EN

043

EUROPEAN COMMISSION

Brussels, 30.4.2010
SEC(2010) 479 final

COMMISSION STAFF WORKING DOCUMENT

accompanying the

REPORT FROM THE COMMISSION

to the budgetary authority on guarantees covered by the general budget situation at 30 June 2009

COM(2010)188

TABLE OF CONTENTS

1. EXPLANATORY NOTES ON THE SITUATION OF RISKS COVERED BY THE BUDGET

1.1. Tables A1 and A2

The purpose of Tables A1 and A2 is to show the outstanding amount and annual repayments of capital and interest in respect of borrowing and lending operations for which the risk is covered by the Budget. The figures show the maximum possible risk for the EU in respect of these operations and must not be read as meaning that these amounts will actually be drawn from the Fund or the Budget.

In these tables, figures related to “New Member States” refer to the Member States which acceded to the European Union on 1 May 2004 and on 1 January 2007.

1.1.1. Authorised ceiling (Table A1)

This is the aggregate of the maximum amounts of capital authorised (ceilings) for each operation decided by the Council or by the Council and the European Parliament.

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

Factor increasing the risk:

- the interest on the loans must be added to the authorised ceiling.

Factors reducing the risk:

- limitation of the guarantee given to the EIB[1]:

75% of the total amounts of loans signed in the Mediterranean countries based on the Mediterranean protocols of 1977 and Council Regulations 1762/92/EEC and 1763/92/EEC.

70% of the total amounts of loans signed as part of lending operations with certain non-Member States authorised by Council Decisions 96/723/EC, 97/256/EC, 98/348/EC and 98/729/EC and a sharing of risk between the EU and the EIB as the Budget guarantee covers only political risks in some cases;

65% of the total amounts of loans signed as part of financing operations with certain non-Member States authorised by Council Decisions 99/786/EC, 2000/24/EC and Decision 2009/633/EC of the Council and the European Parliament, and a sharing of risk between the EU and the EIB as the Budget guarantee covers only political risks in some cases, as regards the two first-mentioned decisions, and only risks of a political or sovereign nature in the case of the latter decision;

- operations already repaid, since the amounts concerned are the maximum amounts of capital authorised (ceilings) and not outstanding amounts;

- the ceilings are not necessarily taken up in full.

---

1 Within each portfolio individual EIB loans are, de facto, guaranteed at 100% until the global ceiling is reached.

Another factor to be considered is that some loans are disbursed in currencies other than the EUR. Due to exchange rate fluctuations, the ceiling may be exceeded when the amounts disbursed up to the date of the report are converted into EUR.

1.1.2. Capital outstanding (Table A1)

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

Compared with the previous aggregate, the amount outstanding does not include loans which have not yet been disbursed or the proportion of disbursed loans which have already been repaid.

1.1.3. Annual risk (Table A2)

Estimated amount of principal and interest due each financial year by each country according to disbursements made until 30 June 2009[2].

---

[2] For the purpose of this calculation, it is assumed that defaulting loans are not accelerated, i.e. only due payments are taken into account.

TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 30.06.2009 (in EUR million)

Operations	Authorised ceiling	Capital outstanding at 31.12.2008	Capital outstanding at 30.06.2009	Remainder to be disbursed at 30.06.2009
MEMBER STATES				
EIB (new Member States)		3 921	3 659	766
MFA to Bulgaria and Romania		140	115	
Euratom to Bulgaria and Romania		433	431	
BoP[1]				
Hungary	6 500	2 000	4 000	2 500
Latvia	3 100		1 000	2 100
MEMBER STATES - TOTAL		**6 494**	**9 205**	**5 366**
THIRD COUNTRIES				
A. Macro-Financial Assistance				
Albania	9	9	9	
Bosnia-Herzegovina	40	40	40	
FYROM	90	85	82	
Georgia	142	58	58	
Lebanon	50		25	25
Serbia and Montenegro	280	280	280	
Tajikistan	75	28	28	
Ukraine	453	15	15	
Sub total MFA	**1 139**	**514**	**536**	**50**
B. EURATOM[2]		**53**	**50**	**9**
C. Other				
EIB Pre-Accession countries	28 755	5 372	5 487	5 440
EIB Neighbourhood and Partnership countries	28 342	5 777	5 930	4 604
EIB Asia and Latin America	8 205	1 731	1 659	1 311
EIB South Africa	2 400	599	583	497
Sub total EIB[3]	**67 702**	**17 401**	**17 318**	**12 618**
THIRD COUNTRIES - TOTAL	**68 841**	**14 047**	**14 245**	**11 911**
GRAND TOTAL	**68 841**	**20 541**	**23 450**	**17 276**

(1) By Decision 431/2008/EC of 18 May 2009 the Council decided to increase the ceiling from EUR 25 000 million to EUR 50 000 million.

(2) The overall ceiling is EUR 4 000 million for loans to Member States and to certain non-member States.

(3) The subtotal EIB includes the EIB loans to Member States.

ANNEX TO TABLE A1: SITUATION IN RESPECT OF EIB OPERATIONS at 30.06.2009 (in EUR million)

Operations	Credit line authorised	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 30.06.2009
Mandate 2007/2013:	**25 800**	**8 611**	**1 189**	**1 187**
Pre-Accession countries	8 700	3 621	381	381
Neighbourhood and Partnership countries:	12 400	3 163	468	468
Mediterranean	8 700	2 861	468	468
Eastern Europe, Southern Coucasus and Russia	3 700	303	0	0
Asia and Latin America:	3 800	1 504	318	316
Asia	1 000	369		
Latin America	2 800	1 135	318	316
South Africa	900	323	22	22
Previous General Mandate 2000/2007[5]:	**20 060**	**19 510**	**14 049**	**11 585**
Pre-Accession countries	10 235	7 372	5 187	4 693
Neighbourhood and Partnership countries	6 520	6 416	4 607	3 915
Asia and Latin America	2 480	2 135	1 653	1 043
South Africa	825	824	523	435
Member States (following the accession)		2 763	2 080	1 499
sub-total 65 %[3]	**45 860**	**28 121**	**15 238**	**12 772**
Financial agreements (70% Guarantee rate)	**7 477**	**6 513**	**5 962**	**2 754**
Pre-Accession countries	3 770	477	431	296
Neighbourhood and Partnership countries	2 310	1 617	1 495	695
Asia and Latin America:	1 022	809	661	170
South Africa	375	375	266	114
Member States (following the accession)		3 236	3 110	1 479
sub-total 70 %[3]	**7 477**	**6 513**	**5 962**	**2 754**
Financial agreements (75% Guarantee rate)	**7 712**	**7 062**	**7 178**	**955**
Pre-Accession countries	1 350	713	720	109
Neighbourhood and Partnership countries	6 362	4 492	4 499	772
Member States (following the accession)		1 857	1 959	75
sub-total 75 %[3]	**7 712**	**7 062**	**7 178**	**955**
Financial agreements (100% Guarantee rate)	**6 653**	**5 320**	**5 138**	**837**
Pre-Accession countries	4 700	29	29	8
Neighbourhood and Partnership countries	750	315	86	80
Asia and Latin America	903	710	716	130
South Africa	300	285	204	12
Member States (following the accession)		3 982	4 104	607
sub-total 100 %[3]	**6 653**	**5 320**	**5 138**	**837**
Total	**67 702**	**47 016**	**33 516**	**17 318**

(3) Percentage figures relate to the Guarantee rate.

(4) Loans to New Member States were drawn from 'Pre-Accession countries' or from 'Neighbourhood and Partnership countries' ceilings. Bulgaria and Romania are included in the "New Member States".

(5) Including Turkey Terra and Special Action Turkey.

Table A2: Total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, BoP, Euratom and EIB) disbursed at 30.06.2009

