIES

2.1 OVERVIEW

Financial support to third countries that have concluded cooperation agreements with the Community takes a variety of forms depending on the geographical areas concerned and the objectives pursued. State-to-State loans are used when the Community wishes to help place the macroeconomic fundamentals of these countries on a sounder footing; individual loans are used where the aim is to develop infrastructure and carry out major improvement projects; global loans to local banks are used to develop the productive network of SMEs and stimulate the market economy. In addition, the EIB has also devised financial instruments other than traditional loans in the African, Caribbean and Pacific countries and in the Mediterranean countries, in particular equity participations in SMEs with development potential. These instruments are laid down in Council regulations or decisions spelling out the implementing arrangements applicable to each geographical area concerned.

The mandates vested in the EIB as regards Central and Eastern European countries (CEECs), Mediterranean countries, Latin American and Asian countries, and South Africa were renewed on 14 April 1997 by Decision 97/256/EC, which approved the amounts of the new mandates for a three-year period. The amounts are: ECU 3 520 million for the CEECs, 2 310 million for the Mediterranean countries, 900 million for Latin American and Asian countries and 375 million for South Africa.

The same decision set up new guarantee arrangements with a view to ensuring that the EIB shoulders a greater share of the risks associated with cooperation with third countries. In line with the arrangements for operations within the Union, the EIB will henceforth bear the financial and economic risks associated with projects covered by individual, non-sovereign guarantees, while the Community budget will cover the political risk.

2-1 Financing outside the Community in 1997

(ECU million)				
	Balance-of-payments support (1)	E I B		Total
		EC and EDF budget resources (2)	Own resources	
ACP-OCT	-	19	41	60
Mediterranean basin	-	36	1 086	1 122
CEEC	95	-	1 486	1 581
CIS	100	-	-	100
Latin America, Asia	-	-	378	378
South Africa	-	-	199	199
Total	195	55	3 190 (3)	3 440

(1) Disbursements.
 (2) Granted and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).
 (3) Loans signed, of which ECU 2 562,5 million were signed under Council Decision 97/256/EC (cf. Tables 2-2 to 2-4)

2.2 THE COMMUNITY'S MACROFINANCIAL ACTIVITY

2.2.1 *Balance-of-payments support*

Macrofinancial assistance in the form of loans is, by its very nature, exceptional and forms part of the efforts of the international community to provide, in conjunction with the Bretton Woods institutions, balance-of-payments support to certain countries grappling with transitional difficulties. In the case of the Community, such assistance focuses on the neighbouring regions, such as Central and Eastern Europe, the new European states of the former USSR and the countries of the southern Mediterranean. Disbursements for this purpose are contingent on the beneficiary countries achieving predetermined targets. In these circumstances, the number of operations effected each year is limited, and valid comparisons cannot be made for the assistance given from one year to the next.

In 1997 the Council decided to provide macrofinancial assistance in the form of loans to Bulgaria (ECU 250 million) and to the Former Yugoslav Republic of Macedonia (FYROM) (40 million). It also decided to grant extraordinary aid to Armenia and Georgia for a total amount of 170 million.

As regards disbursements, aid paid out in 1997 amounted to ECU 195 million. Disbursements corresponding to loans approved in previous years amounted to ECU 170 million, of which 70 million was allocated to Romania and 100 million to Ukraine. In addition, under new loans approved in 1997, 25 million was disbursed to FYROM.

2.2.2 *Credit facility for the CIS*

No new disbursements were made in 1997 under the Council Decision of December 1991 relating to the commercial credit facility of ECU 1 250 million in favour of the new independent states of the former USSR (CIS). In addition, the drawdown period for this credit facility has now terminated and, accordingly, no new disbursements will be made. Most of the disbursements have already been repaid, with the exception of the late payments owed by Armenia, Georgia and Tadzhikistan and totalling 234 million inclusive of principal and interest.

2.3 **LOANS COVERED BY DECISION 97/256/EC: Central and Eastern European countries, Mediterranean countries, Latin American and Asian countries, and South Africa**

Section 2.3 constitutes the report to be submitted to the European Parliament and the Council in accordance with Articles 2 and 3 of the above-mentioned Council Decision, i.e. it comprises the six-monthly report for the second half of 1997 and the annual report for 1997.

Additionally, the report also covers the last year of the EIB activities in South Africa under Council Decision 95/207/EC of 1 June 1995 (OJ L 131 of 15 June 1995).

2.3.1 *EIB objectives and priorities*

The Bank assists those **Central and Eastern European countries** whose long-term goal is to prepare themselves for EU membership by helping them to create the economic framework to qualify⁵, and also provides assistance to Albania.

The EIB gives priority to upgrading, modernising and developing the transport, telecommunications and energy sectors, with particular emphasis on Trans-European Networks (TENs) on the basis of the road and rail corridors defined by the Pan-European Conference of Transport Ministers as development priorities for the medium term.

Environmental issues related to EIB projects are given priority in the framework of the gradual adaptation of the legislation of the countries concerned with that of the EU. The Bank also supports SMEs and other industrial initiatives, in particular when involving EU partners either directly or through its global loan instrument.

In the **Mediterranean region**, in addition to the continued commitment of funds still available under the 1992-96 bilateral Financial Protocols with certain countries in the region, the Bank's lending since 1997 has taken place mainly within the framework of the Euro-Mediterranean Partnership, in support of the economic development of the countries concerned. Bank lending supports individual investment projects and, through the global loan mechanism, smaller projects and SMEs, while at the same time strengthening the financial sector in the various countries.

Under the terms of the Euro-Mediterranean Partnership, EIB own resources lending is complemented by interest subsidies (for loans in the environmental sector) and risk capital from EU budgetary sources, managed by the Bank.

In **Latin America and Asia**, the Bank finances projects which are of **mutual interest** to the countries concerned and the European Union – cofinancing with EU promoters, transfer of technology, cooperation in the fields of energy and environmental protection. Details of the mutual interest of the projects concerned are included in Table 2-7.

In South Africa, the Bank's objective is to assist the transition to democratic rule initiated by South Africa and contribute to the successful completion of the country's reconstruction and development programme.

2.3.2 *Lending activity*

During the reference period the Bank signed 22 loan contracts in **Central and Eastern Europe** for an aggregate amount of ECU 1 466 million (not including a final loan contract, signed in March 1997 under a previous lending authorisation, for 20 million).

⁵ In addition to its activity pursuant to the Council Decision, the Bank has set up a substantial Pre-Accession Facility for lending from its own resources without budgetary guarantee to help those countries which have applied for EU membership.

Loans in Poland, Hungary, the Czech Republic and the Slovak Republic accounted for more than 80% of EIB lending in the region. The Bank also signed loans pursuant to the Council Decision in all of the other CEEC, except Albania (see Table 2-2).

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. One-third of the total financing, ECU 502 million, was allocated to **transport infrastructure** projects, including the upgrading of the Czech section of the Berlin-Vienna rail corridor, TEN roads development in the Slovak Republic, the modernisation of the airports of Sofia and Tallinn, together with a major emergency programme to repair flood damage to railway infrastructure in Poland.
- Loans in support of **telecommunications** projects in five countries accounted for ECU 357 million, or one-quarter of overall activity. The projects included mobile telephone (GSM) investments in Lithuania, the Slovak Republic and Slovenia.
- Loans in the **energy** sector totalled ECU 70 million and were allocated to power station development in Hungary and the rehabilitation of a district heating system in the city of Bucharest.
- Support for **industry**, at ECU 112 million, included global loans for smaller projects in Poland and Estonia and support for a fibreboard plant in Romania.
- Support for general infrastructure accounted for ECU 425 million, including substantial assistance for **emergency flood damage reconstruction** in Poland and the Czech Republic.

