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REPORTS FROM THE COMMISSION

TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT

- on the implementation of loans granted by the European Investment Bank for projects of mutual interest in countries of Latin America and Asia with which the Community has concluded cooperation agreements. Interim mandate (1996/1997)

- on the implementation of European Investment Bank loans for projects in **central and eastern European countries**: Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Latvia, Estonia, Lithuania and Albania (1996/1997)

- on the implementation of loans granted by the European Investment Bank in the **Republic of South Africa** (1995-96)

and

- on the rate of utilization of European Investment Bank loans for projects in the Republic of South Africa (from 1 January 1997 to 30 June 1997)

- on the rate of utilization of European Investment Bank loans for projects in central and eastern European countries (Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Latvia, Estonia, Lithuania and Albania) (from 1 July 1996 to 30 June 1997)

REPORT FROM THE COMMISSION

TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT

on the implementation of loans granted by the

European Investment Bank for projects of mutual interest in countries

of Latin America and Asia with which the Community has

concluded cooperation agreements.

Interim mandate (1996/1997)

CONTENTS

1. Introduction

This report on the activities of the European Investment Bank (EIB) in a number of Latin American and Asian countries has been drawn up in accordance with Council Decision 96/723/EC of 12 December 1996 granting a Community guarantee to the European Investment Bank against losses under loans for projects of mutual interest in Latin American and Asian countries with which the Community has concluded cooperation agreements (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, El Salvador, Uruguay and Venezuela; Bangladesh, Brunei, China, India, Indonesia, Macao, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam).

This report covers operations totalling ECU 275 million which were approved by the EIB Board of Directors between the end of the first mandate (22 February 1996) and the end of the interim mandate (30 June 1997).

The last of the three annual reports concerning the first mandate (1993-96) was sent to the Council and Parliament in September 1996 (COM(96) 429 final of 9 September 1996).

2. Legal framework

The legal framework for the interim mandate in Latin America and Asia is laid down in the following decisions and documents:

- **Council Decision 96/723/EC of 12 December 1996** (published in the Official Journal of 19 December 1996) granting a Community guarantee to the European Investment Bank against losses under loans for projects of mutual interest in the above-mentioned Latin American and Asian countries.

- **Decision by the EIB Board of Governors of 11 February 1997** authorising the Bank to make loans of up to ECU 275 million from its own resources for a period to 30 June 1997 in order to finance investment projects in the Latin American and Asian countries which have concluded cooperation agreements with the Community and are listed in the Council Decision of 12 December 1996.

- **Contract of guarantee signed by the European Community and the EIB on 18 and 26 March 1997.** Loans totalling ECU 153 million, approved by the Board of Directors of the Bank under the above-mentioned decisions until publication in the Official Journal of 19 April 1997 of Council Decision 97/256/EC of 14 April 1997 relating to the new Community guarantee system for the EIB, are fully guaranteed by the Community in accordance with

Council Decision 96/723/EC of 12 December 1996.

- **Council Decision 97/256/EC of 14 April 1997** (published in the Official Journal of 19 April 1997) granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe countries, Mediterranean countries, Latin American and Asian countries and South Africa).

- **Contract of guarantee signed by the Community and the EIB on 25 and 29 July 1997.** Loans totalling ECU 122 million, approved by the Board of Directors of the Bank between the publication in the Official Journal of 19 April 1997 of Council Decision 97/256/EC and 30 June 1997, are guaranteed by the Community in accordance with Council Decision 97/256/EC of 14 April 1997 and according to the provisions laid down in the above-mentioned contract of guarantee.

3. The Bank's mandate in Latin America and Asia in relation to its activities outside the Community

The mandate given to the Bank in Latin America and Asia confers on it special responsibility for supporting the Community's cooperation policy. Most of the Latin American and Asian countries concerned by the Bank's mandate have historical, cultural and economic ties with the countries of the European Union. These long-standing ties are reflected in a cooperation policy which was established by the Community in 1976 with a number of these countries and broadened over the years up to the Council Decision of 15 February 1993 concerning Bank operations under the first mandate (Council Decision 93/115/EEC, published in the Official Journal of 23 February 1993).

In view of the encouraging results of this first mandate which expired in February 1996, it was appropriate to renew it. However, the Council did not reach agreement on the ceiling of the 1996 interim mandate until 12 December 1996 (Council Decision 96/723/EC mentioned in point 2). In view of the date of the Decision, the Bank was unable to attain the ceiling of ECU 275 million by 31 December 1996. Consequently, and in accordance with Article 1 of the Decision, the period during which it was to remain applicable was automatically extended until 30 June 1997.

The interim mandate enabled the Bank to consolidate its position as a lender in Latin American and Asian countries. Under the Council Decision of 14 April 1997, the Bank's operations in those countries will continue to be implemented until the year 2000 (see point 2 above).

4. Result of the interim mandate

The Bank's Board of Directors approved six operations totalling ECU 275 million under the interim mandate. A summary table giving details about project commitments and signings (countries, sectors, loan amounts, share of the project financed by the EIB, co-lenders, etc.) is set out in Annex 1.

5. General comments on operations and assessment of the Bank's action under the interim mandate

5.1 As in the case of the first mandate, demand substantially exceeded the funds available in 1996/97 owing to the high absorption capacity of the eligible countries. As a result, **the ECU 275 million of the interim mandate were fully committed** (mostly in 1997). In 1996, however, it was necessary to reject several financing applications from European Union firms because of the lateness of the Decision introducing the interim mandate.