Ranking	Country	2nd 2009	2010	2011	2012	2013	2014	2015	2015 until 2038	Total Outstanding
1	Turkey	156.5	312.6	319.7	352.9	349.4	362.2	349.1	2 669.0	4 871.3
2	Romania	152.4	253.3	290.3	259.3	258.6	239.4	238.6	2 596.4	4 288.4
3	Hungary	122.5	196.4	2 209.1	141.8	133.0	2 128.4	63.0	1 560.9	6 555.1
4	Egypt	92.7	196.4	191.2	184.1	176.9	157.5	157.2	973.5	2 129.3
5	Morocco	70.5	145.2	152.1	155.4	157.6	151.5	135.8	1 047.0	2 014.9
6	Tunisia	69.0	141.2	139.9	141.3	144.6	140.4	135.4	858.0	1 769.9
7	Bulgaria	68.3	85.2	69.8	82.6	68.1	68.7	65.4	287.6	795.7
8	Lebanon	58.1	69.2	70.9	71.0	65.8	48.1	41.9	119.6	544.6
9	South Africa	43.9	74.5	61.2	75.3	48.3	50.4	44.5	225.5	623.6
10	Czech Republic	42.3	82.0	73.2	70.7	68.1	56.4	45.7	130.0	568.5
11	Poland	41.7	80.0	77.5	75.0	69.3	52.9	42.9	142.1	581.5
12	Serbia	34.2	58.3	65.3	108.2	107.6	114.5	164.5	570.0	1 222.3
13	Slovak Republic	30.5	65.5	66.0	51.0	37.2	25.8	15.1	116.1	407.2
14	Georgia	24.2	22.4	13.6	0.0	0.0	0.0	0.0	0.0	60.2
15	Jordan	22.9	41.2	39.5	37.6	31.2	25.3	17.7	70.5	286.0
16	Mexico	22.0	23.2	3.3	3.3	3.3	3.3	3.3	13.1	74.6
17	Brazil	21.9	62.8	47.7	42.0	70.0	93.3	201.7	14.4	553.6
18	Syria	19.2	44.9	45.5	46.1	44.3	44.3	42.1	263.2	549.5
19	The former Yugoslav Republic of Macedonia	19.1	24.7	24.5	26.3	23.0	25.0	23.5	82.4	248.6
20	Bosnia and Herzegovina	17.7	32.0	34.0	57.4	30.2	28.9	69.9	152.5	422.7
21	Croatia	15.4	31.1	39.7	42.7	42.8	39.4	38.5	301.8	551.4
22	Slovenia	12.4	20.8	14.3	11.4	9.4	7.4	4.4	2.1	82.3
23	Indonesia	9.4	18.6	14.8	12.9	12.9	12.9	12.9	31.2	125.5
24	Argentina	8.8	14.4	14.4	11.3	11.2	3.8	3.8	0.0	67.7
25	Albania	7.4	14.3	14.3	15.8	13.7	16.2	16.6	124.2	222.5
26	Ukraine	7.4	6.1	6.1	6.0	5.9	5.9	5.8	14.1	57.3
27	the Philippines	6.5	12.7	12.5	12.7	13.0	13.1	10.8	21.9	103.0
28	Pakistan	6.1	11.9	11.9	11.9	9.0	6.1	6.1	13.2	76.1
29	Vietnam	5.6	14.3	14.7	14.8	14.6	14.4	6.8	12.5	97.7
30	Cyprus	4.8	9.7	9.3	7.2	4.7	3.1	0.0	0.0	38.9
31	China	4.3	8.3	7.6	6.9	7.0	7.1	7.2	21.7	70.0
32	Israel	4.1	9.1	10.6	10.4	10.6	10.8	9.1	115.4	180.1
33	Peru	4.1	10.1	17.5	18.4	18.3	14.8	14.8	30.2	128.2
34	Latvia	3.6	60.2	75.4	73.9	73.8	1 073.7	1 242.3	13.9	2 616.8
35	Thailand	3.5	4.9	4.5	6.2	8.4	2.0	0.0	0.0	29.6
36	Algeria	3.5	6.8	6.6	5.9	5.2	2.2	0.0	0.0	30.1
37	Lithuania	3.2	5.7	5.5	5.3	5.1	5.0	4.8	17.9	52.4
38	Russia	2.6	4.8	4.8	7.3	7.3	7.3	7.3	35.7	76.9
39	Sri Lanka	2.5	3.2	4.8	7.7	10.4	13.5	13.9	57.2	113.3
40	Bangladesh	2.4	4.8	4.8	4.8	4.7	0.0	0.0	0.0	21.5
41	The West Bank and the Gaza Strip	2.1	4.1	4.1	4.1	4.1	4.1	4.1	10.1	36.8
42	Costa Rica	1.8	3.6	3.6	3.6	3.6	0.0	0.0	0.0	16.2
43	India	1.6	3.2	3.2	3.2	3.2	0.0	0.0	0.0	14.4
44	Malaysia	1.5	3.0	1.8	1.8	0.9	0.0	0.0	0.0	9.0
45	El Salvador	1.3	2.1	2.0	0.9	1.4	1.2	1.2	5.1	15.2
46	Maldives	1.3	2.9	4.4	5.2	5.2	5.2	5.2	17.3	46.8
47	Uruguay	1.1	2.0	2.5	2.8	3.3	3.7	2.9	4.3	22.7
48	Tadjikistan	1.0	0.3	0.3	12.2	12.1	4.0	0.0	0.0	30.0
49	Panama	0.9	2.4	2.4	2.4	2.4	2.4	2.4	19.3	34.8
50	Colombia	0.8	4.1	9.7	9.7	9.7	9.7	9.7	36.7	90.2
51	Montenegro	0.8	1.6	2.4	3.1	3.5	3.4	3.3	34.9	53.0
52	Estonia	0.5	1.0	1.0	0.5	0.0	0.0	0.0	0.0	3.0
53	Ecuador	0.4	2.0	4.0	4.0	4.0	4.0	4.0	14.1	36.6
54	Malta	0.3	0.7	0.7	0.7	0.3	0.0	0.0	0.0	2.6
55	Paraguay	0.1	0.0	3.5	7.1	7.1	7.1	7.1	3.5	35.5
56	Republic of Moldova	0.1	0.1	0.1	0.1	0.2	0.4	0.5	3.3	4.8
57	Laos	0.0	0.0	0.2	0.4	0.5	0.5	0.6	34.9	37.0
	Total outstanding	1 262.8	2 316.0	4 334.4	2 336.8	2 235.9	5 120.9	3 303.3	12 887.7	33 797.7
	Member States	482.7	860.5	2892.3	779.5	727.7	3660.9	1722.1	4866.9	15992.5

1.2. Loan operations covered by the Budget guarantee

Tables A3a, A3b(1), A3b(2) and A4

TABLE A3a
Borrowing and lending operations by the Communities to Member States
Period 31.12.2008 to 30.06.2009

Instrument	Decision	Date of decision	Loan term (years)	Guarantee Rate	Maturity Date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Outstanding amount at 31.12.2008 in EUR million	Outstanding amount at 30.06.2009 in EUR million
BOP	2002/332/EC	18.02.02		100%		(b)	**50 000.00**	**2 000.00**	**5 000.00**
Hungary	2009/102/EC	04.11.08				(b)	6 500.00	2 000.00	4 000.00
1st tranche		9/12/2008	3		09.12.2011	(c)		2 000.00	2 000.00
2nd tranche		26/03/2009	5.6		07.11.2014	(c)			2 000.00
Latvia	2009/290/EC	20.01.09	5.1		03.04.2014	(b)	3 100.00		1 000.00
1st tranche						(c)			1 000.00
EURATOM				100%			**4 000.00**	**432.50**	**430.50**
	77/270-271/Euratom	29.03.77				(c)	500.00		
	80/29/Euratom	20.12.79				(c)	500.00		
	82/170/Euratom	15.03.82				(c)	1 000.00		
	85/537/Euratom	05.12.85				(c)	1 000.00		
	90/212/Euratom	23.04.90				(b)	1 000.00		
Bulgaria							**212.50**		
1st tranche			20		10.05.2021	(c)		40.00	40.00
2nd tranche			15		15.01.2017	(c)		12.75	12.00
3rd tranche			17		19.08.2019	(c)		25.00	25.00
4th tranche			15		18.06.2018	(c)		23.75	22.50
5th tranche			15		16.01.2019	(c)		35.00	35.00
6th tranche			16		10.09.2020	(c)		30.00	30.00
7th tranche			16		04.04.2021	(c)		25.00	25.00
8th tranche			14		23.02.2020	(c)		17.50	17.50
Romania							**223.50**		
1st tranche			17		21.07.2022	(c)		100.00	100.00
2nd tranche			19		26.11.2024	(c)		90.00	90.00
3rd tranche			18		23.02.2024	(c)		33.50	33.50
TOTAL							**54 000.00**	**2 432.50**	**5 430.50**

TABLE A3b (1)
European Union (MFA) and Euratom loans to non-member States*
Changes in amounts outstanding during six-month period 31.12.2008 to 30.06.2009, broken down by countries and tranche
** Member States as of 01.01.2007*

in EUR million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 31.12.2008	Operations in six-month period		Amount outstanding at 30.06.2009
								Amounts disbursed	Amounts repaid	
BULGARIA IV*	99/731/EC	08.11.99				**100.00**				
1st tranche			10	21.12.2009	(c)	*40.00*	10.00			10.00
2nd tranche			-	-	(c)	*60.00*	30.00			30.00
ROMANIA IV*	99/732/EC	08.11.99				**200.00**				
1st tranche			10	29.06.2010	(c)	*100.00*	50.00		25.00	25.00
2nd tranche			10	17.07.2013	(c)	*50.00*	50.00			50.00
3rd tranche			-	-	(a)	*50.00*				
BOSNIA AND HERZEGOVINA I	99/325/EC	10.05.99				**20.00**				
1st tranche			15	22.12.2014	(c)	*10.00*	10.00			10.00
2nd tranche			-	-	(c)	*10.00*	10.00			10.00
BOSNIA AND HERZEGOVINA II	02/883/EC	09.11.02				***20.00***				
1st tranche			15	16.01.2019	(c)	10.00	10.00			10.00
2nd tranche			15	09.02.2021	(c)	10.00	10.00			10.00
FYROM I	97/471/EC	22.07.97				**40.00**				
1st tranche			15	27.09.2012	(c)	*25.00*	20.00			20.00
2nd tranche			15	13.02.2013	(c)	*15.00*	15.00		3.00	12.00
FYROM II	99/733/EC	08.11.99				**50.00**				
1st tranche			15	15.01.2016	(c)	*10.00*	10.00			10.00
2nd tranche			15	30.01.2017	(c)	*12.00*	12.00			12.00
3rd tranche			15	04.06.2018	(c)	*10.00*	10.00			10.00
4th tranche			15	23.12.2018	(c)	*18.00*	18.00			18.00