2-2 Breakdown by country and sector of EIB lending in Central and Eastern Europe

Country	No. of loans	Total loan signatures (ECUm)	Transport	Telecoms	Energy	Industry	General infrastructure
Bulgaria	1	60	60				
Czech Rep.	4	540	240	100			200
Estonia	2	20	10			10	
Hungary	1	35			35		
Latvia	1	20	20				
Lithuania	1	7		7			
Poland	4	355	75			55	225
Romania	3	122		40	35	47	
Slovak Rep.	4	262	97	165			
Slovenia	1	45		45			
Total	22	1 466 (100%)	502 (34,2%)	357 (24,4%)	70 (4,8%)	112 (7,6%)	425 (29%)

The loans signed in the **Mediterranean** region show a good spread over nine countries. During the reference period, the Bank signed loans for an aggregate amount of

ECU 934 million pursuant to the Council Decision in all of the Mediterranean countries except Malta⁶, Israel and Syria (see Table 2-3).

- **Transport infrastructure** investments accounted for almost one-third (ECU 300 million) of overall lending, including the renewal of Egypt Air's fleet, marine port infrastructure in Jordan, road infrastructure in Lebanon and Tunisia, and railway infrastructure in Morocco and Tunisia.
- More than 28% of total financing (ECU 265 million) was allocated to **water and sewerage** investments in Lebanon, Morocco, Turkey, Tunisia and Cyprus.
- A large gasline project in Algeria accounted for more than 23% of overall lending which, together with support for an electricity control centre in Lebanon, brought support for the **energy** sector to almost one-quarter of overall lending (ECU 229 million).
- 15% of total financing (ECU 140 million) was allocated to individual **industrial projects**, involving some joint ventures with EU investors including, for example, a cement plant in Egypt; to assisting SMEs in Jordan and Turkey through the global loan mechanism; and to an **industrial estate** in Gaza-West Bank.

2-3 Breakdown by country and sector of EIB lending in the Mediterranean countries

Country	No. of loans	Total loan signatures (ECUm)	Transport	Energy	Environment, Water and Sewerage	Industry, other, mixed
Algeria	1	218		218		
Cyprus	1	30			30	
Egypt	3	121	75			46
Jordan	2	60	30			30
Lebanon	3	131	20	11	100	
Morocco	2	135	85		50	
Tunisia	3	130	90		40	
Turkey	2	95			45	50
Gaza-West Bank	1	14				14
Total	18	934 (100%)	300 (32,1%)	229 (24,5%)	265 (28,4%)	140 (15%)

During the reference period, the Bank signed 6 loans in **Latin America and Asia** for an aggregate amount of ECU 214,5 million, including two loans totalling 52 million signed in the framework of the interim mandate 1996-97 (see Table 2-4). Loans were signed in Indonesia, the Philippines, Brazil and Peru, together with one project of regional interest (Andean Pact).

⁶ Loans were signed in Malta within the framework of the Fourth Financial Protocol.

Lending was in support of **economic infrastructure** (water supply, airport infrastructure, communications), **energy**, an **industrial project** (cement), together with support for small and medium-sized projects through a global loan.

2-4 Breakdown by country and sector of EIB lending in Latin America and Asia

Country	No. of loans	Total loan signatures (ECUm)	Transport	Telecoms	Energy	Industry, other, mixed
Indonesia	1	55				55
Philippines	2	37 ⁷	25		12	
Brazil	1	32,5				32,5
Peru	1	50		50		
Regional	1	40 ⁷				40
Total	6	214,5 (100%)	25 (11,7%)	50 (23,3%)	12 (5,6%)	127,5 (59,4%)

Tables 2-8 to 2-10 at the end of section 2.3 give more details of the loan contracts signed in the above regions under Council Decision 97/256/EC.

In 1997, the Bank signed loan contracts in **South Africa** for an aggregate amount of ECU 199 million, thus attaining the ceiling of 300 million granted under the first mandate (Council Decision 95/207/EC). Loans for a total amount of 104 million were allocated to water and sewerage investments and a loan of 45 million financed the cost of exploiting adjacent gas deposits and the installation of associated compression facilities of Mossgas. A global loan of 50 million was also granted for the financing of small or medium-scale investments.

During the reference period the Bank did not sign any finance contracts in South Africa pursuant to Council Decision 97/256/EC.

2.3.3 Risk sharing⁸

During the reference period, risk sharing in respect of EIB lending pursuant to Council Decision 97/256/EC reached an overall total of ECU 639,5 million⁹, or 8,8% of the overall lending ceiling and 24,5% of lending to date under the new guarantee scheme.

⁷ Including one loan signed in the framework of the interim mandate but covered by the guarantee arrangements laid down in Council Decision 97/256/EC.

⁸ Council Decision 97/256/EC of 14 April 1997 invites the Bank "to aim to cover the commercial risk on 25% of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual mandate basis".

⁹ Taking account of an amount of ECU 122 million of lending in Latin America and Asia under the interim mandate, which amount is also covered by the guarantee arrangements laid down in the Council Decision.

Details per region are as follows:

- In Central and Eastern Europe, risk sharing in respect of EIB lending reached an overall total of ECU 444 million, or 12,6% of the lending ceiling for those countries and 30,3% of lending to date.
- In accordance with the programming procedures inherent in the Euro-Med Partnership, all but two projects have been signed with governments or public bodies. It is thus not surprising to note that, during the reference period, risk sharing in respect of EIB lending in the Mediterranean countries reached an overall total of ECU 46 million, or 2% of the lending ceiling for those countries and 4,9% of lending to date.
- As stated in the last report on EIB operations in Latin America and Asia (COM(1998)1), the new guarantee system defined by Council Decision 97/256/EC applies also to the interim mandate for lending in this region in respect of loans approved by the Bank but not signed by the date of entry into force of the Decision. This concerns loans totalling ECU 122 million. Of this total, loans amounting to 52 million were signed during the reference period, of which a loan of 12 million was in respect of a risk sharing project.

During the reference period, risk sharing in respect of EIB lending in Latin America and Asia (taking account of the amount of ECU 12 million mentioned above) reached an overall total of ECU 149,5 million, or 14,6% of the lending ceiling for those countries and 69,7% of lending to date in the region under the new guarantee scheme.

The regional tables at the end of section 2.3 (Tables 2-8 to 2-10) identify the loans for which lending is covered by non-sovereign guarantees as stipulated in Council Decision 97/256/EC.

2.3.4 Cooperation with other institutions

The Bank's activities in the countries of **Central and Eastern Europe** are conducted within the framework of the EU programme, in particular by financing investment aimed at integrating the infrastructure of the countries concerned with that of the EU and by assisting SMEs, and also provide assistance to Albania. Whenever possible, cofinancing is established with other institutions, in particular to meet the above objectives. The Bank's activities thus form part of a concerted approach that is being pursued in close cooperation with the Commission and, as appropriate, with the international financial institutions (IFI) working in the region.

