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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 2013

{COM(2014) 540 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 EU budget at 31 December 2013. It provides further information on 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 EU budget under each programme is presented in section 2. The third countries representing important risks to the EU budget in 2013, 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. Data concerning EU loans are processed by the Commission whereas EIB figures have been provided by the Bank.

The evaluated countries are grouped in 6 sub-sections: (3.1.) Member States, (3.2.) Candidate countries, (3.3.) Potential candidate countries, (3.4.) ENP countries, (3.5.) Mediterranean partners and (3.6.) Other countries.

2. 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 EU budget. The figures show the maximum possible risk for the EU for these operations and must not be read as meaning that these amounts will actually be drawn from the Guarantee Fund for external actions ("the Fund") or the EU budget.

TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 31.12.2013 (in EUR million)				
Operations	Authorised ceiling **(a)**	Capital outstanding at 31.12.2012 (b)	Capital outstanding at 31.12.2013 (b)	Amounts signed (minus cancellation) but not yet disbursed at 31.12.2013
MEMBER STATES				
EIB (Member States) (1)		2,653	2,657	230
MFA to Romania	200	13	0	
Euratom to Bulgaria and Romania (2)	4,000	387	357	
BoP				
Hungary	6,500	3,500	3,500	
Latvia	3,100	2,900	2,900	
Romania	5,000	5,000	5,000	2,000
EFSM				
Ireland	22,500	21,700	21,700	800
Portugal	26,000	22,100	22,100	3,900
MEMBER STATES - TOTAL	**67,300**	**58,253**	**58,214**	**6,930**
THIRD COUNTRIES				
Macro-Financial Assistance				
Albania	9	9	9	
Armenia	65	65	65	
Bosnia-Herzegovina	140	32	128	
FYROM	90	51	47	
Lebanon	50	25	25	0
Serbia	473	329	284	0
Montenegro	7	6	6	
Tajikistan	75	16	4	
Euratom (2)		36	29	
EIB mandates				
EIB Pre-Accession countries	29,103	9,973	10,003	3,946
EIB Neighbourhood and Partnership countries (3)	29,490	8,581	9,237	7,441
EIB Asia and Latin America	8,357	2,698	2,692	996
EIB South Africa	2,436	965	769	346
EIB Climate change (4)	2,000	150	217	1,436
THIRD COUNTRIES - TOTAL	**72,295**	**22,936**	**23,514**	**14,165**
GRAND TOTAL	**139,595**	**81,189**	**81,728**	**21,095**

(1) There is no ceiling as it concerns countries which were not Member States at the time the EIB mandates were adopted. The amounts were therefore included under the respective regional ceilings as defined in the mandates.

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

(3) Loans subrogated to the EU following Syria defaults on EIB loans are included in this figure (amount : EUR 60 million).

(4) The Climate change mandate (EUR 2,000 million) 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.

- *EIB financing operations*

EIB financing operations represent 30% of the total outstanding loan operations covered by the EU budget.
The following table provides further details on the breakdown of EIB financing operations.

ANNEX TO TABLE A1: SITUATION IN RESPECT OF EIB OPERATIONS at 31.12.2013 (in EUR million)

Operations	Authorised ceiling **(a)**	Amounts signed minus cancellations	Amounts disbursed	Capital outstanding at 31.12.2013
Mandate 2007/2013:	**29,484**	**27,062**	**13,590**	**12,848**
Pre-Accession countries	9,048	8,949	5,630	5,402
Neighbourhood and Partnership countries:	13,548	12,225	5,005	4,729
Mediterranean	*9,700*	*8,381*	*4,115*	*3,959*
Eastern Europe, Southern Coucasus and Russia	*3,848*	*3,844*	*890*	*770*
Asia and Latin America:	3,952	3,321	2,287	2,065
Asia	*1,040*	*951*	*421*	*396*
Latin America	*2,912*	*2,370*	*1,866*	*1,669*
South Africa	936	911	450	436
Climate Change mandate	2,000	1,656	217	217
Previous General Mandate 2000/2007[3]:	**20,060**	**18,766**	**17,048**	**10,634**
Pre-Accession countries	10,235	6,727	6,064	4,391
Neighbourhood and Partnership countries	6,520	5,896	5,513	3,719
Asia and Latin America	2,480	2,105	1,769	544
South Africa	825	817	620	287
Member States (following the accession)[2]		3,221	3,082	1,693
sub-total 65 %[1]	**49,544**	**42,027**	**28,238**	**23,482**
Financial agreements (70% Guarantee rate)	**7,477**			
Pre-Accession countries	3,770	477	463	187
Neighbourhood and Partnership countries	2,310	1,587	1,509	262
Asia and Latin America:	1,022	809	669	45
South Africa	375	375	269	46
Member States (following the accession)[2]		3,235	3,186	810
sub-total 70 %[1]	**7,477**	**6,482**	**6,096**	**1,350**
Financial agreements (75% Guarantee rate)	**7,712**			
Pre-Accession countries	1,350	590	593	23
Neighbourhood and Partnership countries	6,362	4,478	4,532	244
Member States (following the accession)[2]		1,980	2,088	15
sub-total 75 %[1]	**7,712**	**7,047**	**7,213**	**282**
Financial agreements (100% Guarantee rate)	**6,653**			
Pre-Accession countries	4,700	29	29	0
Neighbourhood and Partnership countries	750	315	314	281
Asia and Latin America	903	710	721	37
South Africa	300	285	204	1
Member States (following the accession)[2]		3,982	4,123	140
sub-total 100 %[1]	**6,653**	**5,320**	**5,391**	**459**
TOTAL	**71,386**	**60,876**	**46,944**	**25,574**

(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.

2.1. Risk factors

Factor increasing the risk:

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

- 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 are converted into EUR at the year end..

Factors reducing the risk:

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

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

70% of the total amounts of loans signed as part of lending operations with certain non-Member States authorised by Council Decisions 96/723/EC, 97/256/EC, 98/348/EC and 98/729/EC;

The 65% guarantee rate covers two different mandates:

- regarding the 2000/2007 Mandate, the EU budget guarantee is restricted to 65% of the aggregate amount of credits opened (i.e. loans signed and not cancelled) plus all related sums authorised by Council Decisions 1999/786/EC[2] and 2008/580/EC (codified version)[3],

- for the 2007-2013 Mandate, the EU budget guarantee is restricted to 65% of the aggregate amount of credits disbursed and guarantees provided under EIB financing operations, less amounts reimbursed, plus all related amounts authorised by Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC[4],

– operations already repaid;

– the ceilings are not necessarily taken up in full;

– in some cases, notably private sector operations, the EU budget guarantee covers only well defined political risk events, with the EIB (or a third party guarantee) covering other risks (e.g. commercial).

1 Within each portfolio individual EIB loans are, de facto, guaranteed at 100% until the global ceiling is reached.
2 OJ L 308, 3.12.1999, p. 35.
3 OJ L 186, 15.7.2008, p. 30.
4 OJ L 280, 27.10.2011, p. 1.

2.2. Cumulative and annual EU budget guarantee exposures

With the amortization profile based on the existing loans disbursed it is possible to calculate the total capital exposure of the EU 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 2013[5].

[5] 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 EU budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, BoP, Euratom, EFSM and EIB) disbursed at 31.12.2013