TABLE A3b (2)
European Union (MFA) and Euratom loans to non-member States
Changes in amounts outstanding during six-month period 31.12.2008 to 30.06.2009, broken down by countries and tranche

in EUR million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 31.12.2008	Operations in six-month period: Amounts disbursed	Operations in six-month period: Amounts repaid	Amount outstanding at 30.06.2009
UKRAINE III	98/592/EC	15.10.98				**150.00**				
1st tranche			10	30.07.2009	(c)	*58.00*	14.50			14.50
			-	-	(a)	*92.00*				
UKRAINE IV	2002/639/EC	12.07.02			(d)	**110.00**				
GEORGIA	97/787/EC	17.11.97	15	24.07.2013	(c)	**110.00**	57.50			57.50
ARMENIA	97/787/EC	17.11.97	15	30.12.2013	(a)	**28.00**	0.00			0.00
TAJIKISTAN	2000/244/EC	20.03.00			(b)	**75.00**				
1st tranche			15	30.03.2016	(c)	60.00	28.00			28.00
SERBIA AND MONTENEGRO	2001/549/EC	16.07.01	15	17.10.2016	(c)	**225.00**	225.00			225.00
SERBIA AND MONTENEGRO	2002/882/EC	09.11.02				**55.00**				
1st tranche			15	28.02.2018	(c)	10.00	10.00			10.00
2nd tranche			15	01.09.2018	(c)	30.00	30.00			30.00
3rd tranche			15	04.05.2020	(c)	15.00	15.00			15.00
ALBANIA	2004/580/EC	29.04.04	15	23.03.2021	(c)	**9.00**	9.00			9.00
LEBANON	2007/860/EC	21.12.07		04.06.2014	(b)	**50.00**		25.00		25.00
UKRAINE (Euratom)	94/179/EC	21.03.94	11	15.03.2018	(b)	EUR equivalent of USD 83 million	52.90		2.77	50.13
TOTAL							**706.90**	**25.00**	**30.77**	**701.13**

TABLE A4 **LOAN GUARANTEES TO EIB** **in EUR million**

Geographical Area	Decision	Date of decision	Rate of guarantee	Date of guarantee contract	Amount decided	Loans signed (minus cancellations)		Amount outstanding	
						at 31.12.08	at 30.06.09	at 31.12.08	at 30.06.09
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6 062	5 548	5 548	608	615
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1 800	1 656	1 656	441	340
TOTAL MED. (3)					**7 862**	**7 204**	**7 204**	**1 049**	**955**
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1 000	912	912	120	102
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	9	5
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3 000	2 464	2 464	618	507
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	136	125
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	5	5
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122	122	122	11	9
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	41	12
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7 105	6 142	6 142	2 730	2 578
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	117	112
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	57	55
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	600	600	524	526
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19 460	19 002	18 910	10 976	11 058
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100	85	85	80	77
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500	230	230	1	3
Mandate 2007-2013	2006/1016/EC(12)	19.12.06	65%	01.08.07/29.08.07 (13)	27 800	5 943	8 611	928	1 188
TOTAL					**69 702**	**44 441**	**47 018**	**17 400**	**17 317**

(1) Including EUR 1 500 million for Spain, Greece and Portugal.
(2) General guarantee of 75% for all credits made available under lending operations under a guarantee contract signed between the Community and the EIB on 30.10.78 and 10.11.78.
By way of exception, a 100% guarantee applies to the emergency aid granted to Portugal in accordance with the Council Decision of 7 October 1975.
(3) The Community has guaranteed EUR 5 497 million, of which EUR 141.5 million is covered by a 100% guarantee for Portugal.
(4) Poland, Hungary.
(5) Czech Republic and Slovak Republic, Bulgaria, Romania.
(6) Poland, Hungary, Czech Republic and Slovak Republic, Bulgaria, Romania, Baltic States and Albania.
(7) Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.
(8) South-eastern Neighbours, Mediterranean countries, Latin America and Asia, Republic of South Africa, Special action Turkey, as amended (2005/47/EC).
(9) A special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension.
(10) A special lending action for certain types of projects in Russia, Belarus,Republic of Moldova and Ukraine.
(11) Restated and amended in 2005.
(12) Pre-Accession countries, Neighbourhood and Partnership countries, Asia and Latin America, Republic of South Africa.
(13) The amount decided of EUR 27 800 million is broken down into a basic ceiling of a fixed maximum amount of EUR 25 800 million and an optional mandate of EUR 2 000 million.

1.3. Evolution of risk

1.3.1. Situation of loans to Member States

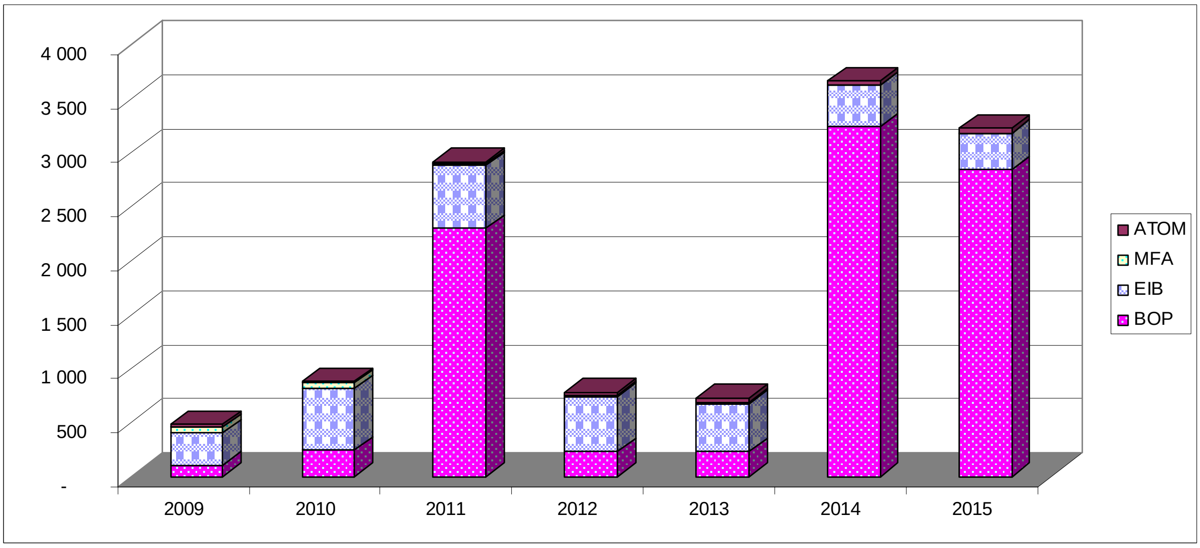
The risk towards Member States should decrease in future for the loans disbursed under Euratom, MFA and EIB guaranteed financing.

However, the total risk toward Member States is increasing. This situation is explained by the activation of the Balance-of-Payment[3] facility in 2008 with new BoP loan disbursements planned in 2009 and 2010.

Hungary will reimburse in 2011 its first tranche of EUR 2 billion disbursed in December 2008 (included in Graph A1).

In addition, one tranche of EUR 2 billion disbursed in 2009 for Hungary will be reimbursed in 2014. Two other tranches of EUR 1 billion for Latvia and EUR 2 billion for Hungary, disbursed in 2009 will be reimbursed in 2014. Three additional tranches totalling EUR 4.2 billion disbursed during the second semester 2009 will be reimbursed in 2015 and 2016.

Graph A1: Total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under operations (MFA, BoP, Euratom and EIB) disbursed at 30.06.2009[4] with the Member States. (EUR million)



3 Council Regulation (EC) No 332/2002 of 18 February 2002 (OJ L 53, 23.2.2002, p.1).

4 As of 31 December 2007, the 2008 annual risk for Member States was EUR 769 million.

1.3.2. Situations of loans to third countries

At 30 June 200, a total of EUR 4 794 million remained to be disbursed by the EIB under the EUR 20 060 million EIB external lending mandate for 2000– 2007:

Table A5: Disbursement forecast for EIB loans on general mandate 2000 - 2007

EUR million

	Ceiling	Loans made available (minus cancellations) at 30.06.2009***	to be disbursed
Mediterranean	6 520	6 416	1 636
South-Eastern Neighbours**	10 235	7 372	2 156
Asia, Latin America	2 480	2 135	112
South Africa	825	824	194
Member States*		2 763	696
	20 060	**19 510**	**4 794**

* EUR 2,763 million for Member States are not included (Bulgaria, Hungary, Lithuania, Romania, Slovakia, Slovenia).
** The ceiling includes Terra Turkey and Special Action Turkey.
*** Signatures up to 31.07.2008

At the same date, an amount of EUR 7 449 million remained to be disbursed out of signatures made under the EIB external mandate for 2007-2013.

