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date of receipt: 20 February 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
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from the Commission to the European Parliament and the Council on  
guarantees covered by the general budget - Situation at 30 June 2011"

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EUROPEAN COMMISSION

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**COMMISSION STAFF WORKING DOCUMENT**  
*Accompanying the document*

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

**on guarantees covered by the general budget  
situation at 30 June 2011**

{COM(2012) 66 final}

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*This document is a European Commission staff working document for information purposes. It does not represent an official position of the Commission on this issue, nor does it anticipate such a position.*

## **COMMISSION STAFF WORKING DOCUMENT**

### *Accompanying the document*

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

### **on guarantees covered by the general budget situation at 30 June 2011**

#### **1. INTRODUCTION**

This working document is published in parallel with the report from the Commission to the European Parliament and the Council on guarantees covered by the budget at 30 June 2011. It provides information on quantitative aspects of the risk borne by the Budget, relating to third countries and Member States. An overview of the outstanding amount of loans covered by the budget under each programme is presented in section 2. The third countries representing important risks to the Budget during the second semester 2011, 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 in section 3. The evaluation comprises short analyses and tables of risk indicators. The evaluated countries are grouped in 6 sub-sections: candidate countries (3.1), potential candidate countries (3.2) Mediterranean partners (3.3), Eastern partnerships (3.4), BRICS countries (3.5) and other countries (3.6).

#### **2. SITUATION OF RISKS COVERED BY THE BUDGET**

##### **2.1. Overview of capital loan operations covered by the EU guarantee**

Table A1 shows the outstanding amount of capital 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.

**TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 30.06.2011 (in EUR million)**

Operations	Authorised ceiling (a)	Capital outstanding at 31.12.2010 (b)	Capital outstanding at 30.06.2011 (b)	Remainder to be disbursed at 30.06.2011 (c)
<b>MEMBER STATES</b>				
EIB (Member States)		3,240	3,061	501
MFA to Bulgaria and Romania		38	38	
Euratom to Bulgaria and Romania		417	410	
<b>BoP<sup>1</sup></b>				
Hungary	6,500	5,500	5,500	
Latvia	3,100	2,900	2,900	200
Romania	5,000	3,650	5,000	0
<b>EFSM</b>				
Ireland	22,500		11,400	11,100
Portugal	26,000		6,500	19,500
<b>MEMBER STATES - TOTAL</b>	<b>63,100</b>	<b>15,744</b>	<b>34,808</b>	<b>31,301</b>
<b>THIRD COUNTRIES</b>				
<b>A. Macro-Financial Assistance</b>				
Albania	9	9	9	
Bosnia-Herzegovina	40	38	38	
FYROM	90	69	66	
Georgia	142	14	14	
Lebanon	50	25	25	25
Serbia and Montenegro <sup>4</sup>	280	280		
Serbia			273	
Montenegro			7	
Tajikistan	75	28	28	
<b>Sub total MFA</b>	<b>686</b>	<b>463</b>	<b>460</b>	<b>25</b>
<b>B. EURATOM<sup>2</sup></b>		<b>49</b>	<b>45</b>	<b>9</b>
<b>C. Other</b>				
EIB Pre-Accession countries	28,755	8,173	8,632	4,864
EIB Neighbourhood and Partnership countries	28,342	7,204	7,163	6,505
EIB Asia and Latin America	8,205	2,524	2,455	1,195
EIB South Africa	2,400	845	940	268
<b>Sub total EIB<sup>3</sup></b>	<b>67,702</b>	<b>21,987</b>	<b>22,251</b>	<b>13,333</b>
<b>THIRD COUNTRIES - TOTAL</b>	<b>68,388</b>	<b>19,259</b>	<b>19,695</b>	<b>12,866</b>
<b>GRAND TOTAL</b>	<b>131,488</b>	<b>35,002</b>	<b>54,503</b>	<b>44,167</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.

(4) The loans have been re-assigned respectively to each country at 01.01.2011

- Explanatory notes to table (A1)

(a) 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.

(b) Capital outstanding (Table A1)

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

(c) Remainder to be disbursed (Table A1)

Amount of loans signed not yet disbursed at the reporting date.

- EIB financing operations

In the past, EIB financing operations represented the largest category of the total loan operations covered by the Budget. At the date of this report, it still amounts to 41%. However, the

implementation of the EFSM gradually increases the portion of the risk borne by the Budget that relates to the Member States.

The following table provides further details on the breakdown of EIB financing operations.

**ANNEX TO TABLE A1: SITUATION IN RESPECT OF EIB OPERATIONS at 30.06.2011 (in EUR million)**

Operations	Authorised ceiling (a)	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 30.06.2011 (b)
<b>Mandate 2007/2013:</b>	<b>25,800</b>	<b>17,691</b>	<b>7,180</b>	<b>7,029</b>
<i>Pre-Accession countries</i>	8,700	6,888	3,428	3,416
<i>Neighbourhood and Partnership countries:</i>	12,400	7,598	1,983	1,852
Mediterranean	8,700	6,115	1,771	1,755
Eastern Europe, Southern Caucasus and Russia	3,700	1,483	211	96
<i>Asia and Latin America:</i>	3,800	2,633	1,431	1,424
Asia	1,000	786	318	318
Latin America	2,800	1,847	1,113	1,107
<i>South Africa</i>	900	571	339	337
<b>Previous General Mandate 2000/2007<sup>3</sup>:</b>	<b>20,060</b>	<b>19,194</b>	<b>15,774</b>	<b>11,774</b>
<i>Pre-Accession countries</i>	10,235	7,335	5,889	4,905
<i>Neighbourhood and Partnership countries</i>	6,520	6,192	5,192	4,062
<i>Asia and Latin America</i>	2,480	2,105	1,713	830
<i>South Africa</i>	825	817	703	535
<i>Member States (following the accession)<sup>2</sup></i>		2,744	2,277	1,441
<b>sub-total 65 %<sup>1</sup></b>	<b>45,860</b>	<b>36,884</b>	<b>22,954</b>	<b>18,802</b>
<b>Financial agreements (70% Guarantee rate)</b>	<b>7,477</b>	<b>6,512</b>	<b>6,045</b>	<b>2,105</b>
<i>Pre-Accession countries</i>	3,770	477	449	250
<i>Neighbourhood and Partnership countries</i>	2,310	1,617	1,504	489
<i>Asia and Latin America:</i>	1,022	809	660	110
<i>South Africa</i>	375	375	269	66
<i>Member States (following the accession)<sup>2</sup></i>		3,235	3,163	1,190
<b>sub-total 70 %<sup>1</sup></b>	<b>7,477</b>	<b>6,512</b>	<b>6,045</b>	<b>2,105</b>
<b>Financial agreements (75% Guarantee rate)</b>	<b>7,712</b>	<b>7,062</b>	<b>7,200</b>	<b>594</b>
<i>Pre-Accession countries</i>	1,350	713	719	58
<i>Neighbourhood and Partnership countries</i>	6,362	4,492	4,522	491
<i>Member States (following the accession)<sup>2</sup></i>		1,857	1,959	45
<b>sub-total 75 %<sup>1</sup></b>	<b>7,712</b>	<b>7,062</b>	<b>7,200</b>	<b>594</b>
<b>Financial agreements (100% Guarantee rate)</b>	<b>6,653</b>	<b>5,320</b>	<b>5,355</b>	<b>750</b>
<i>Pre-Accession countries</i>	4,700	29	29	3
<i>Neighbourhood and Partnership countries</i>	750	315	285	269
<i>Asia and Latin America</i>	903	710	716	90
<i>South Africa</i>	300	285	203	2
<i>Member States (following the accession)<sup>2</sup></i>		3,982	4,122	385
<b>sub-total 100 %<sup>1</sup></b>	<b>6,653</b>	<b>5,320</b>	<b>5,355</b>	<b>750</b>
<b>Total</b>	<b>67,702</b>	<b>55,779</b>	<b>41,554</b>	<b>22,251</b>

(1) Percentage figures relate to the Guarantee rate.

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

(3) Including Turkey Terra and Special Action Turkey.

## 2.2. Risk factors

### 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.

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

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, Decision 633/2009/EC and by Decision 1080/2011/EU 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,
- 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.

### **2.3. Cumulative and annual Budget guarantee exposures**

With the cash flow approach based on the existing loans disbursed it is possible to calculate the total capital exposure of the budget and the total capital and interest payments due to be received each year. The following table A2 includes the estimated amount of principal and interest due each financial year by each country according to disbursements made until 30 June 2011<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 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, EFSM and EIB) disbursed at 30.06.2011.