The Bank cooperates closely with the PHARE Programme, with which it has developed a close and fruitful relationship, much appreciated by the beneficiary countries. This relationship is being reinforced in the context of the onset of the accession process.

In addition to frequent PHARE assistance during the pre-investment phase to ensure that the necessary studies and technical assistance are implemented in support of EIB projects, the Bank also cooperates with PHARE in cofinancing infrastructure projects, to which up to 25% of PHARE resources may be allocated. During the reference period, the Bank and PHARE cofinanced a rail project in the Czech Republic and PHARE is considering

cofinancing an airport project in Bulgaria and has reallocated funds for the flood damage reconstruction programme in Poland.

Cooperation between the Bank and other international financial institutions will continue to be close and systematic, as appropriate, although their lending activity in the region is declining, in line with their graduation policy and market developments. During the reference period, the EBRD has contributed to a rail project in the Czech Republic and an airport project in Estonia, while the World Bank (IBRD) has approved a contribution to the flood damage reconstruction programme in Poland.

The contributions of PHARE and the other IFIs to projects financed by the EIB are shown in the table below (figures in ECU million).

2-5 Share of PHARE and IFIs in projects financed by EIB in Central and Eastern Europe

Country	EIB	PHARE	EBRD	IBRD	TOTAL
Bulgaria	60	10 – 15 ¹⁰	0	0	70 – 75
Czech Rep	75	50	50 ¹¹	0	175
Estonia	10	0	8,5	0	18,5
Poland	300	65 ¹²	0	185 ¹³	550
Total	445	125 – 130	58,5	185	813,5 – 818,5

In the **Mediterranean region** the Bank also cooperates with other international financial institutions and investors/donors whenever possible. In many of the operations concluded in 1997, the Bank either cofinanced directly with other multilateral/bilateral institutions or international investors, or played a key role in catalysing additional financial resources. For example, the global loans in Jordan and the project in Gaza-West Bank are being implemented in tandem with conditional global loans from risk capital resources, under the MEDA Regulation; the latter project is being cofinanced with the International Finance Corporation (IFC). The project in Cyprus is cofinanced with the Social Development Fund of the Council of Europe; the project in the energy sector in Lebanon is being cofinanced with the IBRD while the transport project is being cofinanced with the Saudi Fund.

Table 2-6 gives details of cofinancing in projects financed by the EIB (figures in ECU million).

-
- 10 Definitive amount to be decided by PHARE.
 11 USD 53,6 million.
 12 Funds reallocated from other PHARE projects.
 13 A contribution of USD 200 million to the flood reconstruction effort in Poland.

2-6 Share of IFIs in projects financed by EIB in the Mediterranean countries

Country	EIB	IBRD	IFC	Other ¹⁴	Total
Cyprus	30	0	0	40,7	70,7
Lebanon	31	8,2	0	31,2	70,4
Morocco	131	5	0	45	181
Gaza-West Bank	14	0	7,6	12	33,6
Total	206	13,2	7,6	128,9	355,7

In addition, cooperation has been active with other institutions which contributed to other investments promoted by the Bank during the same period :

- Morocco : ONCF Modernisation Project (railway) - with IBRD, BAD¹⁵, CFD¹⁶ ;
- Tunisia : SNCFT II Project (railway)- with IBRD, CFD ;
- Turkey : ADANA Wastewater Project - with German cooperation ;
- Egypt : ECC Grey Cement Project - with IFC and European (Belgian/Swiss) cofinanciers ;
LECICO Ceramics Project – cofinanced with Finnish Group ;
- Lebanon : The Tripoli Wastewater Project is being cofinanced also with IBRD, as part of a Sectoral Investment Programme.

Cooperation with multilateral and bilateral financial institutions in **Latin America and Asia** continues to be good. The airports project in the Philippines was appraised jointly with the Asian Development Bank, which also contributed to its financing and will participate in the monitoring of its execution and of the sector's financial and institutional development. The energy project in the Philippines was cofinanced with Kreditanstalt für Wiederaufbau (KfW) and Commonwealth Development Corporation (CDC), among others. The Bank is increasingly centring its operations on private projects involving European companies as partners in joint ventures or shareholders. As mentioned in section 2.3.1, the Bank finances projects which are of mutual interest to the countries in Latin America and Asia and to the Community (see table below).

¹⁴ EIB risk capital, states, public bodies or other financial sources, including own funds of borrower/promoter.

¹⁵ Banque Africaine de Développement.

¹⁶ Caisse Française de Développement.

2-7 Mutual interest of projects signed in 1997 in Latin America and Asia

Country	Project	Mutual interest
Indonesia	WATER SUPPLY JAKARTA WEST	The borrower is a joint venture between French and Indonesian private-sector interests. In addition, the project involves the transfer of European technology in the field of water supply operation and management and substantial environmental benefits. The project guarantee will be provided by a European-led syndicate of commercial banks.
Philippines	SECOND AIRPORTS BATANGAS POWER -B	The project's mutual interest is based on the required development of these airports, particularly Puerto Princesa, as part of the country's contribution to an important regional development plan (the East ASEAN Growth Area - EAGA). The project will also effectively increase the capacity of Manila International Airport for international flights. Support to the EAGA, of which the project is a good example, is particularly encouraged in the Cooperation Agreement between the EU and the ASEAN countries. The borrower is a 100% subsidiary of a British/Philippine joint venture. In addition, the gas field which is likely to provide future fuel for the plant is a joint development of Shell and Occidental Petroleum, while the turnkey contract for the plant has been won by a major European group. In a wider context, the project will promote the aims of the EU-ASEAN Cooperation Agreement, which includes particular reference to cooperation in the fields of energy and improvement of the environment.
Brazil	LAFARGE ARCOS CEMENT	The borrower is a joint venture between French and Brazilian private-sector interests. The project will strengthen the promoter's position in a leading emerging market.
Peru	TELEFONICA DEL PERU	Development of telecommunications in Peru will bring important economic benefits. The provision of sufficient modern telecommunications services is recognised as a major element for economic development. The Peruvian borrower is a subsidiary of a Spanish telecommunications company. The involvement of an efficient European enterprise in the completion of Peru's telecommunications development programme gives additional benefits, in terms of transfer of technology to Peru and increased activity for European telecoms.
Regional	CORPORACION ANDINA DE FOMENTO Global Loan	The projects financed will be of mutual interest and thus support closer cooperation between the EU and the Andean Group, in private ventures in eligible sectors.

The EIB and the Commission activities in **South Africa** complement each other. For example, the Commission provides assistance for water supply programmes whereas the EIB grants loans for water and wastewater treatment and purification; the Commission assists in guarantee programmes for small and medium-sized enterprises financed through the commercial sector, whereas the EIB finances loans through the commercial banks and SMEs through the Industrial Development Corporation.

The EIB maintains close contact with the World Bank and with national organisations operating in South Africa, among others the Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) in France and the Commonwealth Development Corporation in the United Kingdom.

