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**COMMISSION STAFF WORKING DOCUMENT**

**accompanying the**

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

**on guarantees covered by the general budget  
situation at 30 June 2010**

COM(2011) 150 final

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## 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.

#### 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 European Parliament and the Council.

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<sup>1</sup>:

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 European Parliament and of the Council, 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 last 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.

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.

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

### 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 2010<sup>2</sup>.

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<sup>2</sup> 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 30.06.2010 (in EUR million)**

Operations	Authorised ceiling	Capital outstanding at 31.12.2009	Capital outstanding at 30.06.2010	Remainder to be disbursed at 30.06.2010
<b>MEMBER STATES</b>				
EIB (Member States)		3 533	3 363	652
MFA to Bulgaria and Romania		90	65	
Euratom to Bulgaria and Romania		427	422	
<b>BoP<sup>1</sup></b>				
Hungary	6 500	5 500	5 500	1 000
Latvia	3 100	2 200	2 700	400
Romania	5 000	1 500	2 500	2 500
<b>MEMBER STATES - TOTAL</b>	<b>14 600</b>	<b>13 250</b>	<b>14 550</b>	<b>4 552</b>
<b>THIRD COUNTRIES</b>				
<b>A. Macro-Financial Assistance</b>				
Albania	9	9	9	
Bosnia-Herzegovina	40	40	40	
FYROM	90	77	74	
Georgia	142	36	36	
Lebanon	50	25	25	25
Serbia and Montenegro	280	280	280	
Tajikistan	75	28	28	
<b>Sub total MFA</b>	<b>686</b>	<b>495</b>	<b>492</b>	<b>25</b>
<b>B. EURATOM<sup>2</sup></b>		<b>54</b>	<b>55</b>	<b>9</b>
<b>C. Other</b>				
EIB Pre-Accession countries	28 755	6 333	7 092	5 722
EIB Neighbourhood and Partnership countries	28 342	6 641	6 985	4 554
EIB Asia and Latin America	8 205	2 049	2 647	1 185
EIB South Africa	2 400	667	743	536
<b>Sub total EIB<sup>3</sup></b>	<b>82 302</b>	<b>19 224</b>	<b>20 830</b>	<b>12 650</b>
<b>THIRD COUNTRIES - TOTAL</b>	<b>82 988</b>	<b>16 239</b>	<b>18 014</b>	<b>12 031</b>
<b>GRAND TOTAL</b>	<b>97 588</b>	<b>29 489</b>	<b>32 563</b>	<b>16 583</b>

(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 30.06.2010 (in EUR million)**

Operations	Credit line authorised	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 30.06.2010
<b>Mandate 2007/2013:</b>	<b>25 800</b>	<b>13 125</b>	<b>4 487</b>	<b>4 365</b>
<i>Pre-Accession countries</i>	8 700	5 793	1 673	1 672
<i>Neighbourhood and Partnership countries:</i>	12 400	4 608	1 459	1 343
Mediterranean	8 700	3 860	1 334	1 333
Eastern Europe, Southern Caucasus and Russia	3 700	748	125	10
<i>Asia and Latin America:</i>	3 800	2 241	1 289	1 286
Asia	1 000	616	226	226
Latin America	2 800	1 625	1 063	1 060
<i>South Africa</i>	900	483	65	64
<b>Previous General Mandate 2000/2007<sup>6</sup>:</b>	<b>20 060</b>	<b>19 310</b>	<b>15 538</b>	<b>12 356</b>
<i>Pre-Accession countries</i>	10 235	7 338	5 748	5 038
<i>Neighbourhood and Partnership countries</i>	6 520	6 261	5 123	4 224
<i>Asia and Latin America</i>	2 480	2 125	1 816	1 075
<i>South Africa</i>	825	824	683	566
<i>Member States (following the accession)<sup>5</sup></i>		2 762	2 168	1 454
<b>sub-total 65 %<sup>4</sup></b>	<b>45 860</b>	<b>32 434</b>	<b>20 025</b>	<b>16 721</b>
<b>Financial agreements (70% Guarantee rate)</b>	<b>7 477</b>	<b>6 513</b>	<b>6 075</b>	<b>2 505</b>
<i>Pre-Accession countries</i>	3 770	477	452	285
<i>Neighbourhood and Partnership countries</i>	2 310	1 617	1 515	606
<i>Asia and Latin America:</i>	1 022	809	683	162
<i>South Africa</i>	375	375	278	109
<i>Member States (following the accession)<sup>5</sup></i>		3 236	3 147	1 344
<b>sub-total 70 %<sup>4</sup></b>	<b>7 477</b>	<b>6 513</b>	<b>6 075</b>	<b>2 505</b>
<b>Financial agreements (75% Guarantee rate)</b>	<b>7 712</b>	<b>7 062</b>	<b>7 226</b>	<b>806</b>
<i>Pre-Accession countries</i>	1 350	713	728	92
<i>Neighbourhood and Partnership countries</i>	6 362	4 492	4 539	654
<i>Member States (following the accession)<sup>5</sup></i>		1 857	1 959	60
<b>sub-total 75 %<sup>4</sup></b>	<b>7 712</b>	<b>7 062</b>	<b>7 226</b>	<b>806</b>
<b>Financial agreements (100% Guarantee rate)</b>	<b>6 653</b>	<b>5 320</b>	<b>5 261</b>	<b>797</b>
<i>Pre-Accession countries</i>	4 700	29	29	6
<i>Neighbourhood and Partnership countries</i>	750	315	169	158
<i>Asia and Latin America</i>	903	710	730	125
<i>South Africa</i>	300	285	204	4
<i>Member States (following the accession)<sup>5</sup></i>		3 982	4 129	504
<b>sub-total 100 %<sup>4</sup></b>	<b>6 653</b>	<b>5 320</b>	<b>5 261</b>	<b>797</b>
<b>Total</b>	<b>67 702</b>	<b>51 330</b>	<b>38 586</b>	<b>20 830</b>

(4) Percentage figures relate to the Guarantee rate.

(5) Loans to Member States were drawn from 'Pre-Accession countries' or from 'Neighbourhood and Partnership countries' ceilings.