Ranking	Country	2011	2012	2013	2014	2015	2016	2017	2018-2041	Grand Total
1	Hungary	2,145.6	141.7	132.9	2,128.4	63.0	1,558.8	2.1	0.0	6,172.4
2	Turkey	220.7	420.7	429.5	460.0	555.9	519.7	903.0	4,288.3	7,817.8
3	Romania	197.0	386.6	382.8	362.9	1,861.6	291.5	1,432.1	3,272.0	8,186.6
4	Ireland	111.7	345.0	340.5	340.5	5,340.5	215.5	215.5	6,930.5	13,839.6
5	Egypt	91.7	194.5	190.2	174.3	173.9	174.1	165.9	808.5	1,973.1
6	Morocco	87.8	176.9	180.1	181.6	284.5	160.6	158.2	1,254.9	2,484.8
7	Tunisia	86.6	179.7	190.1	187.8	185.3	184.4	174.2	1,131.9	2,320.1
8	Serbia	75.8	147.2	154.2	167.8	220.4	169.6	157.9	725.3	1,818.2
9	Lebanon	54.0	77.5	80.3	88.5	63.9	56.6	46.3	117.3	584.5
10	South Africa	47.9	106.3	82.6	85.2	91.3	95.3	88.7	639.3	1,236.6
11	Poland	40.1	77.8	71.9	53.3	43.3	29.4	21.6	91.3	428.6
12	Syria	39.3	76.7	75.0	74.4	78.5	77.5	55.6	276.0	753.1
13	Bulgaria	37.5	90.6	77.5	77.9	74.2	71.6	66.3	214.9	710.5
14	Czech Republic	36.7	71.2	68.7	56.4	45.7	43.7	25.9	60.4	408.7
15	Bosnia and Herzegovina	27.0	73.3	46.9	46.3	88.3	42.1	49.4	253.7	627.1
16	Slovak Republic	26.7	51.0	37.2	25.8	15.1	14.7	14.2	87.2	271.9
17	Brazil	23.2	44.2	71.6	98.7	217.4	198.8	58.7	73.8	786.3
18	Croatia	22.6	45.8	45.9	42.5	40.5	38.9	38.0	230.0	504.2
19	Jordan	22.2	44.4	37.7	34.0	26.8	25.0	24.1	148.4	362.6
20	The former Yugoslav Republic of Macedonia	20.6	47.7	46.1	48.5	42.1	29.6	21.1	49.1	304.8
21	Georgia	14.0	0.0	0.0	0.8	1.7	2.0	2.0	27.3	48.0
22	Argentina	12.8	19.6	43.7	35.2	34.0	29.0	27.8	52.0	254.1
23	Peru	9.3	18.0	17.9	14.5	14.5	12.0	12.0	5.5	103.7
24	Latvia	9.1	96.6	96.5	1,096.4	1,265.0	26.6	25.8	786.4	3,402.4
25	Vietnam	8.4	15.9	17.2	19.7	15.9	16.5	14.0	71.4	179.0
26	Albania	8.4	17.8	15.9	19.8	20.8	20.3	21.4	130.3	254.6
27	Colombia	8.3	20.4	23.1	23.1	23.1	23.1	23.1	23.5	167.7
28	Israel	7.4	14.3	14.5	14.8	12.8	11.1	10.3	135.3	220.5
29	Montenegro	6.9	10.5	13.9	16.4	18.1	18.1	17.3	91.9	193.1
30	Indonesia	6.8	11.5	11.5	11.5	11.5	7.5	7.5	12.8	80.7
31	the Philippines	6.2	12.8	13.4	14.8	13.6	12.5	7.9	15.7	96.9
32	Pakistan	6.0	11.8	9.0	6.2	6.2	4.3	3.5	5.2	52.2
33	Slovenia	5.9	11.4	9.4	7.4	4.4	2.1	0.0	0.0	40.7
34	Ukraine	5.6	7.1	6.9	6.8	11.3	17.8	18.9	160.7	235.1
35	Cyprus	4.6	7.6	5.0	3.2	0.0	0.0	0.0	0.0	20.5
36	Sri Lanka	4.1	7.7	10.4	13.5	15.2	13.6	13.0	44.1	121.4
37	India	3.7	8.2	21.8	27.9	32.2	32.2	27.2	37.8	190.9
38	China	3.6	6.7	6.8	7.1	8.8	4.5	4.7	47.4	89.8
39	Paraguay	3.6	6.9	13.8	13.8	13.8	10.4	6.9	0.0	69.3
40	Russia	3.3	8.6	8.5	8.1	11.5	12.6	10.9	66.5	130.0
41	Panama	3.1	6.0	6.0	6.0	6.1	6.3	6.4	112.2	152.0
42	Maldives	2.7	5.1	5.1	5.1	5.1	5.1	3.5	8.4	40.4
43	Lithuania	2.7	5.3	5.1	5.0	4.8	4.6	4.4	8.8	40.8
44	Bangladesh	2.3	4.6	4.6	0.0	0.0	0.0	0.0	0.0	11.6
45	Thailand	2.2	6.1	8.3	2.0	0.0	0.0	0.0	0.0	18.5
46	Mexico	2.1	3.7	6.1	6.1	6.0	5.9	5.9	87.9	123.7
47	Ecuador	2.1	3.9	3.9	3.9	3.9	3.9	3.9	5.9	31.6
48	Costa Rica	1.8	3.5	3.5	0.0	0.0	0.0	0.0	0.0	8.8
49	Uruguay	1.6	3.4	4.0	4.5	3.7	3.7	1.9	0.0	22.8
50	The West Bank and the Gaza Strip	1.3	2.5	2.5	2.5	2.5	2.4	2.3	2.0	18.0
51	Laos	1.2	2.4	2.4	2.4	2.5	2.5	2.5	54.9	70.9
52	El Salvador	1.0	0.9	1.4	1.2	1.7	2.3	1.9	22.5	32.8
53	Malaysia	0.9	1.8	0.9	0.0	0.0	0.0	0.0	0.0	3.5
54	Estonia	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	1.0
55	Republic of Moldova	0.3	0.6	0.7	0.9	1.7	2.2	2.4	15.7	24.4
56	Malta	0.3	0.7	0.3	0.0	0.0	0.0	0.0	0.0	1.4
57	Tajikistan	0.2	12.4	12.2	4.0					28.8
58	Algeria	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
59	Portugal	0.0	193.3	191.9	191.9	191.9	4,941.9	61.3	1,995.0	7,767.0
60	Armenia		1.0	1.0	1.0	1.0	1.0	1.0	34.6	40.4
	Grand Total	3,579.2	3,370.0	3,361.2	6,352.5	11,277.6	9,255.1	4,070.6	24,714.3	65,980.5
	MS	2,618.4	1,479.3	1,419.7	4,349.1	8,909.4	7,200.3	1,869.3	13,446.5	41,292.0
	% of MS in the total	73%	44%	42%	68%	79%	78%	46%	54%	63%



## 2.4. Loan operations covered by the Budget guarantee

The Budget covers two types of lending operations. These are:

- (a) Lending operations to **Member States**. These relate to BoP, EFSM, and to lending granted to certain Member States prior to their EU accession under the MFA, Euratom, (table A3a) and EIB guaranteed lending operations (table A4).

TABLE A3a  
BoP, EFSM, Euratom and MFA lending operations to Member States (EUR million)  
Period 31.12.2010 to 30.06.2011

Instrument	Decision	Date of decision	Loan term (years)	Availability period (for Request for Funds)	Guarantee Rate	Maturity Date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Outstanding amount at 31.12.2010	Operations carried out during the 1st semester 2011		Outstanding amount at 30.06.2011
										Amounts disbursed	Amounts repaid	
<b>BoP</b>	2009/431/EC (1)	8/05/2009			100%		50,000.0					
<b>Hungary</b>	2009/102/EC	4/11/2008		closed **			16,000.0	12,050.0	1,350.0	0.0	13,400.0	
1st tranche		9/12/2008	3			9/12/2011	6,500.0	5,500.0	0.0	0.0	5,500.0	
2nd tranche		26/03/2009	5.6			7/11/2014		2,000.0			2,000.0	
3rd tranche		6/07/2009	6.8			6/04/2016		2,000.0			2,000.0	
3rd tranche								1,500.0			1,500.0	
<b>Latvia</b>	2009/290/EC	20/01/2009		12/01/2012			3,100.0	2,900.0	0.0	0.0	2,900.0	
1st tranche		25/02/2009	5.1			3/04/2014		1,000.0			1,000.0	
2nd tranche		27/07/2009	5.5			27/01/2015		1,200.0			1,200.0	
3rd tranche		17/02/2010	9.2			10/05/2019		500.0			500.0	
4th tranche		16/07/2010	15			20/10/2025		200.0			200.0	
<b>Romania</b>	2009/459/EC	6/05/2009		closed			5,000.0	3,650.0	1,350.0	0.0	5,000.0	
1st tranche		27/07/2009	5.5			27/01/2015		1,500.0			1,500.0	
2nd tranche		17/02/2010	9.2			10/05/2019		1,000.0			1,000.0	
3rd tranche		22/09/2010	7			22/09/2017		1,150.0			1,150.0	
4th tranche		24/03/2011	6.93			4/04/2018			1,200.0		1,200.0	
5th tranche		22/06/2011	7.3			4/10/2018			150.0		150.0	
<b>Precautionary EU medium-term financial assistance for Romania</b>	2011/288/EU	12/05/2011		31/03/2013			1,400.0					
<b>EFSM</b>	2010/407/EU	11/05/2010			100%		60,000.0					
<b>Ireland</b>	2011/777/EU	7/12/2010		8/12/2013			48,500.0	17,900.0	11,400.0	0.0	17,900.0	
1st instalment - tranche 1		12/01/2011	4, 9			4/12/2015	22,500.0	5,000.0			5,000.0	
1st instalment - tranche 2		24/03/2011	7			4/04/2018		3,400.0			3,400.0	
2nd instalment - tranche 1		31/05/2011	10			4/06/2021		3,000.0			3,000.0	
<b>Portugal</b>	2011/344/EU	30/05/2011		18/05/2014			26,000.0	6,500.0	0.0	0.0	6,500.0	
1st instalment - tranche 1		31/05/2011	10			4/06/2021		1,750.0			1,750.0	
1st instalment - tranche 2		1/06/2011	5			3/06/2016		4,750.0			4,750.0	
<b>EURATOM</b>	77/270-271/Euratom 80/29/Euratom 82/170/Euratom 85/537/Euratom 90/212/Euratom	29/03/1977 20/12/1979 15/03/1982 5/12/1985 23/04/1990			100%		4,000.0	4,000.0	416.8	0.0	6.5	410.3
<b>Bulgaria</b>				closed				500.0				
1st tranche			20			10/05/2021	212.5	193.3			6.5	186.8
2nd tranche			15			15/01/2017		40.0				40.0
3rd tranche			17			19/08/2019		8.5		0.8	7.8	
4th tranche			15			18/06/2018		23.8		1.3	22.5	
5th tranche			15			16/01/2019		18.8		1.3	17.5	
6th tranche			15			16/01/2019		29.8		1.8	28.0	
7th tranche			16			10/09/2020		30.0		1.5	28.5	
8th tranche			16			4/04/2021		25.0			25.0	
8th tranche			14			23/02/2020		17.5			17.5	
<b>Romania</b>				closed			223.5	223.5				223.5
1st tranche			17			21.07.2022		100.0				100.0
2nd tranche			19			26.11.2024		90.0				90.0
3rd tranche			18			23.02.2024		33.5				33.5
<b>MFA*</b>							300.0	37.5	0.0	0.0	0.0	37.5
<b>BULGARIA IV*</b>	99/731/EC	08.11.99		closed			100.0	0.0	0.0	0.0	0.0	0.0
1st tranche			10			21.12.2009		40.0				40.0
2nd tranche			-			-		60.0				60.0
<b>ROMANIA IV*</b>	99/732/EC	08.11.99		closed			200.0	37.5	0.0	0.0	0.0	37.5
1st tranche			10			29.06.2010		100.0				100.0
2nd tranche			10			17.07.2013		50.0				50.0
3rd tranche			-			-		50.0				50.0
* Member States as of 01.01.2007												
** Means that no further request for disbursement are possible (either because the total amount has been disbursed or because the facility has expired)												
<b>TOTAL</b>							<b>68,800.0</b>	<b>12,921.0</b>	<b>19,250.0</b>	<b>13.0</b>	<b>31,747.8</b>	

(1) Regulation establishing the facility stipulating that the outstanding amount of loans to be granted to Member States shall be limited to EUR 50 billion in principal

- (b) Lending operations to **non Member States** are covered by the Guarantee Fund for external actions. These include MFA, Euratom (Table A3b) and EIB guaranteed lending operations to third countries (table A4).

**TABLE A3b**  
European Union (MFA) and Euratom loans to non-member States (EUR million)  
Changes in amounts outstanding during six-month period 31.12.2010 to 30.06.2011, broken down by countries and tranches