2-8 EIB loans signed in 1997 in Central and Eastern Europe (CD 97/256/EC)

COUNTRY	PROJECT	DESCRIPTION	LOAN AMOUNT (ECUm)	RISK SHARING
Bulgaria	SOFIA AIRPORT	Modernisation and upgrading of Sofia Airport	60	No
Czech Rep.	RAIL CORRIDOR BERLIN-VIENNA-B	Upgrading of the Czech section of the Berlin-Prague-Vienna railway line	75	No
	SPT TELECOMMUNICATION II-A	Modernisation of the telecommunications network	100	Yes
	D5 MOTORWAY PRAHA-NÜRNBERG	Construction of the section Plzen-Rozvadov of the D5 Prague-Nürnberg Motorway	165	No
	FLOOD DAMAGE RECONSTRUCTION	Emergency programme for reconstruction and restoration of basic infrastructure following flood damage	200	No
Estonia	TALLINN AIRPORT	Upgrading of Tallinn International Airport	10	No
	UNION BANK OF ESTONIA Global Loan	For financing small and medium-scale environmental, energy saving, infrastructure, industrial and tourism projects, and SME projects in general	10	Yes
Hungary	MVM LÖRINCI POWER PLANT	Construction and operation of a gasoil-fired open-cycle combustion turbine to supply peak load power and increase Hungary's secondary reserve capacity	35	Yes
Latvia	VENTSPILS PORT	Improving port channel access, reconstruction, strengthening of quays	20	No
Lithuania	TELECOMMUNICATION II	Development of second phase of mobile (GSM) telecommunications network	7	Yes
Poland	VEREINSBANK POLSKA Global Loan	For financing small and medium-scale environmental, energy saving, infrastructure, industrial and tourism projects, and SME projects in general	35	Yes
	FLOOD DAMAGE RECONSTRUCTION-A	Emergency programme for reconstruction and restoration of basic infrastructure following flood damage	225	No
	FLOOD DAMAGE RECONSTRUCTION-B	Emergency programme for reconstruction and restoration of railway infrastructure following flood damage	75	No
	KATOWICE MUNICIPAL INFRASTRUCTURE	Improvements to the urban infrastructure (roads, sewage and municipal landfill) of Katowice	20	No
Romania	TELECOMMUNICATIONS	Expansion and modernisation of the Romanian telecommunications network	40	No
	BUCHAREST DISTRICT HEATING REHABILITATION	Rehabilitation of district heating transmission and distribution facilities	35	No
	MDF PRODUCTION PLANT	Construction of a medium density fibreboards (MDF) and special resins plant facility in the city of Sebes	47	Yes
Slovak Rep.	EUROPEAN ROADS II	Construction of 18 km of trunk roads (D2/D61) from Bratislava to the Austrian and Hungarian border	25	No
	GLOBTEL	Development of a mobile (GSM) telecommunications network	65	Yes
	TELECOMMUNICATIONS II	Modernisation of the Slovakian telecommunications network	100	Yes
	EUROPEAN ROADS III	Construction of a new by-pass extension of the D61 motorway around the centre of Bratislava	72	No
Slovenia	MOBITEL GSM	Construction of the first GSM network in Slovenia	45	Yes
Total			1 466	

2-9 EIB loans signed in 1997 in the Mediterranean countries (CD 97/256/EC)

COUNTRY	PROJECT	DESCRIPTION	LOAN AMOUNT (ECUm)		RISK SHARING
Algeria	SONATRACH GR2 - B	Construction of a gas pipeline between Alrar and Hassi R'Mel	218	218	No
Cyprus	PAFOS SEWERAGE	Construction of a sewage collection and treatment system and a stormwater drainage system	30	30	No
Egypt	EGYPT AIR	Modernisation of the Egyptair fleet	75	121	No
	ECC GREY CEMENT	Construction of a plant for the production of grey cement	30		Yes
	LECICO CERAMICS	Construction of a new plant for production of sanitary ware and modernisation of an existing tile manufacturing factory	16		Yes
Jordan	INDUSTRIAL DEVELOPMENT	For financing small and medium-sized enterprises in the productive sectors of the Jordanian economy	30	60	No
	BANK VI Global Loan AQABA PORT	Construction of two-berth industrial jetty and purchase of container handling equipment	30		No
Lebanon	TRIPOLI WASTEWATER	Upgrading of storm and wastewater drainage, construction of a sewage treatment plant for the Greater Tripoli area	100	131	No
	AUTOROUTE COTIERE DU NORD	Renovation and extension of the Northern coastal motorway between Beirut and Tripoli	20		No
	CENTRE NATIONAL DE CONTROLE ELECTRIQUE	Construction of the national electricity control centre in Beirut	11		No
Morocco	ONCF MODERNISATION	Rehabilitation and increase in the capacity of sections of the main axes of the Moroccan railway network	85	135	No
	ONEP EAU POTABLE II	Drinking water supplies for urban communities in Morocco	50		No
Tunisia	SNCFT II	Rehabilitation of the Tunis-Sfax-Gabès railway line	25	130	No
	ASSAINISSEMENT DU LAC SUD DE TUNIS	Dredging and backfill of the "Lac Sud de Tunis"	40		No
	VOIRIES PRIORITAIRES	Improvement of the road networks of Greater Tunis and other major cities	65		No
Turkey	ADANA WASTEWATER	Extension of sewer network and construction of two wastewater treatment plants in Adana (South-East of Turkey)	45	95	No
	TURKEY Global Loan	For financing small and medium-scale enterprises	50		No
Gaza-West Bank	GAZA INDUSTRIAL ESTATE	Development of an industrial estate in the Gaza Strip	14	14	No
Total				934	

2-10 EIB loans signed in 1997 in Latin America and Asia (CD 97/256/EC)

COUNTRY	PROJECT	DESCRIPTION	LOAN AMOUNT (ECUm)	RISK SHARING
Indonesia	WATER SUPPLY JAKARTA WEST	Upgrading and extension of the water supply transmission and distribution system	55	Yes
Philippines	SECOND AIRPORTS	Upgrading, improving and extension of two airports in the Southern part of the Philippines	25	No
	BATANGAS POWER - B ¹⁷	Construction of a combined cycle power plant	12	Yes
Brazil	LAFARGE ARCOS CEMENT	Construction of a cement plant in the State of Minas Gerais	32,5	Yes
Peru	TELEFONICA DEL PERU	Modernisation and extension of the Peruvian telecommunications network	50	Yes
Regional	CORPORACION ANDINA DE FOMENTO Global Loan ¹⁷	For financing medium-sized projects in the five member countries of the Andean Pact	40	No
Total			214,5	

2.4 SIGNATARIES TO THE LOMÉ CONVENTION

2.4.1 Lending trends for each major area

Given the economic situation of these countries, Community aid is of crucial importance. In Africa, for instance, EDF aid amounts on average to ECU 1 100 million a year. If horizontal aid (food aid, NGOs, rain forests, democracies, etc.) is also taken into account, together with humanitarian aid and bilateral aid from the Member States, the figure rises to about USD 7 800 million, i.e. between six and seven times more than the aid provided by the other major Western powers.

The second protocol to Lomé IV, signed in 1995 and concerning the period 1995-99, brought Community aid to ECU 14 625 million, comprising 11 967 million in grants, 1 000 million in aid for risk-capital transactions and 1 658 million in loans from the EIB's own resources. Delays in implementing the new protocol meant that it was not possible to deploy these resources fully.

¹⁷ Signed within the framework of the interim mandate but covered by the guarantee arrangements laid down in Council Decision 97/256/EC.