(6) 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 30.06.2010**

Ranking	Country	2nd / 2010	2011	2012	2013	2014	2015	2016	2017 until 2040	Total Outstanding
1	Turkey	199,0	360,8	395,5	403,0	445,8	448,0	382,9	3 710,2	6 345,3
2	Hungary	146,7	2 210,3	142,7	133,6	2 128,4	63,0	1 558,8	2,1	6 385,5
3	Romania	121,1	382,6	329,7	328,7	309,2	1 808,1	236,3	3 211,3	6 728,9
4	Egypt	98,3	216,0	207,9	205,1	186,3	185,6	185,8	1 048,7	2 333,7
5	Tunisia	81,1	153,8	159,1	165,6	161,6	157,1	147,8	926,1	1 952,2
6	Morocco	81,1	169,0	172,5	175,6	175,9	216,9	149,3	1 225,6	2 365,9
7	South Africa	70,6	73,0	94,1	65,1	67,5	68,5	70,4	318,2	827,4
8	Lebanon	55,5	76,3	79,2	78,6	85,4	58,0	50,0	120,7	603,6
9	Bulgaria	51,6	75,5	87,5	72,8	73,4	69,8	67,4	251,7	749,8
10	Poland	42,1	81,8	79,2	73,3	53,5	43,4	29,4	112,9	515,4
11	Czech Republic	40,8	73,3	70,7	68,2	56,4	45,7	43,7	86,3	485,1
12	Serbia	35,4	82,9	131,3	137,0	148,5	199,6	146,7	625,7	1 507,1
13	Syria	30,1	76,8	76,6	76,1	75,3	80,3	79,1	327,4	823,9
14	Slovak Republic	27,3	58,0	51,0	37,2	25,8	15,1	14,7	101,4	330,5
15	Brazil	26,6	57,0	50,4	82,7	115,3	245,2	218,5	88,6	884,3
16	Mexico	25,3	3,8	3,8	3,8	3,8	3,8	3,8	11,3	59,1
17	Jordan	25,0	48,2	48,7	41,6	36,9	28,7	26,4	171,3	427,8
18	Georgia	22,2	13,6	0,0	0,0	0,0	0,0	0,0	0,0	35,8
19	Bosnia and Herzegovina	19,0	37,4	61,7	35,0	34,2	76,0	32,4	196,1	491,8
20	Croatia	17,4	41,7	44,7	44,7	41,4	39,4	38,3	265,7	533,3
21	Argentina	15,1	26,7	23,1	51,5	41,4	40,0	34,2	94,0	326,0
22	The former Yugoslav Republic of Macedonia	13,5	31,7	35,5	32,2	34,2	28,3	24,3	59,9	259,6
23	Indonesia	10,8	17,1	14,8	14,8	14,8	14,8	10,1	25,8	123,1
24	Vietnam	8,9	16,5	16,5	17,4	17,2	13,3	13,5	67,8	171,1
25	Slovenia	8,5	14,3	11,4	9,4	7,4	4,4	2,1	0,0	57,6
26	Albania	7,6	15,1	16,6	14,7	17,9	18,8	18,2	129,2	238,2
27	the Philippines	7,0	13,7	14,3	14,9	16,3	15,0	13,6	25,3	120,1
28	Pakistan	6,8	13,4	13,4	10,1	6,8	6,8	4,9	10,2	72,5
29	Peru	6,4	20,2	21,2	21,0	17,1	17,1	14,1	20,7	137,8
30	Israel	6,4	14,0	14,1	14,3	14,6	12,7	11,2	146,3	233,5
31	Colombia	5,4	14,6	20,8	20,8	20,8	20,8	20,8	42,1	166,1
32	Cyprus	5,1	9,8	7,6	5,0	3,3	0,0	0,0	0,0	30,7
33	China	4,9	8,7	7,9	8,0	8,7	9,3	4,2	39,8	91,4
34	Ukraine	4,6	7,1	7,1	7,0	6,9	11,4	11,3	68,4	123,8
35	Latvia	3,7	98,5	96,8	96,7	1 096,6	1 265,2	26,9	812,7	3 497,1
36	Panama	3,6	7,0	7,0	7,0	7,0	7,2	7,3	135,5	181,7
37	India	2,9	3,2	8,2	22,5	24,3	24,3	24,3	32,9	142,6
38	Lithuania	2,8	5,5	5,3	5,1	5,0	4,8	4,6	13,3	46,3
39	Bangladesh	2,8	5,5	5,5	5,4	0,0	0,0	0,0	0,0	19,2
40	Russia	2,7	4,9	7,8	7,7	8,1	8,5	8,5	40,1	88,4
41	Sri Lanka	2,5	5,3	8,2	10,9	14,0	15,7	13,1	54,5	124,3
42	Ecuador	2,4	4,6	4,6	4,6	4,6	4,6	4,6	11,6	41,8
43	Thailand	2,2	5,2	7,1	9,7	2,4	0,0	0,0	0,0	26,7
44	The West Bank and the Gaza Strip	2,2	4,5	4,5	4,5	4,5	4,5	4,3	6,5	35,3
45	Montenegro	2,2	4,5	12,8	13,4	15,4	16,8	16,9	80,8	162,8
46	Maldives	2,2	5,0	5,8	5,8	5,8	5,8	5,8	13,0	49,2
47	Costa Rica	2,1	4,2	4,2	4,2	0,0	0,0	0,0	0,0	14,6
48	Malaysia	1,7	2,1	2,1	1,0	0,0	0,0	0,0	0,0	6,9
49	Uruguay	1,5	3,5	4,0	4,8	5,3	4,4	4,4	2,2	30,0
50	El Salvador	1,2	2,3	1,1	1,6	1,4	1,9	1,4	10,9	21,7
51	Laos	1,2	2,6	2,8	2,9	2,9	2,9	3,0	67,6	85,8
52	Estonia	0,5	1,0	0,5	0,0	0,0	0,0	0,0	0,0	2,0
53	Malta	0,3	0,7	0,3	0,3	0,0	0,0	0,0	0,0	2,1
54	Paraguay	0,2	4,1	8,1	16,3	16,3	16,3	12,2	8,1	81,7
55	Republic of Moldova	0,2	0,3	0,4	0,4	0,5	1,3	1,5	11,0	15,5
56	Tadjikistan	0,1	0,3	12,3	12,1	4,0	0,0	0,0	0,0	29,9
	Total outstanding	1 368,7	4 690,4	2 722,5	2 705,9	5 669,9	5 449,3	3 804,9	14 831,4	41 242,8
	Member States	450,5	3 011,2	883,2	830,3	3 759,9	3 319,5	1 989,7	4 581,7	18 831,1
	Non Member States	918,1	1 679,1	1 839,3	1 875,6	1 911,0	2 129,7	1 815,1	10 239,7	22 411,7



## 1.2. Loan operations covered by the Budget guarantee

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

TABLE A3a  
BoP and Euratom lending operations to Member States  
Period 31.12.2009 to 30.06.2010

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	Outstanding amount
								at 31.12.2009 in EUR million	at 30.06.2010 in EUR million
<b>BOP</b>	2009/431/EC	8/05/2009		100%		(b)	<b>50.000,00</b>	<b>9.200,00</b>	<b>10.700,00</b>
<b>Hungary</b>	2009/102/EC	4/11/2008				(b)	<b>6.500,00</b>	<b>5.500,00</b>	<b>5.500,00</b>
1st tranche		9/12/2008	3		9/12/2011	(c)		2.000,00	2.000,00
2nd tranche		26/03/2009	5,6		7/11/2014	(c)		2.000,00	2.000,00
3rd tranche		6/07/2009	6,8		6/04/2016	(c)		1.500,00	1.500,00
<b>Latvia</b>	2009/290/EC	20/01/2009				(b)	<b>3.100,00</b>	<b>2.200,00</b>	<b>2.700,00</b>
1st tranche		25/02/2009	5,1		3/04/2014	(c)		1.000,00	1.000,00
2nd tranche		27/07/2009	5,5		27/01/2015	(c)		1.200,00	1.200,00
3rd tranche		17/02/2010	9,2		10/05/2019	(c)			500,00
<b>Romania</b>	2009/459/EC	6/05/2009				(b)	<b>5.000,00</b>	<b>1.500,00</b>	<b>2.500,00</b>
1st tranche		27/07/2009	5,5		27/01/2015	(c)		1.500,00	1.500,00
2nd tranche		17/02/2010	9,2		10/05/2019	(c)			1.000,00
<b>EURATOM</b>				100%			<b>4.000,00</b>	<b>426,75</b>	<b>421,75</b>
	77/270-271/Euratom	29/03/1977				(c)	500,00		
	80/29/Euratom	20/12/1979				(c)	500,00		
	82/170/Euratom	15/03/1982				(c)	1.000,00		
	85/537/Euratom	5/12/1985				(c)	1.000,00		
	90/212/Euratom	23/04/1990				(b)	1.000,00		
<b>Bulgaria</b>							<b>212,50</b>		
1st tranche			20		10/05/2021	(c)		40,00	40,00
2nd tranche			15		15/01/2017	(c)		11,25	9,25
3rd tranche			17		19/08/2019	(c)		25,00	25,00
4th tranche			15		18/06/2018	(c)		21,25	20,00
5th tranche			15		16/01/2019	(c)		33,25	31,50
6th tranche			16		10/09/2020	(c)		30,00	30,00
7th tranche			16		4/04/2021	(c)		25,00	25,00
8th tranche			14		23/02/2020	(c)		17,50	17,50
<b>Romania</b>							<b>223,50</b>		
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
<b>TOTAL</b>							<b>54.000,00</b>	<b>9.626,75</b>	<b>11.121,75</b>