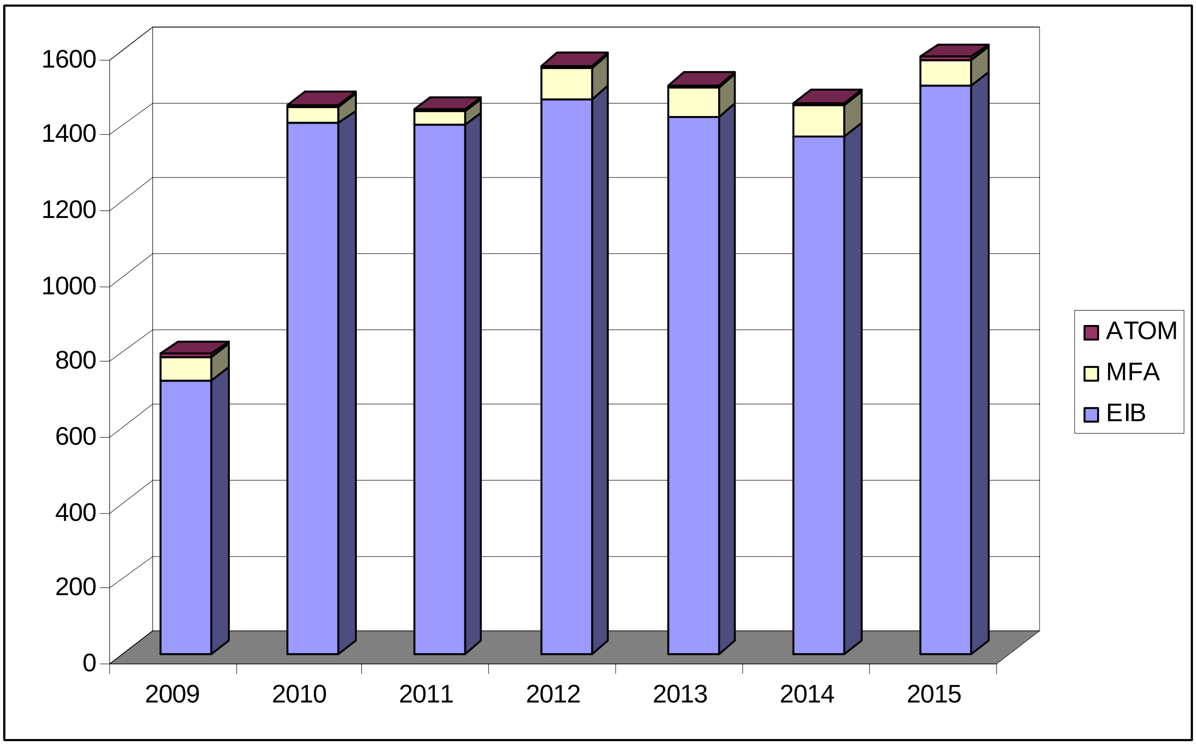
Table A6: Disbursement forecast for EIB loans on general mandate 2007 - 2013*

EUR million

	Ceiling	Loans made available (minus cancellations) at 30.06.2009	to be disbursed
A. Pre-Accession Countries	8 700	3 621	3 252
B. Neighbourhood and partnership countries	12 400	3 163	2 695
C. Asia and Latin America	3 800	1 504	1 199
D. South Africa	900	323	303
	25 800	**8 611**	**7 449**

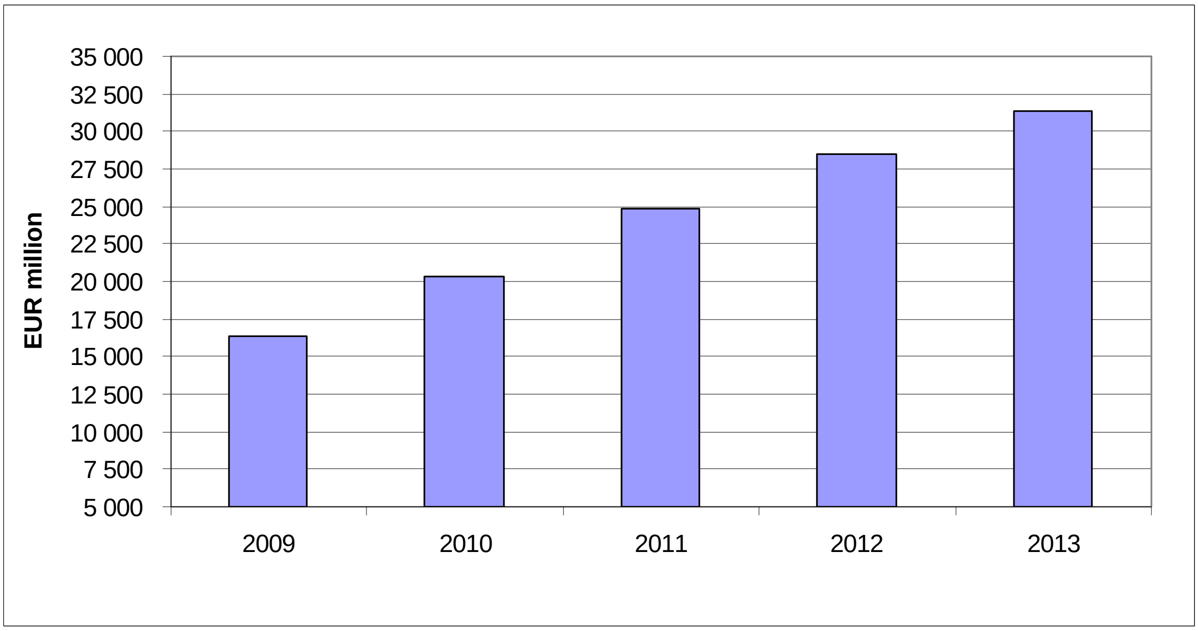
***the current mandate only covers the period until 31 October 2011.**

Graph A2: total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, Euratom and EIB) disbursed at 30.06.2009 with third countries. (EUR million)



Graph A3 presents the result of simulations of disbursement scenarios under the mandates preceding the current EIB external mandate, as well as under the current mandate, established for the period 1 February 2007—31 October 2011 by Decision No 633/2009/EC of the European Parliament and of the Council of 13 July 2009. The rhythm of disbursements has a strong impact on the amount of the provisioning of the Fund in future years.

Graph A3: Estimated outstanding amount covered by the Fund from 2009 to 2013.



1.4. Payment under the Budget guarantees

1.4.1. Borrowing/lending operations

In this type of operation, the EU borrows on the financial market and on-lends the proceeds (back-to-back) to Member States (balance of payments), third countries (macro-financial assistance) or utility companies (Euratom).

The loan repayments are scheduled to match the repayments of the borrowings due from the EU. If the recipient of the loan is in default, the Commission will first draw on its own cash resources to ensure a timely repayment of the EU borrowing on the contractual due date.

Should the amounts needed for the necessary cash coverage exceed, in a certain period or date, the available Commission's treasury balances, the Commission would, in accordance with article 12 of Council Regulation 1150/2000[5]., draw on additional cash resources from the Member States in order to fulfil its legal obligations towards its lenders.

In the case of BoP loans, where reimbursed amounts can be very high, the beneficiary Member States are requested to deposit the amounts due at the European Central Bank seven business days in advance of the contractual due date. This gives enough time for the Commission and Member States to provide for the cash advance to ensure timely repayment in case of default.

In a second step, the treasury situation will be regularised as follows:

Euratom and MFA loans:

a) if the payment delay reaches three months after the due date, the Commission draws on the Fund to cover for the default and obtain the necessary funds to replenish its treasury.

b) the Commission might also need to draw on the Budget, most likely by means of a transfer to provide the corresponding Budget line under article "01 04 01 European Community guarantees for lending operations" with the necessary appropriations needed to cover the default. This method is used when there are insufficient appropriations in the Fund or if the borrower is a Member State[6] and the transfers are likely to require advance authorisation by the budgetary authority

c) by the re-use of recovered funds, if any.

<u>Balance of Payments (BoP) loans</u>:

a) by the re-use of funds from late payments

---

[5] Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of Communitie's own resources.

[6] Regarding the loans and loans guaranteed to accession countries, they were covered by the Guarantee Fund and remained outstanding after the date of accession. From that date, they cease to be external actions of the Communities and are therefore covered directly by the Budget.

b) the Commission may also need to propose a transfer or an Amending Budget to budget the cash advance under the corresponding budget line "01 04 01 01 European Community guarantee for Community loans raised for balance-of-payment-support".

1.4.2. Guarantees given to third parties

The EU provides a guarantee in respect of financing granted by the EIB under the external mandates. When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Commission to pay the amounts owed by the defaulting entity in accordance with the relevant guarantee agreement. The guarantee call must be paid within three months of receiving the EIB's request, either from the Fund or directly from the Budget (should the resources of the Fund be insufficient). The EIB administers the loan with all the care required by good banking practice and is obliged to seek to recover the payments due after the guarantee has been activated.

Since the entry into force of the Regulation establishing the Guarantee Fund for external actions[7], the provisions of the Agreement between the EU and the EIB on management of the Fund state that, after the EIB calls in the guarantee in the event of a default, the Commission must authorise the Bank to withdraw the corresponding amounts from the Fund within three months.

If there are insufficient resources in the Fund, the procedure used for activating the guarantee is the same as for borrowing/lending operations, see 1.4.1 above.

1.4.3. Activation of Budget guarantees

If a borrower defaults on an EIB financing operation guaranteed by the Budget, the EU guarantee is called upon at the earliest three months after the date on which payment has fallen due. The EU will act within three months of receiving such a letter from the EIB calling for the guarantee to be activated, authorising the EIB to take the corresponding amounts from the Fund if the beneficiary is a non-Member State or to receive payment from the Budget if the beneficiary is a Member State (see 1.4.2 above).

For loans granted by the EU or Euratom, default interest is owed by loan beneficiaries for the time between the date on which cash resources are made available by the Budget and the date of repayment to the Budget. For EIB loans, default interest is calculated during the period between the due date of a defaulted loan instalment and the date of receipt of the cash resources by the EIB from the Commission. From the date of payment to the EIB, default interest is due to the Commission.

[7] Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (codified version), the "Guarantee Fund Regulation" (OJ L 145, 10.6.2009, p.10).

2. COUNTRY-RISK EVALUATION

Third countries other than those presented in the main report, but representing important risks to the Budget in 2009, notably through EU macro-financial assistance, Euratom loans or guaranteed EIB projects related financing, and either categorised as “severely indebted” according to criteria set by the World Bank or facing significant imbalances in their external or debt situation are also included in the risk evaluation. The country risk evaluation presented below comprises short analyses and tables of risk indicators.