In the **African, Caribbean and Pacific** countries and the **Overseas Countries and Territories (OCT)**, EIB activity in 1997 was limited to committing the funds available under the first protocol to Lomé IV, i.e. ECU 60 million, of which 19 million in the form of risk capital. Loans were allocated mainly to the energy sector and to the financing of SMEs via global loans. Loans to the tune of 18 million went to the productive sector in 1997, of which 16 million in the form of global loans to benefit small and medium-sized investments. The total amount of loans signed under the first protocol is ECU 2 072 million, of which ECU 812 million in the form of risk capital.

2.4.2 EIB risk-capital operations

In addition to its lending activities, the EIB identifies opportunities for, and monitors, risk-capital operations via specialist public or private companies operating locally. In 1997 most of these operations were carried out in East Africa (ECU 10 million) via accredited financial intermediaries; a few operations of this kind were also effected in the Caribbean (ECU 4 million) and in the Pacific area (ECU 2 million).

2.5 OTHER COMMUNITY INSTRUMENTS

2.5.1 Euratom

The Council decision of 21 March 1994 made Euratom loans available to the countries of Eastern Europe and to the CIS countries with a view to improving the safety and efficiency of their nuclear power stations. The amount of assistance available is some ECU 1.1 billion, taking into account the current ceiling fixed by the Council.

Several projects are being appraised in Ukraine, Bulgaria and Russia but, given the political and technical complexity of projects of this type, no decision to provide funds was taken in 1997.

2.5.2 European Bank for Reconstruction and Development (EBRD)

The Community and the EIB are both shareholders and close partners of the EBRD: they each hold 3% of the Bank's capital and work in close cooperation so as to ensure that operations are mutually complementary.

According to the EBRD's annual report for 1997, the Board approved 143 new projects in the CEECs and the states of the former USSR, for a total amount of ECU 4 016 million (against 119 projects for a total amount of 2 855 million in 1996). Funds actually committed during the year totalled 2 315 million, as against 2 188 million in 1996. Equity holdings as a proportion of the Bank's entire activities amounted to 436 million, or about 19% of all new operations.

3. BUDGETARY IMPACT OF LENDING

The Community's general budget is affected by lending activities where loans are accompanied by interest subsidies and/or budget guarantees.

3.1 INTEREST SUBSIDIES

Interest subsidies were granted by the Community in the following fields (see Table 4-9):

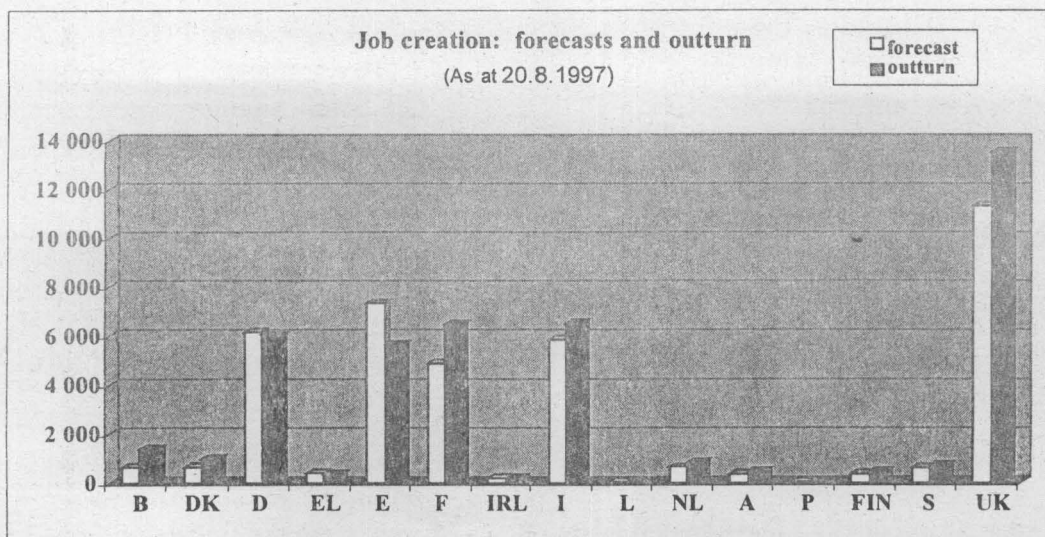
- a) industrial conversion of coal and steel areas (Article 56 of the ECSC Treaty);
- b) reconstruction in the disaster-hit areas of Italy, Greece and Portugal (Autonomous Region of Madeira);
- c) the "SME facility" adopted at the Copenhagen Summit.

No industrial loans at reduced rates for investment projects designed to promote **consumption of Community steel** (Article 54, second paragraph) have been made since 1992. With regard to **conversion loans in coal and steel areas** (Article 56), interest subsidies amounted to only ECU 1,8 million in 1997, as against 36,8 million in 1996 and 11,5 million in 1995.

The Council Decision on **reconstruction following the Madeira cyclone** in 1993 lays down that interest subsidies on EIB loans are to be paid by the Commission direct to the Autonomous Region of Madeira and no longer via the EIB, as had been the case for the earthquakes in Greece and Italy.

The Copenhagen European Council in 1993 increased by ECU 3 billion the temporary facility agreed in Edinburgh for major infrastructure projects. Of that amount, ECU 1 billion is earmarked for measures to strengthen the **competitiveness of small and medium-sized enterprises** in Europe and is combined with interest subsidies linked to job creation. The subsidy amounts to ECU 3 000 per additional job created (equivalent on average to a 2% interest-rate reduction over a five-year period). The Council Decision of 19 April 1994 allowed the EIB to sign global lending agreements for that purpose with financial intermediaries in all Member States. The allocation of loans ended on 15 December 1995, the entire budget of ECU 1 billion having been used up.

By the end of 1997, payment of interest-rate subsidies for the envisaged ECU 1 billion loan commitments had been finalised. An amount of ECU 93 million in subsidies was disbursed by that time, with more than 4 300 firms benefiting. The reported total job creation amounted to more than 50 000 jobs (for breakdown by country, see graph below).



Interest subsidies are also provided in connection with EIB loans outside the Community (see Table 4-10).

3.2 BUDGET GUARANTEES

3.2.1 Coverage

All the outstanding borrowing contracted by the Community to finance loans managed by the Commission (Euratom, NCI, balance of payments) is guaranteed by the general budget.

In this connection, the Community budget was involved in an ECU 195 million "balance-of-payments loan" to FYROM, Romania and Ukraine in 1997.

EIB loans from own resources granted to third countries under the Community's policy of providing financial assistance for development are covered by a guarantee agreement. The guarantees are provided by **Member States** for loans in ACP countries and the OCT and by the **Community** for Mediterranean countries, Central and Eastern European countries, countries in Latin America and Asia with which the European Union has concluded cooperation agreements, and South Africa. These mandates fall into two distinct phases (referred to below as old mandates and new mandates), depending on the extent of coverage provided by the Community budget.