Ranking	Country	Grand Total	2014	2015	2016	2017	2018	2019	2020	2021-2043
1	Portugal	29,451.38	644.88	644.88	5,394.88	514.25	1,114.25	500.00	500.00	20,138.25
2	Ireland	29,078.75	661.00	5,661.00	536.00	536.00	4,436.00	413.63	413.63	16,421.50
3	Turkey	9,252.72	542.67	619.28	612.15	1,031.23	597.68	931.31	547.30	4,371.09
4	Romania	7,466.03	377.02	1,879.73	310.56	1,450.89	1,601.86	1,186.69	141.25	518.03
5	Hungary	3,752.31	2,128.42	62.98	1,558.78	2.12	0.00	0.00	0.00	0.00
6	Latvia	3,200.56	1,096.43	1,265.04	26.69	25.90	25.85	524.04	7.16	229.45
7	Morocco	3,020.72	217.77	315.74	209.79	211.04	222.68	214.52	201.43	1,427.75
8	Tunisia	2,699.35	221.59	235.12	249.33	241.47	223.64	211.14	190.03	1,127.04
9	Serbia	2,173.58	195.00	255.39	210.06	201.31	214.30	174.21	120.21	803.10
10	Egypt	2,086.90	184.11	178.82	187.43	203.68	203.55	202.72	168.32	758.28
11	Bosnia and Herzegowina	1,024.81	63.24	102.21	62.21	73.46	67.05	75.97	70.51	510.16
12	Brazil	1,001.66	102.45	229.41	226.14	81.81	76.44	134.18	87.33	63.90
13	South Africa	981.96	74.51	74.21	83.43	81.63	99.95	58.75	74.71	434.77
14	Bulgaria	639.58	87.52	85.80	83.12	77.78	67.32	54.93	46.55	136.56
15	Syrian Arab Republic	584.36	72.52	90.86	89.27	55.65	55.28	54.47	52.12	114.19
16	Ukraine	548.74	10.61	11.23	20.83	42.72	45.36	44.35	44.35	329.29
17	Israel	511.60	26.38	21.16	18.13	17.75	18.05	90.93	19.14	300.07
18	Lebanon	499.80	99.91	79.68	72.92	61.85	55.21	39.20	27.37	63.66
19	Panama	440.97	7.94	6.37	6.63	7.13	7.13	43.29	42.92	319.55
20	Jordan	414.06	42.78	35.30	34.07	36.31	38.85	30.01	28.90	167.83
21	Croatia	389.96	42.62	40.51	38.86	38.00	35.77	34.11	32.63	127.45
22	Albania	301.68	23.75	24.64	24.33	26.96	26.46	25.94	25.20	124.41
23	Argentina	264.72	38.63	42.28	41.86	40.33	38.79	37.26	10.41	15.15
24	Poland	237.48	52.49	42.80	29.35	21.54	20.69	18.90	18.07	33.65
25	India	236.08	29.86	32.74	34.29	30.84	20.84	18.47	14.66	54.38
26	Czech Republic	232.13	56.44	45.73	43.66	25.93	13.16	12.62	12.07	22.52
27	Georgia	222.88	5.85	7.99	13.13	18.06	18.90	18.74	15.33	124.89
28	Montenegro	218.43	20.48	22.41	23.21	22.07	26.06	18.31	13.48	72.40
29	Viet Nam	212.38	23.36	19.60	20.19	20.56	18.91	17.04	14.80	77.92
30	Russian Federation	205.08	12.02	13.87	21.27	19.66	16.59	16.52	16.45	88.70
31	The Former Yugoslav Republic Of Macedonia	193.66	45.36	39.88	27.75	21.49	16.54	8.57	8.39	25.67
32	Slovak Republic	156.95	25.78	15.08	14.66	14.24	13.82	13.40	12.98	46.99
33	Sri Lanka	123.82	14.14	15.32	13.72	13.58	14.43	14.38	12.93	25.35
34	Colombia	121.91	24.66	24.21	24.21	24.21	16.92	6.96	0.74	0.00
35	Armenia	121.53	2.69	3.01	3.68	4.01	4.31	4.49	4.45	94.89
36	Republic of Moldova,	117.15	3.49	4.51	8.02	10.89	12.44	12.68	12.55	52.57
37	China	95.24	7.79	9.26	4.71	4.96	5.56	6.15	6.53	50.26
38	Lao People's Democratic Republic	67.96	2.56	2.59	2.63	2.66	2.69	2.73	2.78	49.32
39	Peru	61.48	15.32	15.20	12.59	12.59	5.27	0.52	0.00	0.00
40	Philippines	54.89	13.08	11.89	10.70	6.63	2.53	2.33	2.28	5.44
41	Indonesia	53.35	12.09	12.07	7.91	7.91	5.82	5.03	2.51	0.00
42	Paraguay	47.22	14.59	14.50	10.88	7.25	0.00	0.00	0.00	0.00
43	Regional - Central America	30.88	1.33	1.72	2.35	1.94	1.94	1.94	1.94	17.73
44	Gaza/West Bank	30.13	3.00	3.01	3.44	3.87	3.43	1.57	1.48	10.33
45	Nicaragua	28.72	0.77	0.77	0.87	1.37	1.76	2.02	1.97	19.19
46	Maldives	28.23	5.39	5.32	5.32	3.64	3.64	3.26	1.66	0.00
47	Lithuania	27.59	4.95	4.78	4.60	4.42	3.49	2.74	1.83	0.78
48	Pakistan	26.38	6.46	6.43	4.43	3.63	3.63	1.81	0.00	0.00
49	Ecuador	22.72	4.17	4.12	4.12	4.12	4.12	2.06	0.00	0.00
50	Mexico	20.09	3.36	3.34	3.34	3.34	3.34	3.34	0.00	0.00
51	Uruguay	14.52	4.78	3.90	3.90	1.95	0.00	0.00	0.00	0.00
52	Slovenia	13.92	7.44	4.39	2.09	0.00	0.00	0.00	0.00	0.00
53	Tadjikistan	4.01	4.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
54	Cyprus	3.29	3.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00
55	Thailand	2.09	2.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total	102,818.37	7,394.86	12,352.05	10,458.49	5,376.63	9,532.29	5,298.24	3,031.35	49,374.46
	Total MS	74,649.93	5,188.29	9,752.71	8,043.26	2,711.08	7,332.21	2,761.05	1,186.16	37,675.18
	Percentage MS	72.60%	70.16%	78.96%	76.91%	50.42%	76.92%	52.11%	39.13%	76.30%
	Total non MS	28,168.44	2,206.57	2,599.35	2,415.23	2,665.55	2,200.08	2,537.19	1,845.19	11,699.28

2.3. Borrowings for loan operations covered by the EU budget guarantee

The EU budget covers two types of operations. These are:

(a) Borrowing for 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 financing operations (Annex to table A1).

TABLE A3a

BoP, EFSM, Euratom and MFA lending operations to Member States (EUR million)

Period 01.01.2013 - 31.12.2013

Instrument	Decision	Date of decision	Availability period (for Request for Funds	Loan situation - closed (a) - partially disbursed (b - disbursed in full (c) - not yet disbursed (d)	Amounts decided	Amounts outstanding at 01.01.2013	Operations made in 2013: Amounts disbursed	Operations made in 2013: Amounts repaid	Amounts outstanding at 31.12.2013
BOP	2002/332/EC (1)	08/05/2009		50,000.0	18,000.0	**11,400.0**	0.0	0.0	**11,400.0**
Hungary	2009/102/EC	04/11/2008	closed (**)	(b)	6,500.0	**3,500.0**	0.0	0.0	**3,500.0**
Latvia	2009/290/EC	20/01/2009	closed	(b)	3,100.0	**2,900.0**	0.0	0.0	**2,900.0**
Romania	2009/459/EC	06/05/2009	closed	(c)	5,000.0	**5,000.0**	0.0	0.0	**5,000.0**
Precautionary EU medium-term financial assistance for Romania	2011/288/EU	12/05/2011	Closed (funds were available until 31/03/2013. Not requested)	(a)	1,400.0				
Precautionary BOP for Romania	2013/531/EU	22/10/2013	Funds are available until 30/09/2015	(d)	2,000.0				
EFSM	2010/407/EU	11/05/2010		60,000.0	48,500.0	**43,800.0**	0.0	0.0	**43,800.0**
Ireland	2011/77/EU	07/12/2010	08/02/2014	(b)	22,500.0	**21,700.0**	0.0	0.0	**21,700.0**
Portugal	2011/344/EU	17/05/2011	29/06/2014	(b)	26,000.0	**22,100.0**	0.0	0.0	**22,100.0**
EURATOM	94/179/Euratom			4,000.0	436.0	**386.8**	0.0	29.8	**357.0**
	77/270-271/Euratom	29/03/1977							
Bulgaria	SEC(2000)661/2	18/04/2000	closed	(c)	212.5	**163.3**	0.0	19.8	**144.4**
Romania	C(2004)891	30/03/2004	closed	(c)	223.5	**223.5**	0.0	10.0	**213.5**
MFA					200.0	**12.0**	0.0	12.5	**0.0**
Romania IV	99/732/EC	08.11.99	closed	(c)	200.0	**12.0**	0.0	12.5	**0.0**
TOTAL					**67,136.0**	**55,598.8**	**0.0**	**42.3**	**55,557.0**

** 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 billion 50 in principal

(b) Borrowings for lending operations to non Member States are covered by the Fund. These include MFA, Euratom (Table A3b) and EIB guaranteed lending operations to third countries or Member States before accession to the EU (Annex to table A1).

TABLE A3b

European Union (MFA) and Euratom loans to Third countries (EUR million)

Country	Decision	Date of decision	Availability Period (for Request for Funds)	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amounts decided	Amounts outstanding at 31.12.2012	Operations made in 2013 Amounts disbursed	Amounts repaid	Amounts outstanding at 31.12.2013
MFA									
					1,737.0	**533.0**	**100.0**	**68.4**	**564.6**
ALBANIA									
	2004/580/EC	29.04.04	closed	(c)	9.0	9.0			**9.0**
ARMENIA									
	2009/890/EC	30.11.09	closed	(c)	65.0	65.0			**65.0**
BOSNIA AND HERZEGOVINA						32.0	100.0	4.0	**128.0**
	99/325/EC	10.05.99	closed	(c)	20.0				
	02/883/EC	09.11.02	closed	(c)	20.0				
	2009/891/EC	30.11.09	closed	(c)	100.0				
FYROM						51.0		7.4	**43.6**
	97/471/EC	22.07.97	closed	(c)	40.0				
	99/733/EC	08.11.99	closed	(c)	50.0				
GEORGIA									
	778/2013/EU	12.08.2013	not yet fixed ***	(d)	23.0	0.0			**0.0**
JORDAN									
	1351/2013/EU	11.12.2013	not yet fixed ***	(d)	180.0	0.0			**0.0**
KYRGYZ REPUBLIC									
	1025/2013/EU	22.10.2013	not yet fixed ***	(d)	15.0	0.0			**0.0**
LEBANON									
	2007/860/EC	21.12.07	closed	(b)	50.0	25.0			**25.0**
MONTENEGRO*						6.5		0.2	**6.2**
	2001/549/EC*	16.07.01	closed	(c)	225.0				
	2002/882/EC*	09.11.02	closed		55.0				
SERBIA *						328.5		44.8	**283.8**
	2001/549/EC*	16.07.01	closed	(c)	225.0				
	2002/882/EC*	09.11.02	closed	(c)	55.0				
	2009/892/EC	30.11.09	closed	(b)	200.0				
TADJIKISTAN									
	2000/244/EC	20.03.00	closed	(b)	75.0	16.0		12.0	**4.0**
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						**36.0**	**0.0**	**6.6**	**28.9**
UKRAINE (Euratom)	94/179/EC	21.03.94		(c)	EUR equivalent ****	**36.0**		**6.6**	**28.9**
		15.03.07		(c)	39.0 EUR				
		06.10.08		(c)	22.0 USD				
		15.10.09		(c)	10.3 USD				
					of USD 83 million				
TOTAL						**569.0**	**100.0**	**75.0**	**593.5**

** The decision refers to Serbia and Montenegro but 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 or have not entered into force*

***** Including exchange rate valuation*

TABLE A4	COUNCIL DECISIONS GRANTING AN EU GUARANTEE TO THE EIB				
Geographical Area	Decision	Date of decision	Rate of guarantee	Date of guarantee contract	Amount decided
MED. Financial protocols(1)		08.03.77	75% (2)	30.10.78/10.11.78	6,062
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1,800
TOTAL MED. (3)					7,862
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1,000
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3,000
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7,105
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19,460
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500
Mandate 2007-2013	2006/1016/EC(12) (13)	19.12.06	65%	01.08.07/29.08.07 (14)	27,484
	1080/2011/EU (13)	13.10.11	65%	22.11.11	2,000
Mandate 2014-2020	466/2014/EU (14)	08.05.14	65%	To be signed	27,000
TOTAL					71,386

(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, 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) The Decision establishes a fixed ceiling of EUR 27 billion + an optional additional amount of EUR 3 billion to be activated following the mid-term review of the EIB Mandate. The amount is not included in the total hereunder as it was not decided at 31.12.2013.