Explanatory notes for country-risk indicators

Standard footnotes

a) Includes only EU and EIB loans (outstanding disbursements) to CEEC, NIS and MED.

b) The higher the ranking number, the lower the creditworthiness of the country.

Countries are rated on a scale of zero to 185; 185 represents the least risk of default. A given country may improve its rating and still fall in the ranking if the average global rating for all rated countries improves.

Abbreviations and English words used in tables

S&P	Standard and Poor's
CCFF	Compensatory and Contingency Financing Facility
EFF	Extended Fund Facility
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
SBA	Stand-By Arrangement
STF	Systemic Transformation Facility
est.	Estimates
m EUR	EUR million
bn USD	USD billion
n.a.	not available

2.1. Candidate countries

2.1.1. Turkey

The economic crisis hit Turkey mainly via the trade and financial channels. After having decelerated to 0.9% in 2008, real GDP growth fell by 10.6% year-on-year in the first half of 2009. Collapsing external demand led to a double-digit decline of exports while a lower availability of external financing and domestic credit depressed private consumption and investment. The recession seems to have bottomed out in the first quarter of 2009, but the recovery will be slow as the external demand remains sluggish and the fiscal stimulus is gradually being phased out. Overall, economic output is expected to decline by around 6% in real terms in 2009, followed by positive - but below potential - growth in the following years.

The trade and current deficits have declined substantially in the first half of 2009 as imports shrunk by more than 25% in volume terms and the terms of trade improved on lower oil and commodity prices. Both the public and private sector continued to roll-over external debt at reasonable rates given the decline in economic activity and tighter domestic lending conditions. Gross FDI inflows fell from 2.4% of GDP in 2008 to about 1% of GDP in the first half of 2009. Turkey's external debt declined by about 5% in nominal terms from 2008 until the first quarter of 2009 and currently amounts to about 40% of GDP. Private external debt represents two thirds of the total debt and is also on a declining trend. International reserves fell by about 5% to EUR 50 billion, and still cover about 5 months of imports. As a result of the improved risk-appetite for emerging markets as of the second quarter of 2009, the domestic currency recovered some of the losses incurred previously against the USD and the EUR and the central bank resumed its FX purchases since the beginning of August.

Country-risk indicators	Turkey		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		4.7	0.9	-5.8
	Industrial production	(% change)		6.9	-0.9	-6.5
	Unemployment (end of period)	(% of labour force)		9.9	11.0	13.5
	Inflation rate (CPI) (Dec/Dec)	(% change)		8.8	10.4	6.5
	Exchange rate (end of period)	(TL per EUR)		1.72	2.09	2.20
	General government balance	(% of GDP)		-1.0	-2.2	-8.0
Balance of payments	Exports of goods and services	(m EUR)		146 947	122 413	100 100
	Current account balance	(% of GDP)		-5.9	-5.5	-1.7
	Net inflow of foreign direct investment	(m EUR)		14 693	10 495	5 500
	Official reserves, including gold (end of period)					
	m EUR			51 998	50 360	45 421
	months' imports of goods and services			5.4	4.4	5.3
External debt	Convertible currency external debt (end of period)	(m EUR)		183 749	208 822	204 000
	Convertible currency debt service	(m EUR)		34 816	37 716	38 748
	principal	(m EUR)		26 900	29 358	30 890
	interest	(m EUR)		7 916	8 358	7 858
	External debt/GDP	(%)		38.4	37.5	36.5
	External debt/exports of goods and services	(%)		232.5	210.7	241.9
	Debt service/exports of goods and services	(%)		45.4	40.3	50.6
	Arrears (on both interest and principal)	(m EUR)		none	none	none
	Debt relief agreements and rescheduling			none	none	none
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		2 285	4 848	4 871
	EU exposure/total EU exposure	(%)	(a)	22.4	34.5	34.2
	EU exposure/external debt	(%)		1.2	2.3	2.4
	EU exposure/exports of goods and services	(%)		1.6	4.0	4.9
IMF arrangements	Type			*SBA*	*SBA*	*none*
	(Date)			*(05/08)*	*(until 05/08)*	
	On track			*yes*	*yes*	
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			Ba3	Ba3	Ba3
	S&P long-term foreign currency rating (end of period)			BB-	BB-	BB-
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(b)	72 68	69 76	68 67
	(number of countries)			185 185	185 186	186 186

(a) (b) See explanatory notes at beginning of the tables.

2.2. Potential candidate countries

2.2.1. Serbia

As of the fourth quarter 2008 Serbia became increasingly affected by the global economic crisis and real GDP growth over the first semester 2009 fell to -3.5% year-on-year, down from 6.0% in 2008. Industrial output was about 17.5% lower in the first half of 2009 compared to the same period in 2008. Exports in the second quarter of 2009 were lower by 32% while imports were down by 41% compared to the same quarter of 2008. After having increased to 17% of GDP in 2008, the current account deficit narrowed, mainly due to the drop in imports, and was expected to fall down to around 9% of GDP in 2009. Net FDI slowed down in the first half of the year and is expected at around 3.3% of GDP in 2009 against 6.0% in 2008. In May, the IMF board approved a substantial revision of the stand-by arrangement (SBA) that was agreed in January 2009. The new SBA allows the access to EUR 3 billion funds over 27 months, of which EUR 770 million of EUR 2.1 billion that was planned for 2009, has already been drawn in May. Following the commitment in March 2009 of private EU-based parent banks to maintain their exposure on Serbia, the roll-over of private external debt was expected to cover a substantial share of external financing needs. After having decreased over the first quarter, foreign reserves increased on the back of resuming capital inflows, reaching EUR 8.8 billion on 30 June 2009, against EUR 8.1 billion on 31 December 2008. External debt increased to 73% of GDP while private external debt accounts for 67% of this.

Country-risk indicators	Serbia		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		6.9	5.5	4.1
	Industrial production	(% change)		3.7	1.1	-17.5
	Unemployment (end of period)	(% of labour force)		18.8	13.6	15.5
	Inflation rate (CPI) (Dec/Dec)	(% change)		6.8	10.9	10.0
	Exchange rate (end of period)	(CSD per EUR)		79.90	81.44	94.20
	General government balance	(% of GDP)		-2.0	-2.5	-1.0
Balance of payments	Exports of goods and services	(m EUR)		6 432	7 428	5 338
	Current account balance	(% of GDP)		-14.9	-17.6	-7.5
	Net inflow of foreign direct investment	(m USD)		2 004	2 363	1 168
	Official reserves, including gold (end of period)					
	m USD			9 641	8 160.4	8 848.8
	months' imports of goods and services			8.6	6.3	8.1
External debt	Convertible currency external debt (end of period)	(m EUR)		17 789	21 801	21 687
	Convertible currency debt service	(m EUR)		2 140	3 400	941
	principal	(m EUR)		NA	NA	NA
	interest	(m EUR)		NA	NA	NA
	External debt/GDP	(%)		61.1	66.6	67.4
	External debt/exports of goods and services	(%)		277	293	23.6
	Debt service/exports of goods and services	(%)		33.3	45.8	44.1
	Arrears (on both interest and principal)	(m EUR)		1 763	2 161	2 392
	Debt relief agreements and rescheduling		(1)	no	no	
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		812	1 194	1 222
	EU exposure/total EU exposure	(%)	(a)	8.0	8.5	8.6
	EU exposure/external debt	(%)		4.6	5.5	5.6
	EU exposure/exports of goods and services	(%)		12.6	16.1	22.9
IMF arrangements	Type			-		
	(Date)			-		
	On track			-		
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			none	none	none
	S&P long-term foreign currency rating (end of period)		(2)	BB-	BB-	BB-
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(b)	87 87	88 126	122 109
	(number of countries)			185 185	185 186	186 186

Footnotes

(1) In November 2001, the Paris Club creditors agreed on a highly concessional two-phased debt restructuring of 66% in NPV terms. The first phase (51%) became effective in May 2002 when the IMF adopted the new three-year Extended Arrangement (EA); the second phase (15%) will become effective upon successful completion on the EA.

(2) Serbia B+, Montenegro BB.

(a) (b) See explanatory notes at beginning of the tables.

2.3. New Independent States

2.3.1. Georgia

The global financial and economic crisis strongly affected Georgia and thus further exacerbated the economic downturn caused by the military conflict with Russia that occurred in summer 2008. The real GDP declined by 4% in 2009. The economic contraction was driven by the decline in domestic demand caused by tightening in bank credit; fall in remittances and in foreign direct investment inflows. For 2010, real GDP growth of 2% is expected.

Budget deficit reached to 9.4% of GDP in 2009. An important share of this deficit was due to the contraction of fiscal revenue caused by recession. As far as public debt is concerned, with the on-set of military and economic crisis in 2008, the public debt stopped its declining trend. The major part of public debt that was estimated at 25% in 2008 and 36.9% in 2009 is external public debt.

In early November 2008, the authorities allowed the exchange rate to depreciate against the US dollar by around 17%. More recently, seeing consumer inflation decreasing the National Bank of Georgia focused on providing sufficient liquidity to the banking system, while at the same time intervening to limit the depreciation of the lari so as to support consumer confidence.

The IMF Board approved in mid-September 2008 an 18-month stand-by arrangement for USD 750 million which constitutes exceptional access at 300% of Georgia's quota. The third programme review under the SBA was approved by the IMF Board on the 6th of August 2009. The main result of this review is the extension of the duration of the SBA until June 2011 and the increase in the financing package by about USD 424 million.