A) Old mandates:

a) **EIB loans to Mediterranean countries:** These loans are covered by a global Community guarantee in respect of 75% of the amount of loans signed. At the end of 1997 outstanding loans totalled ECU 3 248 million, of which 212 million was accounted for by loans in Spain, Greece and Portugal (pre-accession) and 3 036 million by loans in non-member Mediterranean countries.

b) **EIB loans to the CEECs:** Loans signed are covered in full by the Community guarantee. At 31 December 1996 the EIB had advanced ECU 4 628 million to these countries out of a total allocation of ECU 4,7 billion under the CEEC agreements. The total amount of loans outstanding at the end of 1997 was 1 889 million.

c) **EIB loans to third countries in Latin America and Asia:** Loans granted to those countries with which the Community has concluded cooperation agreements are guaranteed in full by the Community budget. The total amount agreed on was ECU 1 025 million. As at the end of 1997 loans signed stood at 810 million and the amount of the guarantee outstanding was 385 million.

d) **EIB loans to South Africa:** The Community has provided its guarantee for loans granted by the EIB in South Africa up to a maximum amount of ECU 300 million. These loans are guaranteed in full by the Community budget. As at 31 December 1997 the EIB had advanced the full amount of 300 million and the amount of the guarantee outstanding was 100 million (see Table 3-1).

B) New mandates¹⁸:

On 14 April 1997, the Council, acting on a proposal from the Commission and after Parliament had given its opinion, decided to renew the Community's guarantee to the EIB in respect of the loans granted to projects outside the Community. The total ceiling for credits opened is equivalent to ECU 7 105 million.

The guarantee was limited to 70% of the total amount of credits opened, plus all related sums¹⁹. In addition, the EIB has been asked to aim to cover the commercial risk on 25% of its loans with non-sovereign guarantees. In that instance, the budget guarantee covers only political risks, namely the risks associated with the non-transfer of foreign currencies, expropriation, armed conflict and civil unrest. The total amount of credits opened as at 31 December 1997 was ECU 2 615 million, but the amount outstanding on the same date was only 144 million, of which 114 million was for the Mediterranean countries and 30 million for the CEECs.

3.2.2 *Outstanding guarantees at 31 December 1997*

At the end of 1997 outstanding guarantees under the Community budget, details of which are given in Table 3-1, stood at ECU 12,2 billion, more than 63% of which was for countries outside the Community. Compared with 1996, total outstanding guarantees were up by ECU 295 million. However, the proportion of commitments to non-Community countries has increased steadily from 37,5% in 1992 to 63% at present.

The annual risk covered by the general budget, which concerns the repayment of the debt (principal and interest), stood at ECU 3 095 million in 1997, of which 1 666 million related to third countries.

¹⁸ Council Decision (97/256/EC) of 14 April 1997 granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern European countries, Mediterranean countries, Latin American and Asian countries, and South Africa).

¹⁹ The arrangements governing the guarantee are set out in the contract of guarantee signed between the Community and the EIB on 25 and 29 July 1997.

At 31 December 1997, amounts paid out by the Community and not yet repaid by defaulting debtors stood at ECU 309 million, of which 75 million is owed by some of the republics of the former Yugoslavia and 234 million by Tajikistan, Armenia and Georgia.

All provisional drawings on the Commission's cash resources in respect of the guarantee have been settled from the budget up to 1994 and, since its establishment by Council Regulation (EC) No 2728/94 of 31 October 1994, by the Guarantee Fund.

3-1 Capital outstanding on guaranteed operations (at 31.12.1997)

Operation	Authorised ceiling	(ECU million)	
		Amount outstanding at 31.12.1996 (1)	Amount outstanding at 31.12.1997 (2)
Member States	26 330	5 564	4 497
A. Medium-term financial support	14 000		
1. Greece		500	500
2. Italy		3 479	3 448
B. Guaranteed loans			
3. Euratom (3)	4 000	572	118
4. NCI	6 830	748	219
5. EIB Mediterranean (E, EL, P)	1 500	265	212
Non-Community countries	24 117	6 312	7 674
A. Macrofinancial assistance	14 625	2 679	2 121
1. Hungary	180	180	100
2. Former USSR (4)	1 250	144	216
3. Czech Republic	250	250	123
4. Slovak Republic	125	125	62
5. Bulgaria	650	400	260
6. Romania	580	510	580
7. Estonia	40	20	15
8. Latvia	80	40	40
9. Lithuania	100	75	75
10. Israel (5)	160	160	-
11. Algeria	600	500	250
12. Moldova	60	60	60
13. Ukraine	285	185	285
14. Belarus	55	30	30
15. FYROM	40	-	25
16. Georgie/Armenia	170	-	-
B. Guaranteed loans	19 492	3 634	5 553
17. Mediterranean	8 672	2 092	3 150
18. CEECs	8 220	1 306	1 919
19. Latin America, Asia	1 925	204	385
20. South Africa	675	32	100
GRAND TOTAL	50 447	11 876	12 171
(1) Exchange rate as at 31.12.1996.			
(2) Exchange rate as at 31.12.1997.			
(3) Extension of Euratom loans to certain third countries (Council Decision of 21.3.1994).			
(4) The amount outstanding of ECU 216 million corresponds to amounts in principal owed and not paid by 31.12.1997.			
(5) Loan repaid in full by 31.12.1997.			

4. STATISTICAL ANNEX

4-1 Trend of borrowing and lending in the Community

(ECU million; ECU rate at year-end)												
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
I. Borrowing												
ECSC	1 517	1 487	880	913	1 086	1 446	1 474	908	644	386	298	474
Balance of payments (1)	862	860	-	-	350	1 695	1 209	4 969	245	410	155	195
Euratom	488	853	93	-	-	-	-	-	49	-	-	-
NCI	541	611	945	522	76	49	-	-	70	66	-	-
Total Commission	3 408	3 811	1 918	1 435	1 512	3 190	2 683	5 877	1 008	862	453	669
EIB (2)	6 786	5 593	7 666	9 034	10 996	13 672	12 974	14 224	14 148	12 395	17 553	23 026
Total EC	10 194	9 404	9 584	10 469	12 508	16 862	15 657	20 101	15 156	13 257	18 006	23 695
II. Lending												
ECSC	1 069	969	908	700	993	1 382	1 486	918	674	403	280	541
Balance of payments (1)	862	860	-	-	350	1 695	1 209	4 969	245	410	155	195
Euratom	443	314	-	-	-	-	-	-	49	-	-	-
NCI	393	425	357	78	24	39	9	30	-	-	-	-
Total Commission	2 767	2 568	1 265	778	1 367	3 116	2 704	5 917	968	813	435	736
EIB (3)	6 678	6 967	8 844	11 507	12 605	14 438	16 066	17 724	17 682	18 604	20 946	22 958
Total EC	9 445	9 535	10 109	12 285	13 972	17 554	18 770	23 641	18 650	19 417	21 381	23 694
<p>Note: The differences between total borrowing and lending by the Commission are due to borrowing operations undertaken for refinancing purposes and to changes in the balance of loans not assigned by the end of the year.</p> <p>The differences between borrowing and lending by the EIB are due to the fact that EIB lending operations are financed both from borrowings and from the Bank's own resources.</p> <p>(1) Mechanism for providing financial support for Member States, financial assistance for non-member countries and food aid for the former USSR.</p> <p>(2) Total resources raised.</p> <p>(3) Loans signed out of own resources, no account being taken of the guarantees provided by the EIB to promoters or of operations financed out of NCI resources.</p>												

4-2 Community borrowings outstanding.