COUNTRY	Decision	Date of decision	Availability Period (for Request for Funds)	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 31.12.2010	Operations in six-month period		Amount outstanding at 30.06.2011
									Amounts disbursed	Amounts repaid	
<b>MFA</b>							<b>1629.0</b>	<b>462.5</b>	<b>0.0</b>	<b>3.0</b>	<b>459.5</b>
<b>BOSNIA AND HERZEGOVINA I</b>	99/325/EC	10.05.99		15	22.12.14	(c)	20.0	8.0			0.0
1st tranche				15	-	(c)	10.0	10.0			8.0
2nd tranche				15		(c)	10.0	0.0			10.0
<b>BOSNIA AND HERZEGOVINA II</b>	02/883/EC	09.11.02		15	16.01.19	(c)	20.0	10.0			0.0
1st tranche				15	9.02.21	(c)	10.0	10.0			10.0
2nd tranche				15		(c)	10.0	0.0			10.0
<b>FYROM I</b>	97/471/EC	22.07.97		15	27.09.12	(c)	40.0	10.0			0.0
1st tranche				15	13.02.13	(c)	25.0	9.0			10.0
2nd tranche				15		(c)	15.0	0.0		3.0	6.0
<b>FYROM II</b>	99/733/EC	08.11.99		15	15.01.16	(c)	50.0	10.0			0.0
1st tranche				15	30.01.17	(c)	10.0	12.0			10.0
2nd tranche				15	04.06.18	(c)	12.0	10.0			12.0
3rd tranche				15	23.12.18	(c)	10.0	18.0			10.0
4th tranche				15	24.07.13	(c)	18.0	13.5			18.0
<b>GEORGIA</b>	97/787/EC	17.11.97		15		(c)	110.0	75.0			13.5
<b>TAJIKISTAN</b>	2000/244/EC	20.03.00	closed	15	30.03.16	(b)	75.0	60.0			28.0
1st tranche				15	17.10.16	(c)	60.0	225.0			28.0
<b>SERBIA AND MONTENEGRO *</b>	2001/549/EC	16.07.01		15		(c)	225.0	55.0			225.0
<b>SERBIA AND MONTENEGRO *</b>	2002/882/EC	09.11.02		15	28.02.18	(c)	10.0	10.0			10.0
1st tranche				15	1.09.18	(c)	30.0	30.0			30.0
2nd tranche				15	4.05.20	(c)	15.0	15.0			15.0
3rd tranche				15	23.03.21	(c)	9.0	9.0			9.0
<b>ALBANIA</b>	2004/580/EC	29.04.04		10	4.06.14	(b)	50.0	25.0			25.0
<b>LEBANON</b>	2007/860/EC	21.12.07	closed			(d)	65.0				
<b>ARMENIA</b>	2009/890/EC	30.11.09	15/11/2012			(d)	100.0				
<b>BOSNIA &amp; HERZEGOVINA</b>	2009/891/EC	30.11.09	8/08/2012			(d)	200.0				
<b>SERBIA</b>	2009/892/EC	30.11.09	5/04/2012			(d)	110.0				
<b>UKRAINE IV</b>	2002/639/EC	12.07.02	open **			(d)	500.0				
<b>UKRAINE V</b>	388/2010/EU	7.07.10	not yet fixed ***			(d)					
<b>EURATOM</b>											
<b>UKRAINE (Euratom)</b>	94/179/EC	21.03.94		11	29.07.18	(c)	EUR equivalent ****	49.0		2.8	44.8 *
		15.03.07				(c)	39.0 EUR	29.3		2.0	27.3
		06.10.08				(c)	22.0 USD	13.0		0.8	11.2
		15.10.09				(c)	10.3 USD	6.8		0.0	6.3
<b>TOTAL</b>							of USD 83 million	<b>511.5</b>	<b>0.0</b>	<b>5.8</b>	<b>504.3</b>

\* The outstanding amounts of the two countries have been split as of 01.01.11

following the signature of the loan agreement with Montenegro on 09/02/2010 confirmed by Serbia on 24/11/2010

\*\* Means that the Council decision did not foresee any expiry date and the total amount has not been disbursed

\*\*\* Means that the Memorandum of Understanding and the Loan Agreement have not been signed nor have they entered into force

\*\*\*\* Including exchange rate valuation

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 31.12.10	at 30.06.11	at 31.12.10	at 30.06.11
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6,062	5,548	5,548	402	360
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1,800	1,656	1,656	293	234
<b>TOTAL MED. (3)</b>					<b>7,862</b>	<b>7,204</b>	<b>7,204</b>	<b>695</b>	<b>594</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	76	58
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	-	-
<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	372	330
<b>Asia, Latin America I</b>	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	103	86
<b>Asia, Latin America Interim</b>	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	4	4
<b>Asia, Latin America Interim</b>	96/723/EC	12.12.96	70%	21.10.97	122	122	122	5	4
<b>South Africa</b>	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	3	2
<b>New mandates</b>	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7,105	6,139	6,139	2,116	1,946
<b>FYROM</b>	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	96	91
<b>Bosnia and Herzegovina</b>	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	67	65
<b>Turkey Terra</b>	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	600	600	491	478
<b>Mandates 2000-2007</b>	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19,460	18,630	18,594	11,724	11,296
<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	72	66
<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	160	203
<b>Mandate 2007-2013</b>	2006/1016/EC(12)	19.12.06	65%	01.08.07/29.08.07 (13)	25,800	16,600	17,691	6,003	7,029
<b>TOTAL</b>					<b>67,702</b>	<b>54,724</b>	<b>55,779</b>	<b>21,987</b>	<b>22,251</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.

(3) The Community has guaranteed EUR 5,497 million, of which EUR 141.5 million were 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 initial amount of EUR 25,800 will be increased up to EUR 29,484 million further to a Council and European Parliament Decision of 13.10.2011 (1080/2011/EU of 25 October 2011), granting an additional mandate of EUR 2,000 million to tackle climate change and an amount of EUR 1,684 million to foster EIB risk policy.

## 2.5. Evolution of risk

The evolution of risk corresponds to the schedule of the total annual repayments (amount in capital including interests due) under all financial instruments guaranteed by the Budget. The situation of loans to Member States implies that the risk is *directly* covered by the Budget. Regarding the situation of loans to third countries the risk is covered in the first instance by the Guarantee Fund for external actions.

### 2.5.1. Situation of loans to Member States

With the implementation of the EFSM the total risk towards Member States including BoP, Euratom, EIB and MFA lending has drastically increased during the first semester 2011.

**The EFSM** was activated for Ireland with disbursements in January, March and May for a total of EUR 11.4 billion. Portugal has also required lending under this programme and disbursements took place in May and June, amounting to EUR 6.5 billion. Additional instalments have been disbursed after 30.06.2011 for a total of respectively EUR 2.5 billion for Ireland and EUR 7.6 billion for Portugal but they are not taken into consideration in graph A1 below, since the relating loan operations were not disbursed at the closing date of the report.

Two additional tranches for **BoP** loans were disbursed for Romania for a total amount of EUR 1.35 billion.

There were no reimbursements over the period, however the first tranche of EUR 2 billion disbursed to Hungary in December 2008 is due in December 2011 (included in Graph A1).

Regarding Euratom loans, no disbursements took place and EUR 6.6 million was reimbursed by Bulgaria.

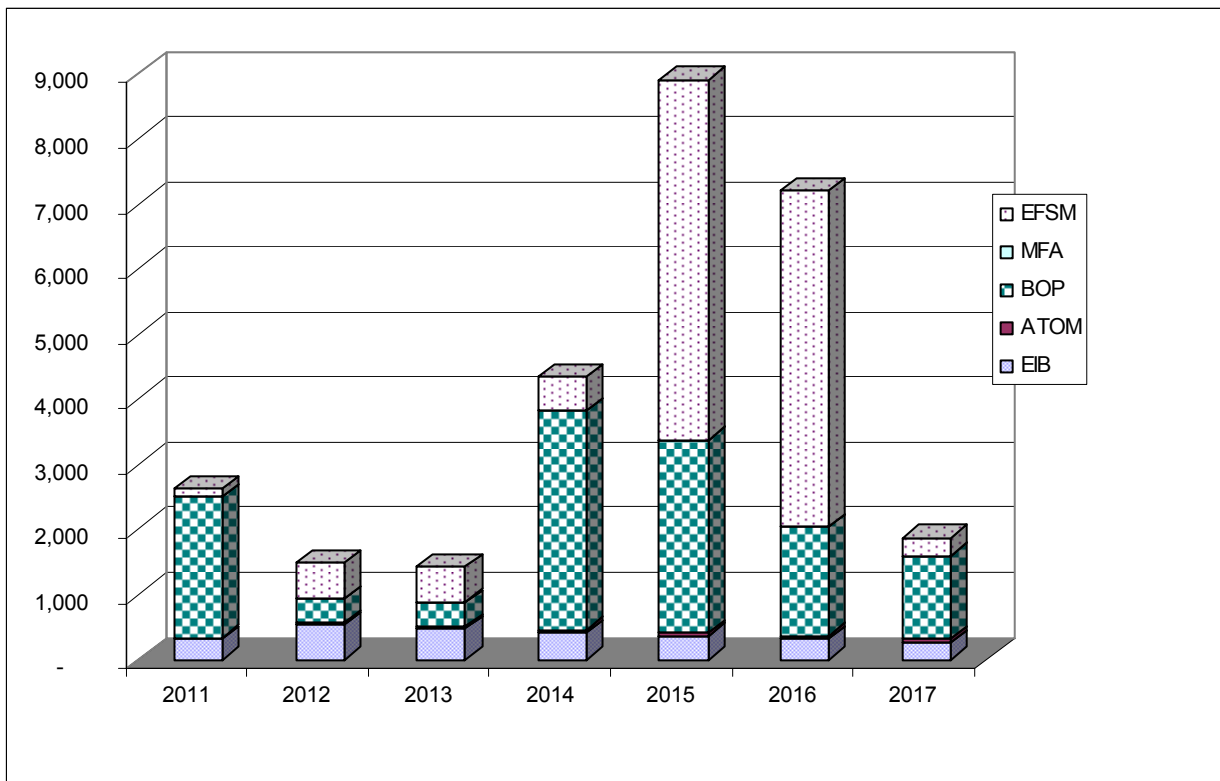
Exposure to EU Member States represents now 64% of the total outstanding in comparison with 45% at 31.12.2010 and this trend will most likely continue over the next years.

**Graph A1: Total Annual Risk to the Budget<sup>3</sup> relating to Member States at 30.06.2011<sup>4</sup> (EUR million) for the period 2011-2017**

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<sup>3</sup> Based on the amounts due (capital and interest) under operations disbursed at 30.06.2011.

<sup>4</sup> As of 30 June 2011, the 2011 annual risk for Member States was EUR 2,618 million.



### 2.5.2. Situation of loans to third countries

At 30 June 2011, a total of EUR 2,316 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

	Ceiling	Loans made available (minus cancellations) at 30.06.2011***	to be disbursed****
<b>Mediterranean</b>	6,520	6,192	836
<b>South-Eastern Neighbours**</b>	10,235	7,335	1,414
<b>Asia, Latin America</b>	2,480	2,105	25
<b>South Africa</b>	825	817	41
<b>Sub-total third countries</b>	<b>20,060</b>	<b>16,449</b>	<b>2,316</b>
<b>Member States*</b>		2,744	481
	<b>20,060</b>	<b>19,194</b>	<b>2,797</b>

\* No ceiling for Member States as the loan operations were decided before enlargement rounds under the Mandate. Mediterranean and South-Eastern Neighbours ceilings were amended following the enlargements rounds.

\*\* The ceiling includes Terra Turkey and Special Action Turkey.

\*\*\* Signatures up to 31.07.2008 (end of the Mandate 2000-2007). No additional signatures allowed after this date.