The Commission is planning to provide macro-financial assistance to Georgia amounting to EUR 46 million in grants. This assistance is part of a comprehensive EU package of up to EUR 500 million to support Georgia's economic recovery through the global crisis. The EU macro-financial assistance will contribute to covering Georgia's external financing needs in 2010

Country-risk indicators	Georgia		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		12.4	2.1	-4.0
	Industrial production	(% change)		15.0	6.7	n/a
	Unemployment (end of period)	(% of labour force)		13.3	16.5	n/a
	Inflation rate (CPI) (Dec/Dec)	(% change)		9.2	10.0	1.8
	Exchange rate (end of period)	(Lari per USD)		1.59	1.66	n/a
	General government balance	(% of GDP) (commitments)		-3.0	-4.7	-9.6
Balance of payments	Exports of goods and services	(m USD)		3182	3688	2998
	Current account balance	(% of GDP)		-19.6	-22.7	-15.1
	Net inflow of foreign direct investment	(m USD)		1562	1523	700
	Official reserves, including gold (end of period)					
	m USD			1361	1480	2005
	months' imports of goods and services			2.2	3.3	4.1
External debt	Convertible currency external public debt (end of period)	(m USD)		1790	2691	3394
	Convertible currency debt service	(m USD)		171	n.a.	n/a
	principal	(m USD)		131.7	n.a.	n/a
	interest	(m USD)		38.9	n.a.	n/a
	External debt/GDP	(%)		35.7	42.0	55.1
	External debt/exports of goods and services	(%)		115	146	198
	Debt service/exports of goods and services	(%)		11.9	16.0	23.8
	Arrears (on both interest and principal)	(m USD)		0	0	n/a
	Debt relief agreements and rescheduling			no	no	n/a
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		65	61	60
	EU exposure/total EU exposure	(%)	(1)	0.6	0.4	0.4
	EU exposure/external debt	(%)		5.3	3.1	2.5
	EU exposure/exports of goods and services	(%)		3.0	2.3	2.8
IMF arrangements	Type			PRGF	Stand-by	Stand-by
	(Date)			(06/04-06/07)	(09/08-03/10)	09/08-06/11
	On track			yes	yes	yes
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			none	none	none
	S&P long-term foreign currency rating (end of period)			B+	B	B
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(2)	114 114	126 88	102 111
	(number of countries)			(185) (185)	(185) (186)	(186) (186)

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.4. Mediterranean partners

2.4.1. Jordan

Following a strong performance in 2008, GDP growth is predicted to dip to 3% in 2009. Investment is set to fall sharply driven by a decline in FDI from surrounding Arab States as oil earnings have shrunk. The slowdown has affected growth in a number of sectors, particularly construction, real estate, and export industries. Private consumption growth is predicted to slow from 3.8% in 2008 to 2.5% in 2009 on account of a slackening labour market and falling remittances. The government deficit is set to expand to around 12.5% of GDP both on account of a fall in tax revenue and an increase in capital spending. The government aims to cover the expansion of the deficit by increased foreign aid. Despite the slowdown, unemployment is not expected to rise markedly given the large number of migrant workers in the sectors most affected.

Inflation has been declining since the third quarter of 2008 with the CPI going into negative territory in the second quarter of 2009. Annual average CPI for 2009 is forecast to be 1.7% compared to 14.9% in 2008. Both the trade and current account balance are set to narrow. The current account deficit is expected to fall from 11.9% of GDP in 2008 to around 6.5% of GDP in 2009, strongly influenced by the decline in food and fuel prices. Jordan's banking sector has not been seriously affected by the global economic crisis on account of limited exposure to international property and equity markets. As a precautionary measure, government has guaranteed all bank deposits until the end of 2009.

Country-risk indicators	**Jordan**		**footnotes**	**2007**	**2008**	**2009**
General indicators	Real GDP growth rate	(%)		6.6	5.6	3.1
	Unemployment (average)	(% of labour force)	(a)	13.1	12.7	13.5
	Consumer price Inflation (average)	(% change)		5.7	9.4	6.7
	Exchange rate (end of period)	(JOD per USD)		0.7	0.7	0.7
	General government balance	(% of GDP)		-8.2	-9.9	-12.9
Balance of payments	Exports of goods and services f.o.b.	(bn USD)		6.4	7.2	7
	Current account balance	(% of GDP)		-17.0	-11.9	-6.8
	Net inflow of foreign direct investment	(bn USD)		?	?	?
	Official reserves, including gold (end of period)					
	bn USD			7.9	8.9	10.2
	in months of next years imports of goods and services			8.5	9	10
External debt	Convertible currency external debt (end of period)	(bn USD)				
	Convertible currency debt service	(bn USD)				
	principal	(bn USD)				
	interest	(bn USD)				
	External debt/GDP	(%)		41.5	34.0	32.3
	External debt/exports of goods and services	(%)				
	Debt service/exports of goods and services	(%)				
	Arrears (on both interest and principal)	(m USD)				
	Debt relief agreements and rescheduling	(m USD)				
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		302	299	286
	EU exposure/total EU exposure	(%)	(1)	3.0	2.1	2.0
	EU exposure/external debt	(%)		N/A	N/A	N/A
	EU exposure/exports of goods and services	(%)		6.9	5.8	5.8
IMF arrangements	Type			-	-	
	(Date)			-	-	
	On track			-	-	
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			Ba3	Baa3	Ba2
	S&P long-term foreign currency rating (end of period)			BB	BB	BB
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(2)	75 74	74 75	73 69
	(number of countries)			(185) (185)	(185) (186)	(186) (186)

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.4.2. Egypt

The weathering global crisis is affecting the economic developments in Egypt, mainly via the trade channel but also via the channels of the financial markets. As to trade, exports have fallen sharply due to falling global demand. As to the financial markets, in particular the Egyptian stock exchange suffered tremendous losses since April 2009 when it coupled with the stock exchange developments of developing countries. Nonetheless, thanks to fiscal stimulus packages and the loosening of monetary policy the authorities succeeded in keeping economic growth positive.

In fiscal year 2009 economic growth reached 4.7%. Whereas, growth reached 7% on average in the three preceding years, business investments (including inventories) and exports drove down growth in this year. Expectations are that growth will remain at around 4% in FY10.

The fiscal stimulus package of more than 1.5% of GDP that was implemented in a reaction to the global slowdown is not helping to improve the fiscal budgetary situation. The government debt stock is still high and the budget deficit, that was 7.5% in FY09, will turn out to be closer to 8% in FY10 although it is still pencilled in at 6.9% by the authorities. In addition to the worsening fiscal stance the privatisation processes are stalled. The multitude of public enterprises remains a drain on the government budget and hampers a proper functioning of the internal market.

Monetary policy is supportive of the economic situation. The exchange rate has been kept in a suitable range, with a quasi-fixed peg to foreign currencies with weights that mimic the weights of the composition of the foreign reserves. A positive externality of the global crisis is that the trend of soaring consumer prices recently stopped. Consumer price inflation on an annual basis fell to below 10% in the last months. A vulnerability to the Egyptian economy is that the expected global upturn in the year 2010 may put again pressure on prices, crowding out purchasing power of consumers and investors.

Country-risk indicators	Egypt		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		7.1	7.2	4.7
	Unemployment (average)	(% of labour force)	(a)	9.5	8.5	8.9
	Consumer price Inflation (average)	(% change)		11.0	11.7	16.2
	Exchange rate (end of period, + is depreciation of LE)	(LE per EUR)		7.5	8.1	7.6
	General government balance	(% of GDP)		-7.5	-7.5	-7.9
Balance of payments	Exports of goods and services f.o.b.	(bn USD)		42.5	56.6	49.0
	Current account balance	(% of GDP)		1.7	0.5	-0.4
	Net inflow of foreign direct investment	(bn USD)		10.6	7.0	2.8
	Official reserves, including gold (end of period)					
	bn USD			28.6	34.6	31.3
	in months of next years imports of goods and services			6.1	7.5	
External debt	Convertible currency external debt (end of period)	(bn USD)		29.9	33.9	31.5
	Convertible currency debt service	(bn USD)		9.6	10.9	12.9
	principal	(bn USD)		1.2	1.7	3.3
	interest	(bn USD)		8.4	9.2	9.6
	External debt/GDP	(%)		22.8	20.1	17.0
	External debt/exports of goods and services	(%)				
	Debt service/exports of goods and services	(%)		0.2	0.2	0.3
	Arrears (on both interest and principal)	(m USD)				
	Debt relief agreements and rescheduling	(m USD)				
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		1 680	2 141	2 129
	EU exposure/total EU exposure	(%)	(1)	16.5	15.2	14.9
	EU exposure/external debt	(%)		8.3	8.8	9.5
	EU exposure/exports of goods and services	(%)		5.8	5.3	6.1
IMF arrangements	Type			-		
	(Date)			-		
	On track			-		
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			Ba1	Ba1	Ba1
	S&P long-term foreign currency rating (end of period)			BB+	BB+	BB+
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(2)	71 69	68 68	70 70
	(number of countries)			(185) (185)	(185) (186)	186 186

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.4.3. *Lebanon*

The latest economic indicators show a quite robust performance of the Lebanese economy in spite of the global financial crisis. Real GDP growth is expected to top 4% on average in 2009, still a slowdown from the 8.5% growth reached in 2008. Leading indicators suggest that economic activity was picking up in the course of the first half of 2009. This to no small degree reflects the fact that the financial sector proved remarkably resilient to the politically uncertain environment. Inflation has fallen, reflecting strong global disinflationary forces.