2.4. Evolution of risk

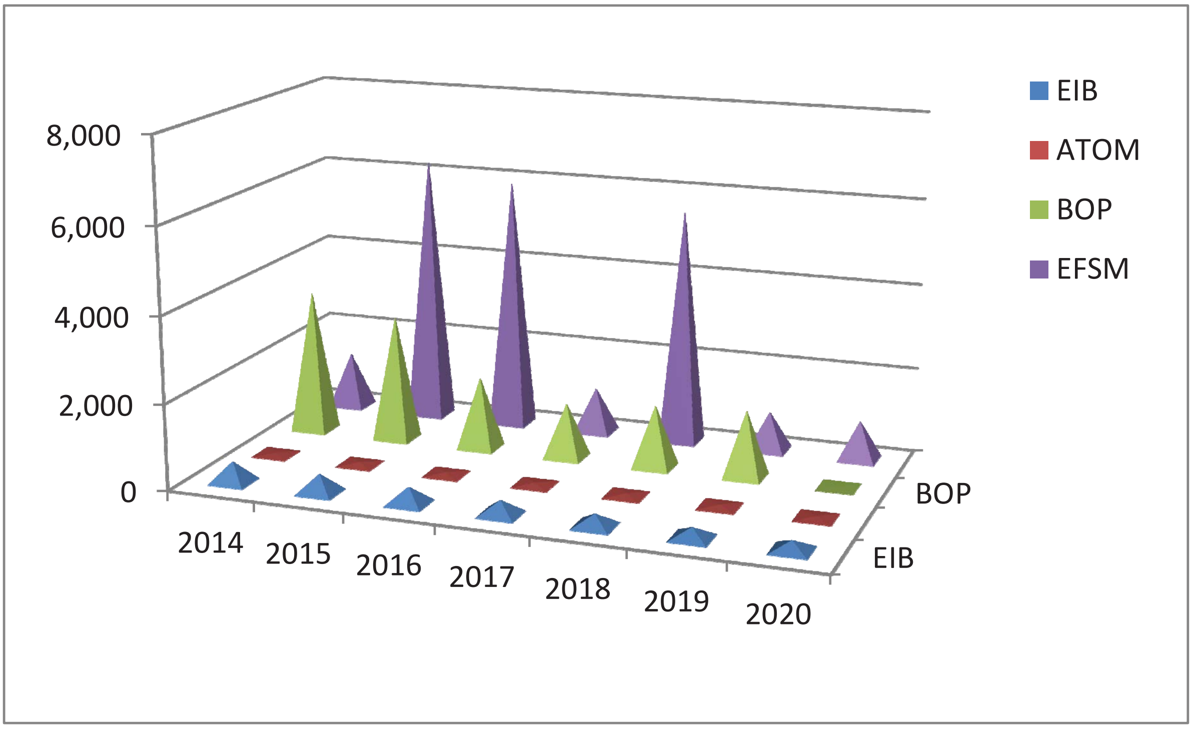
The evolution of risk corresponds to the schedule of the total annual repayments (amount in capital including interests due) under all financial instruments covered by the EU budget. In case of loans to Member States, the risk is *directly* covered by the EU budget. Regarding loans to third countries, the risk is covered in the first instance by the Fund.

2.4.1. Situation of loans to Member States at 31 December 2013

Member States represented in 2013 72.6% of the EU budget exposure (cumulated total risk borne by the EU budget, see table A2 of the SWD) with the following breakdown between the financial instruments:

The total outstanding of Member States amounts to EUR 55,557 million (EUR 55,599 million at 31.12.2012). No loans were disbursed in 2013. Romania made the final re-payment of its MFA loan in 2013.

Graph A1: Total Annual Risk to the EU budget[6] relating to Member States at 31.12.2013 (EUR million) for the period 2014-2020 (based on amortization plans of existing loans)



As Graph 1 illustrates, the main risk for the EU budget is linked to EFSM loans.

6 Based on the amounts due (capital and interest) under operations disbursed at 31.12.2013.

2.4.2. *Situation of loans to third countries*

At 31 December 2013, a total of EUR 1,057 million remained to be disbursed (loans signed but not yet disbursed) by the EIB under the EUR 20,060 million EIB external lending mandate for 2000 – 2007:

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

EUR million

	Ceiling	Amount signed minus cancellations at 31.12.2013	Amounts signed minus cancellations but not yet disbursed by the EIB
A. Pre-Accession Countries *	10,235	6,727	646
B. Neighbourhood and partnership countries**	6,520	5,896	257
C. Asia and Latin America	2,480	2,105	0
D. South Africa	825	817	0
Sub-total third countries	**20,060**	**15,545**	**903**
Member States**		3,221	154
	20,060	**18,766**	**1,057**

* 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.

At the same date, an amount of EUR 13,262 million remained to be disbursed under commitments made under the EIB external mandate for 2007-2013.

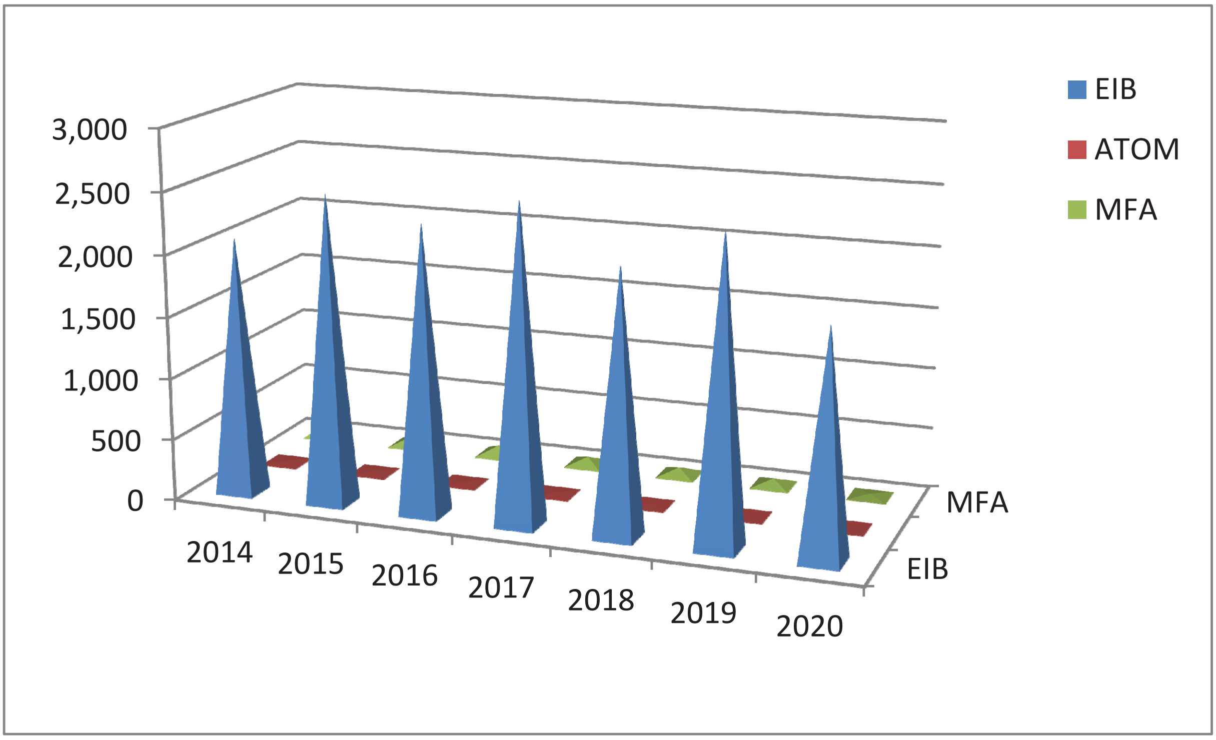
Table A6: Disbursement forecasts for EIB loans on general lending mandate 2007 - 2013

EUR million

	Ceiling	Amount signed minus cancellations at 31.12.2013	Amounts signed minus cancellations but not yet disbursed by the EIB
A. Pre-Accession Countries	9,048	8,949	3,300
B. Neighbourhood and partnership countries	13,548	12,225	7,184
C. Asia and Latin America	3,952	3,321	996
D. South Africa	936	911	346
E. Climate change	2,000	1,656	1,436
	29,484	**27,062**	**13,262**

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 EU budget related to <u>third countries</u> (EUR million) at 31.12.2013 for the period 2014-2020 (based on amortization plans of existing loans)



As graph A2 illustrates, the weight of MFA and Euratom loans are marginal in the total annual risk.

Graph A2 presents the result of simulations aiming at estimating the outstanding amount covered by the Fund for the period 2014 to 2020. These simulations are based on disbursements of loans signed and disbursed at the reporting date under all EIB mandates.

<u>Payment under the EU budget guarantees</u>

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.

2.4.3. 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, for a certain period or date, the available treasury funds of the Commission, the Commission would, in accordance with Article 12 of Council Regulation No 1150/2000[7], 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 being applied for the EFSM loans with 14 days lead time.

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

Euratom and MFA loans

a) if the payment delay reaches three months after the due date:

- for loans outside the EU, the Commission draws on the Fund to cover the default and to replenish its treasury;

- for loans inside the EU, the amounts are directly covered by the EU budget.

b) the Commission might also need to draw on the EU budget, most likely by means of a transfer, to provide the corresponding budget lines under articles "01 03 04 Guarantee for Euratom borrowings to improve the degre of efficiency and safety of nuclear power stations in third countries" or "01 04 03 Guarantee for Euratom borrowings" or "01 03 03 European Union Guarantee for Union borrowings for macro-financial assistance to third countries" 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[8] and the transfers are likely to require advance authorisation by the budgetary authority.

c) The recovered funds may either be kept on the Fund account (the next annual provisioning from the EU budget being reduced accordingly) or re-paid to the EU budget.

BOP and EFSM loans

a) the Commission may need to propose a transfer or an Amending Budget to budget the cash advance under the corresponding budget line "01 02 02 European Union guarantee for Union borrowings for balance-of-payments support" or "01 02 03 European Union guarantee for Union borrowings for financial assistance under the European financial stabilisation mechanism".

b) The recovered funds will be re-paid to the EU budget.

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[7] 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).

[8] The loans (and loans guarantees) to accession countries were covered by the 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 EU budget.

2.4.4. 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 financing fails to make a payment on the due date, the EIB asks the Commission to pay via the Fund 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[9] or directly from the EU budget should the resources of the Fund be insufficient[10].

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.

2.4.5. 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 EU 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.

3. COUNTRY-RISK EVALUATION

Countries benefitting from EU loans and/or representing important risks to the EU budget, and either categorised as “severely indebted” according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation.

The evaluation presented below comprises short macroeconomic analyses and tables of risk indicators. The evaluated countries are grouped in 6 sub-sections: (3.1.) Member States, (3.2.) Candidate countries, (3.3.) Potential candidate countries, (3.4.) ENP countries, (3.5.) Mediterranean partners and (3.6.) Other countries.