**TABLE A3b (1)**  
**European Union (MFA) and Euratom loans to non-member States\***  
**Changes in amounts outstanding during six-month period 31.12.2009 to 30.06.2010, 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 31.12.2009	Operations in six-month period		Amount outstanding at 30.06.2010
								Amounts disbursed	Amounts repaid	
<b>BULGARIA IV*</b>	99/731/EC	08.11.99				<b>100.00</b>				
1st tranche			10	21.12.2009	(c)	40.00	0.00			0.00
2nd tranche			-	-	(c)	60.00	15.00			15.00
<b>ROMANIA IV*</b>	99/732/EC	08.11.99				<b>200.00</b>				
1st tranche			10	29.06.2010	(c)	100.00	25.00		25.00	0.00
2nd tranche			10	17.07.2013	(c)	50.00	50.00			50.00
3rd tranche			-	-	(a)	50.00				
<b>BOSNIA AND HERZEGOVINA I</b>	99/325/EC	10.05.99				<b>20.00</b>				
1st tranche			15	22.12.2014	(c)	10.00	10.00			10.00
2nd tranche			-	-	(c)	10.00	10.00			10.00
<b>BOSNIA AND HERZEGOVINA II</b>	02/883/EC	09.11.02				<b>20.00</b>				
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
<b>FYROM I</b>	97/471/EC	22.07.97				<b>40.00</b>				
1st tranche			15	27.09.2012	(c)	25.00	15.00			15.00
2nd tranche			15	13.02.2013	(c)	15.00	12.00		3.00	9.00
<b>FYROM II</b>	99/733/EC	08.11.99				<b>50.00</b>				
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 31.12.2009 to 30.06.2010, 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 31.12.2009	Operations in six-month period		Amount outstanding at 30.06.2010*
								Amounts disbursed	Amounts repaid	
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	35.50			35.50
ARMENIA	97/787/EC	17.11.97	15	30.12.2013	(a)	28.00				
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	53.91			54.72
		15.03.2007			(c)	39.00 EUR	33.15		1.95	31.20
		06.10.2008			(c)	22.00 USD	13.66		0.86	15.10
		15.10.2009			(c)	10.34 USD	7.10			8.42
						of USD 83 million				
<b>TOTAL</b>							<b>638.41</b>	<b>0.00</b>	<b>30.81</b>	<b>611.22</b>

\* including exchange rate valuation of EUR +3.62 million for the 2 Euratom tranches with Ukraine

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 31.12.09	at 30.06.10	at 31.12.09	at 30.06.10
<b>MED. Financial protocols(1)</b>		8.03.77	75% (2)	30.10.78/10.11.78	6 062	5 548	5 548	494	469
<b>MED. Horizontal cooperation</b>	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1 800	1 656	1 656	357	338
<b>TOTAL MED. (3)</b>					<b>7 862</b>	<b>7 204</b>	<b>7 204</b>	<b>851</b>	<b>806</b>
<b>C and E Europe I</b>	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1 000	912	912	90	92
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	2	0
<b>C and E Europe II</b>	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3 000	2 464	2 464	455	418
<b>Asia, Latin America I</b>	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	114	121
<b>Asia, Latin America Interim</b>	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	5	5
<b>Asia, Latin America Interim</b>	96/723/EC	12.12.96	70%	21.10.97	122	122	122	7	7
<b>South Africa</b>	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	5	4
<b>New mandates</b>	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7 105	6 142	6 142	2 421	2 328
<b>FYROM</b>	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	107	101
<b>Bosnia and Herzegovina</b>	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	71	69
<b>Turkey Terra</b>	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	600	600	515	504
<b>Mandates 2000-2007</b>	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19 460	18 784	18 709	11 390	11 853
<b>The Baltic Sea basin of Russia</b>	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100	85	85	74	78
<b>Russia, Belarus, Rep. Of Moldova and Ukraine</b>	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500	230	230	76	80
<b>Mandate 2007-2013</b>	2006/1016/EC(12)	19.12.06	65%	01.08.07/29.08.07 (13)	25 800	11 928	13 124	3 041	4 366
<b>TOTAL</b>					<b>67 702</b>	<b>50 209</b>	<b>51 330</b>	<b>19 223</b>	<b>20 832</b>

(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 (use to be decided in the context of ongoing mid-term review).

### 1.3. Evolution of risk

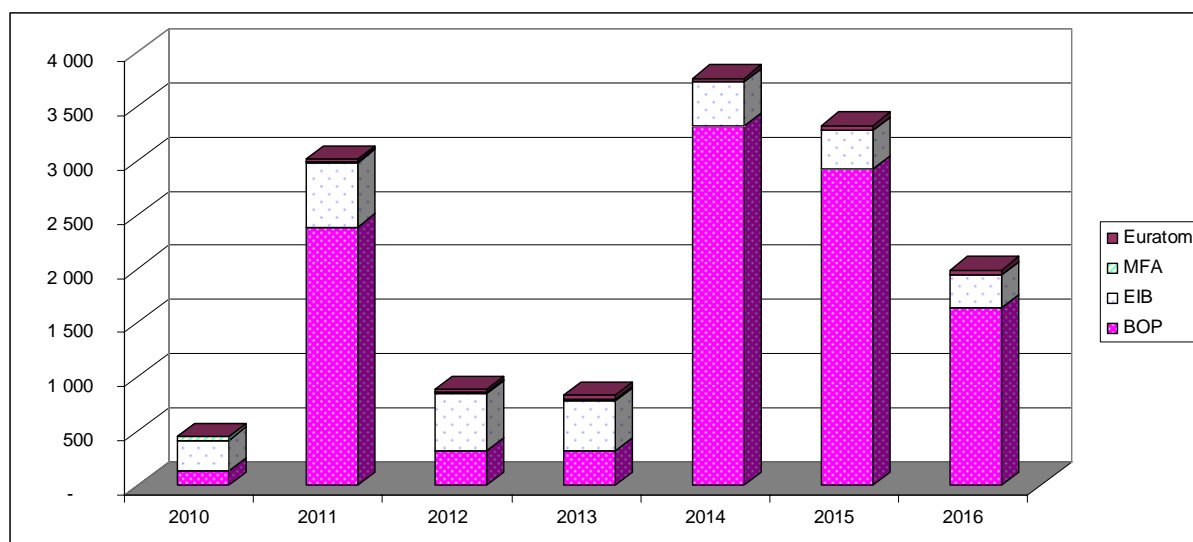
#### 1.3.1. Situation of loans to Member States

The total risk towards Member States has increased during the first semester 2010. Two additional tranches were disbursed for a total amount of EUR 1.500 billion (EUR 500 million for Latvia and EUR 1 billion for Romania). Both tranches will be reimbursed in 2019.

BoP loan disbursements are planned up to 2012. Hungary will reimburse in 2011 its first tranche of EUR 2 billion disbursed in December 2008 (included in Graph A1).

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 based on the amounts (capital and interest) due under operations (MFA, BoP, Euratom and EIB) disbursed at 30.06.2010<sup>3</sup> to Member States (EUR million).**



<sup>3</sup> As of 31 December 2009, the 2010 annual risk for Member States was EUR 890 million.

### 1.3.2. Situations of loans to third countries

At 30 June 2010, a total of EUR 3 517 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 30.06.2010***	to be disbursed
Mediterranean	6 520	6 260	1 126
South-Eastern Neighbours**	10 235	7 338	1 605
Asia, Latin America	2 480	2 124	71
South Africa	825	824	108
Member States*		2 763	608
	<b>20 060</b>	<b>19 309</b>	<b>3 517</b>