The Lebanese economy has so far been quite resilient to the impact of the crisis on the banking system. Lebanese banks have long-standing experience in operating in a strained economic and political environment, have had limited exposure to structured products under long-standing prudential directives by the central bank supervisors, and have not borrowed heavily on international markets – if only because of Lebanon's impaired investor status. Together with a healthy development of the deposit base, a relatively strong reserve position (which helped sustain the currency peg to the US dollar as a strong nominal anchor) ([8]), and high liquidity ratios buffering against liquidity shocks, this has helped shield the financial sector. In fact, ongoing deposits and reserve inflows during 2009 have strengthened buffers.

The disbursements of IMF financing under EPCA II and the of the first tranche of the grant and loan instalments of EU MFA in late December 2008 (EUR 15 million) and May 2009 (EUR 25 million) respectively should help stabilise public finances. Nevertheless, the state of Lebanese public finances remains precarious in view of high debt and deficit ratios. The issuance of government bonds is costly in view of high interest rate spreads, whereas the large dependence on the domestics banking sector to place debt is a burden on the diversification of the financial sector.

8 The dollar rate of deposits is very high in Lebanon, hovering around 70% in 2008.

Country-risk indicators	Lebanon		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		2.6	8.5	4.5
	Industrial production (period average)	(% change)		n.a.	n.a	n.a
	Unemployment rate (average)	(% of labour force)	(a)	n.a.	n.a	n.a
	Inflation rate (CPI, av)	(% change)		4.1	10.8	0.3
	Exchange rate (av)	(L£ per USD)		1508	1508	1508
	General government overall balance	(% of GDP)		-10.8	-10.0	-10.5
	Primary balance	(% of GDP)		1.8	1.4	1.3
	Total government debt	(% of GDP)		168	162	151
Balance of payments	Exports of goods and services	(m USD)		4 077	5 259	n.a.
	Current account balance	(% of GDP)		-7.1	-11.4	-9.5
	Net inflow of foreign direct investment	(m USD)		1.875	2.608	n.a.
	Official reserves, including gold (end of period)	(gross useable)				
	m USD			17 417	25 094	n.a.
	months' imports of goods and services			4.9	8.1	n.a.
External debt	Convertible currency external debt (end of period)	(m USD)		21 221	21 550	
	Convertible currency debt service	(m USD)		1 511	1 534	
	principal	(m USD)		n.a.	n.a	
	interest	(m USD)		n.a.	n.a	
	Foreign currency debt/GDP	(%)		84	n.a	
	External debt/GDP	(%)		194	187.0	187.0
	External debt/exports of goods and services	(%)		576	472	
	Debt service/exports of goods and services	(%)		41	33.6	
	Arrears (on both interest and principal)	(m USD)		n.a.	n.a	
	Debt relief agreements and rescheduling	(m USD)		n.a.	n.a	
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		354	508	545
	EU exposure/total EU exposure	(%)		3.5	3.6	3.8
	EU exposure/external debt	(%)		2.5	3.3	N/A
	EU exposure/exports of goods and services	(%)		12.8	13.5	N/A
IMF arrangements	Type		(1)	-	EPCA II	
	(Date)			-	adopted 3-11	
	On track			-	(concluded June 2009)	
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			B3	B 3	B2
	S&P long-term foreign currency rating (end of period)			B-	B-	B-
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(2)	111 116	127 134	111 116
	(number of countries)			(185) (185)	(185) (186)	186 186

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.4.4. *Tunisia*

The impact of the global crisis is increasingly being felt in Tunisia, especially in exporting industries. Real GDP growth in the first quarter of 2009 was -2.0% quarter-on-quarter, driven by a decline across a broad range of industries. The fall in economic activity was most pronounced in engineering and in the textile industry, as the effects of the slump in major Tunisian export markets were being felt. Exports to the EU, which accounts for nearly 80% of Tunisian exports, were particularly affected. But production volumes also decreased against the previous quarter in transport and communications and in business services. For the year as a whole modest growth of 2% is projected, premised on the upturn in the world economy that is taking shape. This would lead to a recovery in Tunisian and exports. The slowdown in the first part of 2009 followed a relatively robust performance of the Tunisian economy for 2008 when real GDP growth reached 5%, against 6.3% in 2007. Consumer price inflation peaked at 6.0% year-on-year in April 2008 and moderated subsequently, to around 4% in the thrid quarter of 2009. As elsewhere in the region, a sharp pick-up and subsequent deceleration in food and energy prices was the main determinant of overall inflation trends in 2008 and 2009. The cushioning of the initial several commodity price shocks in the first half of 2008 via transfers and subsidies helped stabilize inflation but did imply an additional fiscal burden.

In response to the crisis, the government announced measures to support exporting companies (in particular export guarantees and less stringent exchange restrictions), to increase investment incentives, to reduce social security contributions for affected companies, and to facilitate access to finance for SMEs. Easier monetary policy supported the economy via lower policy interest rates and a reduction in reserve requirements.

As regards fiscal policy, the government deficit reached a better-than-expected deficit of 1.2% of GDP, with figures suggesting a slowdown of tax revenues and expenditure compared to the previous year. For 2009 a higher deficit of nearly 4% of GDP is foreseen. The 2009 budget foresees a 20% increase in public infrastructure expenditure to partly offset the expected decrease in private investment. The public debt ratio is forecast to increase slightly, to 48.5% of GDP, from 47.5% of GDP in 2008. Over the medium term, the authorities have expressed continued commitment to fiscal consolidation and debt reduction.

Country-risk indicators	Tunisia		footnotes	2007	2008	2009 forecast
General indicators	Real GDP growth rate	(%)		6.3	5.0	2.5
	Unemployment (average)	(% of labour force)	(a)	14.1	14.0	14.3
	Consumer price inflation (average)	(% change)		3.1	5.1	3.8
	Exchange rate (end of period)	(TD per USD)		1.27	1.31	na
	General government balance	(% of GDP)		-2.9	-1.2	-3.8
Balance of payments	Exports of goods and services f.o.b.	(bn USD)		15.0	19.2	na
	Current account balance	(% of GDP)		-2.6	-4.2	-3
	Net inflow of foreign direct investment	(bn USD)		1.6	1.9	Na
	Official reserves, including gold (end of period)					
	bn USD			7.9	8.9	10.2
	in months of next years imports of goods and services			4.6	4.1	4.2
External debt	Convertible currency external debt (end of period)	(bn USD)				
	Convertible currency debt service	(bn USD)				
	principal	(bn USD)				
	interest	(bn USD)				
	External debt/GDP	(%)		54.9	51.8	51.2
	External debt/exports of goods and services	(%)		123.3	96.4	na
	Debt service/exports of goods and services	(%)		13	9.9	na
	Arrears (on both interest and principal)	(m USD)				
	Debt relief agreements and rescheduling	(m USD)				
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		10 185	14 047	14 245
	EU exposure/total EU exposure	(%)	(1)	15.3	12.0	12.4
	EU exposure/external debt	(%)		N/A	N/A	N/A
	EU exposure/exports of goods and services	(%)		15.3	12.2	N/A
IMF arrangements	Type			-		
	(Date)			-		
	On track			-		
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)		Ba	Baa2	Baa2	Baa2
	S&P long-term foreign currency rating (end of period)		BB	BBB (stable)	BBB (stable)	BBB (stable)
	Euromoney		03/07	03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(2)	62 64	62 64	53 52
	(number of countries)		(185)	(185) (185)	(185)) (186)	186 186

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.4.5. Morocco

Following strong growth in 2008, GDP Growth is set to slow to around 2.5% in 2009 as the Moroccan economy feels the impact of the global economic crisis. In the first half of 2009, exports fell by 32.2% and tourism revenue by 11.1%. Remittances (amounting to nearly 10% of GDP) declined by 12.1%, this tendency reflects the worsening employment situation in Europe. Offsetting some of the negative impact of the global economic crisis, the agricultural sector continued to grow strongly, by 17% in the first quarter of 2009. The government has also proceeded with an extensive social housing programme providing a boost to investment. After registering a mild surplus in 2008, the general government balance is likely to turn negative in 2009 mainly on account of lower tax revenues from slowing economic activity. The government has targeted a deficit of 2.9% of GDP for 2009 which appears achievable given the budgetary outturn to date. The budget ran a modest surplus in Q1 2009 pointing to the possibility of a better-than-targeted outturn for the whole year. Unemployment has continued to fall to 8% mainly on account of hiring in the agricultural sector.

Since the end of 2008, the CPI has been gradually declining driven by a reversal in commodity prices and slowing economy activity. The CPI turned negative in June 2009 and is likely to be around 2% on average for 2009 from 3.9% in 2008. The current exchange rate regime is tightly managed against a euro-dominated basked of currencies. The authorities have taken gradual steps to lessen currency controls with the aim of introducing a fully floating currency in the future. The current account deficit is expected to narrow in 2009 to around -4% of GDP due to a marked improvement in the trade balance influenced by lower oil and wheat prices.