Explanatory notes for country-risk indicators

Abbreviations used in tables

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9 Since the entry into force of 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), 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 on the guarantee.

10 If there are insufficient resources in the Fund, the procedure for activating the guarantee is the same as for borrowing/lending operations, see 0 above.

S&P: Standard and Poor's
FDI: Foreign Direct Investment
GD: Gross Domestic Product
CPI: Consumer Price Index
est.: Estimates
m EUR: EUR million
n.a.: not available

Standard footnotes used in the table

1) Includes only EU and EIB loans (outstanding disbursements) to CEEC[11], NIS[12] and MED[13].

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. Member States

3.1.1. Bulgaria

The post-crisis recovery has been relatively muted in Bulgaria, with growth reaching only 0.9% in 2013. Growth has been driven by strong exports, while domestic demand has remained subdued, in spite of robust growth in household real incomes. The current account deficit reverted close to balance since 2010 and even reached a surplus of about 2% in 2013. The external financing needs of the country are thus limited and the net international investment position has improved over recent years, albeit from a relatively high negative stock level. At the same time, gross foreign reserves of the Central Bank remained at fairly comfortable levels, covering about six months of imports. Labour market was strongly hit by the crisis and the unemployment increase has levelled off only in 2013 at over 13% of the working age population. The inflation rate has decelerated sharply over the recent years, turning strongly negative since summer 2013. This reflects a broad-based decline in import prices, the good harvest in 2013 that led to lower food prices, weak domestic demand pressures, and lowered administratively-set prices (mainly energy and healthcare).

The stability of the banking sector has been preserved and the sector continues to have strong overall capital buffers. Non-performing loans have stabilised at a relatively high level, but remain well-provisioned. Credit growth has resumed in some tradable sectors. After strong fiscal consolidation over 2010-2012, the deficit turned to a rise in 2013 (from -0.8% of GDP in 2012 to - 1.5% of GDP in 2013), driven by a soft patch in economic recovery and some expenditure increases. Nevertheless, public finances remain overall strong and the debt level relatively low at below about 19% of GDP in 2013.

[11] Central and Eastern European Countries.
[12] New Independent States.
[13] Mediterranean countries.

Country-risk indicators : Bulgaria		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	1.8	0.6	0.9
Unemployment (end of period)*	(% labour force)	11.3	12.3	13.0
Inflation rate (CPI) (Dec/Dec)	(% change)	4.2	3.0	0.9
Public finances				
General government balance	(% of GDP)	-2.0	-0.8	-1.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	25,602	26,612	28,045
Current account balance	(% of GDP)	0.1	-0.9	1.9
Net inflow of foreign direct investment	(m EUR)	2,425	1,604	1,915
Official reserves, including gold (end of period)	(m EUR)	13,349	15,553	14,426
In months of subsequent year's imports	(months)	6	7	6
Exchange rate (end of period)	(per EUR)	1.96	1.96	1.96
External debt				
External debt (end of period)	(m EUR)	35,097.4	39,018.9	38,585.7
External debt/GDP	(%)	91.0	98.6	95.8
Debt service/exports of goods and services	(%)	NA	NA	NA
Arrears (on both interest and principal)	(%)	NA	NA	NA
Debt relief agreements and rescheduling	(m EUR)	NA	NA	NA
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	736.0	702.4	639.6
EU exposure/total EU exposure	(%) (1)	0.9	0.7	0.6
EU exposure/external debt	(%)	2.1	1.8	1.7
EU exposure/exports of goods and services	(%)	2.9	2.6	2.3
IMF arrangements				
Type: Extended Fund Facility/Extended Credit Facility		NA	NA	NA
Started June 2010 - completed June 2013		NA	NA	NA
On track		NA	NA	NA
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)				Baa2
S&P long-term foreign currency rating (end of period)				BBB
Fitch long-term foreign currency rating (end of period)				BBB-

3.1.2. Hungary

After re-entering into recession in 2012, Hungary experienced a moderate recovery in 2013, with real GDP growth estimated at 1.1%. On the demand side, household consumption started to recover on the back of rising real incomes, while public investment posted a solid growth mainly due to an accelerated absorption of EU funds. Despite the sluggish growth, employment reached over 4 million in the last quarter of 2013, a level not seen since the early 1990s. However, employment gains are mainly occurring due to the extension of public work programmes. Inflation fell to a historically low rate of well below 1% in the last months of 2013, mostly as a result of three successive waves of cuts in regulated energy and other utility prices. The current account is expected to record a surplus of around 3% of GDP in 2013, for the fifth consecutive year, mainly reflecting an increasing trade surplus. At the same time, gross foreign reserves of the National Bank of Hungary continues to remain at fairly comfortable levels (some EUR 34 billion), covering around four and half months of imports at the end-2013.

The Hungarian banking sector is considered as broadly stable with adequate liquidity and solvency levels. At the same time, it has not contributed to economic growth since the outbreak of the financial crisis in late 2008 as lending has still remained sluggish. The Hungarian excessive deficit procedure was abrogated by the Council in June 2013. Based on preliminary annual data, the 2013 budgetary outturn is estimated at -2.4% of GDP. At the same time, despite large one-off capital transfers following the abolition of the mandatory private pension scheme in 2011 and a significant improvement in the structural fiscal balance over recent years, the government debt-to-GDP ratio has remained broadly stable since 2009, hovering around 80% of GDP, reflecting low economic growth and high financing costs. Given relatively favourable financing conditions on global debt markets for the most part of 2013 as well as persistent current and capital account surpluses, Hungary has been successful in rolling over its maturing international obligations, while increasing the role of households in sovereign financing. Nevertheless, in view of the high gross rollover needs, including a sizeable FX portion, Hungary remains vulnerable to financial market shocks.

Country-risk indicators : Hungary		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	1.6	-1.7	1.1**
Unemployment (end of period)*	(% labour force)	10.9	10.9	10.2**
Inflation rate (CPI) (Dec/Dec)	(% change)	4.1	5.0	0.4
Public finances				
General government balance	(% of GDP)	4.3	-2.0*	-2.4**
Balance of payments				
Exports of goods and services f.o.b.***	(m EUR)*	81,381.1	91,152.1	94,452.5
Current account balance	(% of GDP)	0.6*	1.1*	2.9**
Net inflow of foreign direct investment	(m EUR)	990.4	2,051.0	615.4
Official reserves, including gold (end of period)	(m EUR)	37774.5	33881.3	33782.5
In months of subsequent year's imports	(months)	5.4	4.7****	4.4****
Exchange rate (end of period)	(per EUR)	311.13	291.29	296.91
External debt				
External debt (end of period)*****	(m EUR)	102836.8	94966.2	86565.9
External debt/GDP*****	(%)	103.9	98.0	88.3
Debt service/exports of goods and services*****	(%)	24.8	22.5	23.3
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)	4,028.0	3,886.0	3,752.0
EU exposure/total EU exposure	(%)	5.1	3.7	3.6
EU exposure/external debt	(%)	3.9	4.1	4.3
EU exposure/exports of goods and services	(%)	4.9	4.3	4.0
IMF arrangements				
Type	Stand-by arrangement, SDR 10.5 bn (amount drawn until September 2009: SDR 7.6 bn)			
Date	Approved on 06/11/2008 - expired on 05/10/2010			
Status	All outstanding obligations were repaid in August 2013 (ahead of schedule)			
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3	Ba1	Ba1
S&P long-term foreign currency rating (end of period)		BBB/BB+	BB	BB
Fitch long-term foreign currency rating (end of period)		BBB-	BB+ (FX credit) BBB- (HUF credit)	BB+ (FX credit) BBB- (HUF credit)

The highlighted numbers differ from previous reporting due to the release of final data replacing preliminary estimates **Source: Commission services' 2014 winter forecast ***The figure was recalculated with the end-of-the-year official MNB exchange rate ****Calculation based on Commission services' 2014 winter forecast for imports *** Excluding FDI and other capital*

3.1.3. Ireland

After two years of moderate expansion, GDP growth in 2013 was -0.3%, in part due to a surge in imports and lower than expected real private consumption in the final quarter of the year. Falling output in the pharmaceutical sector has had a continued negative effect on merchandise trade, while trade in services grew robustly. However, steady improvements across all key labour market indicators and a surge in machinery and equipment investment provide a truer barometer of the domestic recovery than the volatile quarterly national accounts data. These indicators are also in line with high-frequency data showing a return to confidence for both business and consumers. Inflation has remained muted, with HICP inflation at 0.5% yoy in 2013, well below the euro-area average of 1.3%. This was due to lower energy prices, low imported inflation and the lack of wage pressures. Unemployment fell to an estimated 11.8% in March 2014. A feature of the improved conditions is the continued reduction in the numbers of long-term unemployment, which though high at over 60% of the unemployed, fell by 11.8% in the year to December 2013.

Despite some improvements, the financial sector remains vulnerable with non-performing loans (NPLs) at nearly 25% of total loans in 2013 and negative private-sector credit growth over the last few years. Only one of the three main domestic banks was profitable in 2013. The government recapitalised the three systemic Irish banks in 2011. One of these three main banks' restructuring plans is still being formulated. More recently, bank liquidity and funding has improved, while the regulatory and supervisory framework has been strengthened. Still, regaining profitability remains challenging though it is improving. In 2013, the government deficit declined by 1 pp. (from 8.2% of GDP in 2012) to 7.2% of GDP. The improvement mostly stems from higher tax revenues (about 1.5 pps. of GDP) and a reduction in primary expenditure (of 0.4 pp. of GDP), more than offsetting an increase in debt-servicing costs (of 0.9 pp. of GDP). In structural terms, the 2013 general government deficit is estimated to have improved by 1.6 pps. of GDP. General government debt peaked at 123.7% of GDP at the end of 2013. In December 2013, Ireland exited successfully the EU-IMF financial assistance programme which provided EUR 67.5 billion in funds from external sources (EU, IMF and bilateral loans from the UK, Denmark and Sweden).