5.2 In accordance with the Bank's interim mandate and as in the case of the first mandate, all projects financed will benefit both the Latin American and Asian countries concerned and the European Union. In line with this specific concept of **mutual interest,** operations satisfy one or more of the following criteria: transfer of European technologies and know-how, cooperation between European and local firms, cooperation in the fields of energy and environmental improvement. A summary of mutual interest for each of the six operations approved is set out in Annex 2.

5.3 **The build-up of projects involving European private partners is continuing.** The percentage of private projects approved by the Bank had already grown during the first mandate (1993: 20%; 1994: 42%; 1995/1996: 46%); it has increased to 78% under the interim mandate (see Annex 1). The percentage could eventually be higher because it is envisaged that the final recipients of the Corporación Andina de Fomento (CAF) global loan will include private-sector promoters. The CAF is a multilateral regional financial institution with its registered office in Caracas, whose principal shareholders are the member countries of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela) (see Annex 1). This confirms that EIB financing is particularly well suited to the needs of European enterprises in their investment in the emerging countries, which make up the majority of the Latin American and Asian countries.

5.4 The **average size of operations** is ECU 47 million, disregarding future, distinctly smaller loans under the CAF global loan.

5.5 The **sectoral breakdown** (see Annex 1) shows activity to be concentrated in the industry and energy sectors. The aim is better industrial cooperation between the Latin American and Asian countries and the European Union and the breakdown is consistent with the objectives of the cooperation agreements signed between those countries and the European Union, which frequently stress the specific importance of cooperation in the energy field. The concentration of activity in industry can also be explained by the fact that European industrial enterprises which, in the past, borrowed from the Bank for their investment within the Union, are now also requesting Bank finance for their projects in the Latin American and Asian countries (often for joint ventures, e.g. the "Vidrio Saint-Gobain" project in Mexico).

5.6 As far as the **geographical breakdown** is concerned, the Bank endeavours to maintain, wherever possible, a fair balance between the two regions concerned. However, the operations approved in Latin America account for two thirds of the ECU 275 million and those in Asia for only one third (see Annex 1). This is mainly due to the very short period available to the Bank for committing the envelope.

5.7 **Cooperation with multilateral and bilateral financial institutions** in the Latin American and Asian countries continues to be good. Three of the six operations undertaken are being financed jointly with multilateral institutions (World Bank, Asian Development Bank) and/or with bilateral financial institutions (Kreditanstalt für Wiederaufbau, Commonwealth Development Corporation). A fourth loan has been made directly to the CAF, the multilateral institution already mentioned. The activities of the Bank and the other multilateral and bilateral institutions complement each other at project level and coordination between the institutions is good. Complementarity offers sufficient opportunities for action in the Latin American and Asian countries to all the parties engaged in multilateral financial aid, favours the maintenance of good cooperative relations and limits the risks of incompatibility. The Bank is increasingly centring its operations on private projects involving European companies, as partners in joint ventures or shareholders, while other multilateral financial institutions are better placed to head the co-financing of large-scale projects (often public) in the infrastructure field.

5.8 **The Bank's cooperation with the European banking sector,** in particular in respect of guarantees, remains good. The EIB and the European commercial banks complement each other in that the latter rarely provide the same type of resource as the EIB, particularly as regards duration and period of grace. The combination of complementary financial instruments constitutes an added benefit.

5.9 It should be noted that **the interim mandate falls under two different budget guarantee systems:**

- ECU 153 million of the operations approved will be covered by the **old 100%** budget guarantee system (same system as for the first mandate); the following loans will be covered by this guarantee: Vidrio Saint-Gobain/Mexico (ECU 50 million), Ghazy-Barotha/Pakistan (ECU 21 million), Batangas I/Philippines (ECU 60 million) and Pirelli Optical Fibre/Brazil (ECU 22 million);

- ECU 122 million of the operations approved by the EIB Board of Directors after the publication in the Official Journal of Council Decision 97/256/EC of 14 April 1997 (see 2 above) will be covered by the **new 70%** global budget guarantee system introducing a risk-sharing element between the EIB and the Community in respect of a significant proportion of the Bank's lending which the Council has set at 25%. For loans where risks are shared, the Community covers the political risks arising from currency non-transfer, expropriation, war and civil disturbance within the limits laid down in the contract of guarantee signed on 25 and 29 July 1997. Out of the envelope of ECU 122 million, risks are shared in two projects out of the three which have been signed: the aggregate amount involved is ECU 82 million, which represents 67% of the proportion of the interim mandate falling under the new budget guarantee system. The projects are the following (the last two involve risk sharing): CAF global loan, Andean Pact (ECU 40 million with no risk sharing between the Bank and the Community budget), Batangas II/Philippines (ECU 12 million with the Bank and the Community budget sharing the risk) and Mercedes Benz A-Class Mercosul (ECU 70 million with the risk being shared).

5.10 The list of **framework agreements** establishing the general legal bases for carrying out projects in both public and the private sector which were concluded between the EIB and the country concerned is given in Annex 3.