Country-risk indicators	**Morocco**		**footnotes**	**2007**	**2008**	**2009**
General indicators	Real GDP growth rate	(%)		3.2	6.2	2.6
	Unemployment (average)	(% of labour force)	(a)	9.8	9.5	9.1
	Wholesale price Inflation (average)	(% change)		2.0	3.8	2
	Exchange rate (end of period)	(MDH per USD)		7.7	8.1	7.85
	General government balance	(% of GDP)		0.2	0.4	-1.1
Balance of payments	Exports of goods and services f.o.b.	(bn USD)		24.4	23.2	21.5
	Current account balance	(% of GDP)		-0.3	-6.6	-4.2
	Net inflow of foreign direct investment	(bn USD)		?	?	
	Official reserves, including gold (end of period)					
	bn USD			24.7	22.7	21.5
	in months of next years imports of goods and services			10.0	9	8.8
External debt	Convertible currency external debt (end of period)	(bn USD)				
	Convertible currency debt service	(bn USD)				
	principal	(bn USD)				
	interest	(bn USD)				
	External debt/GDP	(%)		26.8	22.5	22.2
	External debt/exports of goods and services	(%)				
	Debt service/exports of goods and services	(%)				
	Arrears (on both interest and principal)	(m USD)				
	Debt relief agreements and rescheduling	(m USD)				
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		1 275	1 929	2 014
	EU exposure/total EU exposure	(%)	(1)	12.5	13.7	14.1
	EU exposure/external debt	(%)		N/A	N/A	N/A
	EU exposure/exports of goods and services	(%)		7.7	11.6	13.2
IMF arrangements	Type			-	-	
	(Date)			-	-	
	On track			-	-	
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			Ba1	Ba1	Ba1
	S&P long-term foreign currency rating (end of period)			BB+	BB+	BB+
	Euromoney			03/07 09/07	03/08 09/08	*03/09 09/09*
	Position in the ranking		(2)	65 65	66 63	63 54
	(number of countries)			(185) (185)	(185) (186)	186 186

Sources: International Monetary Fund.

Footnotes

(1) (2) See explanatory notes at beginning of tables.

(a) Officially registered unemployed.

2.5. Other countries

2.5.1. South Africa

A sharp decline in external demand and a slump in commodity prices have pushed the economy into its first recession since 1992. South Africa's economy will likely contract by about 2% in 2009, but recover next year, supported mainly by a strong counter-cyclical policy response and a global recovery. The central bank has cut its policy rate by 450 bps since the start of the year, to the current level of 7.0%, but the scope for further easing may have been exhausted if inflation is to be brought within the target range (3%-6%) by end-2010. The expansionary fiscal stance is appropriate given the weak economic outlook, and strikes the right balance between supporting demand and preserving medium-term sustainability. If output turns out weaker than expected, the automatic stabilisers should be allowed to operate, but spending growth would need to be moderated further when the economy recovers, in order to stabilize medium-term public debt at a prudent level. There are risks to the medium-term fiscal position, particularly if complementary reforms to improve public service delivery and enhance efficiency in infrastructure provision are delayed. One can expect though that the government will respect their intention of keeping debt levels below 50% of GDP. The current account deficit was relatively high, financed by quite volatile capital inflows (mainly portfolio investments). The deficit has come down in the first three quarters in 2009 as the weak internal demand caused the drop in imports to exceed export decline. Concerns about financing have receded in line with a resumption of net capital inflows, but South Africa remains vulnerable to a sudden reversals. The current account deficit is expected to rise again with an economic recovery. In the near term, the key challenge for macroeconomic policies is to strike the right balance between supporting domestic demand and maintaining domestic and external stability. A strong push for structural reforms to address the long standing barriers to growth and employment is urgently needed also to improve macroeconomic stability.

South Africa's financial system is resilient. When the global financial crisis intensified last year, South African money markets remained orderly and the country's financial institutions were stable. Interbank interest rate volatility remained within normal bounds in late 2008 and early 2009, reflecting generally adequate market liquidity. South African banks' low leverage, high profitability, and limited exposure to foreign assets and funding allowed them to remain liquid and well capitalised, obviating any need for extraordinary liquidity or state support.

Country-risk indicators	South Africa		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		5.1	3.1	-1.9
	Industrial production	(% change)		5.8	4.5	-13.0
	Unemployment (end of period)	(% of labour force)		22.7	21.9	24.9
	Inflation rate (CPI) (Dec/Dec)	(% change)		7.1	11.5	7.2
	Exchange rate (end of period)	(SAR per EUR)		10.04	12.08	8.60
	General government balance	(% of GDP)		0.8	-0.7	-4.4
Balance of payments	Exports of goods and services	in bn US $		89.2	97.9	81.3
	Exports of goods and services	(m EUR)		65074	66562	58986
	Current account balance	(% of GDP)		-7.3	-7.4	-5.1
	Net inflow of foreign direct investment	(m EUR)			14	
	Official reserves, including gold (end of period)			$33,0bn	$34,1bn	$35,8bn
	m EUR			45234	50154	49343
	months' imports of goods and services			3.7	4.6	4.5
External debt	Convertible currency external debt (end of period)	(m EUR)				
	Convertible currency debt service	(m EUR)				
	principal	(m EUR)				
	interest	(m EUR)				
	External debt to official creditors/GDP	(%)		1.8	1.6	1.7
	External debt/exports of goods and services	(%)		78.4	80	
	Debt service/exports of goods and services	(%)				
	Arrears (on both interest and principal)	(m EUR)		none	none	none
	Debt relief agreements and rescheduling			none	none	none
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		666	636	624
	EU exposure/total EU exposure	(%)	(a)	6.5	4.5	4.4
	EU exposure/external debt	(%)		N/A	N/A	N/A
	EU exposure/exports of goods and services	(%)		1.0	1.0	1.1
IMF arrangements	Type			*none*	*none*	*none*
	(Date)					
	On track					
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			Baa1	Baa1	Baa1
	S&P long-term foreign currency rating (end of period)			BBB+	BBB+	BBB+
	Euromoney			03/07 09/07	03/08 09/08	03/09 09/09
	Position in the ranking		(b)	55 55	55 54	50 47
	(number of countries)			185 185	185 186	186 186

2.5.2. *Mexico*

For 2009, Mexico forecasts to experience its deepest contraction in decades with GDP contracting by around 7.3%. Thereby, it is one of the countries to be hit hardest by the global economic and financial crisis. Mexico's budgetary leeway depends for a significant part on oil revenues, with 30% – 40% of fiscal revenues coming from oil proceeds. Not only the falling oil price was detrimental to the government's possibilities but oil production has declined since its peak in 2006 and is expected to decline further. In the worst scenario, oil production may end within a decade but this depends on the reform of the state oil company and further investments.

Because of the limited possibilities for economic stimulus through fiscal policy, monetary policy actions were a crucial part of the response to the crisis. The Mexican central bank lowered its reference rate from 8.25% to 4.5% between the January 2009 and July 2009. The IMF expects inflation in Mexico to fall in 2009 (4.3%) and fall further in 2010 (4.1%) but to remain above the medium term target.

Mexico has been running current account deficits for several years and is expected to continue into 2010. The current account deficits have been of limited size, however, averaging 0.8% of GDP. In April of this year, Mexico was one of the countries to receive access to a Flexible Credit Line (FCL) of the IMF amounting to USD 47 billion. This has helped the country in stabilizing the exchange rate after a real effective depreciation of 20.6% (37.6% against the USD) between September 2008 and March 2009. The currency rate is expected to remain stable. The banking sector has weathered the financial crisis relatively well compared with more advanced economies.

Country-risk indicators	Mexico		footnotes	2007	2008	2009
General indicators	Real GDP growth rate	(%)		3.3	1.3	-7.3
	Industrial production	(% change)		2.4	-0.9	-7.9
	Unemployment (end of period)	(% of labour force)		3.7	4.0	5.0
	Inflation rate (CPI) (Dec/Dec)	(% change)		3.8	6.5	4.3
	Exchange rate (end of period)	(MXN per USD)		10.9	13.5	13.5
	General government balance	(% of GDP) (commitments)		-1.4	-1.8	-4.9
Balance of payments	Exports of goods and services	(bln USD)		271.9	291.3	232.4
	Current account balance	(% of GDP)		-0.8	-1.4	-1.2
	Net inflow of foreign direct investment	(bln USD)		18.9	18.2	15.7
	Official reserves, including gold (end of period)					
	bln USD			87.2	95.3	95.3
	months' imports of goods and services			3.1	4.2	4.1
External debt	Convertible currency external debt (end of period)	(bln USD)		193.1	200.4	202.5
	Convertible currency debt service	(bln USD)			43.5	57.2
	principal	(bln USD)				
	interest	(bln USD)				
	External debt/GDP	(%)		18.8	18.2	24.5
	External debt/exports of goods and services	(%)			64.1	99.7
	Debt service/exports of goods and services	(%)			14.3	21.7
	Arrears (on both interest and principal)	(m USD)				
	Debt relief agreements and rescheduling					
Indicators of EU exposure	EU exposure (capital and interest due)	(m EUR)		96.5	77.4	74.6
	EU exposure/total EU exposure	(%)	(a)	0.95	0.55	0.52
	EU exposure/external debt	(%)		0.07	0.05	0.05
	EU exposure/exports of goods and services	(%)		0.05	0.04	0.05
IMF arrangements	Type			PRGF	PRGF	Stand-by
	(Date)			(06/04-06/07)	(06/04-06/07)	(09/08-03/10)
	On track			yes	yes	yes
Indicators of market's perception of creditworthiness	Moody's long-term foreign currency rating (end of period)			none	none	none
	S&P long-term foreign currency rating (end of period)			B+	B+	B
	Euromoney			03/06 09/06	03/07 09/07	03/09 09/09
	Position in the ranking		(b)	52 50	51 48	48 50
	(number of countries)			(185) (185)	(185) (185)	(186) (186)

Footnotes

(a) (b) See explanatory notes.