\* 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

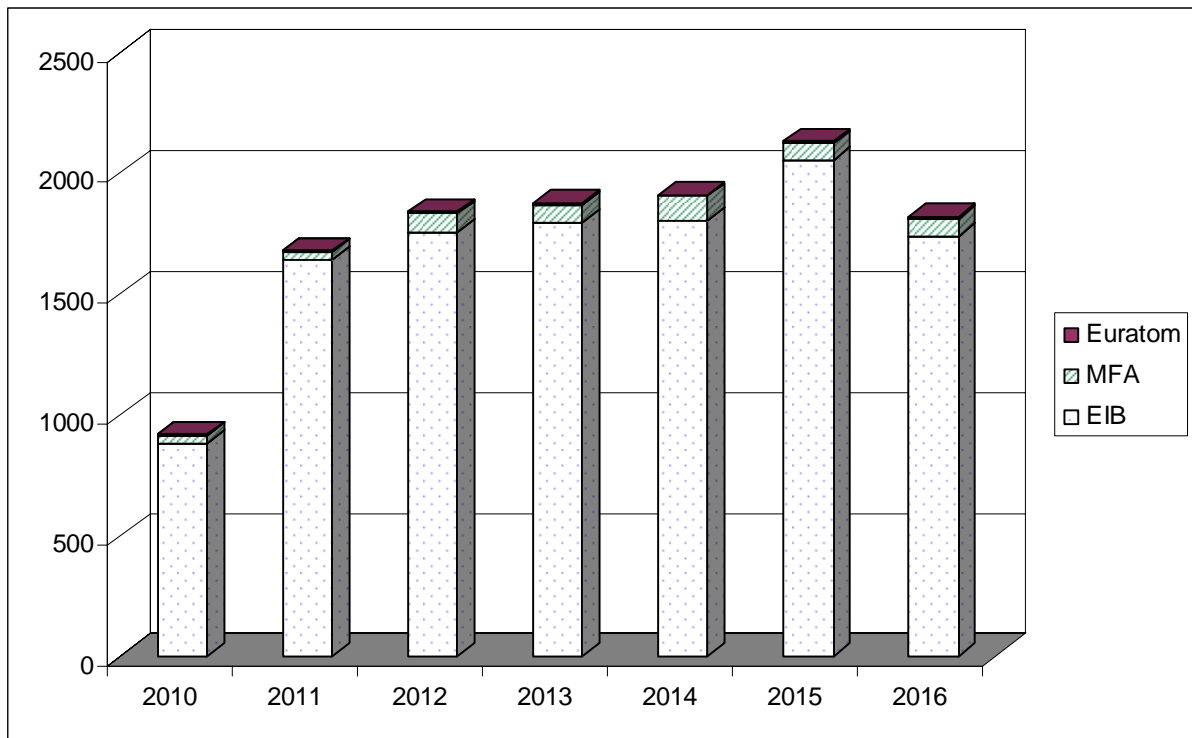
At the same date, an amount of EUR 8 930 million remained to be disbursed out of signatures made under the EIB external mandate for 2007-2013.

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

	EUR million		
	Ceiling	Loans made available (minus cancellations) at 30.06.2010	to be disbursed
A. Pre-Accession Countries	8 700	5 793	4 154
B. Neighbourhood and partnership countries	12 400	4 608	3 234
C. Asia and Latin America	3 800	2 241	1 114
D. South Africa	900	483	428
	<b>25 800</b>	<b>13 124</b>	<b>8 930</b>

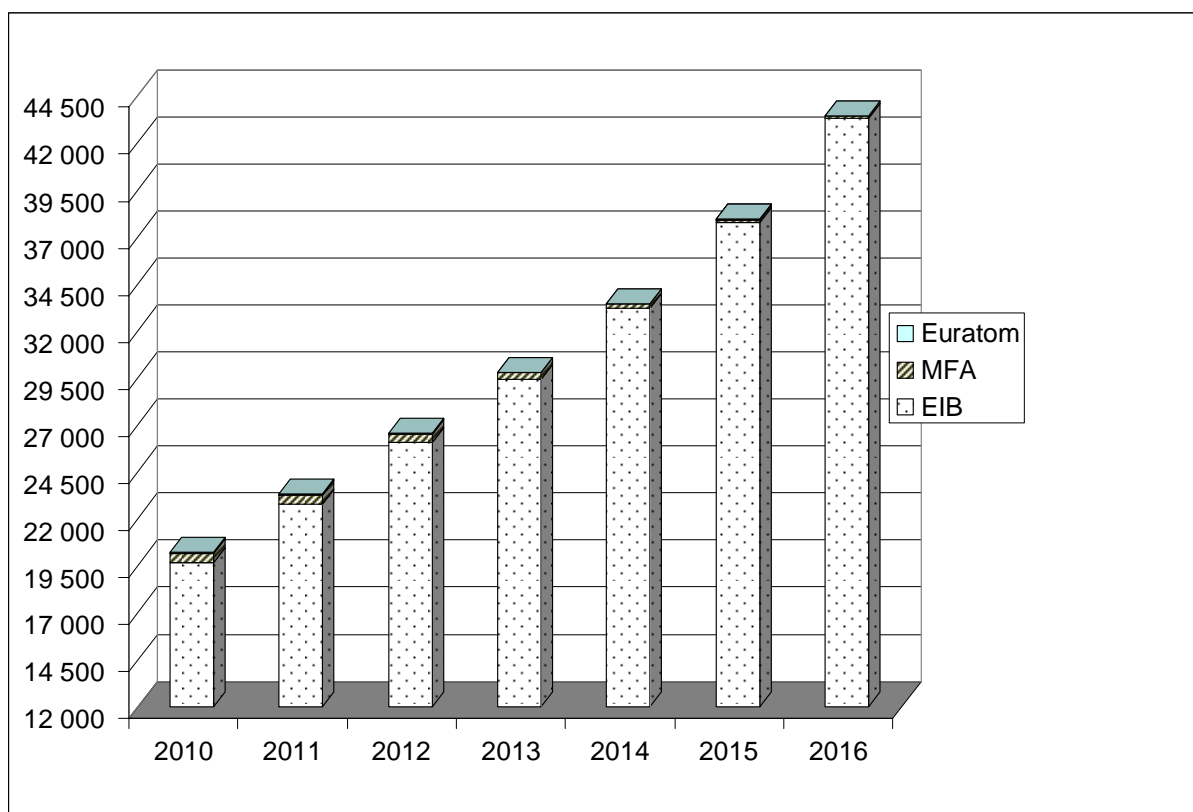
\*the current mandate only covers the period until 31 October 2011.

**Graph A2: Total Annual Risk borne by the Budget based on the amounts (capital and interest) due under all operations (MFA, Euratom and EIB) disbursed at 30.06.2010 to 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. The rhythm of disbursements has a strong impact on the amount of the provisioning of the Fund in future years. The simulation is therefore subject to a non-negligible degree of uncertainty.

**Graph A3: Estimated outstanding amount covered by the Fund from 2010 to 2016 (EUR million).**



## 1.4. Payment under the Budget guarantees

### 1.4.1. Borrowing/lending operations

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<sup>4</sup>, 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.

<sup>4</sup> Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p.1-12) implementing Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of European Communities' own resources (OJ L 163, 23.6.2007, p. 17-21).



In a second step, the treasury situation would 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 Union guarantees for Union and Euratom borrowing operations and for EIB 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<sup>5</sup> and the transfers are likely to require advance authorisation by the budgetary authority
- c) by the re-use of recovered funds, if any.

Balance of Payments (BoP) loans:

- a) by the re-use of funds from late payments
- 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 Union guarantee for Union borrowings for balance-of-payments 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<sup>6</sup>, 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.

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<sup>5</sup> 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 ceased to be external actions of the Union and are therefore covered directly by the Budget.

<sup>6</sup> 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).

### *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.

## 2. COUNTRY-RISK EVALUATION

Third countries representing important risks to the Budget in 2010, 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 included in the country risk evaluation . The evaluation presented below comprises short analyses and tables of risk indicators.

Explanatory notes for country-risk indicators

### **Standard footnotes**

- 1) Includes only EU and EIB loans (outstanding disbursements) to CEEC, NIS and MED.
- 2) 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 highest 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 Turkish economy has recovered strongly, and is forecasted to grow by 7.5% in 2010 after a dramatic contraction by 4.7% in 2009. A double-digit growth of imports combined with a domestic credit boom fuelled private consumption and, in particular, investment. Headline inflation eased after spiking 10% in early 2010 and is expected to reach 8.5% by the end of the year. Given these favourable inflation dynamics and an expected moderation in growth in the second half of 2010, the central bank is expected not to alter its relatively loose monetary policy stance. On the back of the strong GDP growth, the fiscal deficit has narrowed to about 4% of GDP in 2010, and the public debt stock has come down by almost 3 % in the previous year and amounts to 42.5% of GDP at the end of 2010. The trade and current deficits have increased substantially in 2010 as imports increased by more than 15% in volume and the terms of trade worsened on higher oil and commodity prices. In the first nine months of 2010, gross FDI inflows fell by one third to 0.8% of GDP. Turkey's external debt declined by 0.8% in 2010 and currently amounts to about 31% of GDP. Private external debt represents two thirds of the total debt and is also broadly stable. International reserves fell to EUR 80 billion, and still cover about 5 months of imports. In large part as a result of the improved risk-appetite for emerging countries, the domestic currency appreciated significantly against the USD and the EUR since mid-2010.

