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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on guarantees covered by the general budget - Situation at 31 december 2011

{COM(2012) 609 final}

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1. INTRODUCTION

This working document is published in parallel with the report of the Commission to the European Parliament and the Council on guarantees covered by the budget at 31 December 2011. It provides information on quantitative aspects of the risk borne by the EU Budget related to Member States and third countries. 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 31.12.2011 (in EUR million)				
Operations	Authorised ceiling **(a)**	Capital outstanding at 30.06.2011 (b)	Capital outstanding at 31.12.2011 **(b)**	Remainder to be disbursed at 31.12.2011 **(c)**
MEMBER STATES				
EIB (Member States)		3,061	2,965	349
MFA to Romania		38	25	
Euratom to Bulgaria and Romania		410	404	
BoP				
Hungary	6,500	5,500	3,500	
Latvia	3,100	2,900	2,900	200
Romania	5,000	5,000	5,000	
EFSM				
Ireland	22,500	11,400	13,900	8,600
Portugal	26,000	6,500	14,100	11,900
MEMBER STATES - TOTAL	**63,100**	**34,808**	**42,794**	**21,049**
THIRD COUNTRIES				
A. Macro-Financial Assistance				
Albania	9	9	9	
Armenia	65	0	26	39
Bosnia-Herzegovina	40	38	36	
FYROM	90	66	61	
Georgia	142	14	0	
Lebanon	50	25	25	25
Serbia	473	273	373	100
Montenegro	7	7	7	
Tajikistan	75	28	28	
Sub total MFA	**951**	**460**	565	**164**
B. EURATOM (1)		45	43	**9**
C. Other				
EIB Pre-Accession countries	29,103	8,632	9,074	3,205
EIB Neighbourhood and Partnership countries	29,490	7,163	7,506	6,479
EIB Asia and Latin America	8,357	2,455	2,703	1,226
EIB South Africa	2,436	940	1,034	155
EIB climate change (3)	2,000		150	1,850
Sub total EIB (2)	**71,386**	**22,251**	**23,432**	**13,264**
THIRD COUNTRIES - TOTAL	**72,337**	**19,695**	**21,075**	**13,087**
GRAND TOTAL	**135,437**	**54,503**	**63,868**	**34,136**

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

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

(3) The Climate change mandate has been adopted together with the 2007-2013 Mandate's increase up to EUR 29,484 million (Decision n°1080/2011/EU)

- *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, but 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, they still amount to 37%. 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 31.12.2011 (in EUR million)

Operations	Authorised ceiling **(a)**	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 31.12.2011 **(b)**
Mandate 2007/2013:	**29,484**	**19,436**	**8,561**	**8,343**
Pre-Accession countries	*9,048*	*7,665*	*3,899*	*3,869*
Neighbourhood and Partnership countries:	*13,548*	*8,268*	*2,396*	*2,248*
Mediterranean	9,700	6,560	2,079	2,045
Eastern Europe, Southern Coucasus and Russia	3,848	1,708	318	203
Asia and Latin America:	*3,952*	*2,761*	*1,690*	*1,656*
Asia	1,040	783	386	386
Latin America	2,912	1,978	1,305	1,271
South Africa	*936*	*591*	425	420
Climate change mandate	*2,000*	*150*	150	150
Previous General Mandate 2000/2007[3]:	**20,060**	**19,112**	**16,335**	**11,863**
Pre-Accession countries	10,235	7,324	6,073	4,919
Neighbourhood and Partnership countries	6,520	6,127	5,335	4,087
Asia and Latin America	2,480	2,105	1,793	853
South Africa	825	817	732	547
Member States (following the accession) [2]		2,740	2,404	1,458
sub-total 65 %[1]	**49,544**	**38,548**	**24,896**	**20,206**
Financial agreements (70% Guarantee rate)	**7,477**	**6,482**	**6,094**	**1,977**
Pre-Accession countries	3,770	477	450	235
Neighbourhood and Partnership countries	2,310	1,587	1,510	442
Asia and Latin America:	1,022	809	673	106
South Africa	375	375	273	65
Member States (following the accession) [2]		3,235	3,188	1,130
sub-total 70 %[1]	**7,477**	**6,482**	**6,094**	**1,977**
Financial agreements (75% Guarantee rate)	**7,712**	**7,047**	**7,217**	**530**
Pre-Accession countries	1,350	713	724	49
Neighbourhood and Partnership countries	6,362	4,478	4,534	443
Member States (following the accession) [2]		1,857	1,959	38
sub-total 75 %[1]	**7,712**	**7,047**	**7,217**	**530**
Financial agreements (100% Guarantee rate)	**6,653**	**5,320**	**5,392**	**718**
Pre-Accession countries	4,700	29	29	2
Neighbourhood and Partnership countries	750	315	305	287
Asia and Latin America	903	710	724	88
South Africa	300	285	204	2
Member States (following the accession) [2]		3,982	4,130	339
sub-total 100 %[1]	**6,653**	**5,320**	**5,392**	**718**
Total	**71,386**	**57,397**	**43,599**	**23,431**

(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[1]:

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

[1] 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, by Decision N° 633/2009/EC and by Decision N°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.

An additional 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 31 December 2011[2].

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

Table 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 31.12.2011.

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 31.12.2011

Ranking	Country	2012	2013	2014	2015	2016	2017	2018	2019-2041	Total outstanding
1	Turkey	458.8	447.8	501.4	585.9	555.9	941.1	502.7	4,337.1	8,330.7
2	Ireland	412.7	412.4	412.4	5,412.4	287.4	287.4	4,187.4	5,795.0	17,206.9
3	Portugal	400.8	403.6	403.6	403.6	5,153.6	273.0	873.0	9,826.3	17,737.6
4	Romania	395.1	391.3	371.4	1,869.9	299.6	1,439.9	1,590.8	1,754.3	8,112.3
5	Egypt	207.9	202.3	184.6	184.2	185.4	178.4	174.5	720.0	2,037.2
6	Tunisia	185.8	197.0	196.1	194.0	193.0	183.7	162.9	1,043.0	2,355.4
7	Morocco	179.4	182.8	185.6	288.2	164.3	162.5	154.5	1,166.2	2,483.5
8	Serbia	154.2	160.9	177.3	236.4	188.6	176.3	184.1	681.1	1,959.0
9	Hungary	142.4	133.3	2,128.4	63.0	1,558.8	2.1	0.0	0.0	4,028.0
10	South Africa	122.3	84.5	90.4	98.8	104.3	97.9	109.8	596.1	1,304.1
11	Latvia	96.8	96.6	1,096.5	1,265.1	26.8	26.0	25.9	760.7	3,394.5
12	Bulgaria	92.8	83.6	83.8	80.0	77.3	71.9	61.4	185.3	736.2
13	Lebanon	84.6	88.5	96.7	72.3	64.2	52.9	46.3	89.3	594.8
14	Syria	81.3	77.2	76.4	81.1	80.0	55.7	55.3	220.9	728.0
15	Poland	81.0	74.8	53.7	43.6	29.3	21.5	20.7	70.6	395.3
16	Czech Republic	70.8	68.1	56.4	45.7	43.7	25.9	13.2	47.2	371.0
17	Bosnia and Herzegovina	54.8	49.4	49.3	91.8	46.4	55.0	45.7	274.1	666.4
18	Brazil	51.2	79.5	110.2	247.1	230.7	74.2	38.3	78.6	909.8
19	Slovak Republic	51.1	37.2	25.8	15.1	14.7	14.2	13.8	73.4	245.3
20	Jordan	49.8	42.2	39.4	32.0	30.2	30.0	30.2	165.9	419.7
21	FYROM	48.2	45.9	48.3	41.9	29.5	21.1	15.7	33.4	284.0
22	Croatia	46.1	45.9	42.5	40.5	38.9	38.0	35.8	194.2	481.9
23	Colombia	23.6	25.8	25.8	25.8	25.8	25.8	18.0	8.2	178.9
24	Argentina	21.9	48.8	39.3	37.9	32.4	31.1	29.7	28.3	269.6
25	Vietnam	19.4	20.3	23.8	20.7	21.4	20.5	18.7	103.6	248.4
26	Albania	18.8	16.7	20.9	21.8	21.6	22.9	21.5	123.0	267.2
27	Peru	16.5	16.2	16.2	16.2	13.4	13.4	5.6	0.5	98.1
28	Israel	15.7	14.8	17.4	14.5	12.5	11.9	11.9	161.2	259.9
29	the Philippines	14.7	15.4	17.0	15.7	14.4	9.1	3.7	14.5	104.3
30	Pakistan	13.0	9.8	6.7	6.7	4.7	3.9	3.9	1.9	50.5
31	Indonesia	12.9	12.9	12.9	12.9	8.4	8.4	6.2	8.0	82.6
32	Tadjikistan	12.4	12.1	4.0	0.0	0.0	0.0	0.0	0.0	28.5
33	Slovenia	11.4	9.4	7.4	4.4	2.1	0.0	0.0	0.0	34.8
34	Montenegro	11.2	14.0	16.9	19.0	19.0	18.3	22.0	76.8	197.2
35	India	10.5	22.3	28.8	33.6	33.6	28.6	18.6	23.1	199.0
36	Russia	10.3	10.0	9.6	11.9	19.3	17.5	14.5	111.5	204.7
37	Ukraine	9.5	7.2	7.1	11.5	18.0	20.1	16.2	157.7	247.2
38	Sri Lanka	9.1	10.7	13.8	15.5	13.9	13.3	12.9	31.8	121.1
39	Paraguay	7.9	15.5	15.5	15.5	11.6	7.7	0.0	0.0	73.6
40	China	7.8	7.6	8.0	9.9	5.0	5.3	5.4	47.6	96.5
41	Cyprus	7.7	5.1	3.3	0.0	0.0	0.0	0.0	0.0	16.1
42	Panama	6.8	6.7	6.7	6.8	7.1	7.6	7.6	123.3	172.5
43	Thailand	6.8	9.2	2.2	0.0	0.0	0.0	0.0	0.0	18.2
44	Maldives	5.8	5.6	5.6	5.6	5.6	3.8	3.8	5.1	40.7
45	Lithuania	5.3	5.1	5.0	4.8	4.6	4.4	3.5	5.3	38.0
46	Bangladesh	4.6	8.4	0.0	0.0	0.0	0.0	0.0	0.0	13.0
47	Ecuador	4.5	4.4	4.4	4.4	4.4	4.4	4.4	2.2	33.0
48	Mexico	4.3	3.6	3.6	3.6	3.6	3.6	86.1	3.6	111.8
49	Costa Rica	3.9	3.9	0.0	0.0	0.0	0.0	0.0	0.0	7.9
50	Uruguay	3.9	4.5	5.0	4.2	4.2	2.1	0.0	0.0	23.9
51	The West Bank and the Gaza Strip	2.8	2.8	2.8	2.8	2.7	2.5	2.1	0.1	18.7
52	Laos	2.7	2.7	2.7	2.8	2.8	2.8	2.9	58.4	77.8
53	Armenia	2.0	2.2	2.2	2.3	2.5	2.5	2.5	84.5	100.6
54	Malaysia	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
55	Republic of Moldova	1.7	1.7	1.8	2.7	3.5	3.9	3.8	20.7	39.8
56	El Salvador	1.0	1.6	1.4	2.0	2.6	2.1	2.1	23.0	35.7
57	Malta	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	1.1
58	Georgia	0.6	0.0	0.8	1.7	2.7	3.3	3.3	45.1	57.6
59	Estonia	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
60	Nicaragua	0.1	0.1	0.1	0.1	0.2	0.3	0.3	3.3	4.8
61	Algeria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Grand total	3,782.5	3,763.4	6,768.9	11,729.7	9,726.1	4,529.7	8,673.0	29,385.0	78,358.2
	MS	1,769.3	1,721.0	4,647.7	9,207.6	7,497.9	2,166.4	6,789.7	18,518.0	52,317.6
	% of MS in the total	47%	46%	69%	78%	77%	48%	78%	63%	67%