Community borrowings outstanding (at year-end) (1)						(ECU million)	
	ECSC	EIB (2)	Euratom	NCI	Sub-total	Balance-of-pay. borrowings	Total borrowing
1982	6 178	16 570	1 272	1 747	25 767	591	26 358
1983	6 539	20 749	1 680	3 269	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432	38 450	4 932	43 382
1985	7 034	26 736	2 013	4 960	40 743	3 236	43 979
1986	6 761	30 271	2 168	5 202	44 402	1 890	46 292
1987	6 689	31 957	2 500	5 229	46 375	2 997	49 372
1988	6 825	36 928	2 164	5 514	51 431	2 459	53 890
1989	6 738	42 330	1 945	5 122	56 135	2 075	58 210
1990	6 673	48 459	1 687	4 542	61 361	(3) 2 045	63 406
1991	7 139	58 893	1 563	3 817	71 412	3 516	74 928
1992	7 327	67 784	1 338	3 326	79 775	4 026	83 801
1993	7 331	78 661	1 018	2 202	89 212	5 204	94 416
1994	6 548	83 673	779	1 570	92 570	7 697	100 267
1995	5 966	87 079	720	1 113	94 878	8 032	102 910
1996	4 677	96 649	572	748	102 646	6 666	109 312
1997	3 637	110 394	118	218	114 367	5 853	120 220

(1) The conversion rates used were those obtaining on 31 December of each year. As the majority of borrowings are denominated in national currency, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year. Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments and exchange-rate adjustments.

(2) As from 1989 including short term.

(3) As from 1990 including financial assistance for non-member countries.

4-3 Community borrowings in 1997, by currency

(ECU million)							
	EIB	ECSC	NCI	Balance of payments(1)	Total Borrowing	1996 %	1997 %
ECU	1 300 (2)	-	-	195	1 495	3,6	6,3
BEF	-	19	-	-	19	0,1	0,1
DKK	134	-	-	-	134	0,5	0,6
DEM	3 437	127	-	-	3 564	29,7	15,0
GRD	161	-	-	-	161	0,5	0,7
ESP	2 599	3	-	-	2 602	11,5	11,0
FRF	2 590	23	-	-	2 613	3,7	11,0
IEP	58	-	-	-	58	0,6	0,2
ITL	5 044	23	-	-	5 067	24,7	21,4
LUF	99	75	-	-	174	0,6	0,7
NLG	17	-	-	-	17	0,5	0,1
ATS	-	4	-	-	4	-	0,0
PTE	1 092	123	-	-	1 215	2,0	5,1
FIM	45	-	-	-	45	0,2	0,2
SEK	189	-	-	-	189	1,1	0,8
GBP	2 875	77	-	-	2 952	12,3	12,5
Sub-total	19 639	474	-	195	20 308	91,5	85,7
CHF	566	-	-	-	566	0,9	2,4
JPY	541	-	-	-	541	3,2	2,3
USD	2 211	-	-	-	2 211	4,2	9,3
ZAR	68	-	-	-	68	0,2	0,3
Sub-total	3 387	-	-	-	3 387	8,5	14,3
TOTAL	23 026	474	-	195	23 695	100,0	100,0
(1)	Balance of payments and financial assistance for non-member countries.						
(2)	Issued in euros.						

4-4 Lending in the Community in 1996 and 1997, by sector and instrument

(ECU million)								
	ECSC		EIB (1)		Total		% of total	
	1996	1997	1996	1997	1996	1997	1996	1997
Productive sector	248	400	4 477	5 672	4 725	6 072	23,5	27,1
of which: allocations from global loans	178	207	2 630	2 545	2 808	2 752	14,0	12,3
Infrastructure	20	60	10 388	14 085	10 408	14 145	51,8	63,2
of which: allocations from global loans	-	-	1 535	2 326	1 535	2 326	7,6	10,4
Energy	12	81	4 945	2 090	4 957	2 171	24,7	9,7
of which: allocations from global loans	-	-	279	206	279	206	1,4	0,9
TOTAL	280	541	19 810	21 847	20 090	22 388	100,0	100,0
(1)	Financing granted (individual loans and allocations from global loans).							

4-5 Financing in the Community by the EIB in 1996 and 1997 by economic objective

	1996		1997	
	ECU million	%	ECU million	%
1. Regional development	13 805	100,0	14 646	100,0
1.1 By country				
Belgium	236	1,7	440	3,0
Denmark	397	2,9	269	1,8
Germany	2 297	16,6	1 852	12,6
Greece	730	5,3	752	5,1
Spain	2 352	17,0	1 873	12,8
France	1 615	11,7	1 692	11,6
Ireland	108	0,8	72	0,5
Italy	2 853	20,7	2 595	17,7
Luxembourg	0	0,0	0	0,0
Netherlands	17	0,1	16	0,1
Austria	254	1,8	157	1,1
Portugal	1 288	9,3	1 352	9,2
Finland	10	0,1	331	2,3
Sweden	317	2,3	506	3,5
United Kingdom	1 331	9,6	2 741	18,7
1.2 By major sector				
Energy	4 076	29,5	996	6,8
Communications	4 640	33,6	6 338	43,3
Environment and various infrastructures	1 826	13,2	3 037	20,7
Industry, services, agriculture	3 263	23,6	4 273	29,2
2. Communications infrastructure	6 506	100,0	8 758	100,0
2.1 Transport	4 500	69,2	6 879	78,5
2.2 Telecommunications	2 006	30,8	1 879	21,5
3. Environmental protection and improvement	5 875	100,0	7 208	100,0
3.1 Environment	4 209	71,6	4 826	67,0
3.2 Town planning	1 666	28,4	2 382	33,0
4. Energy	4 031	100,0	2 597	100,0
4.1 Indigenous resources	547	13,6	558	21,5
4.2 Import diversification	2 011	49,9	482	18,6
4.3 Efficient use of energy	1 473	36,5	1 557	60,0
5. Industrial competitiveness	3 776	-	4 556	-
of which: small and medium-sized enterprises	2 594	Number 11 034	2 486	Number 12 772
<p>N.B. As some financing serves a number of purposes, the amounts shown under the different headings cannot be aggregated.</p>				

4-6 Geographical breakdown of lending (signatures) in the Community in 1996 and 1997

(ECU million)							
1997							
	ECSC	EIB	Euratom	NCI	Balance of payments	Amount	%
Belgium	20	1 140	-	-	-	1 160	4,9
Denmark	-	737	-	-	-	737	3,1
Germany	102	3 518	-	-	-	3 620	15,4
Greece	-	730	-	-	-	730	3,1
Spain	5	2 716	-	-	-	2 721	11,6
France	24	2 721	-	-	-	2 745	11,7
Ireland	-	207	-	-	-	207	0,9
Italy	40	3 517	-	-	-	3 557	15,1
Luxembourg	76	96	-	-	-	172	0,7
Netherlands	-	398	-	-	-	398	1,7
Austria	76	555	-	-	-	631	2,7
Portugal	122	1 350	-	-	-	1 472	6,3
Finland	-	401	-	-	-	401	1,7
Sweden	-	925	-	-	-	925	3,9
United Kingdom	76	3 765	-	-	-	3 841	16,3
Art. 18 (1)	-	184	-	-	-	184	0,8
Total	541	22 958	-	-	-	23 499	100,0
1996							
	ECSC	EIB	Euratom	NCI	Balance of payments	Amount	%
Belgium	7	658	-	-	-	665	3,1
Denmark	-	688	-	-	-	688	3,2
Germany	33	3 022	-	-	-	3 054	14,4
Greece	-	721	-	-	-	721	3,4
Spain	33	2 553	-	-	-	2 585	12,2
France	13	2 509	-	-	-	2 523	11,9
Ireland	-	189	-	-	-	189	0,9
Italy	91	4 121	-	-	-	4 212	19,9
Luxembourg	35	-	-	-	-	35	0,2
Netherlands	-	766	-	-	-	766	3,6
Austria	1	490	-	-	-	491	2,3
Portugal	-	1 294	-	-	-	1 294	6,1
Finland	-	302	-	-	-	302	1,4
Sweden	-	847	-	-	-	847	4,0
United Kingdom	51	2 386	-	-	-	2 437	11,5
Art. 18 (1)	-	403	-	-	-	403	1,9
Total	263	20 946	-	-	-	21 210	100,0
<p>(1) Community projects that cannot be located in a particular Member State (e.g. telecommunication cables and satellites, North Sea Oil).</p>							