Country-risk indicators: <u>Turkey</u>		2008	2009	2010
<b>Output and prices</b>				
Real GDP growth rate	(%)	0,7	-4,7	7,5
Unemployment (end of period)	(% of labour force)	11,0	14,0	12,0
Inflation rate (CPI) (Dec/Dec)	(% change)	10,1	6,5	8,5
<b>General government balance</b>				
	(% of GDP)	-2,2	-6,7	-4,0
<b>Balance of payments</b>				
Exports of goods and services	(m EUR)	119.607	102.519	110.000
Current account balance	(% of GDP)	-5,6	-2,3	5,7
Net inflow of foreign direct investment	(m EUR)	10723	4374	3700
Official reserves, including gold (end of period) m EUR		79235	78167	80000
Months' imports of goods and services		5,0	5,0	5,0
Exchange rate (end of period)	(TL per EUR)	1,90	2,20	2,00
<b>External debt</b>				
External debt (end of period)	(m EUR)	208.203	203.000	198.700
External debt/GDP (end of period)	(%)	28,1	32,9	31,0
Debt service/exports of goods	(%)	29,0	35,6	32,6
Arrears (on both interest and principal)	(m EUR)	no	no	no
Debt relief agreements and rescheduling		no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	4848	5705	6345
EU exposure/total EU exposure	(%) (1)	34,5	35,1	34,9
EU exposure/external debt	(%)	3,2	4,0	3,2
EU exposure/exports of goods and services	(%)	5,6	8,0	5,8
<b>IMF arrangements</b>				
Type		SBA	none	none
(Date)		(until 05/08)		
On track		yes		
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba3	Ba2
S&P long-term foreign currency rating (end of period)		BB-	BB-	BB
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10
Position in the ranking		69 76	68 67	67 59
(number of countries)	(2)	(185) (186)	(186) (186)	(186) (186)

(1) (2) See explanatory notes .

## **2.2. Potential candidate countries**

### *2.2.1. Serbia*

Serbia's GDP increased by 1.2% in the first half of year and its growth should reach 1.5% for the whole year 2010 (according to the IMF-supported programme). The main impetus to growth came from vigorous export activity fuelled by the gradual economic revival in Serbia's main trading partners and by the depreciating dinar. Domestic demand remained largely subdued, which kept inflation on a downward trend in the first half of the year. However, inflationary tensions were since rekindled by rising food prices and the dinar depreciation. Thus, the end-year inflation is expected to exceed the upper bound of the 4-8% target range set by the National Bank of Serbia (NBS). Foreign exchange reserves with the NBS remained largely stable at over EUR 10 billion, which is sufficient to cover 10 months of imports. However, surplus on the current transfers account was considerably lower and deficit on the income account substantially higher than a year ago. Also, financial and capital flows remained modest, with FDI and other investment markedly lower in comparison with a year earlier. While foreign currency inflows have been largely insufficient to cover the current account deficit, Serbia's foreign debt continued to increase. At the end of July 2010, gross external debt had risen by around EUR 0.5 billion since the beginning of the year close to 80% of projected GDP.

Despite significant cuts in capital expenditure and the constraints imposed on current expenditure throughout 2010 (including the nominal freeze in civil servants' salaries and pensions), the budgetary gap is to widen to 4.8% of GDP by the end of the year. Public debt soared in 2010 to some 38% of GDP at end-October, mostly on the back of foreign debt reaching almost 70% of the total.

<b>Country-risk indicators: Serbia</b>		<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Output and prices</b>				
Real GDP growth rate	(%)	5,5	-3,0	2.1 (Q3)
Unemployment (average)	(% labour force)	14,7	17,4	19.5 (Q1)
Consumer price inflation (average)	(% change)	8,6	6,6	4.1 (Q2)
<b>General government balance</b>				
	(% of GDP)	-2,5	-4,2	-2.7 (Oct)
<b>Balance of payments</b>				
Exports of goods and services f.o.b.	(m EUR)	10157	8478	5300 (Q3)
Current account balance	(% of GDP)	-17,1	-5,7	-6.2 (Q3)
Net inflow of foreign direct investment	(m EUR)	1824	1372	595 (Q3)
Official reserves, including gold (end of period) m EUR		9110	12027	9217 (Q2)
Months' imports of goods and services		7,7	9,6	7,9
Exchange rate (end of period)	(TD per USD)	88,60	95,90	106.34 (Q3)
<b>External debt</b>				
External debt (end of period)	(m EUR)	21725	22713	23200 (Q3)
External debt/GDP (end of period)	(%)	63,6	72,3	78,8
Debt service/exports of goods	(%)	42,8	57,7	67,1
Arrears (on both interest and principal)	(m EUR)	2.161	NA	NA
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	1193,8	1317,9	1507
EU exposure/total EU exposure	(%) (1)	8,5	8,1	8,3
EU exposure/external debt	(%)	5,6	5,8	6,5 (Q3)
EU exposure/exports of goods and services	(%)	16,1	15,5	28,4 (Q3)
<b>IMF arrangements</b>				
Type		-	EUR 2,97 bn	EUR 2,97 bn
(Date)		-	2009	2009
On track		-	yes	yes
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB- (negative)	BB- (stable)	BB- (stable)
Euro money		03/08 09/08	03/09 09/09	09/09 03/10
Position in the ranking	(2)	88 126	122 109	109 76
(number of countries)		(185) (186)	(186) (186)	(186) (186)

(1) (2) See explanatory notes

## 2.3. Mediterranean partners

### 2.3.1. Egypt

The Egyptian economy performed well during the global crisis. GDP growth slowed down, to 4.7% in 2009 but accelerated again to 5.2% in 2010. Inflation fell to 12.0% in 2010 (18.3% in 2008). However, this still high level of inflation and upward inflationary pressures in view of the rising global commodity prices and Egypt's high dependence on basic food imports (wheat, corn) entail a risk. As a reaction to the increasing inflation, monetary policy is expected to be tightened in the coming months. Despite the crisis the deterioration in the fiscal deficit was limited. The deficit was 8.2% of GDP in fiscal year 2009-2010, and the government plans to reduce it to 7% of GDP in 2010-2011. The general government debt was on a steeply declining path when the crisis started but this trend was interrupted by the crisis. Gross government debt currently stands at 73% of GDP. The current account balance deteriorated to -2.0% of GDP in 2010 (-1.4% in 2008). Revenues from tourism, private transfers, remittances and the Suez Canal no longer compensated the trade deficit. On the positive side, the external debt position improved; external debt as a percentage of GDP decreased from almost 20% in 2008 to 14% in 2010. During the global crisis the exchange rate vis-à-vis the US dollar was managed and kept roughly stable. Lower capital inflows and foreign exchange interventions arrested the rapid increase in foreign exchange reserves. Upcoming elections in 2010 (Parliamentary) and 2011 (Presidential) are likely to affect the pace of implementation of reforms, in particular for fiscal tightening measures.