Country-risk indicators : Ireland		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	2.2	0.2	-0.3
Unemployment (end of period)*	(% labour force)	14.7	14.7	13.1
Inflation rate (CPI) (Dec/Dec)	(% change)	1.2	1.9	0.5
Public finances				
General government balance	(% of GDP)	-13.1	-8.2	-7.2
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	82,000.0	90,900.0	94,800.0
Current account balance	(% of GDP)	1.2	4.4	6.6
Net inflow of foreign direct investment	(m EUR)	16,937.0	29,820.0	34,861.0
Official reserves, including gold (end of period)	(m EUR)	1,317.0	1,295.0	1,187.0
In months of subsequent year's imports	(months)	0.3	0.3	0.3
Exchange rate (end of period)	(per EUR)	n/a	n/a	n/a
External debt				
External debt (end of period) (1)	(m EUR)	524,707.0	490,589.0	467,134.0
External debt/GDP	(%)	322.7	299.3	284.7
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)	17,207.0	29,744.0	29,079.0
EU exposure/total EU exposure	(%)	22.0	28.5	28.3
EU exposure/external debt	(%)	3.3	6.1	6.2
EU exposure/exports of goods and services	(%)	21.0	32.7	30.7
IMF arrangements				
Type: Extended Fund Facility/Extended Credit Facility	Extended Fund Facility			
Started June 2010 - completed June 2013	16 Dec 2010 - 15 Dec 2013			
On track	SDR 19.5 billion fully drawn			
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	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) Excludes the International Finanical Services Centre (IFSC).

3.1.4. Latvia

The Latvian economy grew by 4.1% in 2013, according to the latest estimate. Following a cumulative GDP contraction of about 20% in 2008-10, the country experienced a steep recovery afterwards and was among the fastest growing in Europe in 2011-13. The growth outlook also remains favourable. The fiscal position remained sound amid low inflation and interest rates, allowing the country to meet the convergence criteria and to successfully adopt the euro as of 1 January 2014. The year-average inflation, as measured by the harmonised index of consumer prices (HICP), slowed from 2.3% in 2012 to 0% in 2013 and is expected to rebound to about 2% in 2014-15. The unemployment rate for the age group of 15-74 fell to 11.9% in 2013 from 15% in 2012. The rate is projected to decline further to less than 10% by 2015.

Sound fiscal performance over the past years have stabilised the general government debt at levels well below the benchmark of 60% of GDP. The general budget deficit is estimated at 1% of GDP in 2013, staying stable in comparison with 2012. The 2014 budget targets a deficit of 0.9% of GDP. The general government debt dropped to about 38% of GDP at the end of 2013 but is projected to rebound slightly to nearly 39% of GDP in 2014 as the Treasury is accumulating additional cash buffers in order to pre-fund large repayments under the BOP programme due in early 2014 and early 2015. Latvia repaid ahead of schedule all outstanding liabilities to the IMF in 2012 and repeatedly tapped the international bond markets at relatively low yields over the past years. Apart from the good economic performance, the access to bond markets was further facilitated by a series of rating upgrades in 2013. The government intends to continue tapping international markets in 2014 to further pre-fund debt service in 2015. The well-established access to bond markets and favourable terms of debt refinancing, as well as the sound fiscal and growth performance, lead to the overall assessment of very low debt refinancing risks for Latvia.

Country-risk indicators : Latvia		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	5.3*	5.0*	4.1
Unemployment (end of period)*	(% labour force)	15.0	13.9*	11.9
Inflation rate (CPI) (Dec/Dec)	(% change)	4.0	1.6	-0.4
Public finances				
General government balance	(% of GDP)	-3.4	-1.3*	-1.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	11,941.3	13,600.4	13,775.0
Current account balance	(% of GDP)	-2.3	-2.5	-0.8
Net inflow of foreign direct investment	(m EUR)	1,001.2	713.5	348.9
Official reserves, including gold (end of period)	(m EUR)	4,943.2	5,684.1	5,783.2
In months of subsequent year's imports	(months)	4.7	4.8	4.9
Exchange rate (end of period, fixed, Euro adopted as of 01.01.2014)	(per EUR)	1.42	1.42	1.42
External debt				
External debt (end of period)	(m EUR)	29,411.5	30,113.2	30,436.7
External debt/GDP	(%)	144.8	136.4	130.5
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
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)	3,395.0	3,298.0	3,200.0
EU exposure/total EU exposure	(%)	4.3	3.2	3.1
EU exposure/external debt	(%)	11.5	11.0	10.5
EU exposure/exports of goods and services	(%)	28.4	24.2	23.2
IMF arrangements				
Type		Standby agreement		
(Date)		Started December 2008 - completed December 2012		
On track		Drawn amount of SDR 982mn is fully repaid		
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)		BB+	BBB-	BBB+
Fitch long-term foreign currency rating (end of period)		BB+	BBB-	BBB+

**The highlighted numbers differ from previous reporting due to revisions made by national authorities (for 2011) or release of final data replacing preliminary estimates (for 2012)*

3.1.5. Portugal

The economic recovery is strengthening. After three consecutive years of negative output growth, Portugal real GDP growth is increasing on quarterly basis led by investment and exports. The labour market outlook is improving in line with the better GDP performance. Employment is increasing, and the unemployment rate is declining from very high levels month after month. Following the recent positive economic developments and the short-run economic indicators to date, GDP is now expected to rise by 1.2 percent in 2014 while unemployment is projected to turn around its trend and to decrease to 15.7 percent, from 16.5 percent in 2013. The current account balance, which moved into surplus in 2013 for the first time in 20 years period, is expected to improve further, although at a more moderate pace than before. In order to ensure the positive economic momentum, continued structural reforms are needed to reinforce and sustain the switch to an export-led growth model. A wide array of structural reforms has already been adopted, and these reforms are expected to have a positive impact on growth and job creation in the coming years.

Fiscal targets remain attainable. The necessary fiscal adjustment is fully on track after 2013 budget deficit came in 4.9 percent of GDP, significantly below the target of 5.5 percent of GDP. This outcome reflects better revenue performance, including collections from the one-off tax and social security debt recovery scheme, and prudent expenditure control. The 2014 deficit target of 4.0 percent of GDP has been confirmed, with the improved economic outlook implying more evenly balanced risks around this target.

The stabilisation of the financial sector has been preserved, but low profitability, high NPL ratios and high corporate debt levels pose major challenges. Capital buffers are broadly adequate, and liquidity conditions have improved further. However, banks profitability remains depressed, and reducing the corporate debt overhang requires a strategic plan to facilitate debt workouts, particularly for viable small and medium-sized companies.

Market sentiment towards the Portuguese sovereign has further improved. Yields on sovereign debt have continued to tighten, and recent bond issues combined with remaining program disbursements ensure that the public sector's financing needs for 2014 are fully covered. Public debt remains high but is sustainable provided the reform momentum is maintained beyond the Programme horizon.

Country-risk indicators : Portugal		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	-1.3	-3.2	-1.4
Unemployment (end of period)*	(% labour force)	12.9	15.9	16.5
Inflation rate (CPI) (Dec/Dec)	(% change)	2.2	1.5	0.2
Public finances				
General government balance	(% of GDP)	-4.3	-6.4	-4.9
Balance of payments (estimates for 2013)				
Exports of goods and services f.o.b.	(mn EUR)	62,300.0	64,500.0	68,300.0
Current account balance	(% of GDP)	-7.0	-2.0	0.5
Net inflow of foreign direct investment	(mn EUR)	-2,700.0	6,600.0	1,300.0
Official reserves, including gold (end of period)	(mn EUR)	16,500.0	17,200.0	12,700.0
In months of subsequent year's imports	(months)	2,877.9	3,190.1	2333.8
Exchange rate (end of period)	(per EUR)	EUR	EUR	EUR
External debt				
External debt (end of period)	(mn EUR)	371,800.0	383,000.0	369,600.0
External debt/GDP	(%)	217.3	232.0	223.2
Debt service/exports of goods and services	(%)	0.0	0.2	0.3
Arrears (on both interest and principal)	(%)	na	na	na
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	17,738.0	30,100.0	29,451.0
EU exposure/total EU exposure	(%)	22.6	28.8	28.6
EU exposure/external debt	(%)	4.8	7.9	8.0
EU exposure/exports of goods and services	(%)	28.5	46.7	43.1
IMF arrangements				
Type: Extended Fund Facility		EFF		
Started May 2011 - expected completion June 2014		17 May 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)		Ba2	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BBB-	BB	BB
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB+

3.1.6. Romania

Real GDP growth in 2013 has come out at 3.5%, thanks to a strong export performance driven by a robust industrial output and an abundant harvest. Growth is forecast to decelerate in 2014, to 2.3%, before slightly recovering to 2.5% in 2015. It is projected to remain above potential over 2014-2015, reflecting improved confidence and more supportive international conditions. Growth drivers are expected to gradually switch from (net) exports to domestic demand in 2014 and 2015. HICP inflation sharply declined in the second half of 2013 to reach 1.3% (y-o-y) in December. Annual average inflation is projected to decelerate from 3.2% in 2013 to 2.4% in 2014. In 2013, the unemployment rate has risen somewhat to 7.2%.

After a strong adjustment in 2013, the current-account deficit is expected to gradually widen in 2014-15. The current account deficit has declined significantly in 2013 (to around 1% of GDP), mainly due to a much lower trade deficit. The growth contribution of the external sector is expected to be marginally positive in 2014 and to turn moderately negative in 2015. The stable external position shall reduce Romania's vulnerability to the financial market volatility affecting emerging economies.

The budget deficit in Romania is estimated to have been reduced to 2.6% of GDP in 2013, from 3% in 2012, according to the Commission services' Winter Forecast 2014. For 2014, the budget deficit is forecast at 2.2% of GDP. Romania has set its medium-term objective (MTO) at -1% of GDP, to be reached by 2015 in line with the country-specific recommendations for Romania. Government debt increased from 30.5% of GDP in 2010 to 38.3% of GDP in 2013 and is forecast to peak at just above 39% of GDP in 2014.

Financial market conditions have significantly improved throughout 2013 even if some volatility was noticeable in May-June 2013 mainly due to changes in global market sentiment. 2014 started on a positive note, as CDS sovereign spreads have come further down, reaching around 180 basis points in late 2013/early 2014. The government is further optimising its debt management. A third consecutive, joint EU/IMF financial assistance programme, which the authorities treat as precautionary, was formally agreed in autumn 2013.