4-7 Breakdown of NCI loans, by country at 31.12.1997

(ECU million)							
Country	NCI I	NCI II	NCI III	NCI IV	NCI Reconstr.	Total	%
Belgium	-	-	-	23,6	-	23,6	0,4
Denmark	66,8	100,6	303,0	63,2	-	533,5	8,6
Greece	-	114,9	111,2	-	80,0	306,1	4,9
Spain	-	-	69,2	118,2	-	187,4	3,0
France	70,0	125,0	938,7	72,3	-	1 206,0	19,5
Ireland	239,0	116,6	68,4	-	-	424,0	6,8
Italy	479,9	473,4	1 228,5	285,7	598,7	3 066,3	49,5
Netherlands	-	-	3,2	-	-	3,2	0,1
Portugal	-	-	29,9	9,9	-	39,8	0,6
UK	134,9	67,1	109,3	95,8	-	407,1	6,6
Total	990,5	997,5	2 861,6	668,8	678,7	6 197,1	100,0

N.B.: Loans signed have been converted into "borrowing equivalents".
The loans in the various currencies have been converted into ECU at the exchange rate in force on the last working day of the quarter preceding the signing of the contract.

4-8 Breakdown of NCI loans, by currency: amounts outstanding as at 31.12.1997

Currency	(million)	Equivalent in ECU million (1)
ECU	70,0	70,0
BEF	-	-
DEM	10,0	5,1
ESP	-	-
FRF	-	-
ITL	-	-
LUF	-	-
NLG	176,8	79,4
GBP	11,5	17,2
CAD	-	-
CHF	75,0	46,7
JPY	-	-
USD	-	-
Total		218,4

(1) Exchange rate as at 31.12.1997.

4-9 Interest subsidies paid out in the Community by the various Community mechanisms 1977-97

(ECU million)							
Year	Non-discounted systems (1)				Discounted systems (2)		
	ECSC Art.54 (restruct.)	ECSC Art.56 (convers.)	Employment in Portugal	Disaster reconstr.	EMS	ERDF	SME facility
1977	1,3	2,7	-	-	-	-	-
1978	9,8	16,5	-	-	-	-	-
1979	10,4	8,0	-	-	200,0	12,1	-
1980	25,7	33,4	-	-	197,0	-	-
1981	7,6	6,3	-	-	193,2	-	-
1982	10,5	19,3	-	3,0	209,8	-	-
1983	4,0	7,1	-	14,4	200,0	-	-
1984	6,2	34,0	-	24,4	-	-	-
1985	3,6	74,9	-	28,4	-	-	-
1986	5,9	33,1	-	28,6	-	-	-
1987	2,4	35,6	4,0	28,6	-	-	-
1988	3,0	38,6	3,9	27,8	-	-	-
1989	2,6	42,5	-	26,6	-	-	-
1990	1,3	40,6	-	23,1	-	-	-
1991	1,0	48,6	-	20,1	-	-	-
1992	-	106,0	-	17,2	-	-	-
1993	-	114,3	-	12,3	-	-	-
1994	-	51,1	-	9,3	-	-	65,5
1995	-	11,5	-	6,1	-	-	2,8
1996	-	36,8	-	4,3 (3)	-	-	25,3
1997	-	1,8	-	4,0	-	-	-

(1) Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.

(2) Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.

(3) As from 1996, including the interest subsidy paid direct by the Commission, to the Autonomous Region of Madeira (Council Decision 95/250/EC of 29 June 1995).

4-10 Financial assistance outside the Community in force or under negotiation at 31.12.1997

(ECU million)						
	Agreement	Operations from EIB resources		Operations from budget resources		Balance of payments assistance (4)
		End of period	Ceiling (1)	Risk capital operations (2)	Non-repayable aid (3)	Ceiling
ACP States-OCT			1 693	1 030	12 102	
ACP	Second Financial Protocol					
	Fourth Lomé Convention	2000	1 658	1 000	11 967 (5)	
OCT	Council Decision	2000	35	30	135 (5)	
South Africa	Council Decision (7)	2000	375			
Mediterranean countries(6)			3 140	204	3 460 (8)	600
Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, Gaza and West Bank	Euro-Mediterranean partnership (7)	2000	2 310	200 (9)	3 425 (10)	600 (11)
Turkey	Special financial cooperation not yet in force	2000	750			
Malta	Fourth Financial Protocol	1998	30	2	13	
Cyprus	Fourth Financial Protocol	1998	50	2	22	
CEECs	Council Decision (7)	2000	3 520		4 952 (12)	2 005
Albania						650
Bulgaria						250
Czech Republic						40
Estonia						180
Hungary						80
Latvia						100
Lithuania						
Poland						
Romania						580
Slovakia						125
Slovenia						
FYROM	Financial protocol	2000	150		20 (13)	40
CIS; Mongolia					2 224 (14)	1 820
Former USSR						1 250 (15)
Moldova						60
Georgia, Armenia						170
Ukraine						285
Belarus						55
Latin American and Asian countries	Council Decision	1997	275		2 796 (14)	
	Council Decision (7)	2000	900			
Pre-Accession facility (16)	EIB Facility	2000	3 500			

(1) Loans attracting interest subsidies from the European Development Fund in the case of projects in the ACP States and the OCT and from the general budget of the European Communities in the case of environmental projects in certain Mediterranean countries. The necessary amounts for the interest subsidies are charged to non-repayable aid.

(2) Granted and managed by the EIB.

(3) Granted and managed by the Commission.

(4) Cumulated amounts since 1990. These operations are granted and managed by the Commission.

(5) Including amounts intended for interest subsidies on EIB loans.

(6) The amounts available under the previous financial protocols may be used at the same time, whether that involves all of the sums earmarked or residual amounts.

(7) Part of the multiannual overall mandate approved on 14 April 1997.

(8) Main items of the financial association agreed at Cannes (1995).

(9) Indicative amount charged to the non-repayable aid in the following column.

(10) Financial reference period 1996-99: Regulation (EC) No 1488/96 (including amounts reserved for risk-capital transactions and interest subsidies for EIB funding of environmental projects).

(11) Algeria

(12) Indicative programme 1996-99; main items of the financial allocation agreed at Cannes (1995).

(13) Reserved for interest subsidies for loans granted by the EIB to infrastructure projects of interest both to the Community and FYROM. This country is also eligible for aid from the financial allocation agreed at Cannes (1995).

(14) Financial reference period 1996-99.

(15) Commercial credits.

(16) For applicants for EU membership: Hungary, Poland, Slovak Republic, Czech Republic, Bulgaria, Romania, Estonia, Latvia, Lithuania, Slovenia and Cyprus.

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