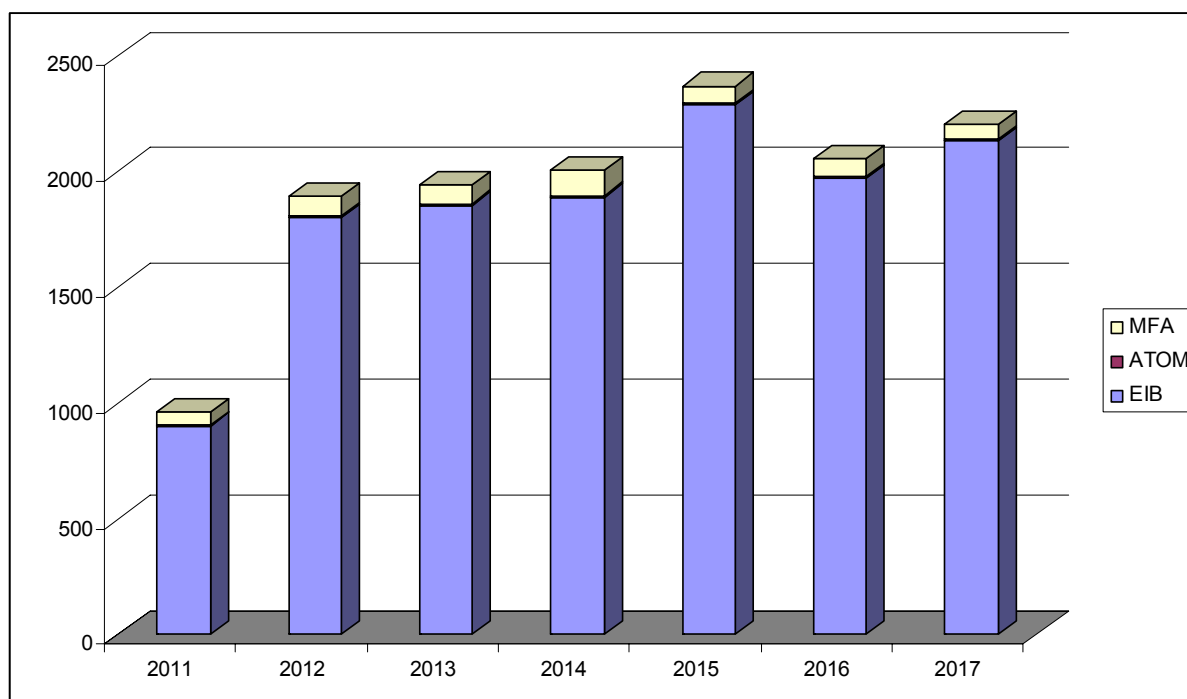
\*\*\*\* Loans have to be drawn within 10 years from the end of the Mandate.

At the same date, an amount of EUR 10,430 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\*

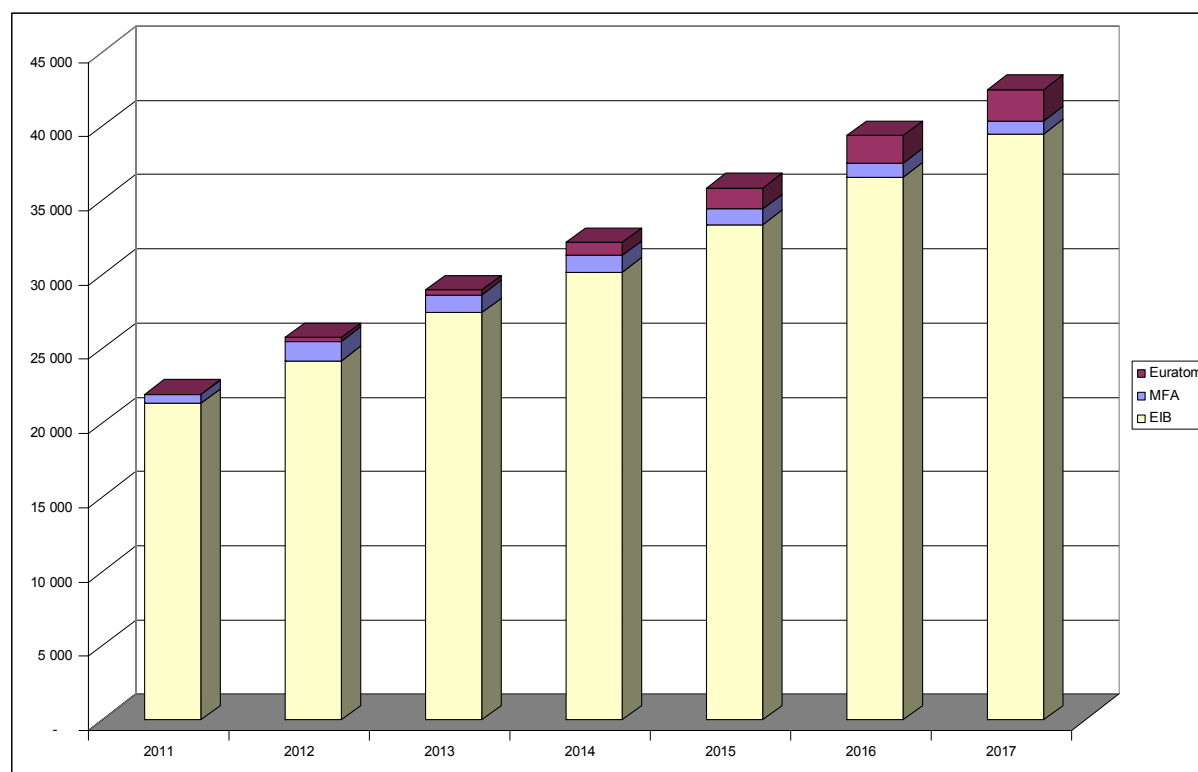
	Ceiling	Loans made available (minus cancellations) at 30.06.2011	to be disbursed
<b>A. Pre-Accession Countries</b>	8,700	7,598	5,597
<b>B. Neighbourhood and partnership countries</b>	12,400	6,888	3,436
<b>C. Asia and Latin America</b>	3,800	2,633	1,170
<b>D. South Africa</b>	900	571	227
	<b>25,800</b>	<b>17,691</b>	<b>10,430</b>

**Graph A2: Total Annual Risk borne by the Budget related to third countries (EUR million) at 30.06.2011 for the period 2011-2017**



Graph A2 presents the result of simulations aiming at estimating the outstanding amount covered by the Fund for the period 2011 to 2016. These simulations are based on disbursement of loans signed and disbursed at the reporting date 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 which has been extended to 31.12.2013 by Decision 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 (OJ L 280, 27.10.2011, p. 1).

**Graph A3: Estimated outstanding amount covered by the Fund from 2011 to 2017 (EUR million).**



Graph A3 presents the result of simulations aiming at estimating the outstanding amount covered by the Fund for the period 2011 to 2016. These simulations are based on disbursement scenarios<sup>5</sup> 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 which has been extended to 31.12.2013 by Decision 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 (OJ L 280, 27.10.2011, p. 1).

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.

## 2.6. Payment under the Budget guarantees

The EU borrows on the financial market and on-lends the proceeds to Member States (balance of payment, EFSM), and to third countries (macro-financial assistance) or utility companies (Euratom).

Procedures have been set up to guarantee the repayments of the borrowings due by the EU and also the guarantees given in connection with the EIB financing operations.

<sup>5</sup> The rhythms of disbursement of loans not yet signed and, or not yet disbursed are assumed.

### 2.6.1. *Borrowing/lending operations*

The loan repayments are scheduled to match the repayments of the borrowings due by 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>6</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 amounts to be reimbursed can be very high, the beneficiary Member States are required to transfer the amounts due to 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. The same process is being applied for the EFSM loans with 14 days lead time.

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>7</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) and EFSM 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" or "01 04 01 03 European Union guarantee for Union borrowings for financial assistance under the European financial stabilisation mechanism".

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<sup>6</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).

<sup>7</sup> The loans (and loans guarantees) to accession countries were covered by the Guarantee Fund until the date of accession. From that date, those that remained outstanding ceased to be external actions of the Union and are therefore covered directly by the Budget.



### 2.6.2. *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<sup>8</sup> or directly from the Budget should the resources of the Fund be insufficient<sup>9</sup>.

The EIB administers the loan with all the care required by good banking practice and is obliged to seek the recovery of the payments due after the guarantee has been activated.

### 2.6.3. *Default interest penalties for late payment*

#### (a) EU or Euratom loans

For loans granted by the EU or Euratom, default interest is owed by loan beneficiaries for the time between the date at which cash resources are made available by the Budget and the date of repayment to the EU.

#### (b) EIB loans

For EIB loans, EIB is entitled to default interest which 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 latter date, default interest is due to the Commission.

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<sup>8</sup> Since the entry into force of the Regulation establishing the Guarantee Fund for external actions, the Agreement between the EU and the EIB on the management of the Fund foresees that the Commission must authorise the Bank to withdraw the corresponding amounts from the Fund within three months from the date the EIB calls in the guarantee. 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).

<sup>9</sup> If there are insufficient resources in the Fund, the procedure for activating the guarantee is the same as for borrowing/lending operations, see 2.6.1 above.

### 3. COUNTRY-RISK EVALUATION

Third countries representing important risks to the Budget during the second semester 2011, 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 macroeconomic analyses and tables of risk indicators. The evaluated countries are grouped in 6 sub-sections: candidate countries (3.1), potential candidate countries (3.2), Mediterranean partners (3.3), Eastern Partnerships (3.4), BRICS countries (3.5) and other countries (3.6).

#### **Explanatory notes for country-risk indicators**

##### Abbreviations and English words used in tables

S&P	Standard and Poor's
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
CPI	Consumer Price Index
est.	Estimates
m EUR	EUR million
bn USD	USD billion
NA	not available

##### Standard footnotes used in the table

- 1) Includes only EU and EIB loans (outstanding disbursements) to CEEC<sup>10</sup>, NIS<sup>11</sup> and MED<sup>12</sup>.
- 2) The higher the ranking number, the lower the creditworthiness of the country. Countries are rated on a scale of zero to 185 or to 100 (the number of countries has been reduced from 185 to 100 from January 2011). 185, respectively 100, 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.

#### **3.1. Candidate countries**

##### *3.1.1. FYROM*

Growth accelerated in the Former Yugoslav Republic of Macedonia during the first half of 2011, reaching 5.2%. This situation was mainly driven by gross fixed capital formation in the first quarter and private consumption in the second quarter. Increased public construction and

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<sup>10</sup> Central and Eastern European Countries.

<sup>11</sup> New Independent States.

<sup>12</sup> Mediterranean countries

subsidy payments have also contributed to the growth acceleration. In line with strong domestic demand, stronger imports led to a widening in the trade deficit to 12% of estimated full-year GDP (from 10.5% in the first half of 2010). Net current transfers amount to 8% of GDP and the current account deficit widened to 3.5% of GDP (from 2.8% in 2010). Capital inflows continued to surpass the current account deficit. However, a significant part of this inflow was due to drawing funds from a Pre-cautionary Credit Line agreed with the IMF in late 2010. This credit line amounts to some 6% of GDP, with about half of the credit line drawn in March. As a result of the inflow of funds from the pre-cautionary credit line, the stock of foreign exchange reserves increased by EUR 2 billion representing between 3 and 4 months of imports. Gross external debt rose to 61% in mid-2011, up from 59.5 % of GDP in mid-2010.

Country-risk indicators : The former Yugoslav Republic of Macedonia		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-1.0	1.8	2.5
Unemployment (end of period)	(% labour force)	32.2	32.1	31.4
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.8	1.6	4.3
<b>Public finances</b>				
General government balance	(% of GDP)	-2.7	-2.5	-2.5
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	1.9	2.6	2.7
Current account balance	(% of GDP)	-6.7	-2.8	-3.1
Net inflow of foreign direct investment	(m EUR)	136.9	219.9	N/A
Official reserves, including gold (end of period) m EUR		1,598.7	1,715.3	2,000.0
Months' imports of goods and services	goods	5.5	5.2	3.5
Exchange rate (end of period)	( per EUR)	61.3	61.5	61.5
<b>External debt</b>				
External debt (end of period)	(m EUR)	3,780.4	4,133.8	4,647.5
External debt/GDP	(%)	56.6	59.5	61.4
Debt service/exports of goods and services	(%)			NA
Arrears (on both interest and principal)	(%)			NA
Debt relief agreements and rescheduling	(m EUR)			NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	252.0	283.0	305.0
EU exposure/total EU exposure	(%) (1)	1.6	1.5	1.5
EU exposure/external debt	(%)	6.7	6.8	6.6
EU exposure/exports of goods and services	(%)	12.9	11.1	11.2
<b>IMF arrangements</b>				
Type				
(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)		BB	BB	BB
Euro money		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	111 137	84 90	87
(number of countries)		(186) (186)	(185) (185)	100

\* ECFIN forecast Spring 2011

(1) (2) See explanatory notes

### 3.1.2. Montenegro

The economy of Montenegro, after contracting by 5.7% in 2009, started to recover in 2010 and grew by 2.5% in 2010 and is expected to expand by 2.7% in 2011. On the supply side, manufacturing accelerated by 9.7%, while the construction sector expanded by 30.8% in the first half of 2011. On the demand side, retail sales increased by 14.3%. Consumer prices remained subdued during 2010, thanks to a reduction in food prices and the reduction of annually adjusted electricity prices before accelerating to 3.5% in the first half of 2011. Unilateral use of EURO implies that there is only limited scope for domestic monetary policy

instruments. In 2010 the consolidated budget deficit widened to 5% of GDP (including tax arrears worth 2% of GDP) and stood at 1.6% of GDP in the first half of 2011. Public debt increased from 41% of GDP in 2010 to 45% of GDP in June 2011. The current account deficit contracted to 25% of GDP in 2010 (compared to 30% a year earlier) and decreased further during the first half of 2011 to 22.4% of GDP. The improvement was mainly driven by a widening surplus on the services and income accounts. The current account deficits are being largely covered by net FDI and net portfolio investments.