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 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 30.06.2011 - 31.12.2011

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 30.06.2011	Operations carried out during the 2nd semester 2011		Outstanding amount at 31.12.2011
										Amounts disbursed	Amounts repaid	
BOP	2009/431/EC (1)	8/05/2009			100%		**50,000.0**					
Total								**16,000.0**	**13,400.0**	**0.0**	**2,000.0**	**11,400.0**
Hungary	2009/102/EC	4/11/2008		closed **			(b)	**6,500.0**	**5,500.0**	**0.0**	**2,000.0**	**3,500.0**
1st tranche		9/12/2008	3			9/12/2011	(c)		2,000.0		2,000.0	0.0
2nd tranche		26/03/2009	5.6			7/11/2014	(c)		2,000.0			2,000.0
3 rd tranche		6/07/2009	6.8			6/04/2016	(c)		1,500.0			1,500.0
Latvia	2009/290/EC	20/01/2009		until 12/01/2012			(b)	**3,100.0**	**2,900.0**	**0.0**	**0.0**	**2,900.0**
1st tranche		25/02/2009	5.1			3/04/2014	(c)		1,000.0			1,000.0
2nd tranche		27/07/2009	5.5			27/01/2015	(c)		1,200.0			1,200.0
3rd tranche		17/02/2010	9.2			10/05/2019	(c)		500.0			500.0
4th tranche		16/07/2010	15			20/10/2025	(c)		200.0			200.0
Romania	2009/459/EC	6/05/2009		closed			(c)	**5,000.0**	**5,000.0**	**0.0**	**0.0**	**5,000.0**
1st tranche		27/07/2009	5.5			27/01/2015	(c)		1,500.0			1,500.0
2nd tranche		17/02/2010	9.2			10/05/2019	(c)		1,000.0			1,000.0
3rd tranche		22/09/2010	7			22/09/2017	(c)		1,150.0			1,150.0
4th tranche		24/03/2011	6.93			4/04/2018	(c)		1,200.0			1,200.0
5th tranche		22/06/2011	7.3			4/10/2018	(c)		150.0			150.0
Precautionary EU medium-term financial assistance for Romania	2011/288/EU	12/05/2011		31/03/2013			(d)	**1,400.0**				
EFSM	2010/407/EU	11/05/2010			100%		**60,000.0**					
Total								**48,500.0**	**17,900.0**	**10,100.0**	**0.0**	**28,000.0**
Ireland	2011/77/EU	7/12/2010		8/12/2013				**22,500.0**	**11,400.0**	**2,500.0**	**0.0**	**13,900.0**
1st instalment - tranche 1		12/01/2011	4, 9			4/12/2015	(c)		5,000.0			5,000.0
1st instalment - tranche 2		24/03/2011	7			4/04/2018	(c)		3,400.0			3,400.0
2nd instalment - tranche 1		31/05/2011	10			4/06/2021	(c)		3,000.0			3,000.0
3rd instalment - tranche 1		29/09/2011	15			4/09/2026	(c)			2,000.0		2,000.0
3rd instalment - tranche 2		6/10/2011	6,5			4/10/2018	(c)			500.0		500.0
Portugal	2011/344/EU	30/05/2011		18/05/2014				**26,000.0**	**6,500.0**	**7,600.0**	**0.0**	**14,100.0**
1st instalment - tranche 1		31/05/2011	10			4/06/2021	(c)		1,750.0			1,750.0
1st instalment - tranche 2		1/06/2011	5			3/06/2016	(c)		4,750.0			4,750.0
2nd instalment - tranche 1		21/09/2011	10			21/09/2021	(c)			5,000.0		5,000.0
2nd instalment - tranche 2		29/09/2011	15			4/09/2026	(c)			2,000.0		2,000.0
2nd instalment - tranche 3		6/10/2011	6,5			4/10/2018	(c)			600.0		600.0
EURATOM					100%		**4,000.0**	**4,000.0**	**410.3**	**0.0**	**6.5**	**403.8**
	77/270-271/Euratom	29/03/1977					(c)	500.0				
	80/29/Euratom	20/12/1979					(c)	500.0				
	82/170/Euratom	15/03/1982					(c)	1,000.0				
	85/537/Euratom	5/12/1985					(c)	1,000.0				
	90/212/Euratom	23/04/1990					(b)	1,000.0				
Bulgaria				closed				**212.5**	**186.8**		**6.5**	**180.3**
1st tranche			20			10/05/2021	(c)		40.0			40.0
2nd tranche			15			15/01/2017	(c)		7.8		0.8	7.0
3rd tranche			17			19/08/2019	(c)		22.5		1.3	21.3
4th tranche			15			18/06/2018	(c)		17.5		1.3	16.3
5th tranche			15			16/01/2019	(c)		28.0		1.8	26.3
6th tranche			16			10/09/2020	(c)		28.5		1.5	27.0
7th tranche			16			4/04/2021	(c)		25.0			25.0
8th tranche			14			23/02/2020	(c)		17.5			17.5
Romania				closed				**223.5**	**223.5**			**223.5**
1st tranche			17			21.07.2022	(c)		100.0			100.0
2nd tranche			19			26.11.2024	(c)		90.0			90.0
3rd tranche			18			23.02.2024	(c)		33.5			33.5
MFA*								**200.0**	**37.5**	**0.0**	**12.5**	**25.0**
ROMANIA IV*	99/732/EC	08.11.99		closed				**200.0**	**37.5**	**0.0**	**12.5**	**25.0**
1st tranche			10			29.06.2010	(c)	100.0	0.0			0.0
2nd tranche			10			17.07.2013	(c)	50.0	37.5		12.5	25.0
3rd tranche			-			-	(a)	50.0	0.0			0.0
TOTAL								**68,700.0**	**31,747.8**	**10,100.0**	**2,019.0**	**39,828.8**

* 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)
(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 30.06.2011 to 31.12.2011, 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 30.06.2011	Operations in six-month period: Amounts disbursed	Operations in six-month period: Amounts repaid	Amount outstanding at 31.12.2011
MFA							**1629.0**	**459.5**	**126.0**	**20.5**	**565.0**
BOSNIA AND HERZEGOVINA I	99/325/EC	10.05.99					**20.0**				0.0
1st tranche				15	22.12.14	(c)	*10.0*	8.0		2.0	6.0
2nd tranche				-	-	(c)	*10.0*	10.0			10.0
BOSNIA AND HERZEGOVINA II	02/883/EC	09.11.02					**20.0**				0.0
1st tranche				15	16.01.19	(c)	10.0	10.0			10.0
2nd tranche				15	9.02.21	(c)	10.0	10.0			10.0
FYROM I	97/471/EC	22.07.97					**40.0**				0.0
1st tranche				15	27.09.12	(c)	*25.0*	10.0		5.0	5.0
2nd tranche				15	13.02.13	(c)	*15.0*	6.0			6.0
FYROM II	99/733/EC	08.11.99					**50.0**				0.0
1st tranche				15	15.01.16	(c)	*10.0*	10.0			10.0
2nd tranche				15	30.01.17	(c)	*12.0*	12.0			12.0
3rd tranche				15	04.06.18	(c)	*10.0*	10.0			10.0
4th tranche				15	23.12.18	(c)	*18.0*	18.0			18.0
GEORGIA	97/787/EC	17.11.97		15	24.07.12	(a)	**110.0**	13.5		13.5	0.0
TADJIKISTAN	2000/244/EC	20.03.00	closed			(b)	**75.0**				
1st tranche				15	30.03.16	(c)	60.0	28.0			28.0
SERBIA AND MONTENEGRO *	2001/549/EC	16.07.01		15	17.10.16	(c)	**225.0**				0.0
Serbia								223.8			223.8
Montenegro								1.2			1.2
SERBIA AND MONTENEGRO *	2002/882/EC	09.11.02					**55.0**				
1st tranche				15	28.02.18	(c)	10.0				
Serbia								9.0			9.0
Montenegro								1.0			1.0
2nd tranche				15	1.09.18	(c)	30.0				
Serbia								27.0			27.0
Montenegro								3.0			3.0
3rd tranche				15	4.05.20	(c)	15.0				
Serbia								13.5			13.5
Montenegro								1.5			1.5
ALBANIA	2004/580/EC	29.04.04		15	23.03.21	(c)	**9.0**	9.0			9.0
LEBANON	2007/860/EC	21.12.07	closed	10	4.06.14	(b)	**50.0**	25.0			25.0
ARMENIA	2009/890/EC	30.11.09	15/11/2012	15	27.07.2026	(b)	**65.0**		26.0		26.0
BOSNIA & HERZEGOVINA	2009/891/EC	30.11.09	08/08/2012			(d)	**100.0**				
SERBIA	2009/892/EC	30.11.09	05/04/2012	8	12.07.2019	(b)	**200.0**		100.0		100.0
UKRAINE IV	2002/639/EC	12.07.02	open **			(d)	**110.0**				
UKRAINE V	2010/646/EC	7.07.10	not yet fixed ***			(d)	**500.0**				
EURATOM											
UKRAINE (Euratom)	94/179/EC	21.03.94		11	29.07.18	(c)	**EUR equivalent ******	**44.8**		**3.8**	**43.0**
		15.03.07				(c)	39.0 EUR	27.3		2.0	25.3
		06.10.08				(c)	**22.0 USD**	11.2		0.9	11.7
		15.10.09				(c)	**10.3 USD**	6.3		1.0	6.0
							of USD 83 million				
TOTAL								**511.5**	**126.0**	**24.3**	**608.0**

****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 30.06.11	at 31.12.11	at 30.06.11	at 31.12.11
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6,062	5,548	5,533	360	318
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1,800	1,656	1,656	234	212
TOTAL MED. (3)					**7,862**	**7,204**	**7,189**	**594**	**530**
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1,000	912	912	58	51
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	-	-
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3,000	2,464	2,464	330	290
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	86	84
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	4	4
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122	122	122	4	3
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	2	2
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7,105	6,139	6,110	1,946	1,826
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	91	86
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	65	62
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	600	588	478	464
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19,460	18,594	18,524	11,296	11,399
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100	85	85	66	68
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500	230	230	203	219
Mandate 2007-2013	2006/1016/EC(12) (13)	19.12.06	65%	01.08.07/29.08.07 (14)	29,484	17,691	19,286	7,029	8,193
Climate change Mandate (14)	1080/2011/EU (12)(13)	25.10.11	65%	01.08.07/29.08.07 (14)	2,000	-	150	-	150
TOTAL					**71,386**	**55,779**	**57,398**	**22,251**	**23,431**

(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 has been 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.
(14) Restated and amended in 2011.
(15) The amount of EUR 2,000 million is included in the overall mandate of EUR 29,484 million.