Country-risk indicators : Romania		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	2.2	0.7	3.5
Unemployment (end of period)*	(% labour force)	7.4	7.0	7.2
Inflation rate (CPI) (Dec/Dec)	(% change)	5.8	3.3	3.2
Public finances				
General government balance	(% of GDP)	-5.5	-3.0	-2.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	51,568.2	53,655.1	59,118.2
Current account balance	(% of GDP)	-4.5	-4.4	-1.0
Net inflow of foreign direct investment	(m EUR)	212,733.0	219,689.0	236,732.4
Official reserves, including gold (end of period)	(m EUR)	37,251.8	35,413.0	35,434.5
In months of subsequent year's imports	(months)	7.5	7.1	7.0
Exchange rate (end of period)	(per EUR)	4.3	4.4	4.47
External debt				
External debt (end of period)	(m EUR)	98,723.5	99,680.6	96,441.7
External debt/GDP	(%)	75.1	75.8	68.1
Debt service/exports of goods and services	(%)	4.1	4.4	4.2
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)	8,112.0	7,789.0	7,466.0
EU exposure/total EU exposure	(%) (1)	10.4	7.5	7.3
EU exposure/external debt	(%)	8.2	7.8	7.7
EU exposure/exports of goods and services	(%)	15.7	14.5	12.6
IMF arrangements				
Type:	Stand-by arrangement			
Date:	2009-2011			
Status:	Drawn amount of SDR 10.6 bn, 5.2 bn to be repaid			
Type:	Precautionary Standby arrangement			
Date:	2011-2013			
Status:	Available amount of SDR 3.1 bn not drawn			
Type:	Precautionary Standby arrangement			
Date:	2013-2015			
Status:	On-going, available ammount of SDR 1.8 bn			
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		BAA3	BAA3	BAA3
S&P long-term foreign currency rating (end of period)		BB+	BB+	BB+
Fitch long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-

3.2. Candidate countries

3.2.1. Former Yugoslav Republic of Macedonia

The economic recovery, which started in the second half of 2012, gained firm ground in 2013, in spite of a significant drop in investment. Output growth amounted to 3.1% on average, carried by net exports and private consumption, which picked up in particular in the first semester despite sluggish wage growth. Mainly on account of slower prices increases in food and clothing, as well as the declining cost of housing and electricity, annual consumer price inflation decelerated significantly in the second half of the year and averaged 2.8% for the year as a whole. In view of revenue shortfalls and payment of arrears, the 2013 target for the central government budget deficit had to be revised upwards in the autumn, to 3.9% from 3.6% of GDP, and eventually turned out at 4%. The government plans fiscal consolidation based on current expenditure cuts, and has set the 2014 deficit target at 3.5%. However, given frontloaded entitlement spending, the deficit already reached some 40% of the annual target in the first two months of 2014.

Government debt increased further in 2013 and beyond, and stood at 35.8% of GDP at the end of 2013, up from 34.1% at the end of 2012. The trade deficit narrowed, leading to an improvement in the current account balance by 1.1 percentage point to 1.9% of GDP, even though current transfers declined by about 2 percentage points, to some 20% of GDP. Official reserves have been declining since end-2012, mainly on account of valuation effects, and cover about 4.5 months of prospective imports. Gross external debt stood at some 68% of GDP at the end of the year, which was only marginally higher than one year earlier. At end-November 2013, the rating agency S&P's upheld its BB-/B rating for long- and short-term local and foreign currency sovereign credit.

Country-risk indicators : The former Yugoslav Republic of Macedonia		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	3.0	-0.4	3.1
Unemployment (end of period)	(% labour force)	31.4	31.0	29.0
Inflation rate (CPI) (Dec/Dec)	(% change)	3.9	3.3	2.8
Public finances				
General government balance	(% of GDP)	-2.5	-3.9	-4.1
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	4,099.3	3,995.9	4,139.4
Current account balance	(% of GDP)	-2.5	-3.0	1.9
Net inflow of foreign direct investment	(m EUR)	336.8	78.1	252.7
Official reserves, including gold (end of period)	(m EUR)	2,302.2	2,330.4	1,990.8
In months of subsequent year's imports *	(months)	5.7	5.7	4.5
Exchange rate (end of period)	(per EUR)	61.53	61.53	61.58
External debt				
External debt (end of period)	(m EUR)	4,846.6	5,171.7	5,210.1
External debt/GDP	(%)	64.9	69.4	67.7
Debt service/exports of goods and services	(%)	1.4	1.5	1,5 f
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)	284.0	241.0	194.0
EU exposure/total EU exposure	(%)	0.0	0.0	0.0
EU exposure/external debt	(%)	5.9	4.7	3.7
EU exposure/exports of goods and services	(%)	6.9	6.0	4.7
IMF arrangements				
Type		PCL	PCL	PCL
(Date)		40562		
On track		On-track	On-track	ired August 2013
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-
Fitch long-term foreign currency rating (end of period)		BB+		BB+

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*
f - Commission Winter 2014 Forecast.

3.2.2. Montenegro

Montenegro’s economy emerged from recession in 2013 when real GDP expanded by an estimated 3.5%. Growth has been largely driven by net exports of electric energy and tourism services, the latter with positive spill-over effects on retail trade. Despite some adjustment, external imbalances still remain large. Thanks to the decline of imports and the growth of exports, particularly from energy and tourism, the current account deficit narrowed to 14.6% of GDP in 2013, down from 18.7% a year earlier. The trade deficit shrank to 40% of GDP, down from 44% a year before. The services and income balances surpluses recorded some gains, but some deceleration was recorded in net current transfers. The current account deficit was largely financed by net FDI inflows, amounting to some 10% of GDP. Although portfolio investments and other investments net outflows increased in 2013, these were offset by positive transfers recorded under net errors and omissions of some 7.3% of GDP.

Labour market imbalances reflect structural factors and weak demand. In 2013, the unemployment rate declined to 19.5%, a marginal improvement compared to 19.8% a year before. Weak labour conditions exerted a downward pressure on wages. In 2013, nominal wages presented for a third year in a row frail growth rates below 1% y-o-y. Consumer price inflation continued to decline to 0.3% in December 2013. This led to a fall in average inflation to 2.2% in 2013, down from 4.1% a year before. The strength of the euro, together with lower international prices and favourable weather conditions, reduced imported inflation on energy and food.

As a result of budget consolidation efforts, the 2013 budget performance improved compared to a year before, despite the unplanned payment of substantial state guarantees, amounting to around 3% of GDP. Revenue measures included an increase in the personal income tax rate and in the standard VAT rate, while the stock of tax arrears was reduced by some 0.8% of GDP, supporting the increase in budget revenue. On the expenditure side, a freeze of pension and public sector wages, as well as cuts in capital expenditure and transfers helped to bring the general government deficit in line with the target of 2.7% of GDP, compared to a deficit of 6% a year before, avoiding a budget revision during the year. In 2013, the debt to GDP ratio increased by 4 percentage points to 58%. Stock-flow adjustments from the activation of state guarantees contributed to the increase of both domestic and external indebtedness. On 29 November, the ratings agency S&P's affirmed Montenegro's long- and short-term BB-/B sovereign credit ratings, albeit downgraded the outlook from stable to negative due to persistent external vulnerabilities.

Country-risk indicators : Montenegro		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	3.2	-2.5	3.5
Unemployment (end of period)	(% labour force)	19.7	20.6	19.5
Inflation rate (CPI) (Dec/Dec)	(% change)	3.1	4.1	2.2
Public finances				
General government balance	(% of GDP)	-5.4	-6.1	-2.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,382.6	1,389.4	1,460.5
Current account balance	(% of GDP)	-17.7	-18.7	-14.6
Net inflow of foreign direct investment	(m EUR)	389.1	461.6	323.9
Official reserves, including gold (end of period)	(m EUR)	303.5	347.9	423.7
In months of subsequent year's imports *	(months)	2.0	2.3	2.9
Exchange rate (end of period)	(per EUR)	1.00	1.00	1.00
External debt				
External debt (end of period)	(m EUR)	3,279.3	3,603.2	3,864.7
External debt/GDP	(%)	101.4	108.4	113.3 proj.
Debt service/exports of goods and services	(%)	3.4	4.3	4.6
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)	197.2	204.0	218.0
EU exposure/total EU exposure	(%)	0.3	0.2	0.2
EU exposure/external debt	(%)	6.0	5.7	5.6
EU exposure/exports of goods and services	(%)	14.3	14.7	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	
S&P long-term foreign currency rating (end of period)		BB	BB-	BB-
Fitch long-term foreign currency rating (end of period)		none	none	

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*

3.2.3. Serbia

Following a recession in 2012, the economy is estimated to have grown by 2.5% in 2013. In an environment of weak domestic demand, the growth was entirely driven by exports. Inflation decelerated rapidly, reaching a historical low of 1.6% (year-on-year) in November 2013, before accelerating slightly to 2.2% in December. External imbalances decreased substantially in 2013, driven by very strong export performance. The trade deficit fell to 12.7% of GDP and the current account deficit was reduced by half to around 5% of GDP. Net capital inflows remained far below their pre-crisis level. However, official reserves were boosted by government external borrowing and stood relatively high, covering more than eight months of subsequent year imports of goods. Despite a small nominal increase, foreign debt as a ratio to GDP fell to close to 82% of GDP, supported by a growing economy and a broadly stable exchange rate.

The shrinking external imbalance, restrictive monetary policy and central bank interventions (on both sides) to smoothen excessive daily volatility on the market have kept the dinar exchange rate against the euro broadly stable. The central bank reacted to lower inflationary pressure and expectations by reducing its key interest rate in several steps to 9.5% in December. The budget deficit reached 5.0% of GDP in 2013, lower compared to the supplemental budget target of 5.3% of GDP and the 2012 deficit of 6.5% of GDP. Budget execution was marked by significant revenue underperformance and the deficit was contained only by across-the-board cuts to current expenditure and investments. Government debt continued to increase in 2013, reaching some 63.7% of GDP – far above the legally binding limit of 45%.The deteriorating fiscal performance triggered a downgrade by Fitch of Serbia's long term sovereign credit rating to B+ in early January 2014. The IMF and the authorities continued their discussions but have not yet reached an agreement on a new precautionary Stand-By Arrangement.