Country-risk indicators : Montenegro		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-5.7	2.5	2.7
Unemployment (end of period)	(% labour force)	11.4	12.2	19.4
Inflation rate (CPI) (Dec/Dec)	(% change)	3.4	0.5	3.7
<b>Public finances</b>				
General government balance	(% of GDP)	-4.4	-5.0	-3.1
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	1.0	1.1	0.8
Current account balance	(% of GDP)	-30.1	-25.7	-22.7**
Net inflow of foreign direct investment	(m EUR)	1,066.5	543.1	178.0 **
Official reserves, including gold (end of period) m EUR		397.5	416.4	409.8 **
Months' imports of goods and services	goods	2.9	3.0	2.8**
Exchange rate (end of period)	( per EUR)	1.00	1.00	1.00
<b>External debt</b>				
External debt (end of period)	(m EUR)	2,781.3	3,110.1	N/A
External debt/GDP	(%)	38.2	42.0	N/A
Debt service/exports of goods and services	(%)	5.1	3.6	NA
Arrears (on both interest and principal)	(%)			NA
Debt relief agreements and rescheduling	(m EUR)			NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	126.0	188.0	193.0
EU exposure/total EU exposure	(%) (1)	0.8	1.0	1.0
EU exposure/external debt	(%)	4.5	6.0	N/A
EU exposure/exports of goods and services	(%)	12.9	17.0	24.1
<b>IMF arrangements</b>				
Type		(none)	(none)	(none)
(Date)				
On track				
<b>Indicators of market's perception of creditworthiness</b>				
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		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	133 126	95 140	none
(number of countries)		(186) (186)	(185) (185)	100

\* ECFIN forecast Spring 2011

\*\* per June 2011

(1) (2) See explanatory notes

### 3.1.3. Turkey

The economy of Turkey has recovered strongly after the dramatic contraction of 4.8 % in 2009; with a growth reaching 9% in 2010 and 10.2% in the first half of 2011. A double-digit growth of imports, combined with a domestic credit boom, fuelled private consumption and investment. Headline inflation eased after reaching 10% in early 2010 and was hovering at around 6.5% in the first half of 2011.

On the back of the strong GDP growth, the fiscal deficit narrowed to 3.6 % of GDP in 2010, and the public debt stock decreased by almost 4 % of GDP in the previous year but still amounts to 40% of GDP at the end of 2010. In the first half of 2011, Turkey reports strong fiscal results, with the overall budget balance improving on an annual basis due to a surge in tax revenues and falling interest expenditures. The current account deficit rose rapidly to 6.6%

of GDP as imports increased by more than 15% in volume and the terms of trade worsened on higher oil and commodity prices. In the first half of 2011, the current-account deficit more than doubled compared with the previous year, reaching EUR 35 billion (about 8% of GDP). Turkey's gross external debt amounts to 40% of GDP with private external debt representing two thirds of the total. International reserves fell by about 3% to EUR 80 billion covering about 4 months of imports. In large part as a result of the country's monetary policy, the domestic currency depreciated against the US dollar and the EUR, in particular in the first half of 2011.

Country-risk indicators : Turkey		2009	2010	2011 ( proj) *
<b>Output and prices</b>				
Real GDP growth rate	(%)	-4.8	9.0	6.1
Unemployment (end of period)	(% labour force)	14.1	12.0	10.2
Inflation rate (CPI) (Dec/Dec)	(% change)	6.3	8.6	6.5
<b>Public finances</b>				
General government balance	(% of GDP)	-5.7	-3.6	-2.8
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	102.4	117.4	125.2
Current account balance	(% of GDP)	-2.3	-6.6	-7.7
Net inflow of foreign direct investment	(m EUR)	4,981.5	5,907.1	9,165.0
Official reserves, including gold (end of period) m EUR		74,990.8	80,312.2	65,391.0
Months' imports of goods and services	goods	8.9	6.9	5.1
Exchange rate (end of period)	( per EUR)	2.16	2.00	NA
<b>External debt</b>				
External debt (end of period)	(bn EUR)	1,818.2	213.2	210.0
External debt/GDP	(%)	43.5	39.4	40.1
Debt service/exports of goods and services	(%)	35.6	32.6	NA
Arrears (on both interest and principal)	(%)	none	none	NA
Debt relief agreements and rescheduling	(m EUR)	none	none	NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	5,704.0	7,429.0	7,818.0
EU exposure/total EU exposure	(%) (1)	35.1	40.2	39.4
EU exposure/external debt	(%)	3.1	3.6	3.7
EU exposure/exports of goods and services	(%)	5.6	6.0	6.2
<b>IMF arrangements</b>				
Type				
(Date)				
On track				
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba2	Ba2
S&P long-term foreign currency rating (end of period)		BB-	BB	BB
Euromony		03/09 09/09	03/10 09/10	3/11
Position in the ranking	(2)	68 67	50 59	54
(number of countries)		(186) (186)	(185) (185)	100

\* ECFIN forecast Spring 2011

(1) (2) See explanatory notes

## 3.2. Potential candidate countries

### 3.2.1. Albania

Albania's real GDP grew by an estimated 3.4% in the first quarter of 2011 (from 4.1% in 2010). Inflation pressures accelerated in early 2011 reaching a peak of 3.5% (year on year) in February before receding thereafter to 3.1% in August. The main drivers of inflation were higher prices on electricity and water, food prices and the depreciation of the lek. The banking sector, the main source of financial intermediation in Albania, remains well capitalised and liquid even if non-performing loans increased sharply, from 9.1% in 2009, to 12.6% in 2010 and further to 16.6% in the second quarter of 2011. The fiscal deficit amounted to 3.1% of GDP in 2010, less than half of 2009 which came in at 7.1% of GDP. Lower than planned

revenue in the first half of 2011 obliged the government to re-balance the 2011 budget. Revenue shortfalls were reflecting over-optimistic projections and underperforming indirect tax receipts amid sluggish domestic demand. The revised budget envisages a reduction in revenue and expenditure, while keeping the 2011 deficit target unchanged at 3.5% of GDP. Public debt levels remained relatively high, although the debt-to-GDP ratio declined to 58.5% in 2010, from 59.3% in the previous year. Contingent liabilities from state guarantees account for some 3.8% of GDP. The current account deficit contracted to 11.9% of GDP in 2010 but is estimated to have increased to 13% of GDP in the second quarter of 2011 due to both slower exports and higher imports.

Country-risk indicators : Albania		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	3.3	4.1	2.5
Unemployment (end of period)	(% labour force)	13.0	13.7	NA
Inflation rate (CPI) (Dec/Dec)	(% change)	2.3	3.6	3.5
<b>Public finances</b>				
General government balance	(% of GDP)	-7.0	-3.1	-3.7
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	2.5	2.9	3.3
Current account balance	(% of GDP)	-15.4	-11.9	-10.9
Net inflow of foreign direct investment	(m EUR)	668.3	837.1	645
Official reserves, including gold (end of period) m EUR		1,567.4	1,825.3	1,802.6
Months' imports of goods and services	goods	6.2	6.7	4.3
Exchange rate (end of period)	( per EUR)	131.8	137.5	NA
<b>External debt</b>				
External debt (end of period)	(m EUR)	2,028.5	2,240.3	2,484.3
External debt/GDP	(%)	23.8	26.3	26.3
Debt service/exports of goods and services	(%)			NA
Arrears (on both interest and principal)	(%)			NA
Debt relief agreements and rescheduling	(m EUR)			NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	223.0	244.0	254.0
EU exposure/total EU exposure	(%) (1)	1.4	1.3	1.3
EU exposure/external debt	(%)	11.0	10.9	10.2
EU exposure/exports of goods and services	(%)	8.8	8.5	7.7
<b>IMF arrangements</b>				
Type				
(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)		none	B+	B+
Euromoney		03/09 09/09	03/11 09/10	3/11
Position in the ranking	(2)	89 109	93 82	92
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.2.2. Bosnia and Herzegovina,

The country recovered in 2010, after the recession of 2009, with a real growth rate of 0.7%. According to available indicators, domestic demand is increasing in 2011. Industrial production rose by 7.7% (year-on-year) in the first half of 2011, while the retail sales soared by 14.4%. However, the unemployment rate remains high at 43.1%. The inflation is on upward trend, reaching 4% in June 2011. However, the acceleration of the consumer prices growth is not demand-driven but rather a result of global movements (food, oil prices).

Financial and monetary stability has been preserved, also due to the high credibility of the currency board arrangement. Following the significant improvement of the current account

balance in 2009 and in the first half of 2010, the deficit started to rise again, mainly due to rising imports. Net inflow of FDI remains low, covering slightly less than one fifth of the current account deficit in the first half of 2011. External public debt soared by 20.2% in 2010, while witnessing some slight decline in the course of 2011 to around 24% of GDP. Official foreign exchange reserves were 5.7% lower in June 2011 compared to end 2010, covering about 5 months of imports. The inability of the political parties to agree on State-level government formation after the last general elections, held in October 2010, did not allow for programme discussions and reviews under the Stand-By Arrangement with the International Monetary Fund to take place in the course of 2011.