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

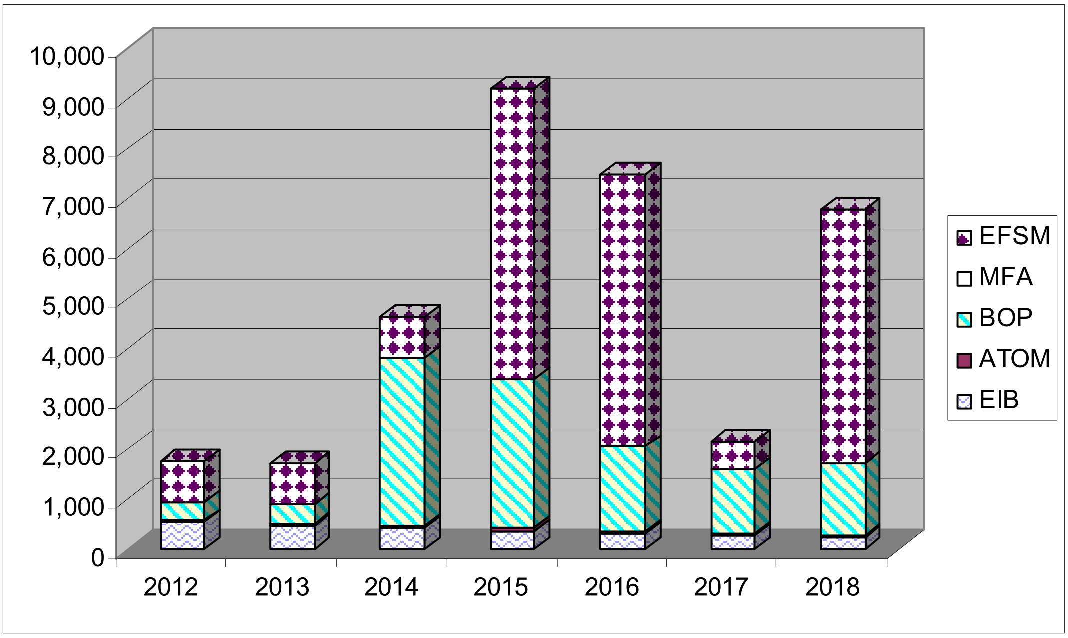
With the implemenation of the EFSM the total risk towards Member States including BOP, Euratom, EIB and MFA lending has drastically increased in 2011.

EFSM assistance for Ireland and Portugal reached a total of respectively EUR 13.9 billion and EUR 14.1 billion at 31.12.2011. Total outstanding for **BOP** loans decreased from EUR 13.4 billion to EUR 11.4 billion, with Hungary reimbursing EUR 2 billion during the 2nd semester 2011.

Regarding **Euratom** loans, no disbursement took place and EUR 6.5 million were reimbursed by Bulgaria during the 2nd semester 2011.

Member States represent 67% of the Budget exposure (cumulated total risk borne by the Budget, see table A2 of the SWD) with the following breakdown between the financial instruments:

Graph A1: Total Annual Risk to the Budget[3] relating to Member States at 31.12.2011[4] (EUR million) for the period 2012-2018



2.5.2. Situation of loans to third countries

At 31 December 2011, a total of EUR 1,804 million remained to be disbursed by the EIB under the EUR 20,060 million EIB external lending mandate for 2000 – 2007:

3 Based on the amounts due (capital and interest) under operations disbursed at 31.12.2011.

4 As of 31 December 2011, the 2012 annual risk for Member States was EUR 1,769 million.

Table A5: Disbursement forecast for EIB loans on general mandate 2000 - 2007			
			EUR million
	Ceiling	Loans made available (minus cancellations) at 31.12.2011***	to be disbursed
A. Pre-Accession Countries *	10,235	7,324	1,249
B. Neighbourhood and partnership countries**	6,520	6,127	530
C. Asia and Latin America	2,480	2,105	25
D. South Africa	825	817	0
<u>Sub-total third countries</u>	<u>20,060</u>	<u>16,372</u>	<u>1,804</u>
Member States*		2,740	349
	20,060	19,112	2,154

* The ceiling includes Terra Turkey and Special Action Turkey.

** 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.

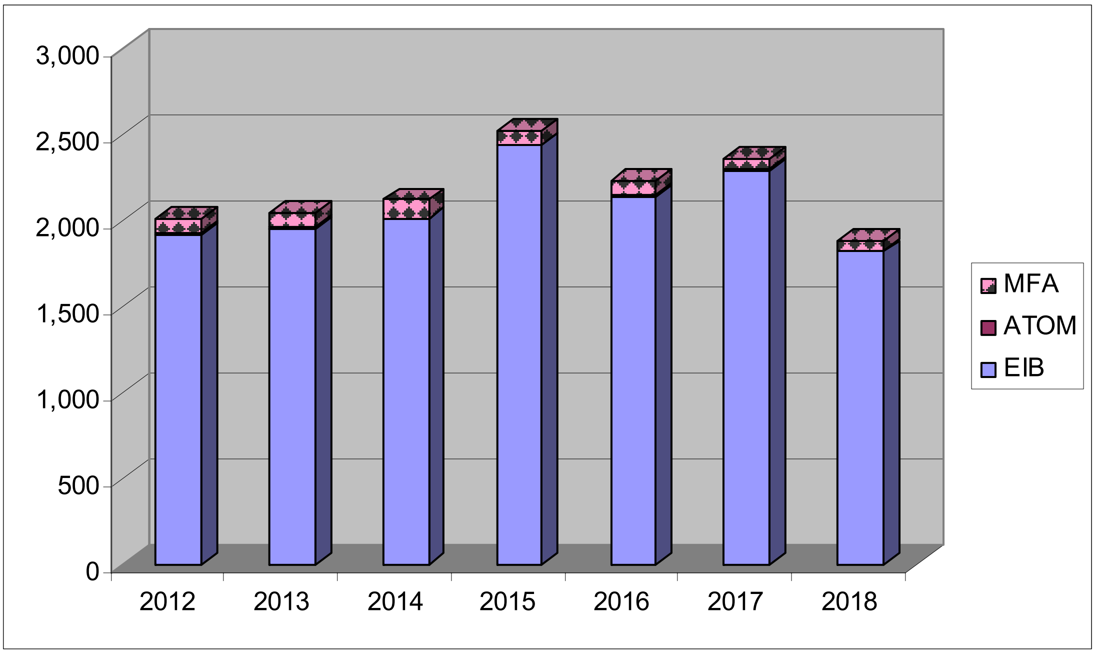
*** Signatures up to 31.07.2008 (end of the Mandate 2000-2007). No additional signatures allowed after this date.

At the same date, an amount of EUR 11,085 million remained to be disbursed under commitments made under the EIB external mandate for 2007-2013.

Table A6: Disbursement forecast for EIB loans on general mandate 2007 - 2013			
			EUR million
	Ceiling	Loans made available (minus cancellations) at 31.12.2011	to be disbursed
A. Pre-Accession Countries	9,048	7,665	3,792
B. Neighbourhood and partnership countries	13,548	8,268	5,938
C. Asia and Latin America	3,952	2,761	1,201
D. South Africa	936	591	155
E. Climate change	2,000	150	0
	29,484	19,436	11,085

For both mandates (2000-2007 and 2007-2013), loans have to be drawn within 10 years from the end of the Mandate.

Graph A2: Total Annual Risk borne by the Budget related to <u>third countries</u> (EUR million) at 31.12.2011 for the period 2012-2018



Graph A2 presents the result of simulations aiming at estimating the outstanding amount covered by the Fund for the period 2012 to 2018. These simulations are based on disbursements of loans signed and disbursed at the reporting date under all EIB mandates. As graph A2 illustrates, the weight of MFA and Euratom loans are marginal in the total annual risk.

Payment under the Budget guarantees

The EU borrows on financial markets 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.

2.5.3. 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[5], draw on additional cash resources from the Member States in order to fulfil its legal obligations towards its lenders.

In the case of BOP loans, where amounts to be reimbursed can be very high, the beneficiary Member States are required to transfer the amounts due to the European Central Bank 7 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 beeing 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 Guarantee Fund to cover the default and 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[6] and the transfers are likely to require advance authorisation by the budgetary authority.

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

BOP and EFSM loans

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

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5 Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p.1) 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).

6 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.

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".

2.5.4. 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[7] or directly from the Budget should the resources of the Fund be insufficient[8].

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.

2.5.5. 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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7 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).

8 If there are insufficient resources in the Fund, the procedure for activating the guarantee is the same as for borrowing/lending operations, see 2.5.3 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 maroeconomic 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[9], NIS[10] and MED[11].

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 decelerated during the second half of 2011, bringing average growth from 5.2% in the first half to close to 3% for the whole year. The growth dynamics in the second half were mainly driven by a slowdown in private consumption and exports. In the first half year, the main sources of growth were public construction and private consumption, bolstered by subsidy payments. Annual inflation continued to decelerate in the second half of 2011,

9 Central and Eastern European Countries.
10 New Independent States.
11 Mediterranean countries

coming down to 2.8% in December, compared to a peak of 5.8% in May. However, annual average inflation was markedly higher than a year before, at 3.9%, compared to 1.6% in 2010. The main factors behind the price increase were higher prices for food, rents and energy. Despite lower than expected revenues, the authorities managed to keep the fiscal deficit at 2.5% of GDP in 2011, as in the previous year, through a supplementary budget in September 2011, which reduced the total amount of spending.