Country-risk indicators : Serbia		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	1.6	-1.5	2.5
Unemployment (end of period)	(% labour force)	23.7	22.4	20.1
Inflation rate (CPI) (Dec/Dec)	(% change)	7.0	12.2	2.2
Public finances				
General government balance	(% of GDP)	-4.9	-6.5	-5.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	11,471.9	11,913.4	14,378.3
Current account balance	(% of GDP)	-9.1	-10.5	-5.0
Net inflow of foreign direct investment	(m EUR)	1,826.9	231.9	768.5
Official reserves, including gold (end of period)	(m EUR)	12,057.7	10,914.1	11,188.0
In months of subsequent year's imports *	(months)	10.2	8.8	8.8 f
Exchange rate (end of period)	(per EUR)	104.64	113.72	114.64
External debt				
External debt (end of period)	(m EUR)	24,125.4	25,721.0	25,841.8
External debt/GDP	(%)	76.7	86.9	81.9
Debt service/exports of goods and services	(%)	35.6	34.3	N.A.
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)	1,959.0	2,102.0	2,174.0
EU exposure/total EU exposure	(%)	2.5	2.0	2.1
EU exposure/external debt	(%)	8.1	8.2	8.4
EU exposure/exports of goods and services	(%)	17.1	17.6	15.1
IMF arrangements				
Type		SBA (precaut.)	none	none
(Date)		29.09.2011		
On track		off-track		
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	B1
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-

** Ratio of 12 months imports of goods moving average.*
f - Commission Winter 2014 Forecast.

3.2.4. Turkey

Following a pronounced slowdown in 2012, Turkey's economy re-accelerated in the first half of 2013. This was helped by monetary policy accommodation and a relatively large increase in public spending, particularly investment. In the second half of the year, growth slowed again as public spending was reined in. Quarter-on-quarter growth registered 0.8% in the third and 0.5% in the fourth quarter. For 2013 as a whole, GDP growth amounted to 4.0%, up from a revised 2.1% in 2012. The slowdown since mid-2013 has happened in the context of a strong downward pressure on Turkish financial markets, a 12% currency depreciation in real effective terms between April and December 2013, a gradual removal of monetary policy stimulus, and macro-prudential measures to rein in credit growth.

Employment increased by 2.0% in the course of 2013. Since the labour force expanded by almost as much (1.9%), the unemployment rate declined by only 0.1 percentage point to 10.0% in December 2013. Inflationary pressures have picked up in the wake of the depreciation and headline inflation increased from 6.2% in December 2012 to 7.4% in

December 2013. The current account deficit has widened to from 6.1% of GDP in 2012 to 7.9% in 2013 due to a turnaround in Turkey's external trade in non-monetary gold. Over the course of the year, gross and net international reserves amounted to, respectively, EUR 108 billion and EUR 34 billion at the end of 2013. Gross external debt increased in the course of 2013 to 47.3% of GDP (53% at the year-end exchange rate). The fiscal deficit of general government is estimated to have increased from 1.1% of GDP in 2012 to 1.6% in 2013, while the debt-to-GDP ratio only edged up by 0.1 percentage point to 36.3% of GDP at the end of 2013. In January 2014, the central bank tightened monetary policy significantly in the context of a broad sell-off of Turkish bonds and stocks and strong depreciation pressure against the lira.

Country-risk indicators : Turkey		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	8.8	2.1	4.0
Unemployment (end of period) *	(% labour force)	9.8	9.2	9.7
Inflation rate (CPI) (Dec/Dec)	(% change)	10.5	6.2	7.4
Public finances				
General government balance **	(% of GDP)	-0.8	-1.5	-1.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	133,539.9	161,282.6	158,667.5
Current account balance	(% of GDP)	-9.7	-6.1	-7.9
Net inflow of foreign direct investment	(m EUR)	9,956.4	7,148.9	7,339.2
Gross international reserves, including gold (end of period)	(m EUR)	83,900.0	104,800.0	107,900.0
In months of subsequent year's imports	(months)	5.8	6.8	6.8
Exchange rate (end of period)	(per EUR)	2.48	2.36	2.96
External debt				
External debt (end of period)	(m EUR)	218,506.0	263,308.9	292,424.9
External debt/GDP	(%)	39.2	42.9	47.3
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
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)	8,330.0	9,125.0	9,353.0
EU exposure/total EU exposure	(%)	10.6	8.7	9.1
EU exposure/external debt	(%)	3.8	3.5	3.2
EU exposure/exports of goods and services	(%)	6.2	5.7	5.9
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)		Ba2	Ba1 /positive	Ba1 /positive
S&P long-term foreign currency rating (end of period)		BB	BB /stable	BB /stable
Fitch long-term foreign currency rating (end of period)		BB+	BBB- /stable	BBB- /stable

** Based on the national definition of the labour force (15 years and older)*
*** General government balance for 2013 is from DG ECFIN Winter 2014 Forecast*

3.3. Potential candidate countries

3.3.1. Albania

Following a slowdown in economic activity in 2012, growth effectively grounded to a halt in 2013 (0.4%). A substantial fiscal stimulus ahead of the June elections and an overall positive contribution of net exports was offset by sluggish private domestic demand that was held back by financial constraints and low confidence among consumers and investors. The negative output gap and the absence of supply-side shocks led to a deceleration of inflation to below the lower end of the Bank of Albania's (BoA) 2%-4% target range. This created room for monetary policy easing, with the BoA lowering the key interest rate in several steps to a record low of 2.75% in February 2014. However, the transmission of the monetary policy stimulus to the economy remains constrained by the very high level of non-performing loans (23.2% of total loans at the end of 2013), which contribute to high risk premia and overall tight credit conditions applied by banks. This, together with weak credit demand, led to a decline in lending.

In 2013, the current account deficit widened slightly to 10.6% of GDP. Although the still substantial trade deficit narrowed significantly due to strong growth in exports of goods and a fall in merchandise imports, the traditional surplus on the services account practically disappeared as tourism outflows surpassed shrinking inflows. The current transfer surplus also declined substantially thanks to the continued trend towards lower remittances. However, FDI inflows were strong in 2013, posting an annual increase of 39%. The overall balance of payments was positive; as a result, official reserves increased and at year-end covered 4.6 months of imports. Large budgetary slippages, mostly on the revenue side, caused the budget deficit in 2013 to rise to 4.8% of GDP, exceeding the initial target of 3.5%. Public debt climbed to 65.2% of GDP at year-end, while accumulated arrears made up a further 5.3% of GDP. Deteriorating public finances led the authorities to request an economic assistance programme from the IMF, which in February 2014 approved a 36-month Extended Fund Facility with a total assistance of EUR 330 million. The programme aims to support economic recovery and macroeconomic stability over the medium term, in particular by reversing the upward trend in public debt and clearing the government's arrears.

Country-risk indicators : Albania		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	3.1	1.3e	0.4e
Unemployment (end of period)	(% labour force)	13.4	13.9	16.0
Inflation rate (CPI) (Dec/Dec)	(% change)	3.5	2.0	1.9
Public finances				
General government balance	(% of GDP)	-3.6	-3.4	-4.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	3,152.2	3,196.0	3,388.3
Current account balance	(% of GDP)	-13.4	-10.1	-10.6
Net inflow of foreign direct investment	(m EUR)	609.0	647.9	893.0
Official reserves, including gold (end of period)	(m EUR)	1,848.6	1,907.7	1955.7
In months of subsequent year's imports *	(months)	6.1	6.5	6.8
Exchange rate (end of period)	(per EUR)	140.33	139.04	140.26
External debt				
External debt (end of period)	(m EUR)	4,958.3	5,516.4	5,692.1
External debt/GDP	(%)	54.3	57.8	58.8
Debt service/exports of goods and services	(%)	11.0	11.7	11.8
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)	267.0	288.0	301.0
EU exposure/total EU exposure	(%)	0.4	0.4	0.3
EU exposure/external debt	(%)	5.4	5.2	5.3
EU exposure/exports of goods and services	(%)	8.5	9.0	8.9
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)		B1	B1	B1
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

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*
e - ECFIN estimation.

3.3.2. Bosnia and Herzegovina

Following a recession in 2012 (-1.2%), a moderate pick-up in economic activity is estimated in 2013 (1.5%) mainly on the back of a strong growth of net exports, while domestic demand remained depressed reflecting a high unemployment rate (44.5%) and limited scope for an increase in disposable incomes. On a positive note, investment activity driven by public sector projects showed some signs of revival after several years being in a negative territory. In line with this, industrial production steadily increased throughout the year, edging up by 6.6% in 2013 after a decline of 5.3% in 2012. External imbalances narrowed in 2013 on the back of a decline of the trade deficit, which shrank to 30.5% of GDP, down from 33.6% a year before due to a strong growth in exports of goods and a fall in merchandise imports. In addition, the services and income balances surpluses recorded some gains although current transfers remained broadly flat. Accordingly, the current account deficit nearly halved in 2013 to 5.5% of GDP, down from 9.3% of GDP in 2012. As regards the capital account, net FDI inflows continued their downward trend, covering thus only 35.3% of the current account deficit. Boosted by government external borrowing, foreign exchange reserves continued their upward trend and rose by 8.6%, thus covering 6.8 months of imports by year-end 2013.

Owing to falling prices in the food and clothing industries which could only partly be balanced off by the increase in prices of alcohol and tobacco , the annual CPI in 2013 turned negative (-0.1%) compared to a rate of 2% in 2012. According to preliminary official estimates the fiscal deficit amounted to 1% of GDP in 2013, which is below the deficit of 1.5% of GDP in 2012. In fact, the positive impact on revenues of the modest revival of economic activity was only partly offset by a decrease of social contributions and elevated VAT refunds. On the spending side, consolidation measures in 2013 (e.g. a freeze of public sector wages and restrictive employment policy in both entities and the central government) kept public spending broadly flat. Consequently, public debt is estimated to have increased only slightly to 44.3% of GDP. Despite some delay as of end-2013, the fifth review of the Stand-By Arrangement with the IMF was completed in January 2014 and a nine-month extension, totalling EUR 153.6 million, was granted to meet additional financing needs towards the end of 2014.

Country-risk indicators : Bosnia and Herzegovina		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	1.0	-1.2	1.5e
Unemployment (end of period)	(% labour force)	43.8	45.9	44.5
Inflation rate (CPI) (Dec/Dec)	(% change)	3.7	2.0	-0.1
Public finances				
General government balance	(% of GDP)	-1.3	-2.0	0.3 Q3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	3,985.0	3,950.3	4,179.9
Current account balance	(% of GDP)	-9.7	-9.3	-5.5
Net inflow of foreign direct investment	(m EUR)	341.6	272.6	258.7
Official reserves, including gold (end of period)	(m EUR)	3,284.3	3,327.8	3,614.0
In months of subsequent year's imports *	(months)	5.0	5.1	5.6
Exchange rate (end of period)	(per EUR)	1.96	1.96	1.96
External debt				
External debt (end of period)	(m EUR)	3,450.3	3,692.2	3,744.5
External debt/GDP	(%)	49.1	53.0	54.2
Debt service/exports of goods and services	(%)	14.9	13.3	15.6
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)	666.4	874.0	1,025.0
EU exposure/total EU exposure	(%)	0.9	0.8	1.0
EU exposure/external debt	(%)	19.3	23.7	27.4
EU exposure/exports of goods and services	(%)	16.7	22.1	24.5
IMF arrangements				
Type			SBA	SBA
(Date)			26-Sep-12	26-Sep-12
On track			on-track	on-track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B3	B3
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

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*
e - ECFIN estimation.