Country-risk indicators : Bosnia and Herzegovina		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-2.9	0.7	3.0
Unemployment (end of period)	(% labour force)	42.7	42.7	43.1
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.4	3.1	2.5
<b>Public finances</b>				
General government balance	(% of GDP)	-4.5	-2.5	-3.0
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	4.0	4.7	4.9
Current account balance	(% of GDP)	-6.3	-6.1	-5.5
Net inflow of foreign direct investment	(m EUR)	176.1	141.9	378.0
Official reserves, including gold (end of period) m EUR		3,176.2	3,301.8	3,733.0
Months' imports of goods and services	goods	6.0	5.7	5.6
Exchange rate (end of period)	(per EUR)	1.96	1.96	NA
<b>External debt</b>				
External debt (end of period)	(m EUR)	2,676.2	3,215.4	3,859.4
External debt/GDP	(%)	21.8	25.7	29.4
Debt service/exports of goods and services	(%)			NA
Arrears (on both interest and principal)	(%)			NA
Debt relief agreements and rescheduling	(m EUR)			NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	472.0	583.0	627.0
EU exposure/total EU exposure	(%) (1)	2.9	3.2	3.2
EU exposure/external debt	(%)	17.6	18.1	16.2
EU exposure/exports of goods and services	(%)	11.9	12.4	12.8
<b>IMF arrangements</b>				
Stand-by Arrangement €1.2bn three years				
08 July 2009				
Off track; last programme discussions November 2010				
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		B2	B2	B2
S&P long-term foreign currency rating (end of period)		B+	B+	B+
Euromoney		03/09 09/09	03/10 09/10	3/11
Position in the ranking	(2)	116 129	101 113	none
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.2.3. Serbia

During the first half of 2011, the gradual economic recovery of Serbia was on track as GDP growth accelerated to 3%. However, in the light of the recent evolution of international environment, a slowdown of activity is expected and real GDP growth should be limited to 2%-2.5% for 2011. The economy continues to be driven by solid export activity but domestic demand remains weak as private consumption is constrained by eroded disposable income while investment is picking up slowly. The export activity, which in 2010, was supported by the depreciation of the dinar, has helped to keep the current account deficit at around 7% of GDP. Financial and capital flows have started to strengthen in 2011, with FDI and portfolio investment substantially higher than the previous year. Foreign exchange reserves with the National Bank of Serbia (NBS) have stabilised at about EUR 10 billion, covering around 8

months' of imports. By end of July 2011, total external debt reached just over EUR 23 billion representing 75% of GDP. While the external position remained broadly solid, the economy came under pressure as inflation spiked as a result of rising agricultural and food prices. Inflation peaked in April 2011 at 15% (year-on-year), but thereafter began to recede mainly thanks to falling food prices. The fiscal deficit reached 4.7% of GDP at the end of 2010 and, by consequence, public debt grew by more than EUR 1.6 billion by end of August representing almost EUR 13.8 billion and 41.7% of GDP.

Country-risk indicators : Serbia		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-3.1	1.0	2.0
Unemployment (end of period)	(% labour force)	16.1	20.0	NA
Inflation rate (CPI) (Dec/Dec)	(% change)	6.6	10.3	7.9
<b>Public finances</b>				
General government balance	(% of GDP)	-4.5	-4.8	-4.5
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	8.5	10.1	11.5
Current account balance	(% of GDP)	-7.1	-7.2	-7.6
Net inflow of foreign direct investment	(m EUR)	1,369.2	861.4	1,400.0
Official reserves, including gold (end of period) m EUR		10,601.9	10,001.6	10,200.0
Months' imports of goods and services	goods	11.5	9.8	NA
Exchange rate (end of period)	( per EUR)	95.88	105.93	NA
<b>External debt</b>				
External debt (end of period)	(m EUR)	22,465.9	23,763.3	24,700.0
External debt/GDP	(%)	77.6	81.7	75.3
Debt service/exports of goods and services	(%)			NA
Arrears (on both interest and principal)	(%)			NA
Debt relief agreements and rescheduling	(m EUR)			NA
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	1,317.9	1,609.0	1,818.0
EU exposure/total EU exposure	(%) (1)	8.1	8.7	9.2
EU exposure/external debt	(%)	5.9	6.8	7.4
EU exposure/exports of goods and services	(%)	15.5	16.0	15.8
<b>IMF arrangements</b>				
Type				Stand-by
(Date)				sept-11
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)		BB-	BB-	BB
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	122 109	76 70	86
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.3. Mediterranean partners

#### 3.3.1. Egypt

The Egyptian economy grew by 0.4% in the second quarter of 2011 following a drop of 4.2% in the previous quarter due to the impact of the spring uprising on the domestic and external side of the economy. Real GDP is expected to have grown by about 1.2% in 2010-2011 (July – June). The fiscal deficit is estimated to have deteriorated to about 10% of GDP during the same period partly due to a strong fall in tax and customs revenues in the first half of 2011, as well as the impact of higher spending on food and fuel subsidies.

The current account balance deteriorated rapidly in the first quarter of 2011. The Egyptian government estimates that tourism revenue has fallen by about 25% in 2010-2011, compared



to the previous fiscal year. Remittances were also hit as expatriate workers started to be displaced from Libya. The current account deteriorated to around -3.5% of GDP in 2010-2011 from -1.5% of GDP in the previous year. There were strong capital outflows in the first quarter of 2011 linked to the government bond market; around USD 6 billion was withdrawn by foreign investors. The authorities have drawn down foreign currency reserves, including those held at commercial banks, to finance the widening current account deficit and support the managed float of the Egyptian pound against the US dollar. Since the start of 2011, official currency reserves have fallen sharply from around USD 50 billion to around USD 33 billion in August 2011, now equal to about five months of imports, while the monthly pace of decline is slowing. Consumer price inflation was 10.4% in July 2011, year-on-year, the same rate as in July 2010.

Country-risk indicators : Egypt		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	4.7	5.2	1.2
Unemployment (end of period)	(% labour force)	9.4	9.6	12.2
Inflation rate (CPI) (Dec/Dec)	(% change)	11.8	11.1	13.3
<b>Public finances</b>				
General government balance	(% of GDP)	-6.6	-8.0	-8.6
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	30.3	36.0	35.0
Current account balance	(% of GDP)	0.5	-2.4	-3.5
Net inflow of foreign direct investment	(bn EUR)	12.1	10.0	6.0
Official reserves, including gold (end of period) bn USD		46.0	50.0	33.0
Months' imports of goods and services		7.0	7.6	5.0
Exchange rate (end of period)	( per EUR)	7.7	7.5	8.36
<b>External debt</b>				
External debt (end of period)	(bn EUR)	22.5	24.0	24.3
External debt/GDP	(%)	16.9	15.9	16.0
Debt service/exports of goods and services	(%)	4.6	6.4	5.5
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	2,240.7	2,178.0	1,973.0
EU exposure/total EU exposure	(%) (1)	13.8	11.8	9.9
EU exposure/external debt	(%)	8.2	7.3	8.1
EU exposure/exports of goods and services	(%)	6.1	5.8	5.6
<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	Ba2	Ba3
S&P long-term foreign currency rating (end of period)		BB+	BB	BB
Euro money		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	70 70	69 64	88
(number of countries)		(186) (186)	(185) (185)	100.00

(1) (2) See explanatory notes

### 3.3.2. Lebanon

Real GDP growth in Lebanon is projected to slow to around 1% in 2011 following the recent domestic political stalemate and the conflict in Syria. Tourism revenues and exports fell by 15% and 8.5% respectively during the first quarter of 2011. Financial flows and international reserves have also experienced a downward trend during the first half of the year. Inflation is estimated at 5% in light of sustained global price increases. Despite the formation of government in July 2011, five months after the collapse of the previous one, the economic situation remains vulnerable, especially on the fiscal side. According to IMF projections, the

fiscal deficit would exceed 10% of GDP in 2011-2012, while the primary surplus would drop from 3% of GDP in 2010 to 1% in 2011 in view of reduced revenues. Increasing financing needs have been putting pressures on the public debt, which remains exceptionally high, although sustainable (currently estimated at 135% of GDP), with almost half of it denominated in foreign currency. On the external side, sustained energy prices and the regional turmoil have contributed to widening the current account deficit to an estimated 14% of GDP for 2011. This effect combined with the slowdown in FDIs has impacted the balance of payments since the collapse of the government leading to a reduction in international reserves during the first months of 2011 (from the exceptionally high level of USD 30,2 billion at the end of 2010). Nevertheless reserves have recovered since August 2001 and are projected to reach an amount of USD 30.5 billion by the end of 2011.

The EU has supported the country in the past by providing MFA (a combination of medium-term loans of EUR 50 million and grants of EUR 30 million), planned to be disbursed in two tranches. The first tranches of grants and loans were disbursed successfully in December 2008 and June 2009 respectively, but the disbursement of the second tranche was cancelled reflecting the IMF arrangement expiration in June 2009 and lack of compliance with structural reform conditions. No follow-up MFA operation or IMF arrangement to Lebanon is currently being considered.

Country-risk indicators : Lebanon		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	9.0	8.0	1.0
Unemployment (end of period)	(% labour force)	n.a.	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	1.2	5.0	5.0
<b>Public finances</b>				
General government balance	(% of GDP)	-8.1	-8.7	-9.6
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn USD)	4.7	5.2	5.7
Current account balance (incl. official transfers)	(% of GDP)	-9.5	-11.1	-14.0
Net inflow of foreign direct investment	(bn USD)	3.6	3.9	3.6
Official reserves, including gold (end of period) bn USD	( bn USD)	27.4	30.2	30.5
Months' imports of goods and services				
Exchange rate (end of period)	( per EUR)	2,147.6	2,003.7	n.a.
<b>External debt</b>				
External debt (end of period)	(bn USD)	59.1	62.7	68.8
External debt/GDP (includes non-residents deposits)	(%)	171.0	160.0	162.0
Debt service/exports of goods and services	(%)	41.0	33.6	n.a.
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	538.8	598.0	584.0
EU exposure/total EU exposure	(%) (1)	3.3	3.2	2.9
EU exposure/external debt	(%)	1.3	1.4	1.2
EU exposure/exports of goods and services	(%)	16.6	16.6	14.8
<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	B1
S&P long-term foreign currency rating (end of period)		B-	B	B
Euromoney		03/08 09/08	03/09 09/09	03/11
Position in the ranking	(2)	127 134	102 80	91
(number of countries)		(185) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.3.3. Morocco

The economy grew by 4.2% in the second quarter of 2011 (from 4.9% in the previous quarter) driven by strong activity in both agricultural and non-agricultural sector. The only sector of the economy which contracted in the first quarter of 2011 was hotels and restaurants due to the terrorist bombing in Marrakech. Tourism represents around 10% of GDP. The fiscal deficit expanded in 2010 to 4.5% of GDP from 2.1% of GDP in 2009 owing to increases in capital expenditure, expenditures related to subsidies on fuel prices and the negative impact of tax cuts on revenue. Public debt increased to just above 50% of GDP in 2010, of which around 22% is external public debt. For 2011, the Ministry of Economy and Finance expects real GDP growth of 5%. This may be slightly optimistic given that subsidy spending will be much higher in 2011 and growth in the first half of the year has been slightly lower than foreseen. Unemployment remained stable at 9.1% in 2010 with a marginal reduction in urban unemployment from 13.8% in 2009 to 13.7%. Foreign reserves increased slightly in 2010 remaining at a comfortable level of about seven months of imports of goods and services and more than the level of external debt. The index of the Casablanca Stock Exchange (CSE) increased by 30% during 2010 but has slipped back by about 15% since the start of 2011 partly due to the regional unrest. Inflationary pressures have increased in 2011 due to higher food and fuel prices. Consumer price inflation is expected to be about 1.6% at the end of 2011, year-on-year, compared to 1.4% for 2010.