In terms of the trade balance, due to strong domestic demand higher imports led to a widening in the end-year trade deficit to 21% of the estimated full-year GDP (up from 18% the year before). Net current transfers amounted to 17% of GDP and the current account deficit widened to about 4% of GDP (from around 2.2% in 2010). Capital inflows continued to surpass the current account deficit. However, a significant part of this inflow was the drawing of funds from a Precautionary Credit Line (PLC) agreed with the IMF in late 2010. This credit line amounts to some 6% of GDP, and about half of it was drawn in March 2011. The inflow of funds from the precautionary credit line helped to bolster the stock of foreign exchange reserves to EUR 2.3 billion, representing some 5 months of expected imports by end-year. Gross external debt rose to 61% of GDP by September 2011, up from 58.5% of GDP the year before. In the context of a monetary policy that maintains an informal peg of the domestic currency to the euro, the exchange rate has remained largely unchanged at around 61.5 dinars (MKD) per euro.

Country-risk indicators : The fYR of Macedonia		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-1.0	1.7	3.0f
Unemployment (end of period)	(% labour force)	32.2	32.0	30.5f
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.8	1.6	3.4
Public finances				
General government balance	(% of GDP)	-2.7	-2.5	-2.5f
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,948.9	2,552.7	3,276.3
Current account balance	(% of GDP)	-6.7	-2.8	-4.0f
Net inflow of foreign direct investment	(m EUR)	136.9	219.9	300.0e
Official reserves, including gold (end of period)	(m EUR)	1,598.7	1,715.3	2,302.3
In months of subsequent year's imports	(months)	5.5	5.2	5.0e
Exchange rate (end of period)	(per EUR)	61.28	61.51	61.53
External debt				
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	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	252	283	284.0
EU exposure/total EU exposure	(%) (1)	1.6	1.5	1.3
EU exposure/external debt	(%)	6.7	6.8	6.1
EU exposure/exports of goods and services	(%)	12.9	11.1	8.7
IMF arrangements				
Type				PCL
(Date)				19/01/2011
On track				On-track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB	BB	BB
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB+

(1) See explanatory notes

3.1.2. *Montenegro*

The Montenegrin economy is still recovering, following a hard landing in 2009. In 2010 the economy expanded by 2.5%, and further accelerated by an estimated 2.7% in 2011. On the supply side, manufacturing and mining output grew on average by some 6.5% in 2011, and the construction sector increased by 11% year-on-year. On the demand side, retail sales rose by 15% in real terms. Consumer price growth averaged 3% in 2011, driven by food, transport as well as alcoholic beverages and tobacco, the latter including a rise in excise taxes. The unilateral use of the euro implies that there is only limited scope for domestic monetary policy instruments. Consequently, the foreign exchange risk is reduced, but the external financing risk remains an issue. In terms of fiscal policies, the consolidation efforts reduced general government expenditures to 43% of GDP in 2011, compared to 47% a year earlier. However, a weak performance of revenues still resulted in a consolidated budget deficit of 4% of GDP, compared to 4.9% a year before. Public debt increased to 45% of GDP in 2011, although it remained primarily on concessional terms, with average interest rates and maturity at about 3.9% and 6.7 years, respectively. The total external debt reached 99.3% of GDP.

The current account deficit contracted to 19% of GDP in 2011, compared to 25% a year earlier. The improvement was mainly driven by a widening surplus on the services and income accounts. The current account deficit is financed primarily by large foreign direct investments and tourism receipts. A cutback in capital inflows, notably on greenfield investments, represents a major risk as it would depress domestic demand, and further weaken the fiscal performance, given the reliance of indirect tax revenues from imports.

Country-risk indicators : Montenegro		**2009**	**2010**	**2011**
Output and prices				
Real GDP growth rate	(%)	-5.7	2.5	2.7f
Unemployment (end of period)	(% labour force)	11.4	12.2	11.6
Inflation rate (CPI) (Dec/Dec)	(% change)	3.4	0.5	3.1
Public finances				
General government balance	(% of GDP)	-4.4	-5.0	-3.1
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	976.8	1,103.6	1,323.7
Current account balance	(% of GDP)	-30.1	-24.7	-19.5
Net inflow of foreign direct investment	(m EUR)	1,066.5	543.1	389.1
Official reserves, including gold (end of period)	(m EUR)	397.5	416.4	303.5
In months of subsequent year's imports	(months)	2.9	3.0	2.0
Exchange rate (end of period)	(per EUR)	1.0	1.0	1.0
External debt				
External debt (end of period)	(m EUR)	2,781.3	3,110.1	3,089.2
External debt/GDP	(%)	93.3	98.9	99.3
Debt service/exports of goods and services	(%)	5.1	3.6	3.6
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)			
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	126.0	188.0	197.2
EU exposure/total EU exposure	(%) (1)	0.8	1.0	0.9
EU exposure/external debt	(%)	4.5	6.0	6.4
EU exposure/exports of goods and services	(%)	12.9	17.0	14.9
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BB+	BB	BB
Fitch long-term foreign currency rating (end of period)		none	none	none

(1) See explanatory notes

3.1.3. Serbia

In 2011, the economic recovery continued, with a GDP growth of 1.9% fuelled by a revival of investment activity. However, it came under pressure due to the difficult international economic environment towards the end of the year. Inflation, which had peaked in April 2011 at close to 15%, declined to 7% by December, i.e. well above the upper boundary of the 4.5±1.5% target band. The budgetary deficit of 4.5% of GDP was also higher than targeted initially, as revenues underperformed given the slower-than-expected economic upswing. A rally in government borrowing led to a surge in public debt to EUR 14.8 billion, overshooting the legal threshold of 45% of GDP by a notch.

In the face of slowing export growth, the current account deficit widened to around 9% of GDP. Foreign currency inflows picked up and the quality of external financing improved, as FDI increased more than twofold, reaching almost EUR 1.6 billion. By the end of the year, foreign exchange reserves with the national bank of Serbia increased to EUR 12 billion, sufficient to cover more than 10 months of imports. At close to EUR 24 billion, Serbia's total external debt remained relatively stable, accounting for around ¾ of GDP. With the aim of anchoring macroeconomic stability as well as the structural reform commitments during the new election cycle, Serbia signed in September 2011 a follow-up precautionary Stand-By Arrangement with the IMF in the total amount of EUR 1.1 billion, covering 18 months, effective from 1 October.

Country-risk indicators : Serbia		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-3.5	1.0	1.9
Unemployment (end of period)	(% labour force)	16.1	19.2	23.7
Inflation rate (CPI) (Dec/Dec)	(% change)	6.6	10.3	7.0
Public finances				
General government balance	(% of GDP)	-4.5	-4.9	-5.1
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	8,477.7	10,069.5	11,470.1
Current account balance	(% of GDP)	-7.4	-7.5	-9.5
Net inflow of foreign direct investment	(m EUR)	1,369.2	861.4	1,840.1
Official reserves, including gold (end of period)	(m EUR)	10,601.9	10,001.6	12,057.7
In months of subsequent year's imports	(months)	11.5	9.8	10.3
Exchange rate (end of period)	(per EUR)	95.88	105.93	106.95
External debt				
External debt (end of period)	(m EUR)	22,465.9	23,763.3	24,101.6
External debt/GDP	(%)	77.6	81.7	76.7
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	1317.9	1609.0	1,959.0
EU exposure/total EU exposure	(%) (1)	8.1	8.7	9.2
EU exposure/external debt	(%)	5.9	6.8	8.1
EU exposure/exports of goods and services	(%)	15.5	16.0	17.1
IMF arrangements				
Type		Stand-By		
(Date)		January 2009 - Aprill 2011		
On track		On-track	On-track	On-track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB-	BB-	BB
Fitch long-term foreign currency rating (end of period)		BB-	BB-	BB-

(1) See explanatory notes

3.1.4. *Turkey*

The economy of Turkey has grown strongly after the dramatic contraction of 4.7% in 2009; with a growth reaching 9% in 2010 and about 8.5% in 2011. A double-digit growth of imports, combined with a domestic credit boom, fuelled private consumption and investment. Headline inflation increased rapidly, in large part as a result of a weak lira and some indirect tax increases, and reached 10% in late 2011 from about 6.5% in the first half of the year. On the back of the strong GDP growth, the fiscal deficit narrowed to 1.5 % of GDP in 2011, while the public debt stock decreased by about 2 % of GDP, amounting to 39% of GDP at the end of 2011.

The current account deficit has been ballooning in tandem with a large and widening merchandise trade deficit, driven in particular by the impact of strong domestic demand and high oil prices. As a result, it amounted to about 10% of GDP in 2011, compared with 6.5% in 2010. Turkey's gross external debt amounts to less than 40% of GDP with private external debt representing two thirds of the total. International reserves fell by about 5% to EUR 70 billion covering around 4 months of imports. The domestic currency depreciated by about 20% against the US dollar and the euro in 2011.

Country-risk indicators : Turkey		**2009**	**2010**	**2011**
Output and prices				
Real GDP growth rate	(%)	-4.8	9.0	8.5
Unemployment (end of period)	(% labour force)	14.1	12.0	9.2
Inflation rate (CPI) (Dec/Dec)	(% change)	6.3	8.6	10.4
Public finances				
General government balance	(% of GDP)	-5.7	-3.6	-1.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	102,752.4	117,781.4	131,084.7
Current account balance	(% of GDP)	-2.3	-6.4	-9.9
Net inflow of foreign direct investment	(m EUR)	4,981.5	5,726.0	9,665.3
Official reserves, including gold (end of period)	(m EUR)	77,064.1	83,215.5	84,024.2
In months of subsequent year's imports	(months)	9.2	7.1	4.8
Exchange rate (end of period)	(per EUR)	2.16	2.00	2.46
External debt				
External debt (end of period)	(m EUR)	182,107.7	213,734.5	232,330.8
External debt/GDP	(%)	43.6	39.5	39.3
Debt service/exports of goods and services	(%)	37.8	28.3	23.8
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	5,704.0	7,429.0	8,330.7
EU exposure/total EU exposure	(%) (1)	35.1	40.2	39.2
EU exposure/external debt	(%)	3.1	3.6	3.6
EU exposure/exports of goods and services	(%)	5.6	6.0	6.4
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba2	Ba2
S&P long-term foreign currency rating (end of period)		BB-	BB	BB
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB+

(1) See explanatory notes

3.2. Potential candidate countries

3.2.1. *Albania*

Albania's real GDP grew by an estimated 2.6% year-on-year in the third quarter of 2011, recovering somewhat from a weak economic performance in the second trimester, but still below the historical average. Inflation eased in the second half of 2011 reaching a low of 1.7% (year-on-year) in December. It receded further to 0.6% in February 2012 driven primarily by a deceleration in food prices, which account for a substantial share in the consumer price index. The banking sector, the main source of financial intermediation in Albania, remained well capitalised and liquid. However, non-performing loans continued to rise and stood at 18.9% in the last quarter of 2011. The government deficit is estimated to have increased to 3.5% of GDP in 2011 from 3.1% in 2010, reflecting weak revenue and strong expenditure growth. The 2012 budget projects a decline in the fiscal deficit to 3% of GDP, as revenue is assumed to grow more than expenditure. Public debt levels remained relatively high, with the total debt-to-GDP ratio estimated at 58.9% in 2011, up from 57.8% in the previous year. Contingent liabilities from state guarantees account for some 3.7% of GDP.