Country-risk indicators: <u>Egypt</u>		2008	2009	2010	
<b>Output and prices</b>					
Real GDP growth rate	(%)	7,2	4,7	5,2	
Unemployment (end of period)	(% labour force)	8,4	9,4	8,9	
Inflation rate (CPI) (Dec/Dec)	(% change)	18,3	12,5	12,0	
<b>General government balance</b>		(% of GDP)	-7,5	-6,9	-8,2
<b>Balance of payments</b>					
Exports of goods and services	(m USD)	56.567	48.970	47.436	
Current account balance	(% of GDP)	1,4	0,5	-2,0	
Net inflow of foreign direct investment	(m USD)	12.124	6.772	5.781	
Official reserves, including gold (end of period) m EUR		23,0	24,8	26,0	
Months' imports of goods and services		6,7	5,8	5,8	
Exchange rate (end of period)	( per USD)	5,3	5,6	5,7	
<b>External debt</b>					
External debt (end of period)	(m USD)	32.616	29.656	30.812	
External debt/GDP (end of period)	(%)	19,8	15,8	14,2	
Debt service/exports of goods and services	(%)	5,5	10,6	5,2	
Arrears (on both interest and principal)	(%)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
<b>Indicators of EU exposure</b>					
EU exposure (capital and interest due)	(m EUR)	2141	2241	2333,7	
EU exposure/total EU exposure	(%) (1)	15,2	13,8	12,8	
EU exposure/external debt	(%)	8,8	5,2	6,2	
EU exposure/exports of goods and services	(%)	5,3	6,6	6,0	
<b>IMF arrangements</b>					
Type		no	no	no	
(Date)		-	-	-	
On track		-	-	-	
<b>Indicators of market's perception of creditworthiness</b>					
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		03/08 09/08	03/09 09/09	09/09 03/10	
Position in the ranking	(2)	68 68	70 70	70 69	
(number of countries)		(185) (186)	(186) (186)	(186) (186)	

(1) (2) See explanatory notes

### 2.3.2. *Lebanon*

The Lebanese economy had a good performance in 2009. Real GDP growth reached 6.9% and is expected to remain at the same level in 2010. The financial sector proved remarkably resilient to the uncertain environment, with a government of national unity only formed towards the end of 2009. Consumer price inflation came down significantly from 2008 to 2009, from 10.8% to 1.2%, but is expected to rise to 3.7% in 2010. The government deficit remained high, at around 8% in 2009 and is expected to remain near this level in 2010. Total public expenditure increased by around 15%, of which a large part is going to service the public debt. International support helped alleviate the pressure on public finances. This included the first tranche of grants and loans (EUR 15 and EUR 25 million respectively) under the EU macro financial assistance (MFA) facility (payments were made in December 2008 and May 2009 and will be primarily used for debt reduction).

Net public debt to GDP remained at around 150% of GDP, while the external debt-to-GDP ratio (including non-resident deposits) stayed at around 160% of GDP. Trade volumes decelerated from the beginning of 2009 onwards, mirroring the slowdown in major trading partners, notably Arab countries and the EU, which account for around 50 and 17 percent of Lebanese exports, respectively. Persistent high interest rate spreads to international benchmarks kept financing costs up. The current account deficit remains high but broadly stabilised in 2009, at around 11% of GDP and is expected to improve slightly in 2010. Lowering the government debt-to-GDP ratio remains the top medium-term priority to reduce Lebanon's macro-financial vulnerabilities. The high debt levels could produce unsustainable debt dynamics should the economy suffer a negative shock, while the high interest burden (45 percent of revenues) crowds out productive public spending, limiting the economy's growth potential. About half of the debt is denominated in foreign currency.



Country-risk indicators: <u>Lebanon</u>		2008	2009	2010	
<b>Output and prices</b>					
Real GDP growth rate	(%)	9,3	6,9	7,2	
Unemployment (end of period)	(% labour force)	n.a.	n.a.	n.a.	
Inflation rate (CPI) (Dec/Dec)	(% change)	10,8	1,2	3,7	
<b>General government balance</b>		(% of GDP)	-9,6	-8,1	-8,7
<b>Balance of payments</b>					
Exports of goods	(m USD)	5.251	4.716	5.069	
Current account balance	(% of GDP)	-11,4	-11,3	-10,5	
Net inflow of foreign direct investment	(m USD)	2,6	3,7	3,9	
Official reserves, including gold (end of period) m EUR		19,3	28,6	32,2	
Months' imports of goods and services		7,9	10,3	10,3	
Exchange rate (end of period)	(per USD)	1.507,5	1.507,5	1.507,5	
<b>External debt</b>					
External debt (end of period)	(m USD)	30.611	31.892	34.440	
External debt/GDP (end of period, includes non-resident deposits)	(%)	172,0	171,0	160,00	
Debt service/exports of goods and services	(%)	106,3	121,4	160,0	
Arrears (on both interest and principal)	(%)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
<b>Indicators of EU exposure</b>					
EU exposure (capital and interest due)	(m EUR)	508	539	603	
EU exposure/total EU exposure	(%) (1)	3,6	3,3	3,3	
EU exposure/external debt	(%)	0,7	0,6	1,4	
EU exposure/exports of goods and services	(%)	13,4	16,0	14,6	
<b>IMF arrangements</b>					
Type			EPCA II		
(Date)			adopted 3-11		
On track			yes (concluded June 2009)		
<b>Indicators of market's perception of creditworthiness</b>					
Moody's long-term foreign currency rating (end of period)		B3	B3	B2	
S&P long-term foreign currency rating (end of period)		B-	B-	B-	
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10	
Position in the ranking	(2)	127 134	102 80	80 82	
(number of countries)		(185) (186)	(186) (186)	(186) (186)	

(1) (2) See explanatory notes

### 2.3.3. Tunisia

Despite the global financial and economic crisis, the performance of the Tunisian economy remained overall robust in 2009. Real GDP growth slowed down to 3% in 2009 (4.6% in 2008), but is expected to accelerate again in the near future. On the back of the weaker economic activity, consumer price inflation fell from 5 % in 2008 to 3.5% in 2009. The country risks moving back to a situation of relatively high inflation, like it did in the years before the global crisis. Due to the lack of basic agriculture and the significant weight of food items in the average consumption basket, Tunisia is very exposed to the global commodity market developments. The fiscal deficit increased significantly during the crisis, from 0.8% in 2008 to 5% of GDP in 2010, underlining a need for serious fiscal consolidation. However, in comparison with many of its neighbours, the public debt stock is not excessively high (below 50% of GDP). Tunisia's trade deficit is high, at 3-4% of GDP, as it has no strong export position in the world economy. This deficit is only just compensated by the inflow of remittances and FDI. Remaining committed in the overall monetary policy framework to inflation targeting over the medium term, the Tunisian dinar has been pegged to a basket of currencies in which the euro holds the largest share. This helped stabilise the exchange rate during the global financial crisis. Gross reserves are expected to cover hardly six months of imports by the end of 2010.

Country-risk : <u>Tunisia</u>		2008	2009	2010
<b>Output and prices</b>				
Real GDP growth rate	(%)	4,6	3,0	3,4
Unemployment (end of period)	(% labour force)	14,2	13,3	14,0
Inflation rate (CPI) (Dec/Dec)	(% change)	5,0	3,5	4,5
<b>General government balance</b>				
	(% of GDP)			
<b>Balance of payments</b>				
Exports of goods	(m USD)	19.184	14.419	16.106
Current account balance	(% of GDP)	-4,2	-3,1	-3,5
Net inflow of foreign direct investment	(m USD)	2.300	1.300	1.296
Official reserves, including gold (end of period) m EUR		6,1	8,1	8,1
Months' imports of goods and services		4,1	5,6	5,9
Exchange rate (end of period)	( per USD)	1,31	1,35	1,42
<b>External debt</b>				
External debt (end of period)	(m USD)	20.776	19.596	18.764
External debt/GDP (end of period)	(%)	50,7	49,5	47,8
Debt service/exports of goods	(%)	11,0	22,4	17,2
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m USD)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	1683	1900	1952
EU exposure/total EU exposure	(%) (1)	12,0	11,7	10,8
EU exposure/external debt	(%)	11,3	13,8	8,5
EU exposure/exports of goods and services	(%)	12,2	18,1	14,9
<b>External debt</b>				
Type		no	no	no
(Date)		-	-	-
On track		-	-	-
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		Baa2	Baa2	Baa2
S&P long-term foreign currency rating (end of period)		BBB	BBB	BBB
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10
Position in the ranking	(2)	62 64	53 52	52 71
(number of countries)		(185) (186)	(186) (186)	(186) (186)