Country-risk indicators : Morocco		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	4.9	3.7	5.0
Unemployment (end of period)	(% labour force)	9.1	9.1	9.2
Inflation rate (CPI) (Dec/Dec)	(% change)	1.0	1.4	1.6
<b>Public finances</b>				
General government balance	(% of GDP)	-2.1	-4.5	-5.5
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	13.8	14.8	16.1
Current account balance	(% of GDP)	-5.8	-3.1	-8.0
Net inflow of foreign direct investment	(bn EUR)	0.72	2.4	2.6
Official reserves, including gold (end of period) m EUR		23.5	23.6	22.4
Months' imports of goods and services		7	6.9	6.8
Exchange rate (end of period)	( per EUR)	11.2	11.2	11.3
<b>External debt</b>				
External debt (end of period)	(bn EUR)	18.8	20.1	19.5
External debt/GDP	(%)	20.9	22.8	23.0
Debt service/exports of goods and services	(%)	6.6	6.4	6.5
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	2,224.0	2,425.0	2,485.0
EU exposure/total EU exposure	(%) (1)	13.7	13.1	12.5
EU exposure/external debt	(%)	11.8	12.1	12.7
EU exposure/exports of goods and services	(%)	16.1	16.4	15.4
<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+	BBB-	BBB-
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	63 54	57 62	67
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.3.4. Syria

Continuous violent unrest, since March 2011, has seriously affected the Syrian economy and the confidence of business sector in the regime. Consumption has decreased by around 50% on almost all non-essential products. As a consequence the retail sector is suffering significantly with the closure of major retail outlets, furthermore many firms are no longer able to pay their employees and have had to dismiss them or to reduce working hours drastically. In the external sector Syrian exporters have also experienced unrest and political uncertainty in partner countries (Egypt, Lebanon, Tunisia, and Yemen) and have seen their activity suffer a drop or even stop. Imports have also decreased significantly. The tourism sector is devastated, with most of hotels completely unoccupied. In absence of reliable statistical data it is obvious that the GDP has dramatically decreased in the first semester of 2011 (following an increase of 3.2% in 2010). Food and energy subsidies have been reintroduced by the new government; contributing to maintaining inflation at 6% (compared with 4.4% in 2010). No fiscal revenues, from the private sector, are foreseen for the 2011 budget. As the budget for current expenses was exhausted in July, the increasing expenditure for public salaries (rise by up to 62%), subsidies and military spending must be financed from funds earmarked for investment. The budget deficit is expected to reach at least 8% of GDP (twice the level of 2010).

The level of remittances is down, most probably, because expatriate workers prefer to keep their money out of Syria. More generally, the lack of confidence in the country's financial sector is obvious with the withdrawal of some leading actors from the banking sector and the postponing of decisions by foreign investors.

By using part of Syria's foreign currency reserves, the government has succeeded to limit the depreciation of the value of SYP against the USD to an estimated 15%, which is still an artificially high level. Foreign exchange reserves still remain (officially) at 18 billion USD and cover 12 months of imports. The situation of the country will worsen with the adoption of sanctions, from the EU, regarding the ban on exports of Syrian oil. The risk of total collapse of the Syrian economy in the current context of civil war cannot be excluded if there is no political change to direct the country out of the crisis.

In the wake of a deteriorating situation in Syria resulting from serious violations of human rights and fundamental freedoms, the Foreign Affairs Council of 23 May 2011 decided to suspend all preparations in relation to new bilateral cooperation programmes and to suspend the ongoing bilateral programmes with the Syrian authorities under the European Neighbourhood and Partnership Instrument (ENPI) and MEDA instruments. Moreover, the Council invited the European Investment Bank (EIB) to not approve new financing operations in Syria. The European Parliament in its Resolution of 7 July 2011 welcomed the Council conclusions to impose restrictive measures on Syria as well as the suspension of new EIB operations in the country.

In addition, the Council decided on 14 November 2011 to prohibit disbursements by the EIB in connection with existing loan agreements between Syria and the EIB as well as suspend EIB technical assistance contracts for sovereign projects in Syria. This Decision has been thereafter consolidated in Council Decision 2011/782/CFSP of 1st December 2011 and Council Regulation (EU) N° XXX/2011 of X December 2011.

Country-risk indicators : Syria		2009	2010	2011 (proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	5.0	5.0	-2.0
Unemployment (end of period)	(% labour force)	8.5	8.4	8.1
Inflation rate (CPI) (Jun/Jun)	(% change)	3.8	4.4	6.0
<b>Public finances</b>				
General government balance	(% of GDP)	-9.0	-3.2	-8.0
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	11.8	14.3	9.4
Current account balance	(% of GDP)	-4.5	-3.9	-6.1
Net inflow of foreign direct investment	(m EUR)	1,121.0	1,370.0	n/a
Official reserves, including gold (end of period) bn EUR		12.7	13.7	12
Months' imports of goods and services		10.7	9.4	13.6
Exchange rate (end of period)	( per EUR)	33.7	33.9	34,7 ( I Qtr)
<b>External debt</b>				
External debt (end of period)	(m EUR)	5,367.0	5,404.0	5,925.0
External debt/GDP	(%)	13.9	12.3	13.1
Debt service/exports of goods and services	(%)	0.8	1.5	1.5
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	762.8	796.0	753.1
EU exposure/total EU exposure	(%) (1)	762.8	796.0	753.0
EU exposure/external debt	(%)	4.7	4.3	3.8
EU exposure/exports of goods and services	(%)	13.7	14.6	12.7
<b>IMF arrangements</b>				
Type		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		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	163 149	140 128	none
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.3.5. Tunisia

Economic activity has been significantly affected by the political unrest and the conflict in Libya. Real GDP growth of Tunisia shall be nearly zero in 2011 (compared to almost 3% in 2010), reflecting the impact of the regional crisis on tourism, remittances, trade, foreign investments and production interruptions due to strikes. Inflation remains moderate with a rate of 3.5% for 2011 (from 4.4% in 2010) due to the weak domestic demand and the implementation of food and energy subsidies. On the fiscal side, implementation of a planned fiscal stimulus combined with the negative impact of weakened economic activity on revenues have been putting pressure on public finances, and will contribute to a widened budget deficit of nearly 4.5% of GDP in 2011 (compared to 1.3% of GDP in 2010). The public debt is expected to rise to a level of almost 42% of GDP by the end of the year, mainly due to additional external borrowing. External debt will nevertheless not exceed 50% of GDP. The fall in external receipts and the rise in international food and fuel prices have already impacted the current account which is expected to record a deficit of 5.7% of GDP in 2011 (from almost 4.8% of GDP in 2010). Although international reserves decreased by USD 2 billion between January and July, they increased to USD 8.6 billion in August following the disbursement of external support. Pressures on the exchange rate have been relatively smooth with the depreciation of 2% of the Tunisian dinar against the EUR since the beginning of the year, leading to a 10% increase in exports. According to the IMF, the nominal effective exchange rate has been broadly stable. The Tunis stock exchange has recently shown some

recovery but remains volatile. The TUNINDEX capitalisation index has currently stabilized at about 8% below its level of the end of 2010.

No request has been submitted for an IMF arrangement but this is likely to come after the October elections which would, in principle, make Tunisia a potential candidate for EU MFA.

Country-risk indicators : Tunisia		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	3.0	3.0	0.0
Unemployment (end of period)	(% labour force)	13.3	13.0	13.0
Inflation rate (CPI) (Dec/Dec)	(% change)	3.5	4.4	3.5
<b>Public finances</b>				
General government balance	(% of GDP)	-3.0	-1.3	-4.5
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn USD)	14.4	14.6	15.3
Current account balance	(% of GDP)	-4.2	-4.8	-5.7
Net inflow of foreign direct investment	(m USD)	1.5	1.5	1.2
Official reserves, including gold (end of period) b USD		10.6	9.5	7.5
Months' imports of goods and services		6.7	6.0	3.5
Exchange rate (end of period)	( per EUR)			
<b>External debt</b>				
External debt (end of period)	(b USD)	21.4	19.9	22.4
External debt/GDP	(%)	48.1	47.9	49.2
Debt service/exports of goods and services	(%)	11.9	10.7	12.6
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	1,899.6	2,220.0	2,320.0
EU exposure/total EU exposure	(%) (1)	11.7	12.0	11.7
EU exposure/external debt	(%)	12.6	15.1	15.0
EU exposure/exports of goods and services	(%)	15.1	17.1	21.9
<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)		Baa2	Baa2	Baa3
S&P long-term foreign currency rating (end of period)		BBB	BBB	BBB-
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	62 64	53 52	81
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.4. Eastern Partnerships

#### 3.4.1. Georgia

After two years of low or negative growth, the year 2010 saw a strong revival of economic activity with real GDP increasing by 6.3%, driven by exports and public investments. For 2011, GDP growth is projected to reach 5.5%. In this context the fiscal deficit has been reduced from 9.2% of GDP in 2009 to 6.6% in 2010 and is expected to decrease to 3.7% in 2011. Inflation was 7.1% in 2010 but it reached 14.3% (year-on-year) in May 2011 due to increased international prices for food and gas. The current account deficit remains large, at 9.6% of GDP in 2010, and it is expected to widen to 10.8% of GDP in 2011. Despite a significant recovery of export volumes, trade deficit reached 22.2% of GDP in 2010 remaining unchanged in comparison to 2009. As far as the financing of the current account is concerned, FDI inflows were negatively affected by the crisis and declined in 2010 in comparison to the previous year; they are expected to remain subdued in 2011 at around USD

700 million. At the end of 2010, official reserves were at USD 2.3 billion; by April 2011, monetary authorities accumulated further official reserves that reached USD 2.8 billion; they remained at that level since then. A vulnerability in the balance of payments relates to a relatively high level of external debt (at 61.9% in 2010) and, in particular, a strong recent increase in external public debt which increased from only 20.9% of GDP in 2008 to 34.4% in 2009, broadly the same level as in 2010 (34.1% of GDP).

Country-risk indicators : Georgia		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-3.8	6.4	5.5
Unemployment (end of period)	(% labour force)	16.9	16.3	16.2
Inflation rate (CPI) (period average)	(% change)	1.7	7.1	9.5
<b>Public finances</b>				
General government balance	(% of GDP)	-9.2	-6.6	-3.7
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(m EUR)	2,308.0	3,067.0	3,589.0
Current account balance	(% of GDP)	-11.2	-9.6	-10.8
Net inflow of foreign direct investment	(m EUR)	474.0	372.0	507.0
Official reserves, including gold (end of period) m EUR		1,518.0	1,710.0	1,992.0
Months' imports of goods and services		4.2	3.7	4.3
Exchange rate (average)	( per EUR)	2.3	2.4	n.a.
<b>External debt</b>				
External debt (end of period)	(m EUR)	4,497.0	5,909.0	6,066.0
External debt/GDP	(%)	58.0	61.9	62
Debt service/exports of goods and services	(%)	23.6	17.2	26.9
Arrears (on both interest and principal)	(%)	0	0	0
Debt relief agreements and rescheduling	(m EUR)	0	0	0
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	36.0	41.0	48.0
EU exposure/total EU exposure	(%) (1)	0.2	0.2	0.2
EU exposure/external debt	(%)	0.8	0.7	0.8
EU exposure/exports of goods and services	(%)	1.6	1.3	1.3
<b>IMF arrangements</b>				
Type		Standby: USD 750 m, increased to USD 1.17 bn in August 2009	Standby: USD 750 m, increased to USD 1.17 bn in August 2009	Standby: USD 750 m, increased to USD 1.17 bn in August 2009
(Date)		Sept 2008 to March 2010, extended to June 2011	Sept 2008 to June 2011	Sept 2008 to June 2011
On track		on track	on track	terminated in June 2011
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		none	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		B	B+	B+
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking		105 111	87 71	76
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.4.2. Ukraine

Ukraine has been hardly hit by the global economic crisis. From late 2008 it suffered a parallel balance-of-payments and banking crisis explaining that GDP contracted by nearly 15% in 2009. The situation improved in 2010 with the GDP growing by 4.2% with a forecast of 4.7 % for 2011. In 2010, at just over 5% of GDP, the general government deficit was lower

than the programme target of 5.5%, and in the first half of 2011, revenue performance was strong while budget spending remained prudent. However, the 2011 target deficit of 3.5% will be difficult to accomplish in the context of the overall economic slowdown. By the end of the first half of 2011, general government debt stood at USD 60 billion (36% of GDP), which represents a notable improvement compared to the situation of 2008 and 2009. In 2011, inflation stood at 7.7% in the first quarter and at 9.2% by the end of the second quarter, before slowing down to 9% until the end of September. Nevertheless, due to expected higher energy and food prices in the second half of the year, inflation might move into double-digit area.