Annex 1

ALA INTERIM MANDATE 1996 - JUNE 1997

n.s. = not yet signed

PROJECT	COUNTRY	SECTOR	EIB LOAN (M ECU)	BORR WER		ZO NE		EIB LOAN AS % OF TOTAL PROJECT COST	DATE OF APPROVAL OF BOARD OF DIRECTORS	FINANCE CONTRACT SIGNATURE [3]	BI- AND MULTI-LATERAL CO-LENDERS
				PUBLIC	PRIVATE	ASIA	LATIN AMERICA				
Vidrio St-Gobain	Mexico	Industry	50		X		X	41%	12/11/96	12/05/97	——
Ghazy Barotha - second portion	Pakistan	Energy (hydro power)	21	X		X		1%	10/12/96	23/07/97	Asian Development Bank, World Bank, Kreditanstalt für Wiederaufbau (KfW), Islamic Development Bank
Batangas Power Plant	Philippines	Energy (combined cycle)	60		X	X		12%	29/01/97	20.10.97	KfW, Commonwealth Development Corporation
			12 [1]		X	X			9/06/97	20.10.97	
Pirelli Optical Fibre	Brazil	Industry	22		X		X	50%	25/02/97	n.s.	——
CAF Global loan [2]	Andean Pact	Global Loan	40	X			X	20%	29/04/97	16.10.97	——
Mercedes-Benz A-Class Mercosul	Brazil	Automotive industry	70 [1]		X		X	10%	9/06/97	n.s.	KfW
TOTAL			275	61	214	93	182	8%			
IN %			**100%**	**22%**	**78%**	**34%**	**66%**				

[1] Loan falling under the risk-sharing agreement.

[2] Corporación Andina de Fomento (CAF) is a multilateral institution governed by public international law whose principal shareholders are the member countries of the Andean Pact, the republics of Colombia, Bolivia, Ecuador, Peru and Venezuela (collectively over 97% of ownership).

[3] Situation at 4 November 1997.

Annex 2

Mutual interest of operations under the interim ALA mandate

Project	**Country**	**Mutual interest**
Vidrio St-Gobain	Mexico	• the project is a joint venture in which a European enterprise has a large stake; • it helps to strengthen Mexico as a bridgehead for European companies wishing to become established on the American market; • the guarantee will be provided by the European group which is the majority shareholder; • the project comprises a substantial element of technology transfer.
Ghazy Barotha Hydropower-Second Portion	Pakistan	The project comprises a substantial element of transfer of European technology and know-how. The concept and development of the project were carried out by a joint venture consisting mainly of Pakistani and European consultants who will also be responsible for supervising the performance of the contract. All the civil engineering contracts, representing some USD 700 million in value, have been won by European entrepreneurs. The project also represents a major increase in the country's capacity for producing renewable energy from national resources. In a wider context, the project will contribute to the attainment of some of the objectives of the cooperation agreement concluded between the EC and Pakistan, which relates in particular to cooperation in the energy field.
Bathangas Power Plant	Philippines	The borrower, First Philippine Gas Corporation, is a wholly-owned subsidiary of First Gas Holdings Corporation, itself a joint venture established by British and Philippine companies. The Malampaya gas deposit, which will probably supply the power plant with fuel, is exploited jointly by Shell and the Occidental Petroleum Company, while the turn-key construction contract for the power plant has been awarded to a large European group. In a wider context, having regard in particular to the important role it plays in the introduction of natural gas to the Philippines, the project will favour the attainment of certain objectives included in the EU-ASEAN cooperation agreement, which mentions in particular cooperation in the fields of energy and environmental improvement.
Pirelli Optical Fibre	Brazil	• the promoter is the subsidiary of a European enterprise; • the project will help to improve the promoter's position on a promising market; • the project comprises a substantial element of technology transfer; • the guarantee will be provided by a European bank; • the project will contribute to the modernisation of the fibre optic cable sector in Brazil and will assist in the modernisation of the country's telecommunications networks (national and international).

Project	Country	Mutual interest
Corporación Andina de Fomento (CAF) global loan	Five member countries of the Andean Pact	The proposed projects are of mutual interest and are likely to strengthen cooperation between the EU and the Andean group, through private investment in the eligible sectors. The global loan will enable CAF to grant loans of up to 15 years, a new feature in the region which should favour its European customers. It should also partly fill the gap between the EC International Investment Partners instrument (ECIP) managed by the Commission, the credits for which are limited to ECU 1 million, and the minimum amount of EIB direct loans. It will permit the financing of beneficial medium-size European Union/Latin America initiatives, which have so far been ineligible for a direct Bank loan because of their size.
Mercedes Benz A-Class Mercosul	Brazil	• the project is essential in order to strengthen the position of the promoter, which is the subsidiary of a large European enterprise, on one of the leading emergent markets; • it comprises a substantial element of technology transfer (equipment during the construction phase and imports of components during the production phase); • it will help to modernise the Brazilian automobile industry.

Annex 3

List of countries which have concluded a framework agreement with the EIB
(situation at 15 September 1997)

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1) **Agreements** signed and presently **valid for all the mandates**

ASIA

China	06.12.95
Indonesia	20.06.95

LATIN AMERICA

	First signature	*Extension*
Argentina	03.10.94	16.03.97
Brazil	19.12.94	
Bolivia	12.10.95	
Colombia	13.03.95	
El Salvador	27.02.97	
Honduras	27.02.97	
Mexico	09.03.95	
Panama	10.04.96	
Paraguay	19.09.94	
Peru	02.10.94	
Uruguay	21.04.95	

2) **Agreements signed for the ECU 750 million mandate** (ongoing negotiations for extension to new mandate)

ASIA

India	17/25.11.93
Pakistan	25/28.02.94
Philippines	15.09.94
Thailand	10/17.01.94

LATIN AMERICA

Chile	07.10.94
Costa Rica	30.11.93

3) **New framework agreements under negotiation** : Sri Lanka, Mongolia, Bangladesh, Vietnam, Venezuela, Ecuador, Guatemala, Nicaragua.