(1) (2) See explanatory notes

#### 2.3.4. *Morocco*

The direct impact of the global crisis on Morocco has been limited. With little financial exposure to international markets, strong public finances, resilient domestic demand and an exceptional crop year, GDP growth moderated only to 4.9% in 2009, compared to 5.6% in 2008. The economic growth is expected to fall further to 4.2% in 2010. In line with the slight slow down of GDP growth, consumer price inflation slowed down from 3.7 % in 2008 to 1.% in 2009. However, the rebound of global demand in 2010 put upward pressure on global commodity prices, which were transmitted into higher imported inflation in Morocco in 2010 (at 2.5%). This inflation increase originates mainly from higher energy prices. The public balance recorded a deficit of 2.1% of GDP in 2009 up to 3.9% in 2010, after two surplus years (0.2% in 2007) and (0.4% in 2008). Public finance reforms in the years before the global crisis helped to create fiscal room and kept the public debt to GDP ratio below 60% during 2008-10. The continuation of reforms will help to keep the public debt also in the medium term at a sustainable level. The external position of Morocco improved during the crisis years. The current account deficit narrowed from 6.4% of GDP in 2008 to 3.8% of GDP in 2010. The foreign exchange reserves increased from EUR 16 billion to EUR 18 billion in this same period. Foreign debt is mainly long-term so that no direct risk is associated with the external debt position. Main vulnerability in the Moroccan economy is its weak pension system, and an increasingly aging population (ratio of retirees to the active population is expected to double or treble by 2060).

Country-risk : <u>Morocco</u>		2008	2009	2010
<b>Output and prices</b>				
Real GDP growth rate	(%)	5,6	4,9	4,2
Unemployment (end of period)	(% labour force)	9,6	9,1	9,8
Inflation rate (CPI) (Dec/Dec)	(% change)	3,7	1,0	2,5
<b>General government balance</b>	(% of GDP)	0,4	-2,1	-3,9
<b>Balance of payments</b>				
Exports of goods	(m USD)	10.690	11.926	15.146
Current account balance	(% of GDP)	-6,4	-3,3	-3,8
Net inflow of foreign direct investment	(m USD)	2,0	0,7	2,4
Official reserves, including gold (end of period) m EUR		19,2	21,8	21,4
Months' imports of goods and services		7,5	6,9	6,7
Exchange rate (end of period)	( per USD)			
<b>External debt</b>				
External debt (end of period)	(m USD)	16.174	17.815	20.544
External debt/GDP (end of period)	(%)	27,2	27,1	27,3
Debt service/exports of goods	(%)	25,5	28,5	26,5
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m USD)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	1929	2224	2366
EU exposure/total EU exposure	(%) (1)	13,7	13,7	13,0
EU exposure/external debt	(%)	8,6	8,7	9,4
EU exposure/exports of goods and services	(%)	25,1	26,9	19,2
<b>IMF arrangements</b>				
Type		no	no	no
(Date)		-	-	-
On track		-	-	-
<b>Indicators of market's perception of creditworthiness</b>				
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+	BBB-
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10
Position in the ranking	(2)	66 63	63 54	54 57
(number of countries)		(185) (186)	(186) (186)	(186) (186)

(1) (2) See explanatory notes

### 2.3.5. Syria

During the global crisis, GDP growth in Syria remained at 5%. The external shocks in the economy hardly affected the economy due to low degree of financial and trade integration of the country. The lower global commodity prices improved the terms of trade conditions of Syria and consumer price inflation decreased by 8 percentage points in the period 2008 to 2010 (from 15.7% to 7.9%). Economic activity was supported by fiscal stimulus packages. As a consequence, the fiscal deficit increased from 2.5% of GDP in 2008 to 9.0% in 2009. High oil export revenues in the past helped keep the external debt position at around 13% of GDP. However, the public domestic debt position increased during the crisis years to above 30% of GDP.

In view of the low diversification of economic activity and the almost exhausted oil reserves, the country risks a gloomier public finance and balance of payment position in the medium-to long-term. The further phasing out of government subsidies on energy and privatisations of state companies can help the fiscal consolidation. The exchange rate regime is still loosely pegged to the IMF's special drawing rights. A further opening of the economy is commendable. The inflow of FDI is still low at not even USD 2 billion (equalling 2-3% of GDP). The only positive factor in the development of the current account was an increase in the balance of services due to continued growth of the tourism sector.

Country-risk indicators: <u>Syria</u>		2008	2009	2010	
<b>Output and prices</b>					
Real GDP growth rate	(%)	4,3	5,0	4,0	
Unemployment (end of period)	(% labour force)	10,9	8,5	8,3	
Inflation rate (CPI) (Dec/Dec)	(% change)	15,7	3,8	7,9	
<b>General government balance</b>		(% of GDP)	-2,5	-9,0	-6,2
<b>Balance of payments</b>					
Exports of goods and services	(m USD)	19.278	16.678	18.451	
Current account balance	(% of GDP)	-1,4	-2,8	-2,4	
Net inflow of foreign direct investment	(m USD)	1.627	1.514	1.850	
Official reserves, including gold (end of period) m EUR		11,6	12,7	12,9	
Months' imports of goods and services		9,4	10,7	9,4	
Exchange rate (end of period)	( per USD)	46,0	45,5	46,3	
<b>External debt</b>					
External debt (end of period)	(m USD)	7.112	7.467	7.916	
External debt/GDP (end of period)	(%)	14,5	13,9	13,6	
Debt service/exports of goods and services	(%)	1,0	1,2	1,1	
Arrears (on both interest and principal)	(%)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
<b>Indicators of EU exposure</b>					
EU exposure (capital and interest due)	(m EUR)	536,1	762,8	823,9	
EU exposure/total EU exposure	(%) (1)	3,8	4,7	4,5	
EU exposure/external debt	(%)	13,1	7,1	8,5	
EU exposure/exports of goods and services	(%)	4,4	6,6	5,5	
<b>IMF arrangements</b>					
Type		no	no	no	
(Date)		-	-	-	
On track		-	-	-	
<b>Indicators of market's perception of creditworthiness</b>					
Moody's long-term foreign currency rating (end of period)		none	none	none	
S&P long-term foreign currency rating (end of period)		none	none	none	
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10	
Position in the ranking	(2)	116 115	163 149	149 140	
(number of countries)		(185) (186)	(186) (186)	(186) (186)	

(1) (2) See explanatory notes

## 2.4. Other countries

### 2.4.1. South Africa

Following a contraction in GDP by 1.8% in 2009, South Africa's economy has been recovering strongly since the fourth quarter of 2009, with GDP growth in the current year likely to exceed 3%. The recovery has been led by export-oriented, primarily commodities, and has been supported by strongly countercyclical fiscal policies in 2009/10. The fiscal year 2010/11 budget, however, projects a clear improvement in structural balances in the near and medium-term.

The South African financial sector weathered the global financial crisis quite well. The Rand, which had depreciated strongly, has continued along the appreciating trend that started in early 2009. This has brought it back to the level observed at the beginning of 2008. The current account deficit, which had reached more than 7% of GDP in 2007 and 2008, has declined strongly to 4% in 2009 and is likely to remain below 5% also in 2010; foreign exchange reserves are up from USD 34.1 billion in 2008 to USD 44 billion as of October 2010. External debt is rising from a low level and is expected to be financed by continuing capital inflows.