The current account deficit increased from an estimated 12.9% of GDP in the second quarter of 2011 to 13.1% of GDP in the third quarter, reflecting a worsening merchandise trade gap and continued decline in remittances. FDI inflows declined by some 23% in the first three quarters of 2011, reflecting base effects, the recapitalisation of a foreign-owned bank and the repatriation of foreign capital. However, FDI remains an important source of external financing, representing slightly more than half of the current account imbalance. Albania's gross external debt amounts to some 45% of GDP, with government long-term borrowing accounting for almost half of the total. In the third quarter of 2011, international reserves increased by 7.6% to EUR 1.8 billion covering around 4.2 months of imports. The domestic currency depreciated by around 2% vis-à-vis the euro and by some 2.9% against the US dollar.

Country-risk indicators : Albania		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	3.3	4.1	3.0*
Unemployment (end of period)	(% labour force)	13.0	13.7	13.3
Inflation rate (CPI) (Dec/Dec)	(% change)	2.3	3.6	3.5
Public finances				
General government balance	(% of GDP)	-7.0	-3.1	-3.5*
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	2,522.1	2,873.9	3 321.4
Current account balance	(% of GDP)	-15.1	-11.6	-12.5*
Net inflow of foreign direct investment	(m EUR)	668.3	822.8	852.8*
Official reserves, including gold (end of period)	(m EUR)	1567.4	1825.3	1852.4
In months of subsequent year's imports (2)	(months)	6.2	6.7	4.3
Exchange rate (end of period)	(per EUR)	131.82	137.48	140.07
External debt				
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	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	223.0	244.0	267.2
EU exposure/total EU exposure	(%) (1)	1.4	1.3	1.3
EU exposure/external debt	(%)	11.0	10.9	10.7
EU exposure/exports of goods and services	(%)	8.8	8.5	8.0
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	B1	B1
S&P long-term foreign currency rating (end of period)		none	B+	B+
Fitch long-term foreign currency rating (end of period)		none	none	none

(1) See explanatory notes
(2) Ratio of 12 months imports of goods moving average.
* Source: Economic and Fiscal Program (EFP) 2012

3.2.2. Bosnia and Herzegovina,

In 2011, the economy continued its recovery, with the GDP growth estimated at 1.7%, representing a slight acceleration from the 0.7% expansion a year earlier. Domestic demand picked up, supported by a rising inflow of remittances and an accelerating credit growth. Industrial production rose by 5.6%, while retail sales soared by 12.5%. However, the unemployment rate rose further, reaching 43.8% at end-2011, due to some labour shedding in the private sector, most notably in construction. Annual inflation accelerated slightly to 3.7% in 2011, up from 2.1% in the previous year. The acceleration of the consumer prices growth was 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.

After the improvements registered in the previous couple of years, the current account deficit surged by 70.5% in the first nine months of 2011, reaching an estimated 8.7% of GDP. The deterioration was mainly driven by the rising imports of goods. Net inflow of FDI remained low, covering slightly less than one fifth of the current account deficit. External public debt rose by 5.7% in 2011, accounting for 25.8% of GDP. Official foreign exchange reserves rose only marginally, covering about 5 months of imports. The inability of the political parties to agree on State-level government formation after the October 2010 general elections did not allow for programme discussions and reviews under the Stand-By Arrangement with the IMF to take place in the course of 2011.

No funds were disbursed in 2011 under the EU macro-financial assistance to Bosnia and Herzegovina (loan facility of up to EUR 100 million, Council Decision 2009/891/EC of 30 November 2009) due to the non-functional IMF programme and the failure of the authorities to meet all structural reform conditions. Standard and Poor's downgraded in November 2011 the country's sovereign ratings from B+ to B on account of the political stalemate and related delays in economic reforms.

Country-risk indicators : Bosnia and Herzegovina		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-2.9	0.7	1.7e
Unemployment (end of period)	(% labour force)	42.7	42.7	43.8
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.4	2.1	3.7
Public finances				
General government balance	(% of GDP)	-4.5	-2.5	NA
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	3,992.7	4,759.5	4,900.0
Current account balance	(% of GDP)	-6.3	-6.1	-8.7*
Net inflow of foreign direct investment	(m EUR)	177.6	143.9	233.4**
Official reserves, including gold (end of period)	(m EUR)	3,219.7	3,330.5	3,333.3
In months of subsequent year's imports	(months)	6.0	5.6	4.9
Exchange rate (end of period)	(per EUR)	1.94	1.93	1.93
External debt				
External debt (end of period)	(m EUR)	2,708.8	3,256.9	3,442.7
External debt/GDP	(%)	21.8	25.6	25.8
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	472.0	583.0	666.4
EU exposure/total EU exposure	(%) (1)	2.9	3.2	3.1
EU exposure/external debt	(%)	17.6	18.1	19.4
EU exposure/exports of goods and services	(%)	11.9	12.4	13.6
IMF arrangements				
Type		Stand-by Arrangement €1.2bn three years		
(Date)		08 July 2009		
On track		Off track; last programme discussions November 2010		
Indicators of market's perception of creditworthiness				
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
Fitch long-term foreign currency rating (end of period)		none	none	none

(1) See explanatory notes
* as of Q3/11
** Jan-Sep/2011

3.3. Mediterranean partners

3.3.1. Egypt

The Egyptian economy has suffered severely since early 2011. The economy declined markedly the first quarter of 2011 (4.2% GDP contraction, year-on-year), and remained flat during the following two quarters. Overall, the economy is estimated to have fallen in 2011 by about 3.5%. Growth is expected to slowly recover building on regained political stability, although these forecasts are subject to substantial downside risks. Inflation fell to one-digit figures by mid 2011, although still remains high (February 2012 y-o-y inflation of 9.2%) and is proving difficult to bring down. Monetary policy has remained neutral since October 2009 through October 2011, when it was slightly tightened. The budgeted fiscal deficit for fiscal year 2011/12 (8.6%) is expected to be exceeded by at least 1.5 percentage points, building on a growing deficit also the year before. At the same time, government borrowing costs have increased by some 500 basis points. Fiscal consolidation has therefore become a vital priority.

Egypt's balance of payments deteriorated significantly during the first three quarters of 2011 as a result of portfolio capital outflows (USD 8.6 billion) and an almost complete stop of FDI flows (-93%). Simultaneously, the current account deteriorated more gradually as the solid export performance (particularly of petroleum products) cushioned the significant reduction in tourism receipts. However, by the third quarter of 2011 the current account had deteriorated significantly due to higher prices for imported energy and food prices, and a steep fall in tourism receipts. Egypt has drawn down foreign currency reserves, including those held at commercial banks, to finance the balance of payments deficit and to support the Egyptian pound against the US dollar (it has still depreciated by about 4% since early 2011). Net foreign exchange reserves have more than halved since December 2010 to USD 15.7 billion by end-February 2012. On the face of a weaker financing situation, Egypt has been downgraded several notches by the various rating agencies throughout 2011.

A satisfactory political transition in Egypt, supported by sound macroeconomic policies and structural reforms, would do much to bring back the Egyptian economy onto a path of sustainable growth.

Country-risk indicators : Egypt		2009	2010	2011 est.
Output and prices				
Real GDP growth rate	(%)	4.7	5.2	1.8
Unemployment (end of period)	(% labour force)	9.4	9.6	12.4
Inflation rate (CPI) (Dec/Dec)	(% change)	11.8	11.1	10.2
Public finances				
General government balance	(% of GDP)	-6.6	-8.0	-10.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	35,159.7	35,751.6	35,140.6
Current account balance	(% of GDP)	0.5	-2.4	-3.0
Net inflow of foreign direct investment	(m EUR)	5,816.9	5,097.8	1,572.3
Official reserves, including gold (end of period)	(m EUR)	24,328.2	26,998.6	13,760.8
In months of subsequent year's imports	(months)	5.8	6.6	3.3
Exchange rate (end of period)	(EG£ per EUR)	7.8	7.8	7.8
External debt				
External debt (end of period)	(m EUR)	23,843.6	26,363.4	24,520.8
External debt/GDP	(%)	17.8	16.3	14.8
Debt service/exports of goods and services	(%)	6.0	6.8	10.0
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2,240.7	2,178.0	2,037.2
EU exposure/total EU exposure	(%) (1)	13.8	11.8	9.6
EU exposure/external debt	(%)	8.2	7.3	8.3
EU exposure/exports of goods and services	(%)	6.1	5.8	5.8
IMF arrangements				
Type		no	no	no*
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	B2
S&P long-term foreign currency rating (end of period)		BB+	BB+	B+
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB-

(1) Fiscal year ends 30th June
* The Government withthrew its request for an IMF programme in mid 2011. Discussions were renewed in early 2012.

3.3.2. Lebanon

Real GDP growth in Lebanon slowed significantly in 2011 to 1.5% compared to previous years' average of 8%, due to a combination of domestic political uncertainty in the first half of 2011 and regional turmoil, which led to weak domestic demand and a slowdown in export growth. Inflation increased slightly in 2011 from 5.1% to 5.5%, mirroring high global food and fuel prices, while core inflation remained moderate. The fiscal situation remains vulnerable and there is a great need for fiscal consolidation. Public debt amounted to 134% of GDP in 2011, while the fiscal deficit worsened from 7.5% of GDP in 2010 to 8.3% in 2011. Tax revenues decreased in 2011 and primary expenditure increased due to an increase in military wages and higher transfers to the electricity company. As a result, the primary surplus fell from 2.7% of GDP to 1% in 2011. In addition, there is currency risk as 47% of government debt is denominated in foreign currencies.