REPORT FROM THE COMMISSION

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on the implementation of European Investment Bank loans for projects in **central and eastern European countries**: Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Latvia, Estonia, Lithuania and Albania (1996/1997)

LIST OF CONTENTS

1. Introduction

The present annual report on the activities of the European Investment Bank (EIB) in central and eastern Europe has been drawn up in accordance with Council Decision 93/696/EC of 13 December 1993 (OJ L 321 of 23 December 1993). It relates to the third and final year of implementation of the Council Decision and covers the period from 1 January 1996 until June 1997, end of the mandate.

The previous annual report dealing with the Bank's mandate in central and eastern Europe was transmitted to Council and Parliament in October 1996 (COM(96)501).

2. Legal framework

The legal and institutional framework of the mandate given to the EIB in central and eastern Europe is laid down in the following decisions and documents:

- **Council Decision 93/696/EC of 13 December 1993** (OJ L 321 of 23 December 1993) granting a Community guarantee to the Bank against losses under loans for projects in central and eastern European countries. The guarantee is restricted to an overall loan ceiling of ECU 3 000 million over a period of three years, beginning on the date the Council Decision took effect (23 December 1993) subject to an automatic extension of six months if, at the end of the three years, the loans granted by the Bank did not attain the overall amount referred to above.

  The guarantee covers in full any payments not received by the Bank but due under loans granted, in accordance with the usual criteria, in respect of investment projects carried out in the countries specified in the Decision.

  (The loan guarantee ceiling includes the provisions laid down in respect of investments in Estonia, Latvia and Lithuania in Council Decision 93/166/EEC of 15 March 1993).

- **Decision by the EIB Board of Governors of 2 May 1994** authorising the Bank to lend on the basis of the Council Decision of 13 December 1993.

- **Contract of guarantee signed by the Community and the EIB** on 22 July and 12 August 1994. This contract supersedes the guarantee contract relating to the Council Decision of 15 March 1993 mentioned above.

3. Activities of the EIB in central and eastern Europe in 1996

3.1 In 1996 the EIB signed 21 **loan contracts** in central and eastern Europe for an aggregate amount of **ECU 1 086 million**, compared with ECU 973 million in 1995 and ECU 921 million in 1994.

At 31 December 1996, the end of the three-year period of the Council mandate, total loan contracts signed by the bank on the basis of the 1993-1996 mandate amounted to **ECU 2 980** million, just below the guarantee ceiling of ECU 3 000 million granted by Council Decision 93/696/EC. In March 1997, in accordance with Article 1 of the Decision which automatically extends the guarantee period by six months, the Bank signed a final loan for **ECU 20 million,** thus attaining the ceiling granted.

Details of the breakdown per country and sector of the 1993-1996 financial package as well as the list of projects are given in Annexes 1 and 2 respectively.

3.2 In 1996, loans in Poland, the Czech Republic and Hungary accounted for almost 71% of the EIB lending in the region during 1996. The Bank also signed loans in support of projects in all the other central and eastern European countries, except Bulgaria (see table 1).

Table 1. Geographical distribution of EIB lending in 1996/1997
Council Decision 93/696/EC

Country	Number of loans	Contracts signed (ECU m)	
Poland	3	380	(34.4%)
Czech Republic	2	255	(23.1%)
Hungary	2	135	(12.2%)
Romania[1]	3	110	(9.9%)
Slovak Republic	2	100	(9.0%)
Lithuania	5	72	(6.5%)
Latvia	3	26	(2.4%)
Estonia	1	16	(1.4%)
Albania	1	12	(1.1%)
TOTAL	**22**	**1 106**	**(100%)**

The Bank's activity continues to support the development of the economies of central and eastern European countries as they prepare for their accession to the Community.

[1] Includes loan of ECU 20m signed in March 1997.

As in previous years, financing in 1996 centred on funding strategic infrastructure and strengthening the physical links with the European Union:

- Half the total financing, ECU 563 million (ECU 238 million in 1995), went to finance **transport** infrastructure projects, most of which form part of the priority transport corridors identified by the Pan-European Conference in Crete in 1994. In the field of road transport, these included the A4 Wroclaw-Gliwice motorway in Poland, the M3 Budapest-Gyöngyös motorway in Hungary and the Via Baltica in Lithuania; in the field of rail transport, they included the modernisation of the Warsaw-Ostrava-Vienna line in the Czech republic and the rehabilitation of several sections of the Tallinn-Narva railway in Estonia.

- Loans for projects in the **energy** sector totalled ECU 363 million and accounted for one third of total financing in the region during 1996 (ECU 290 million in 1995). Loans were signed in five countries in support of six projects relating to the construction, rehabilitation, modernisation, and expansion of power plants and gas transmission.

- Loans signed in the **telecommunications** sector totalled ECU 115 million (ECU 130 million in 1995) and accounted for about 10% of the total financing during the year. Financing provided in the sector consisted of two loans for the extension and modernisation of the network (Poland) and the construction of a mobile telecommunications network (Lithuania).