Country-risk indicators: <b>South Africa</b>		2008	2009	2010
<b>Output and prices</b>				
Real GDP growth rate	(%)	3,1	-1,7	-209,0
Unemployment (average)	(% labour force)	13,5	14,3	16,2
Consumer price inflation (average)	(% change)	11,5	7,1	5,5
<b>General government balance</b>	(% of GDP)	-0,33	-5,1	-5,7
<b>Balance of payments</b>				
Exports of goods and services f.o.b.	(bn USD)	99,4	79,2	92,4
Current account balance	(en % du PIB)	-7,1	-3,9	-4,2
Net inflow of foreign direct investment	(m €)	8084,7	9667,5	11977,9
Official reserves, including gold (end of period)	bn USD	34,2	36,2	41,8
Months of imports of goods and services		3,8	5,3	5,1
Exchange rate (end of period, + is depreciation of LE)	(rands per €)	12,1	11,7	9,8
<b>External debt</b>				
External debt (end of period)	(m €)	52824,9	51515,9	57810,0
External debt/GDP	(%)	27,9	25,0	23,9
Debt service/exports of goods and services	(%)	9,4	10,9	10,8
Arrears (on both interest and principal)	(m €)			
Debt relief agreements and rescheduling	(m €)			
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	636	743	828
EU exposure/total EU exposure	(%) (1)	4,5	4,6	4,6
EU exposure/external debt	(%)	1,3	1,3	1,2
EU exposure/exports of goods and services	(%)	0,9	1,4	1,1
<b>IMF arrangements</b>				
Type		no	no	no
(Date)		-	-	-
On track		-	-	-
<b>IMF arrangements</b>				
Moody's long-term foreign currency rating (end of period)		Baa1	A3	A3
S&P long-term foreign currency rating (end of period)		BBB+	BBB+	BBB+
Euro money		03/08 09/08	03/09 09/09	09/09 03/10
Position in the ranking	(2)	55 54	50 47	47 47
(number of countries)		(185) (186)	(186) (186)	(186) (186)

(1) (2) See explanatory notes

#### 2.4.2. *Brazil*

The Brazilian economy weathered the international financial crisis well; against the background of a very competitive exchange rate, economic growth contracted much less than in other countries (by 0.2% in 2009). On the back of sound fundamentals and strong commodity demand by emerging economies, growth in 2010 is likely to reach 7.4%, due to strong domestic demand and recovery in exports. However, with domestic demand driving up imports even more, the current account deficit is likely to rise to 2.5% of GDP in 2010 (1.5% in 2009).

Given the loose monetary policy environment, with low interest rates in the advanced economies, Brazil now faces the challenge of managing huge capital inflows, which are attracted by higher yields in Brazil and better growth prospects. This is putting pressure on the Brazilian currency to appreciate even more against the US dollar. As a consequence, Brazil has increased the Tax on Financial Transactions (IOF) which applies to foreign investments in Brazilian financial and capital markets: on 20 October 2009 the rate was raised to 2% and then, to 6% on 18 October 2010. However, inflation is now running above the official target of 4.5% for 2010. Like other emerging economies, Brazil now faces the considerable challenge of fighting inflation, while not inducing additional capital inflows. In the absence of

another abrupt change in risk aversion in global capital markets, Brazil is unlikely to face problems with rolling over its – relatively low - external debt (around 13 ½% of GDP).

Country-risk indicators: Brazil		2008	2009	2010	
<b>Output and prices</b>					
Real GDP growth rate	(%)	5.1	-0.2	7.5	
Unemployment (average)	(% labour force)	7.9	8.1	7.2	
Consumer price Inflation (average)	(% change)	5.6	4.9	5	
<b>General government balance</b>		(% of GDP)	-1.9	-3.5	1.7
<b>Balance of payments</b>					
Exports of goods and services f.o.b.	(bn USD)	49.5	38.8	44.6	
Current account balance	(en % du PIB)	-1.7	-1.5	-1.5	
Net inflow of foreign direct investment	(m €)	30064	19906	33136	
Official reserves, including gold (end of period)	bn USD	194	229	276	
Months of imports of goods and services		22	34	29	
Exchange rate (end of period, + is depreciation of LE)	(reais per €)	2.7	2.8	2.8	
<b>External debt</b>					
External debt (end of period)	(m €)	557384	571447	521597	
External debt/GDP	(%)	13.8	13.2	12.1	
Debt service/exports of goods and services	(%)	19	28	28	
Arrears (on both interest and principal)	(m €)	no	no	no	
Debt relief agreements and rescheduling	(m €)	no	no	no	
<b>Indicators of EU exposure</b>					
EU exposure (capital and interest due)	(m EUR)	621	691	884	
EU exposure/total EU exposure	(%) (1)	4.4	4.3	4.9	
EU exposure/external debt	(%)	0.3	0.3	0.1	
EU exposure/exports of goods and services	(%)	0.4	0.9	2.4	
<b>IMF arrangements</b>					
Type		No			
(Date)			22/01/2010		
On track			2 years		
<b>Indicators of markets' perception of creditworthiness</b>					
Moody's long-term foreign currency rating (end of period)		Ba1	Baa3	Baa3	
S&P long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-	
Euromoney		03/08 09/08	03/09 09/09	09/09 03/10	
Position in the ranking	(2)	63 60	51 48	48 51	
(number of countries)		(185) (186)	(186) (186)	(186) (186)	

**Footnotes**

(1) (2) See explanatory notes

### 2.4.3. Mexico

Given its high dependence on developments in the US, Mexico was particularly strongly impacted by the recession in the US since 2007 and the collapse in global trade observed in at the end of 2008. Furthermore, as Mexico relies on remittances from abroad, which dropped drastically, private consumption also declined further. Growth started to recover in the second quarter of 2009, but GDP growth for 2009 was sharply negative (-6.5%).

Developments in 2010 have been positive, with a weak first quarter followed by a strong expansion in the second and third quarter, growth starting to be driven by domestic demand, both private consumption and investment. GDP growth for the year, as a whole, is expected to reach between 4.5% and 5%. Despite the strong depreciation of the Mexican peso, from an average exchange rate of 11.1 pesos to the USD to 13.5 pesos, consumer price inflation has moderately increased from a rate of 5.1% in 2008 to 5.3% in 2009. In 2010, inflation is likely to have declined below 5% on the whole year. Foreign exchange reserves increased from USD 36 billion in 2009 to USD 42 billion in 2010. The current account deficit should remain below 1% of GDP and external debt, which amounts to 20.7% of GDP, is expected to decline in the current year, confirming the relatively sound external position. In April, the IMF and Mexico renewed the USD 48 billion Flexible Credit Line Agreement (FCLA), although the first FCLA agreed upon in April 2009 had never to be activated.

Country-risk indicators: <u>Mexico</u>		2008	2009	2010	
<b>Output and prices</b>					
Real GDP growth rate	(%)	1,3	-6,5	4,9	
Unemployment (average)	(% labour force)	3,9	5,4	5,0	
Consumer price Inflation (average)	(% change)	5	5,2	4,2	
<b>General government balance</b>		(% of GDP)	-0,1	-4,8	-3,6
<b>Balance of payments</b>					
Exports of goods and services f.o.b.	(bn USD)	309,6	244,6	297,6	
Current account balance	(en % du PIB)	-1,5	-0,6	-1,1	
Net inflow of foreign direct investment	(m €)	17021	10399	17500	
Official reserves, including gold (end of period)	bn USD	82,14	78,76	98,75	
Months of imports of goods and services		2,9	3,6	3,6	
Exchange rate (end of period, + is depreciation of LE)	(pesos per €)	16,3	18,7	18,7	
<b>External debt</b>					
External debt (end of period)	(m €)	39319	63389	74430	
External debt/GDP	(%)	5,6	10,8	9,6	
Debt service/exports of goods and services	(%)	2,2	4,3	3,9	
Arrears (on both interest and principal)	(m €)				
Debt relief agreements and rescheduling	(m €)				
<b>Indicators of EU exposure</b>					
EU exposure (capital and interest due)	(m EUR)	77,4	74,6	59,1	
EU exposure/total EU exposure	(%) (1)	0,55	0,52	0,33	
EU exposure/external debt	(%)	0,05	0,05	0,06	
EU exposure/exports of goods and services	(%)	0,04	0,05	0,02	
<b>IMF arrangements</b>					
Type			FCLC	FCLC	
(Date)			17 April 2009	17 April 2010	
On track			expired (not used)	expired (not used)	
<b>Indicators of markets' perception of creditworthiness</b>					
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		03/08 09/08	03/09 09/09	09/09 03/10	
Position in the ranking	(2)	51 51	48 50	50 50	
(number of countries)		(185) (186)	(186) (186)	(186) (186)	

#### Footnotes

(1) (2) See explanatory notes