A decline in tourism as a result of regional turmoil combined with higher food and fuel prices have contributed to a worsening of the current account deficit from 10.6% of GDP in 2010 to 14.1% in 2011. This, combined with a decrease in FDI, put strain on foreign reserves. Still, reserves recovered and amounted to USD 30.6 billion at the end of 2011 (covering over 10 months of imports). While the external debt-to-GDP ratio decreased slightly in 2011, it remains among the highest in the world at 157.6%. About 80% of external debt consists of short-term non-resident deposits in the banking sector, which could increase vulnerabilities; however, as these deposits are largely owned by the Lebanese diaspora, they behave more like long-term deposits and have demonstrated high resilience in crisis. The exchange rate peg plays an important role in ensuring macroeconomic and financial stability, especially in light of high and increasing dollarization. No IMF arrangement was foreseen in Lebanon at the end of 2011. Long-term foreign currency ratings remained unchanged in 2011.

Country-risk indicators : Lebanon		**2009**	**2010**	**2011** (proj)
Output and prices				
Real GDP growth rate	(%)	8.5	7.0	1.5
Unemployment (end of period)	(% labour force)	n.a.	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	3.4	5.1	5.5
Public finances				
General government balance	(% of GDP)	-8.2	-7.5	-8.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	16,400.0	17,900.0	18,600.0
Current account balance	(% of GDP)	-9.7	-10.6	-14.1
Net inflow of foreign direct investment	(m EUR)	2,660.0	2,730.0	2,400.0
Official reserves (end of period)	(m EUR)	19,700.0	21,700.0	22,000.0
In months of subsequent year's imports	(months)	10.6	10.8	10.3
Exchange rate (end of period)	(per EUR)	2,147.6	2,003.7	1,943.7
External debt				
External debt (end of period)	(m EUR)	43,900.0	4,500.0	45,900.0
External debt/GDP	(%)	174.9	161.1	157.6
Debt service/exports of goods and services	(%)	20.6	17.3	n.a.
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	538.8	598.0	594.8
EU exposure/total EU exposure	(%) (1)	3.3	3.2	2.8
EU exposure/external debt	(%)	1.3	1.4	1.3
EU exposure/exports of goods and services	(%)	16.6	16.6	3.2
IMF arrangements				
Type		EPCA II	no	no
(Date)		Nov 2008 - June 2009		
On track		On-track		
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B1	B1
S&P long-term foreign currency rating (end of period)		B-	B	B
Fitch long-term foreign currency rating (end of period)		B-	B	B

(1) See explanatory notes

3.3.3. Morocco

The Moroccan economy remained resilient in 2011 despite the social demands that arose during the Arab Spring, with GDP growth estimated at 4.6%. GDP is forecast to grow above 4% in both 2012 and 2013. Monetary policy has been neutral since March 2009, having focussed during 2011 on supporting the economy's liquidity needs by a large gradual reduction of banks' reserve requirements and by increasing its refinancing to banks. Inflation remains in check below 2%, despite the pressure from rising international food and energy prices, as a result of the existing subsidies system. Price subsidies, however, carry a significant cost for the Moroccan public finances (estimated at 5.5% of GDP in 2011). This comes in addition to further fiscal measures including increases in civil service and minimum wages. Overall, Morocco's budget deficit for 2011 is estimated to have risen to 5.7% of GDP, prompting an increase of the accumulated general government debt to an estimated 54.2% in 2011, an increase of almost 7 percentage points since 2008. A process of fiscal consolidation, starting in 2012, should bring the deficit down to 3% of GDP in the medium term, stabilising general government debt to about 50% of GDP. However, this forecast is subject to some downside risk, namely on account of Morocco's strong dependence on the performance of the Euro-area economies.

Morocco's current account deficit deteriorated by 26% in 2011 as higher prices of energy and food commodities took a toll on the import balance. However, the higher cost of imports was partly counterbalanced by the good performance of exports of goods and services (in particular tourism receipts) and transfers (mainly workers' remittances). The current account deficit (USD 5.3 billion) was partly financed by the resilient capital account surplus (USD 4 billion), including substantial FDI flows. Foreign investors seem to continue viewing Morocco as a politically stable country with solid macroeconomic policies in place. The level of total external debt remained stable at 24.8% of GDP. Gross foreign reserves are stabilised above USD 23 billion.

Country-risk indicators : Morocco		2009	2010	2011 est
Output and prices				
Real GDP growth rate	(%)	4.8	3.7	4.6
Unemployment (end of period)	(% labour force)	9.1	9.1	9.2
Inflation rate (CPI) (Dec/Dec)	(% change)	0.9	1.0	1.5
Public finances				
General government balance	(% of GDP)	-2.2	-4.6	-5.7
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	26,668.4	30,208.0	34,850.4
Current account balance	(% of GDP)	-5.4	-4.3	-5.2
Net inflow of foreign direct investment	(m EUR)	1,400.3	982.5	1391.3
Official reserves, including gold (end of period)	(m EUR)	17,160.6	17,255.3	16,200.6
In months of subsequent year's imports	(months)	7.1	5.8	5.5
Exchange rate (end of period)	(MAD per EUR)	11.3	11.2	11.1
External debt				
External debt (end of period)	(m EUR)	21,179.7	21,156.4	23,719.4
External debt/GDP	(%)	23.3	24.6	24.8
Debt service/exports of goods and services	(%)	9.2	8.7	10.7
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2,224.0	2,425.0	2,483.5
EU exposure/total EU exposure	(%) (1)	13.7	13.1	11.7
EU exposure/external debt	(%)	11.8	12.1	10.5
EU exposure/exports of goods and services	(%)	8.3	8.0	7.1
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	Ba1
S&P long-term foreign currency rating (end of period)		BB+	BBB-	BBB-
Fitch long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-

(1) See explanatory notes

3.3.4. *Syria*

Real GDP is estimated to have decreased by 2 % in 2011 due to the on-going unrest and the resulting international sanctions. Inflation was estimated at 6% in 2011, although food products have suffered from hyperinflation at the beginning of 2012. The budget deficit was estimated to rise sharply to at least 8% of GDP at the end of 2011 due to a decrease in revenue (tax and customs duties) and an increase in military expenditure, public salaries and subsidies. At the end of October 2011, the governor of the Central Bank stated that due to sanctions Syria had not received a total of USD 1.2 billion earmarked for projects by the EU, the EIB and other European Institutions.

Exports and imports fell sharply in 2011 as a result of the crisis. The external economic position weakened significantly with the current account deficit estimated to have risen to 6% of GDP in 2011. Before the beginning of the unrest in March 2011, foreign exchange reserves were officially at USD 17 billion; however by the end of November 2011, the Central Bank governor stated that Syria had spent USD 1.2 billion of those reserves to finance investment projects after international credit was withdrawn and about USD 3.7 billion to finance imports. The Central Bank also used foreign currency reserves as a means to maintain the value of the Syrian pound in response to an estimated capital outflow of USD 4 billion since March 2011. According to calculations by some analysts (Dun & Bradstreet country report December 2011) foreign exchange reserves amounted to about USD 10 billion at the end of 2011. If the fall of the reserves continues at the same speed, reserves will be fully depleted by the end of 2012. Despite efforts to maintain the exchange rate, the Syrian pound (SYP) depreciated against the EUR by some 12% in 2011.

No data is available on total external debt. The credit risk has increased massively due to potential financial difficulties linked to lower-than-expected oil revenue stream and to EU sanctions. This risk is expected to increase further in light of the Council Decision of 27 February 2012 to tighten the EU's restrictive measures against the Syrian regime.

Country-risk indicators : Syria		**2009**	**2010**	**2011** (proj)
Output and prices				
Real GDP growth rate	(%)	6.0	3.2	-2.0
Unemployment (end of period)	(% labour force)	8.1	8.4	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	1.7	6.3	6.0
Public finances				
General government balance	(% of GDP)	-9.0	-3.2	-8.0
Balance of payments				
Exports of goods f.o.b.	(m EUR)	7,800.0	10,100.0	n.a.
Current account balance	(% of GDP)	-3.6	-3.9	-6.1
Net inflow of foreign direct investment	(m EUR)	1,900.0	1,000.0	n.a.
Official reserves, including gold (end of period)	(m EUR)	12,700.0	13,700.0	10,000.0 (est.)
In months of subsequent year's imports	(months)	10.7	9.4	n.a.
Exchange rate (end of period)	(per EUR)	65.1	62.6	69.9
External debt				
External debt (end of period)	(m EUR)	5,367.0	n.a.	n.a.
External debt/GDP	(%)	13.9	n.a.	n.a.
Debt service/exports of goods and services	(%)	0.8	n.a.	n.a.
Arrears (on both interest and principal) (only EIB)	(m EUR)	no	no	15.4
Debt relief agreements and rescheduling	(m EUR)	no	no	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	762.0	796.0	728.0
EU exposure/total EU exposure	(%) (1)	4.7	4.3	3.4
EU exposure/external debt	(%)	4.7	4.3	n.a.
EU exposure/exports of goods and services	(%)	13.7	14.6	n.a.
IMF arrangements				
Type	none			
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		none	none	none

(1) See explanatory notes

3.3.5. Tunisia

Tunisia's economy was significantly affected by the domestic political unrest and the conflict in Libya. Annual GDP growth slightly decreased in 2011 after reaching 3% in 2010, reflecting the impact of the regional crisis on tourism, remittances and foreign investments, as well as production interruptions due to strikes. Inflation decelerated to 3.5% in 2011 (from 4.4% in 2010) reflecting weaker domestic demand and food and energy subsidies. Whilst price increases did halt following the revolution, they started accelerating again significantly in the second semester 2011 and exceeded that of 2010 by year-end. On the fiscal front, public finances came under strain due to reduced revenues and the adoption of more expansionary fiscal policies. The budget deficit rose to 3.7% of GDP in 2011 against 1.3% of GDP in 2010, putting pressure on external debt, which increased to 54% of GDP from 40.5% of GDP in the previous year.