Table 2. Breakdown by country and sector of EIB loans signed in 1996/1997
Council Decision 93/696/EC

		of which			
Country	**Total loan contracts signed** (ECU m)	**Transport**	**Energy**	**Telecoms**	**Industry, other, mixed**
Poland	380	100	180	100	
Czech Rep.	255	200	55		
Hungary	135	95			40
Romania[2]	110	110			
Slovak Rep.	100		100		
Lithuania	72	42	10	15	5
Latvia	26		6		20
Estonia	16	16			
Albania	12		12		
TOTAL	1106 (100%)	563 (50.9%)	363 (32.8%)	115 (10.4%)	65 (5.9%)

[2] Includes loan of ECU 20m signed in March 1997.

In addition to projects in infrastructure, support for the **industrial** sector during 1996 amounted to ECU 65 million, of which ECU 50 million was provided by means of global loans for small and medium-sized enterprises. It should be borne in mind that EIB support for SMEs is channelled through appropriate financial intermediaries who have access to EIB funds either in the form of a *global loan* - line of credit contracted between the Bank and a specific financial institution - or in the form of an *APEX* loan - line of credit open to a number of qualified institutions within a particular country and usually channelled via the central bank.

Table 3 below gives details of the loan contracts signed during the year.

3.3 Monitoring

The Bank monitors investment throughout the implementation of the project and up to the end of the loan period. Disbursements are spread over rather long periods, a situation which is usual for infrastructure loans with long maturity periods (12 to 20 years) and is typical in the case of credit lines, where the disbursement takes place only after the decision to support the implementation of an individual investment has been taken.

As to the servicing of the loans, repayments have been punctual.

4. The Bank's 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 create the economic framework necessary to qualify. The examples of Greece, Portugal and Spain provide a historic parallel. In their case too, the EIB started its lending activity many years before those countries finally joined the Community and helped them to meet the conditions for adhesion.

The EIB gives absolute priority to upgrading, modernising and developing the transport, telecommunications and energy sectors, with particular emphasis on the Trans-European Networks 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 to that of the European Union. The Bank also supports SMEs and other industrial initiatives, in particular where they involve European Union partners either directly or through the Bank's global loan instrument.

Table 3. EIB loans signed in 1996/1997 pursuant to the Council Decision of 13 December 1993 (93/696/EC)

COUNTRY	PROJECT	DESCRIPTION	AMOUNT OF LOAN (ECU m)	TOTAL COUNTRY (ECU m)
Albania				**12**
	Power transmission	Rehabilitation and upgrading of electricity grid	12	
Czech Republic				**255**
	C'ESKE DRAHY Rail corridor II	Modernisation of Warsaw-Ostrava-Vienna railway line	200	
	SKO ENERGO FIN/VW-SKODA combined heat and power plant	Replacement of VW/Skoda's lignite-fired combined heat and power plant in Mlada Boleslav by coal-fired plant of same type	55	
Estonia				**16**
	Railways	Rehabilitation of several sections of Tallinn-Narva main railway line	16	
Hungary				**135**
	M3 Toll motorway	Upgrading of M3 toll motorway linking Budapest to Gyöngyös	95	
	Financial sector- Global loan (Extension to the original loan of ECU150m)	Financing for small and medium-scale ventures	40	
Latvia				**26**
	Investment Bank of Latvia Global loan B	Financing of small and medium-scale ventures	5	
	Riga water and environment	Upgrading and rehabilitation of water supply and sewerage systems in and around Riga	15	
	Daugava Hydropower	Rehabilitation works and dam safety improvements at hydroelectric plants	6	
Lithuania				**72**
	Gas distribution	Construction of natural gas transmission and distribution pipelines	10	
	Lithuanian Development Bank Global loan B	Financing for small and medium-scale ventures	5	
	Via Baltica	Upgrading and rehabilitation of selected sections of Via Baltica road corridor	20	
	Telecommunications (GSM)	Construction and operation of first phase of mobile telecommunications network	15	
	Railways	Modernisation of railway infrastructure	22	

COUNTRY	PROJECT	DESCRIPTION	AMOUNT OF LOAN (ECU m)	TOTAL COUNTRY (ECU)
Poland				**380**
	Polish Telecommunications II - Tranche B	Extension and modernisation of telecommunications network	100	
	Poland Highways - Tranche B	Upgrading to motorway standard of A4 between Bielany (Wroclaw) and Nogawczyce (Gliwice) via Prady (Opole)	100	
	PGNG II- Second gas	Conversion of depleted Wierzchowice gas field, in west of country, into underground storage facility	180	
Romania				**110**
	Roads rehabilitation II	Rehabilitation of sections of E81 and E60 European road corridors	70	
	Bucharest Metro modernisation	Renewal of rolling stock and completion of network infrastructure on Bucharest metro	20	
	Bucharest Metro [3] modernisation - Tranche B	Ditto.	20	
Slovak Republic				**100**
	SPP Gas transmission - B	Modernisation and expansion of international gas transit network	30	
	SE Thermal Power rehabilitation	Rehabilitation of Vojany I coal-fired power station	70	
TOTAL			1 106	**1 106**

[3] Signed in March 1997.

Following the signature of a final loan early in 1997, the Bank has now fully discharged its responsibilities under the lending authorisation based on Council Decision 93/696/EC. The Bank intends to continue to pursue its objectives in Central and Eastern Europe on the basis of its new lending authorisation decided by Council on 14 April 1997 (Council Decision 97/256/EC) and is already appraising potential investment projects in the countries concerned.