Trade deficit reached USD 8.7 billion in 2010 (6.3% of GDP) and is expected to widen in 2011 to USD 11.4 billion (7.3% of GDP). Foreign exchange reserves amounted to USD 34.8 billion by the end of April 2011 before decreasing by USD 3 billion in September 2011. In the first half of the year of 2011, the current account deficit widened, reaching USD 2.5 billion (corresponding to 3.7% of GDP) and is forecasted to reach 4% of GDP for the whole year (compared to 3.1% in 2010). Foreign direct investments, however, are not expected to recover significantly in comparison to 2010.

Country-risk indicators : Ukraine		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-14.8	4.2	4.7
Unemployment (end of period)	(% labour force)	9.6	8.8	7.9
Inflation rate (CPI) (Dec/Dec)	(% change)	15.9	9.4	9.3
<b>Public finances</b>				
General government balance	(% of GDP)	-8.7	-5	-3.5
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	39.0	52.3	59.9
Current account balance	(% of GDP)	-1.5	-3.1	-4.0
Net inflow of foreign direct investment	(m EUR)	3,349.0	4,349.0	4,284.0
Official reserves, including gold (end of period) m EUR		19,073.0	26,108.0	28,841.0
Months' imports of goods and services		4.4	4.5	5.1
Exchange rate (average)	( per EUR)	10.8	10.5	11.1
<b>External debt</b>				
External debt (end of period)	(m EUR)	74,403.0	88,605.0	95,584.0
External debt/GDP	(%)	88.2	85.1	84.9
Debt service/exports of goods and services	(%)	44.5	31.1	26.4
Arrears (on both interest and principal)	(%)	-	-	-
Debt relief agreements and rescheduling	(m EUR)	-	-	-
<b>Indicators of EU exposure</b>				
<b>EU exposure (capital and interest due)</b>	(m EUR)	126.0	200.0	235.1
EU exposure/total EU exposure	(%)	0.8	1.1	1.2
EU exposure/external debt	(%)	0.2	0.2	0.2
EU exposure/exports of goods and services	(%)	0.3	0.4	0.4
<b>IMF arrangements</b>				
Type		Stand-By programme of USD 16,5 bn, Since Nov. 2008	Stand-By programme of USD 15,2 bn July 2010- Dec 2012	Stand-By programme of USD 15,2 bn July 2010- Dec 2012
(Date)				
On track		on track	off-track since Nov. 2009	off-track since March 2011
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		B2	B2	B2
S&P long-term foreign currency rating (end of period)		CCC+	B+	B+
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking (number of countries)		87 93 (186) (186)	98 78 (185) (185)	89 100



### 3.5. B.R.I.C.S.

#### 3.5.1. Brazil

Brazil recovered strongly from the crisis and grew at a record 7.5% in 2010 driven mainly by strong domestic demand and good prospects for the Brazilian economy (high commodity prices, low unemployment, and high confidence). The IMF expects GDP growth to moderate to 3.8% in 2011 while inflation should be limited to 7.5% in 2011. Concerns on the existence of credit bubbles have been voiced as credit growth has remained very high, and housing prices have been increasing. Nevertheless, banks remain well capitalised and the mortgage markets are still in their early stages of development. The current account deficit has been deteriorating, driven by lower trade surplus and by higher services and income deficits. Recent data show some moderation in the current account deficit. On the fiscal side, the government announced spending cuts worth USD 30 billion (around 1.3% of GDP) for 2011. The debt-to-GDP ratio declined from to 40.4 % in 2010 and the Brazilian Ministry of Finance expects it to drop to 37.8% in 2011.

Recent concerns about a potential global recession and falling commodity prices led to a significant depreciation of the real. From 1 August to 26 September 2011, the real depreciated by 10.3% against the EUR and by 16.3% vis-à-vis the USD. This prompted the central bank to intervene on 18 September. The strong depreciation of the currency, while helping exports in the short run, is worrying policy makers of the country as it could aggravate the problems already existing with inflation while increasing the external-debt repayment burden.

Country-risk indicators : Brazil		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	-0.6	7.5	3.8
Unemployment (end of period)	(% labour force)	8.1	6.7	6.7
Inflation rate (CPI) (Dec/Dec)	(% change)	4.9	5.0	7.5
<b>Public finances</b>				
General government balance	(% of GDP)	-3.5	-1.7	-2.8
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	153	202	260.0
Current account balance	(% of GDP)	-1.5	-2.2	-2.3
Net inflow of foreign direct investment	(m EUR)	14,152.7	30,357.2	28,542.0
Official reserves, including gold (end of period) m EUR		238.5	288.5	241.0
Months' imports of goods and services				
Exchange rate (end of period)	( per EUR)	2.8	2.3	2.3
<b>External debt</b>				
External debt (end of period)	(m EUR)	134,275.0	189,254.0	210,777.0
External debt/GDP	(%)	12.2	12.3	11.9
Debt service/exports of goods and services	(%)	51.3	50.4	38.5
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	691.2	826.0	786.0
EU exposure/total EU exposure	(%) (1)	4.3	4.5	4.0
EU exposure/external debt	(%)	0.5	0.5	0.4
EU exposure/exports of goods and services	(%)	0.6	0.6	0.3
<b>IMF arrangements</b>				
Type				
(Date)				
On track				
<b>Indicators of market's perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		Baa3	Baa3	Baa2
S&P long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	51 48	42 41	42
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

### 3.5.2. South Africa

South African economy recovered in 2010 with a growth rate of 2.8%. In the current year GDP is likely to continue increasing; growth rate is likely to exceed 3.3%, driven mainly by household consumption which is however a bit less than previously expected. The downward revision is due to the increasingly uncertain external environment, social unrest and rising unemployment. Although economic growth is not strong enough to make an impact on the high unemployment rate (estimated to be above 24% in 2011, with the manufacturing, trading and mining sectors shedding the largest numbers of jobs), higher salaries and subdued inflation will support consumers' domestic demand. Annual inflation reached 5.1% (year-to-year) in June 2011 due to the rise in food prices, fuel and electricity prices, and wage growth. Monetary policy will remain focused on keeping annual inflation within the official target range of 3 to 6%. The SARB (South African Reserve Bank's) monetary policy committee cut rates aggressively in 2009-2010 and in November 2010 proceeded to a further reduction of 50 basis points in the repo rate (to 5.5%, the lowest level for 40 years). According to the new budget plans, the government deficit will remain at 4.2% of GDP in 2011-2012 and should decline slowly in the coming years, larger than foreseen previously. The public debt burden will however remain relatively low at below 50% of GDP.

Country-risk indicators : South Africa		2009	2010	2011 (Proj)*
<b>Output and prices</b>				
Real GDP growth rate	(%)	-1.8	2.8	3.4
Unemployment (average)	(% labour force)	24.3	24.8	24.5
Consumer price Inflation (average)	(% change)	7.1	4.3	5.9
<b>Public finances</b>				
General government balance	(% of GDP)	-5.0	-4.8	-4.2
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(bn EUR)	56.3	79.1	89.6
Current account balance	(en % du PIB)	-4.0	-2.8	-3.4
Net inflow of foreign direct investment	(m €)	9,586.1	11,977.9	41,357.7
Official reserves, including gold (end of period)	bn USD	35.8	42.3	53.9
Months of imports of goods and services		6.7	6.3	6.0
Exchange rate (end of period, + is depreciation of LE)	(rands per €)	10.7	8.9	6.7
<b>External debt</b>				
External debt (end of period)	(m €)	41,604.2	42,277.1	41,135.6
External debt/GDP	(%)	14.6	14.3	12.9
Debt service/exports of goods and services	(%)	10.9	10.8	9.7
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)	742.5	1,087.0	1,237.0
EU exposure/total EU exposure	(%) (1)	4.6	5.9	6.2
EU exposure/external debt	(%)	1.4	2.0	3.0
EU exposure/exports of goods and services	(%)	1.3	1.4	NA
<b>IMF arrangements</b>				
Type		no	no	no
(Date)		-	-	-
On track		-	-	-
<b>Indicators of markets' perception of creditworthiness</b>				
Moody's long-term foreign currency rating (end of period)		A3	A3	A3
S&P long-term foreign currency rating (end of period)		BBB+	BBB+	BBB+
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	50 47	47 47	48
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes

\* Source: IMF World Economic Outlook

### **3.6. Other**

#### *3.6.1. Tajikistan*

Tajikistan's GDP rose by 6.5% in 2010 (year-on-year) and is expected to expand by 5.8% in 2011. The moderate slowdown in growth, despite rising remittances, reflects the impact of global economic trends on demand for Tajikistan's exports. Inflation should remain stable in the coming months and reflect global price trends (food prices have gone up sharply in the recent past).

The tax base remains narrow, with a large share of revenue still linked to the performance of the aluminium and cotton sectors, which presents an ongoing risk to the government's fiscal targets. Despite the high level of social spending the budget deficit is expected to remain at around 1% of GDP in 2011. International aid continues to meet some of the government's spending requirements.

Tajikistan remains dependent on sales of aluminium, cotton and electricity for most of its export revenue. Aluminium exports rose in 2010, following a sharp fall in 2009 that partly reflected a cut in output because of power supply problems and lower external demand. Export revenue continued to rise in 2011. The current-account balance is expected to register a deficit of around 3.7% of GDP in 2011, compared with the surplus of 2.2% of GDP in 2010. While Tajikistan's external as share of GDP is slowly decreasing, the country's external position remains fragile, in particular in view of a low level of international reserves (about 1.5 months of imports).

Country-risk indicators : Tajikistan		2009	2010	2011 ( proj)
<b>Output and prices</b>				
Real GDP growth rate	(%)	3.9	6.5	5.8
Unemployment (end of period)	(% labour force)	2.1	2.2	2.2
Inflation rate (CPI) (Dec/Dec)	(% change)	5.0	9.8	12.6
<b>Public finances</b>				
General government balance	(% of GDP)	-0.5	-0.4	-1.0
<b>Balance of payments</b>				
Exports of goods and services f.o.b	(m Dollar)	408.0	575.0	827.0
Current account balance	(% of GDP)	-5.9	2.2	-3.7
Net inflow of foreign direct investment	(m Dollar)	16.0	49.0	110.0
Official reserves, including gold (end of period) m Dollar		278.0	447.0	557.0
Months' imports of goods and services		1.2	1.4	1.6
Exchange rate (end of period)	( per Dollar)	4.1	4.4	
<b>External debt</b>				
External debt (end of period)	(m Dollar)	1,692.0	1,942.0	2,260.0
External debt/GDP	(%)	35.0	34.4	33.1
Debt service/exports of goods and services	(%)	20.3	7.3	5.2
Arrears (on both interest and principal)	(%)			
Debt relief agreements and rescheduling	(m EUR)			
<b>Indicators of EU exposure</b>				
EU exposure (capital and interest due)	(m EUR)	29.0	29.0	29.0
EU exposure/total EU exposure	(%) (1)	0.2	0.2	0.1
EU exposure/external debt	(%)	2.5	2.2	1.9
EU exposure/exports of goods and services	(%)	0.0	0.0	0.0
<b>IMF arrangements</b>				
Type		PRGF arrangement		
(Date)		21 April 2009		
On track		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)		none	none	none
Euromoney		03/09 09/09	03/10 09/10	03/11
Position in the ranking	(2)	150 152	148 162	none
(number of countries)		(186) (186)	(185) (185)	100

(1) (2) See explanatory notes