On the external side, the rebound of exports was more than offset by the fall in remittances and tourism revenues, contributing, together with increasing commodity prices, to a widening of the current account deficit to 5.5% of GDP, as compared to 4.8% of GDP in 2010. Net foreign direct investments also dropped from 3.8% of GDP in 2010 to 1.2% of GDP in 2011. Given the deteriorating balance of payments situation, international reserves declined by nearly EUR 1.5 billion during the first seven months of 2011 and, following a temporary recovery in August due to disbursements of external support, they sized down to EUR 5.8 billion at end-2011. This corresponds to only 3.5 months of imports. The main rating agencies downgraded Tunisia's credit rating and added a 'negative perspective'. Yet, Tunisia remains in the investment-grade category. To boost bank liquidity, the Central Bank reduced the level of reserve requirements to 2% in June 2011 against 12.5% in May 2010 and cut its key interest rate to 3.5% in September 2011 from 4.5% in December 2010.

Although the macroeconomic environment has shown some signs of stabilization, the situation remains particularly vulnerable given ongoing uncertainly in the region, the global economic dynamics and the outlook in the EU, Tunisia's main trading and investment partner. No request for an IMF arrangement has been submitted so far, mainly for political reasons. To meet the external and fiscal financing needs of 2012, national authorities intend to further use foreign exchange reserves and to attract substantial external resources, including from the World Bank (Programme d'Appui à la Relance) and from Arab Funds. Also, they will try to raise funds domestically.

Country-risk indicators : Tunisia		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	3.1	3.1	-1.8
Unemployment (end of period)	(% labour force)	13.3	13.0	14.0
Inflation rate (CPI) (Dec/Dec)	(% change)	3.5	4.4	3.5
Public finances				
General government balance	(% of GDP)	-3	-1.3	-3.7
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	13,885	16,371	17,823
Current account balance	(% of GDP)	-2.8	-4.8	-7.1
Net inflow of foreign direct investment	(m EUR)	1047	1046	772
Official reserves, including gold (end of period)	(m EUR)	8,188	7,102	5,793
In months of subsequent year's imports	(months)	6.7	5.1	3.5
Exchange rate (end of period)	(per EUR)	1.89	1.87	1.94
External debt				
External debt (end of period)	(m EUR)	14,948	14,876	17,303
External debt/GDP	(%)	49.4	48.6	54.0
Debt service/exports of goods and services	(%)	11.9	10.7	11.9
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	1,900.0	2220.0	2,355.4
EU exposure/total EU exposure	(%) (1)	11.7	12.0	11.1
EU exposure/external debt	(%)	12.6	15.1	13.6
EU exposure/exports of goods and services	(%)	15.1	17.1	13.2
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
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-
Fitch long-term foreign currency rating (end of period)		BBB	BBB	BBB-

(1) See explanatory notes

3.4. Eastern Partnerships

3.4.1. Armenia

After a strong contraction of GDP in 2009 (-14.1%) and a moderate recovery in 2010 (2.1%), the GDP growth accelerated in 2011 and reached 4.6%. The growth was mainly driven by an increase in exports and remittances. The average inflation rate in 2011 of 7.7% was slightly lower than in 2010 (8.2%). The headline inflation reached its peak of 11.5% in March 2011 mostly due to global price movements. Reacting to the soaring inflation rates in the beginning of 2011, the Central Bank of Armenia increased the interest rates. The rates where cut again in September, as the inflation pressures receded, mostly due to a recovery in agriculture, diminishing global price pressures and limited private spending. The fiscal deficit decreased to 3.6% of GDP, which is below the initial target of 3.9% of GDP; in 2010 the deficit was 4.5%. The public debt-to-GDP ratio increased to 42% in 2011 (from 39.2% in 2010), as a result of counter-cyclical measures and loans from the international community.

Driven by relatively strong export growth along with a growth in remittances, the current account deficit narrowed to 12.2% of GDP in 2011 from 14.7% of GDP in 2010. The level of external debt continued to increase and reached 65.5% of GDP. The net inflow of FDI increased only slightly when compared to 2010. Foreign reserves changed very little in 2011, they were around EUR 1.3 billion, or 4.5 months of imports of goods and services. In November 2011, Moody`s changed Armenia's outlook to negative but kept the rating at Ba2 level. In December 2011, the IMF Board successfully completed its third review of Armenia’s economic performance under the on-going three year programme supported by Extended Fund Facility and Extended Credit Facility arrangements.

Country-risk indicators : Armenia		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	14.1	2.1	4.6
Unemployment (end of period)	(% labour force)	7.0	7.0	6.2
Inflation rate (CPI) (Dec/Dec)	(% change)	3.4	8.2	7.7
Public finances				
General government balance	(% of GDP)	-7.9	-4.5	-3.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	942.0	1,365.8	1,618.2
Current account balance	(% of GDP)	-15.8	-14.7	-12.2
Net inflow of foreign direct investment	(m EUR)	511.1	396.1	399.8
Official reserves, including gold (end of period)	(m EUR)	1,413.1	1,315.8	1,273.4
In months of subsequent year's imports	(months)	5.7	4.8	4.5
Exchange rate (end of period)	(per EUR)	542.2	495.4	498.7
External debt				
External debt (end of period)	(m EUR)	3,439.6	4,339.3	4,615.0
External debt/GDP	(%)	57.8	64.6	65.5
Debt service/exports of goods and services	(%)	5.4	4.7	4.8
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	n.a	n.a	100.6
EU exposure/total EU exposure	(%) (1)	n.a	n.a	0.5
EU exposure/external debt	(%)	n.a	n.a	2.2
EU exposure/exports of goods and services	(%)	n.a	n.a	6.2
IMF arrangements				
Type		SBA	EFF/ECF	EFF/ECF
(Date)		(March 2009)	(from June2010)	(from June 2010)
On track		On track	On track	On track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba2	Ba2	Ba2
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		BB-	BB-	BB-

(1) See explanatory notes

Sources: Central Bank of Armenia, National Statistical Service of Armenia, Commission, IMF, Moody`s, Fitch

3.4.2. Georgia

Following two years of low or negative growth, real GDP grew by 6.3% in 2010 and by an estimated 6.8% in 2011. Average inflation accelerated in 2011 due to increased international prices for food and gas and reached 8.5%. On the back of the economic recovery, the government tightened its budgetary and monetary policies. The fiscal deficit was reduced from 9.2% of GDP in 2009 to 3.6% in 2011 and a 2012 budget entailing a deficit of 3.5% of GDP was approved in December 2011.

The current account deficit of 12.7% of GDP in 2011 widened against 9.6% of GDP in 2010. In tandem, the trade deficit, at 22.9% of GDP in 2010, further increased in 2011 to around 28.7% of GDP. Georgia's exports continue to suffer from the trade embargo imposed by Russia in 2006. The high trade deficit was partly offset by growing tourism revenues and remittances. Recovering FDI and official assistance also helped financing the current account deficit. In 2011, net FDI reached EUR 698 million, against EUR 615 million in 2010. Official reserves increased from EUR 1.7 billion at end-2010, to EUR 2 billion at end 2011 (around 4.3 months of imports). The external debt remained relatively high (62% of GDP). A peak in public debt roll-over in the coming years represents a concern. Substantial external debt repayment obligations are due in 2013-15, reflecting the repayment of the Eurobond of USD 500 million issued in 2008 and large repurchases under the IMF's Stand-By Arrangement.

The IMF Stand-By Arrangement that ran from November 2008 was completed successfully in June 2011, but the authorities did not draw the installments that became available since July 2010. The authorities are currently negotiating a new programme with the IMF, but of a precautionary nature this time. The country's long-term foreign currency rating was upgraded by S&P and Fitch to BB- towards the end of 2011.

Country-risk indicators : Georgia		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-3.8	6.3	6,8 *
Unemployment (end of period)	(% labour force)	16.9	16.3	16,2 *
Inflation rate (CPI) (Dec/Dec)	(% change)	3	11.2	2
Public finances				
General government balance	(% of GDP)	-9.2	-6.6	-3,6 *
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	2,308	3,067	3,589
Current account balance	(% of GDP)	-11.2	-9.6	-12,7 *
Net inflow of foreign direct investment	(m EUR)	0	0	0
Official reserves, including gold (end of period)	(m EUR)	0	0	0
In months of subsequent year's imports	(months)	4.2	3.7	4,3 *
Exchange rate (end of period)	(per EUR)	2.4	2.4	2.2
External debt				
External debt (end of period)	(m EUR)	0	0	6.066 *
External debt/GDP	(%)	58.0	67.1	62.0 *
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
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	36.0	41.0	57.6
EU exposure/total EU exposure	(%) (1)	0.2	0.2	0.3
EU exposure/external debt	(%)	0.8	0.7	0.9
EU exposure/exports of goods and services	(%)	1.6	1.3	1.6
IMF arrangements				
Type		Stand-By of USD 750 m, increased to USD 1.17 bn in August 2009		
(Date)		Originally from Sept 2008 to March 2010; extended till June 2011		
On track		on track	on track	completed in June 2011
Indicators of market's perception of creditworthiness				
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+	BB-
Fitch long-term foreign currency rating (end of period)		B+	B+	BB-

(*) latest estimates
(1) See explanatory notes

3.4.3. Ukraine

In 2011, Ukraine's economic recovery continued, with a relatively strong growth performance: GDP growth was 5.2%, after 4.2% in 2010. The National Bank of Ukraine managed to control inflation and to further stabilise the exchange rate. However, risks for the economic outlook for 2012 are on the downside as a consequence of the deterioration of the world economy and lack of diversification of Ukraine's economy. Delays in adjustment of domestic energy prices and low investment levels present risks to the fiscal balance. Public debt is expected to remain at about 40% of GDP in 2012.

As a result of strong domestic demand, a weaker export performance and historically high gas import prices, the current account deficit is expected to increase to 6.5% of GDP in 2012, up from 5.9% of GDP in 2011. The 2011 current account deficit was only partially covered by foreign direct investment (FDI), which only improved marginally despite capital inflows following the privatisation of the telecommunications company Ukrtelecom and increased investment in preparation of the European football championship. Recent trends point to renewed net currency outflows, as European banks decrease their exposure to risk as a result of the sovereign debt crisis. While foreign exchange reserves are still at comfortable levels, covering about four months of imports, the trend in the second half of 2011 pointed downwards, and a persistent current account deficit in the absence of IMF support would result in further decreases.

The implementation of the IMF programme was suspended in 2011 as the government failed to increase retail energy prices towards cost recovery levels and thus meet the IMF's conditions under the Stand-By Arrangement. As a consequence, access to international capital markets at reasonable interest rates has become difficult. The three main rating agencies continue to assess Ukraine at five notches below investment grade. External debt rose substantially over the last three years, reaching EUR 98.7 billion, or 79% of GDP, at the end of 2011. There are substantial external debt repayments (EUR 41 billion, out of which 5.8 billion public debt) falling due until the end of 2012.