5. 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 to help those countries to prepare for accession to the Union, in particular by financing investment aimed at integrating the infrastructure (transport, telecommunications, energy, environment) of the countries concerned with that of the EU and by assisting SMEs. Whenever possible, co-financing 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 working in the area.

The Bank cooperates closely with the Commission, in particular with the PHARE programme. 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 co-financing infrastructure projects, to which up to 25% of PHARE resources may be allocated. During the reference period, the Bank and PHARE have co-financed a rail project in Estonia, a road project in Romania and rail and road projects in Lithuania.

Of the international financial institutions, the EIB works closely with the EBRD, of which the EIB is a shareholder, and the World Bank. Together, they finance some of the projects that have been undertaken in the area, with a view to maximizing the impact of their activities to the benefit of the countries concerned. During the reference period, the Bank, together with the EBRD, has co-financed the infrastructure projects in Albania, the Czech Republic, Latvia, Lithuania and Romania listed in Table 3. The World Bank has also co-financed the project in Albania and is appraising projects for co-financing in Romania.

The share of the different financing sources in projects financed by the EIB is shown below.

Table 4. Share of PHARE and international financial institutions in projects financed by the EIB during 1996/1997 (Council Decision 93/696/EC)

(ECU m)

Country	EIB	EBRD	IBRD	Other [4]	PHARE	TOTAL
Albania	12	10	14	104	0	140
Bulgaria	0	--	--	--	--	--
Czech Rep.	255	40	0	368	0	663
Estonia	16	0	0	11	5	32
Hungary	135	0	0	55	0	190
Latvia	26	47	0	19	0	92
Lithuania	72	38	0	90	5	205
Poland	380	0	0	3 732	0	4 112
Romania [5]	110	54	120 [6]	81	5	370
Slovak Rep.	100	0	0	320	0	420
TOTAL	**1 106 (17.8%)**	**189 (3%)**	**134 (2.2%)**	**4 780 (76.8%)**	**15 (0.2%)**	**6 224 (100%)**

[4] States, public bodies or other domestic financial sources, including own funds of borrower/promoter.

[5] Includes loan of ECU 20m signed in March 1997.

[6] Under appraisal.

Annex 1

Financing provided on the basis of the Council Decisions of 15 March 1993 (93/166/EEC) and 13 December 1993 (93/696/EC)

Breakdown by country and sector

COUNTRY	TOTAL	SECTOR			
		Transport	**Telecoms**	**Energy**	**Industry, other, mixed**
Poland	853	265	250	180	158
Czech Rep.	770	385	30	355	--
Hungary	475	95	150	--	230
Romania	351	161	80	110	--
Slovak Rep.	215	15	20	130	50
Bulgaria	90	90	--	--	--
Lithuania	101	66	15	10	10
Estonia	68	51	--	7	10
Albania	46	29	--	12	5
Latvia	31	--	--	6	25
TOTAL	**3 000** (100%)	**1 157** (38.6%)	**545** (18.2%)	**810** (27%)	**488** (16.3%)

Annex 2

EIB loans signed on the basis of the Council Decisions of 15 March 1993 (93/166/EEC) and 13 December 1993 (93/696/EC)

COUNTRY	Year of signature	PROJECT	Amount of loan (ECU m)	COUNTRY TOTAL (ECU m)
Albania				**46**
	1995	East-West road corridor	24	
	1995	Ferry terminal at the Port of Durrës	5	
	1995	APEX global loan	5	
	1996	Power transmission	12	
Bulgaria				**90**
	1994	Air traffic services - B	30	
	1995	Transit roads II	60	
Czech Republic				**770**
	1994	Berlin-Vienna rail corridor	125	
	1994	Mero-IKL (D-CZ) pipeline	100	
	1994	Telecommunications 1 - B	30	
	1995	C'EZ I (power plant improvements)-A	100	
	1995	C'EZ I (power plant improvements)- B	100	
	1995	Roads	60	
	1996	C'Eske Drahy Rail Corridor II	200	
	1996	Sko Energo FIN/VW-Skoda combined heat and power plant	55	
Estonia				**68**
	1993 [1]	Estonian Investment Bank global loan - Tranche A	5	
	1994	Upgrading air traffic services	20	
	1994	Port of Muuga bulk terminal	15	
	1994	District heating rehabilitation	7	
	1995	Estonian Investment Bank global loan - Tranche B	5	
	1996	Railways (Rehabilitation Tallinn-Narva line)	16	
Hungary				**475**
	1994	Telecommunications II	100	
	1994	Municipal infrastructure global loan	40	
	1995	Financial sector global loan	150	
	1995	Telecommunications II - Tranche B	50	
	1996	M3 Toll motorway	95	
	1996	Financial sector global loan (Extension to 1995 ECU 150 million loan)	40	

COUNTRY	Year of signature	PROJECT	Amount of loan (ECU m)	COUNTRY TOTAL (ECU m)
Latvia				**31**
	1993 [1]	Investment Bank of Latvia - Global loan	5	
	1996	Investment Bank of Latvia - Global Loan B	5	
	1996	Riga Water and Environment	15	
	1996	Daugava Hydropower	6	
Lithuania				**101**
	1994	Vilnius Airport	10	
	1995	Port of Klaipeda	14	
	1995	Lithuanian Development Bank - Global loan	5	
	1996	Gas distribution	10	
	1996	Lithuanian Development Bank - Global loan B	5	
	1996	Via Baltica	20	
	1996	Telecommunications (GSM)	15	
	1996	Railways (Modernisation)	22	
Poland				**853**
	1994	Telecommunications II	150	
	1994	Highways	125	
	1994	Warsaw sewerage treatment plant	45	
	1994	Export Development Bank global loan	13	
	1995	Financial sector global loan	100	
	1995	Railways III	40	
	1996	Polish Telecommunications II - Tranche B (Extension and modernisation)	100	
	1996	Poland Highways - Tranche B	100	
	1996	PGNG II - Second Gas	180	
Romania				**351**
	1994	Romgaz rehabilitation and modernisation	50	
	1994	Air traffic services - B	16	
	1995	Telecommunications	80	
	1995	Heat and power rehabilitation	60	
	1995	Constanta port rehabilitation	35	
	1996	Roads Rehabilitation II	70	
	1996	Bucharest Metro modernisation	20	
	1997 [2]	Bucharest Metro modernisation-Tranche B	20	

COUNTRY	Year of signature	PROJECT	Amount of loan (ECU m)	COUNTRY TOTAL (ECU m)
Slovak Republic				**215**
	1994	Telecommunications 1 -B	20	
	1994	Air traffic services	15	
	1995	State Bank and global loan II	50	
	1995	SPP Gas transmission	30	
	1996	SPP Gas transmission - B	30	
	1996	SE Thermal Power - rehabilitation	70	
TOTAL			3000	**3000**

[1] Signed on the basis of Council Decision 93/166/EEC.

[2] Signed on 27 March 1997.

REPORT FROM THE COMMISSION

TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT

on the implementation of loans granted by
the European Investment Bank in the
Republic of South Africa
(1995-96)

CONTENTS

1. Introduction

This report on the activities of the European Investment Bank (EIB) in South Africa has been drawn up in accordance with Council Decision 95/207/EC of 1 June 1995 (OJ No L 131 of 15 June 1995) granting a full Community guarantee to the EIB against losses under loans for projects in South Africa. This guarantee is restricted to an overall loan ceiling of ECU 300 million over a period of two years beginning on the date on which the Decision takes effect.

Since this report is the first of its kind, it exceptionally covers the period to 31 December 1996.

2. Results of the mandate for South Africa

During the reference period, the EIB made from its own resources three loans totalling ECU 101 million in South Africa. A summary table giving details about signings (sector, loan amounts, etc.) is set out below.

3. Assessment of the system's operation

All the operations mentioned above have been carried out under a specially adapted financing system. In accordance with the Council Directives, they are 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. For example, the loan to the Industrial Development Corporation (IDC) has been used to finance a total of 30 operations in the industry, agro-industry and tourism sectors, helping to create more than 1 500 jobs.

The loan to the Development Bank of Southern Africa (DBSA) has been allocated to 27 projects, most of which relate to water and wastewater treatment schemes. They thus were responding to the evident urgent needs in many of the country's regions.

Table 1. EIB loans signed on the basis of the Council Decision of 1 June 1995 (95/207/EC)

Date of signature	Project	Amount of loan (ECU million)	Description	Comments
21.12.1995	**Industrial Development Corporation**	15	Global loan to finance small and medium-sized projects in the manufacturing, agri-foodstuffs, tourism, transport and mining sectors	The loan has been fully allocated and disbursed
28.12.1995	**Development Bank of Southern Africa**	30	Global loans to finance infrastructure projects in the water and wastewater treatment sectors	
22.05.1996	**ESKOM**	56	Partial financing of the upgrading and extension of the power grid in three regions of the country	Two thirds of the loan have been disbursed; satisfactory progress is being made in carrying out various aspects of the project
TOTAL		**101**		

4. Coordination between the financial institutions operating in the country

The Bank cooperates closely with the Commission and their financing activities 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 banking 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 office, and discussions on specific projects have been initiated with national organisations, for example the Société de Promotion et de la Participation pour la Coopération Economique (PROPARCO) in France and the Commonwealth Development Corporation in the United Kingdom, both of which have a local office.

REPORT FROM THE COMMISSION TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT

on the rate of utilization of European Investment Bank loans for projects in the Republic of South Africa

(from 1 January 1997 to 30 June 1997)

1. Introduction

Council Decision 95/207/EC of 1 June 1995 (OJ No L 131 of 15 June 1995) grants in full the Community guarantee to the European Investment Bank (EIB) against losses under loans for investment projects in the Republic of South Africa for a maximum loan ceiling of ECU 300 million over an indicative two-year period.

It requires the Commission to draw up a six-monthly report on the rate of utilization of EIB loans signed under the guarantee. The present report covers the period from 1 January to 30 June 1997. The previous report covered the period 1 January to 30 June 1996 and was transmitted to Council on 6 December 1996 (COM(96)688). No loans were signed in the second half of 1996.

2. Lending during the reference period

2.1 During the first half of 1997 the EIB Board of Directors approved two loans out of own resources for a total of **ECU 90 million** in the Republic of South Africa. Loans were signed during the reference period except for ECU 15 million corresponding to the second tranche of one of the loans. Details of the operations are given in the table below.

2.2 At 30 June 1997 the loan contracts **signed** by the Bank under the mandate amounted to **ECU 176 million**. Additionally, the loan for ECU 15 million mentioned above is expected to be signed shortly.