Country-risk indicators : Ukraine		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-14.8	4.2	5.2
Unemployment (end of period)	(% labour force)	9.6	8.8	8.5
Inflation rate (CPI) (Dec/Dec)	(% change)	15.9	9.4	4.6
Public finances				
General government balance	(% of GDP)	-8.7	-5	-4.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	37,928	51,020	58,461
Current account balance	(% of GDP)	-1.5	-2.2	-5.9
Net inflow of foreign direct investment	(m EUR)	3,349	4,349	5,077
Official reserves, including gold (end of period)	(m EUR)	19,073	26,108	24,460
In months of subsequent year's imports	(months)	5.7	5.7	3.9
Exchange rate (end of period)	(per EUR)	10.8	10.5	10.5
External debt				
External debt (end of period)	(m EUR)	74,403	88,605	98,610
External debt/GDP	(%)	88.2	85.1	79.0
Debt service/exports of goods and services	(%)	33.75	35.77	n/a
Arrears (on both interest and principal)	(%)	n/a	n/a	n/a
Debt relief agreements and rescheduling	(m EUR)	n/a	n/a	n/a
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	126.0	200.0	247.2
EU exposure/total EU exposure	(%) (1)	0.8	1.1	1.2
EU exposure/external debt	(%)	0.2	0.2	0.3
EU exposure/exports of goods and services	(%)	0.3	0.4	0.4
IMF arrangements				
Type		SBA 16.5bn USD	SBA 15.2bn USD	
(Date)		Nov 08 - Jul 10	Jul 2010 - Dec 2012	
On track		completed	On track	Off track
Indicators of market's perception of creditworthiness				
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+
Fitch long-term foreign currency rating (end of period)		B-	B	B

(1) See explanatory notes

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

3.5.1. Brazil

Brazil recovered strongly from the 2008 economic and financial crisis and grew at a record 7.5% in 2010, driven mainly by strong domestic demand. Inflation picked up momentum in the second half of 2010 and led to policy tightening in the first half of 2011. This, combined with weakening global momentum, slowed down the Brazilian economy in the second half of

2011. The IMF expects a GDP growth rate of 2.9% for 2011. Inflation has started to abate in the second half of the year reaching 6.6% (annual average) in 2011. The government kept a broadly neutral fiscal stance in 2011. For 2012 the government is targeting a surplus of 3.1%, after a deficit of 2.8% in 2011. Public sector net debt in percentage of GDP continues to fall and is expected to stabilise at around 36% of GDP in 2011 (it was 39.1% in 2010).

The real, after depreciating marginally in the second half of 2011, started appreciating at the end of December. Foreign reserves grew further in 2011 and reached around USD 350 billion (EUR 240 billion), corresponding to 12.4 months of imports. The current account deficit is expected to be 2.1% of GDP in 2011, similar to that of 2010 (2.2%).

Potential risks to growth are the increasingly growing credit to the private sector (19% growth year-on-year in 2011), and the rapid rising of housing prices. Nevertheless, the Brazilian economy is relatively well balanced and should be able to absorb shocks, given the high level of foreign reserves and the large reserves of the banking system at the central bank.

Country-risk indicators : Brazil		**2009**	**2010**	**2011**
Output and prices				
Real GDP growth rate	(%)	-0.3	7.5	2.9
Unemployment (end of period)	(% labour force)	8.1	6.7	6.0
Inflation rate (CPI) (Dec/Dec)	(% change)	4.9	5.0	6.6
Public finances				
General government balance	(% of GDP)	-3.5	-1.7	-2.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	128,937.4	176,725.0	211,519.8
Current account balance	(% of GDP)	-1.4	-2.2	-2.1
Net inflow of foreign direct investment	(m EUR)	14,152.7	30,340.2	39,370.2
Official reserves, including gold (end of period)	(m EUR)	149,476.5	196,842.2	241,228.4
In months of subsequent year's imports	(months)	13.2	11.9	12.4
Exchange rate (end of period)	(per EUR)	2.8	2.3	2.3
External debt				
External debt (end of period)	(m EUR)	142,862.0	178,501.6	209,084.6
External debt/GDP	(%)	13.1	12.0	12.4
Debt service/exports of goods and services	(%)	24.0	26.3	21.4
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	691.2	826.0	909.8
EU exposure/total EU exposure	(%) (1)	4.3	4.5	4.3
EU exposure/external debt	(%)	0.5	0.5	0.4
EU exposure/exports of goods and services	(%)	0.6	0.6	0.4
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
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
Fitch long-term foreign currency rating (end of period)		BBB-	BBB-	BBB

(1) See explanatory notes

3.5.2. South Africa

Following a contraction in GDP by 1.5% in 2009, the South African economy recovered in 2010 with a growth rate of 2.9%. Growth in the fourth quarter of 2011 was 2.9% year-on-year, down from 3.1% in the previous quarter, from 3.2% in second quarter of 2011 and from 3.3% in the first quarter. The government estimates a 3.1% growth in 2011, a 2.7% in 2012. Although economic growth is not strong enough to make an impact on the high unemployment rate (estimated to be above 24% in 2011), higher salaries will support consumers' domestic demand. End-year inflation increased to 6.3% in December 2011. It was driven by the rise in food prices observed globally, fuel and electricity prices, and wage growth. Annual average inflation was 5.0% in 2011. Monetary policy will remain focused on keeping annual inflation, as measured by the CPI, within the official target range of 3%-6%. South African Reserve Bank's monetary policy committee cut rates aggressively in 2009-10 and since then has kept an easy stance. The current repo rate is 5.5%, the lowest level for 40 years. According to the new budget plans, the government deficit will be 4.6% of GDP in 2012/2013, up from 4.2% the year before. The public debt burden will, however, remain below 50% of GDP.

The current account deficit reached 2.9% of GDP in 2010 and is expected to widen to 3.2% of GDP in 2011 as imports grew faster than exports. External debt remained low at about 13% of GDP. The saving ratio is one of the lowest among Emerging Market Economies (16.5%). Higher savings, channelled to investments, and the creation of better business environment (in order to attract more foreign direct investments) would greatly benefit the entire economy.

Country-risk indicators : South Africa		2009	2010	2011
Output and prices				
Real GDP growth rate	(%)	-1.5	2.9	3.1
Unemployment (end of period)	(% labour force)	23.9	24.9	24.9
Inflation rate (CPI) (Dec/Dec)	(% change)	7.1	4.3	5
Public finances				
General government balance	(% of GDP)	-5.1	-5.0	-4.2
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	45,104.4	61,977.6	69,775.7
Current account balance	(% of GDP)	-4.0	-2.9	-3.2
Net inflow of foreign direct investment	(m EUR)	9,586.1	11,977.9	41,357.7
Official reserves, including gold (end of period)	(m EUR)	25,950.2	32,017.1	35,668.7
In months of subsequent year's imports	(months)	4.6	4.4	4.1
Exchange rate (average)	(per EUR)	7.5	10.4	9.8
External debt				
External debt (end of period)	(m EUR)	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)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	742.5	1,087.0	1,304.1
EU exposure/total EU exposure	(%) (1)	4.6	5.9	6.1
EU exposure/external debt	(%)	1.4	2.0	3.2
EU exposure/exports of goods and services	(%)	1.3	1.4	1.9
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
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+
Fitch long-term foreign currency rating (end of period)		BBB+	BBB+	BBB+

(1) See explanatory notes

3.6. Other

3.6.1. Tajikistan

Strong growth in remittance inflows supported the rise in economic activity in Tajikistan in 2010-2011. GDP rose by 6% in 2011 and is expected to expand by another 6% in 2012. The outlook is subject to downside risks stemming from a potential global or regional slow-down and an expected fall in international commodity prices. Average inflation in 2011 was 13% but it is likely to recede in 2012 in line with stabilising global food and energy prices. The damage to export competitiveness from high inflation in 2011 was partly offset by currency depreciation. 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. The budget deficit, excluding public investment programmes, is expected to remain at around 0.5% of GDP in 2012 with its composition reflecting a gradual shift to higher social spending, which is low even by regional levels. Some parts of public spending are covered by international aid for food supplies, infrastructure repairs and capacity building.

Tajikistan remains dependent on sales of aluminium, cotton and electricity for most of its export revenue. Despite higher aluminium prices in 2011, revenue earnings were hampered by a fall in production. While this trend was somewhat counter-balanced by higher revenues from sales of cotton fibre, Tajikistan's export revenue declined in 2011 after the peak in 2010 and is projected to fall further in 2012. The current-account deficit is expected to deteriorate to 6.5% of GDP in 2012, compared with a deficit of 4.1% of GDP in 2011. As Tajikistan's external debt is projected to increase to 33.1% of GDP in 2012 from 31.3% GDP in 2011, the country's external position remains fragile, in particular given a very low level of international reserves (about 1.5 months of imports in 2011).

The three-year Extended Credit Facility (ECF) arrangement (about USD 116 million) with Tajikistan, which was originally approved by the IMF's Executive Board in 2009 and subsequently augmented in 2010, expires in April 2012. Given the programme's role in maintaining macroeconomic stability, the authorities have expressed interest in a continued engagement with the IMF. So far the performance was mixed, as Tajikistan missed four indicative targets, with the most important being the breach of net international reserves and liquidity loans from the central bank to commercial banks.

Country-risk indicators : Tajikistan		2009	2010	2011 est
Output and prices				
Real GDP growth rate - IMF	(%)	3.9	6.5	6.0
Unemployment*	(% labour force)	2.1	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec) - IMF	(% change)	5.0	9.8	13.4
Public finances				
General government balance	(% of GDP)	-5.4	-3.7	-3.1
Balance of payments - IMF				
Exports of goods	(m EUR)	293	448	422.0
Current account balance	(% of GDP)	-6	2.1	-4.1
Net inflow of foreign direct investment	(m EUR)	11.0	12.0	22.0
Gross international reserves, (end of period)	(m EUR)	199	359	418.0
In months of subsequent year's imports	(months)	1.2	1.4	1.5
Exchange rate (end of period)	(per EUR)	5.77	5.81	6.68
External debt - IMF				
Total public and publicly guaranteed debt	(m EUR)	1,213	1,465	1,515
External debt/GDP	(%)	34.0	34.4	31.3
Debt service/exports of goods and services	(%)	20.3	7.3	6.2
Arrears (on both interest and principal)	(%)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	29	29.0	28.5
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	(%)	9.9	6.5	6.8
IMF arrangements				
Type		Extended Credit Facility		
(Date)		signed in 2009 till April 2012, augmented in 2010		
On track		On track	On track	On track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		none	none	none

* annual average, oficially registered

(1) See explanatory notes