Operations signed in the period 1 January to 30 June 1997 on the basis of Council Decision of 1 June 1995 (95/207/EC)

Project name	**Date of Signature**	**Amount signed (ECU mio)**	**Description**
Central Energy Fund	30.06.1997	45	Part-funding of the cost of exploiting adjacent gas deposits and the installation of associated compression facilities of Mossgas
Commercial Bank Infrastructure- credit line	06.03.1997	30	Global loan for the financing of medium-scale infrastructure projects
Commercial Bank Infrastructure - credit line - Tranche B	(1)	15	Ditto
TOTAL		**90**	

(1) Signature expected shortly.

REPORT FROM THE COMMISSION TO THE COUNCIL

AND TO THE EUROPEAN PARLIAMENT

on the rate of utilization of European Investment Bank loans for projects in central and eastern European countries (Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Latvia, Estonia, Lithuania and Albania)

(from 1 July 1996 to 30 June 1997)

1. Introduction

Council Decision 93/696/EC of 13 December 1993 (OJ No L 321 of 23 December 1993) grants in full the Community guarantee to the European Investment Bank (EIB) against losses under loans for projects in central and eastern Europe for a maximum loan ceiling of ECU 3 000 million over an indicative three-year period. The loan guarantee ceiling includes the provisions laid down in respect of investments in Estonia, Latvia and Lithuania by Council Decision 93/166/EEC of 15 March 1993.

Council Decision 93/696/EC requires the Commission to draw up a six-monthly report on the situation regarding loans signed under the guarantee. The present report covers the period from 1 July 1996 to the end of the 1993-96 mandate. In December 1996, the end of the indicative three-year period referred to in the Decision, Bank lending had not attained the guarantee ceiling granted and therefore, in accordance with Article 1, the guarantee period was automatically extended by six months.

2. Lending during the reference period

2.1 During the second half of 1996 the Bank signed 18 loans financed out of own resources for a total of **ECU 965 million** in 8 countries of central and eastern Europe.

At 31 December 1996, total loan contracts signed by the Bank amounted to ECU 2980 million. In accordance with Article 1 of the Council Decision, which extends the guarantee period by six months, the Bank in March 1997 signed a final loan for ECU 20 million, thus attaining the guarantee ceiling of **ECU 3 000 million**. The Bank has now fully discharged its responsibilities under the lending authorisation based on Council Decision 93/696/EC.

2.2 The list of operations signed during the period and the description of the projects are given in the table below.

Operations signed in 1996/1997 on the basis of the Council Decision of 13 December 1993 (93/696/EC)

COUNTRY	PROJECT NAME	DATE OF SIGNATURE	AMOUNT SIGNED (ECU m)	DESCRIPTION
ALBANIA	Power transmission	15.11.1996	12	Rehabilitation and improvement of the power transmission and distribution networks.
HUNGARY	Financial sector global loan	15.12.1996	40	For financing SMEs in industry, tourism and related services.
LATVIA	Riga Water and Environment	06.08.1996	15	Upgrading and rehabilitation of water and wastewater systems in and around the city of Riga.
	Daugava Hydropower	29.10.1996	6	Rehabilitation works and dam safety improvements.
	Investment Bank of Latvia - Global loan B	13.11.1996	5	For financing SMEs in industry, tourism and related services, and environmental protection and energy-saving projects.
LITHUANIA	Via Baltica	12.08.1996	20	Upgrading of selected sections of the Lithuanian component of the Via Baltica North-South corridor.
	Telecommunications (GSM)	04.11.1996	15	Construction and operation of the first phase of a mobile (GSM) telecommunications system.
	Lithuanian Development Bank Global loan - B	05.11.1996	5	For financing SMEs in industry, tourism and related services.
	Railways	20.12.1996	22	Track renewal, modernisation of signalling and telecommunications network, and purchase of locomotives.

COUNTRY	PROJECT NAME	DATE OF SIGNATURE	AMOUNT SIGNED (ECU m)	DESCRIPTION
POLAND	Poland Highways - Tranche B	19.07.1996	100	Upgrading to motorway standards of the A4 highway between Bielany and Nogawczyce.
	PGNG II - Second Gas	30.09.1996	180	Conversion of the Wierzchowice gas field into an underground storage facility.
	Polish telecommunications II-Tranche B	16.12.1996	100	Expansion and modernisation of the Polish telecommunications network.
SLOVAKIA	SE Thermal Power rehabilitation	08.11.1996	70	Rehabilitation of the Vojany I coal-fired power station.
	SPP GAS Transmission - B	21.11.1996	30	Modernisation and extension of the Slovak international gas transit and domestic networks.
CZECH REPUBLIC	C'Eske Drahy Rail Corridor II	04.12.1996	200	Modernisation of the Warsaw-Ostrava-Vienna line (Corridor 2).
	SKO Energo FIN/VW-Skoda Combined heat and power plant	05.12.1996	55	Replacement of VW/Skoda's combined heat and power plant in the city of Mlada Boleslav.
ROMANIA	Roads Rehabilitation II	25.10.1996	70	Rehabilitation of key sections of the European corridors E81 and E60.
	Bucharest metro modernisation	20.12.1996	20	Renewal of rolling stock and network infrastructure completion.
	Bucharest metro modernisation - Tranche B [1]	27.03.1997	20	Ditto
TOTAL			**985**	

[1] Signed in March 1997

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