3.4. ENP countries

3.4.1. Armenia

After growing by 7.1% in 2012, the economy decelerated sharply to 3.2% in 2013 as a result of (i) a decline in construction, (ii) a slowdown of domestic demand due to energy price hikes, and (iii) a tight fiscal position. Inflationary trends intensified in 2013, with inflation increasing to 5.8% from 2.5% in the prior year. Poverty level (32.4% in 2012) and unemployment rate (16.2% in 2013) remain high. Regarding public finances, the fiscal deficit increased modestly to 2.5% of GDP in 2013 compared to 1.6% of GDP in 2012. Public debt is estimated to represent 45.4% of GDP at the end of 2013, reflecting loans taken from the international community and a successful Eurobond issue of USD 700 million. The total external debt to GDP ratio increased from 76.2% in 2012 to 79.3% in 2013, while the debt servicing ratio of the total external debt increased from 27.5% of exports of goods and services in 2012 to 34.1% in 2013. Close to 84% of the public debt continues to be formed by external liabilities, indicating significant exchange rate vulnerability.

The external situation remains fragile. Even though an improvement compared to 2012, when it reached 11.2% of GDP, the current account deficit remained large, at 8.4% of GDP in 2013. FDI weakened by 25.3% in 2013, after increasing by 8.1% the prior year. In December 2013, foreign reserves increased to USD 2,253 million or 5.2 months of the following year's imports (from 4.3 months in December 2012). However, in February 2014 reserves dropped by

10.7%, to USD 2,013 million. The banking system remains well capitalised, and non-performing loans were reduced to 4.5% of gross loans in December 2013, from 5.9% in June 2013. However, dollarization remains high (63.8% in loans and 59.7% in deposits at the end of 2013), making the economy vulnerable to external shocks.

On March 7 2014, the IMF Executive Board approved a new Extended Fund Facility programme of USD 125 million for 38 months. The new programme comes as a follow-up to the previous three-year Extended Fund Facility and Extended Credit Facility programme, which was successfully completed in July 2013. The IMF Debt Sustainability Analysis (March 2014) concluded that Armenia's public and external debt dynamics are sustainable.

Country-risk indicators : Armenia		**2011**	**2012**	**2013****
Output and prices				
Real GDP growth rate	(%)	4.7	7.2	3.2
Unemployment (end of period)*	(% labour force)	18.4	16.0	16.2
Inflation rate (CPI) (Dec/Dec)	(% change)	4.7	3.2	5.8
Public finances				
General government balance	(% of GDP)	-2.8	-1.5	-2.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,728.3	1,876.6	1,986.0
Current account balance	(% of GDP)	-10.9	-11.2	-8.4
Net inflow of foreign direct investment	(m EUR)	321.3	364.8	271.5
Official reserves, including gold (end of period)	(m EUR)	1,445.0	1,363.9	1,733.0
In months of subsequent year's imports	(months)	4.6	4.2	5.2
Exchange rate (end of period)	(per EUR)	504.6	532.24	544.26
External debt				
External debt (end of period)	(m EUR)	5,207.0	5,832.0	6,433.0
External debt/GDP	(%)	72.8	76.2	79.3
Debt service/exports of goods and services	(%)	22.1	27.5	34.1
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)	100.6	105.0	122.0
EU exposure/total EU exposure	(%)	0.1	0.1	0.1
EU exposure/external debt	(%)	1.9	1.8	1.9
EU exposure/exports of goods and services	(%)	5.8	5.6	6.1
IMF arrangements				
Type: Extended Fund Facility		EFF/ECF	EFF/ECF	EFF
Started March 2014 runs until July 2017				
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-

**Integrated Living Condition Survey*

*** Numbers for 2013 are estimates*

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

3.4.2. Ukraine

Ukraine experienced five consecutive quarters of negative growth between mid-2012 and end-2013 with only a modest rebound in the last quarter of 2013 of 3.3% (year-on-year), resulting in flat growth for the year 2013. The deceleration in GDP is mainly due to a decline in industrial output, which suffered from very weak foreign demand in the metals and machinery markets. The economic situation worsened further in the first two months of 2014 due to the crisis. GDP is believed to have receded between -3% and -4% in January and February.

Inflation remained low at 0.5% by the end of 2013, but reached 1.7% in the first two months of 2014 and is expected to increase to around 14% by end-2014 as a result of currency devaluation and foreseen energy tariff increases.

The local currency hryvnia has depreciated by 52% between the beginning of February 2014 and early April, amidst the political turmoil, and remains highly volatile. The National Bank of Ukraine has presently no capacity to defend the hryvnia, as official reserves declined by 16% to USD 20.2 billion in the course of 2013, as a result of the large current account deficit and significant debt repayments in late 2013. This negative trend continued in 2014, with reserves declining to USD 15.1 billion at end-March, covering less than two months of imports. Limited capital controls remain in place. The current account continued to deteriorate in 2013 to an estimated deficit of 9.2% of GDP as a result of decreased exports. Net FDI is estimated to have dropped further from 5.0% of GDP in 2012 to 2.6% of GDP in 2013. In January-February 2014, the capital account deteriorated significantly as a result of capital outflows, and net FDI was equal to zero.

The IMF reached a staff level agreement with the Ukrainian authorities on 27 March 2014 on an economic reform programme that could be supported by a 24-month Stand-By-Arrangement of up to USD 18 billion. The IMF management is planning to bring the proposal to the IMF Board in end-April/early-May.

Country-risk indicators : Ukraine		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	5.2	0.3	0.0
Unemployment (end of period)	(% labour force)	7.9	7.5	7.4
Inflation rate (CPI) (Dec/Dec)	(% change)	4.6	-0.2	0.5
Public finances				
General government balance*	(% of GDP)	-2.8	-4.5	-4.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	63,793	70,050	64,604
Current account balance	(% of GDP)	-6.3	-8.1	-9.2
Net inflow of foreign direct investment	(m EUR)	5,048	5,211	2,380
Official reserves, including gold (end of period)	(m EUR)	22,845	19,069	15,210
In months of subsequent year's imports	(months)	3.7	2.9	2.7
Exchange rate (end of period)	(per EUR)	10.4	10.6	11.4
External debt				
External debt (end of period)	(m EUR)	90,621	104,914	101,015
External debt/GDP	(%)	77.2	76.5	76.4
Debt service/exports of goods and services	(%)	5.1	9.2	13.4
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)	0.3	0.3	0.5
EU exposure/total EU exposure	(%)	0.3	0.3	0.5
EU exposure/external debt	(%)	0.4	0.5	0.8
EU exposure/exports of goods and services	(%)			
IMF arrangements				
Type		SBA 15.2bn USD		none
(Date)		Jul 2010 - Dec 2012		
On track		Off track	Off track	
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B3	Caa1
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-

*does not include the deficit of state-owned Naftogaz (estimated at 2% of GDP in 2013)

3.5. Mediterranean partners

3.5.1. Egypt

Following the ouster of President Morsi in July 2013 and the appointment of a caretaker Government, Egypt's unstable political, social and security environment continues to negatively affect the economy. The macroeconomic situation remains very weak and fragile, even though the economy is not spiralling out of control, as a result of the financial support provided by high capital inflows from Gulf countries. Despite the vulnerable macro-economic situation, recent developments suggest that the Egyptian authorities will not seek an arrangement with the IMF in the short-term.

Real GDP growth, which decelerated to 1.8% in 2010/11 fiscal year (FY) as a result of the revolution, recovered slightly to 2.2% in FY 2011/12 and 2.1% in FY 2012/13. The real GDP growth projection for FY 2013/14 is around 2.5%. Monetary easing continued through three consecutive decreases of the central bank's rate since August 2013 (from 10.25% to 8.75%) and through increased monetary volume. This monetary easing, coupled with supply-side issues linked to the social unrest, has contributed to an increase of inflation to 13% (CPI) and core inflation to 12% year-on-year by December 2013. The unemployment rate increased from 9% prior to the January 2011 revolution to 13.4% by end-2013. Egypt's fiscal position has also deteriorated markedly since the revolution, mainly due to weaker economic growth, higher energy and food subsidies, higher expenditure measures to assuage the social demands, and higher interest payments. The fiscal deficit reached 13.8% of GDP in FY 2012/13, and is expected to reach 12% in FY13/14. Total government debt continued to increase, reaching 90% of GDP in FY12/13, up from 82% in FY 2011/12. Debt service represented a significant 26.3% of the total budget for FY 2012/13.

On the external side, the balance of payments remains weak and vulnerable. The current account deficit for FY 2012/13 was limited to about 2.1% of GDP, mainly thanks to inflows of official assistance. After reaching a low of USD 13 billion in May 2013 (from a peak of USD 36 billion in December 2010), reserves were boosted by official inflows estimated at USD 8 billion from Qatar and Libya to the Morsi government (pre-July 2013), followed by combined pledges of USD 16 billion from Saudi Arabia, Kuwait and Unites Arab Emirates since July 2013 (of which USD 10 billion are estimated to have already arrived).

Country-risk indicators : Egypt (1)		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	1.8	2.2	2.1
Unemployment (end of period)*	(% labour force)	12.0	12.7	13.0
Inflation rate (CPI) (Dec/Dec)	(% change)	9.9	8.4	9.7
Public finances				
General government balance	(% of GDP)	-9.8	-10.7	-13.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	35,490.5	37,548.9	36,621.6
Current account balance	(% of GDP)	-2.6	-3.9	-2.1
Net inflow of foreign direct investment	(m EUR)	1,572.1	3,096.9	2,225.9
Official reserves, including gold (end of period)	(m EUR)	13,760.8	11,678.0	11,063.7
In months of subsequent year's imports	(months)	3.3	3.1	3.1
Exchange rate (end of period)	(EG£ per EUR)	8.2	7.75	9.01
External debt				
External debt (end of period)	(m EUR)	25,730.0	26,979.0	34,847.5
External debt/GDP	(%)	15.2	13.2	17.3
Debt service/exports of goods and services	(%)	5.7	6.3	6.4
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)	2,037.0	2,555.0	2,081.0
EU exposure/total EU exposure	(%)	2.6	2.4	2.0
EU exposure/external debt	(%)	7.9	9.5	6.0
EU exposure/exports of goods and services	(%)	5.7	6.8	5.7
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)		B2	B2	Caa1
S&P long-term foreign currency rating (end of period)		B+	B	B-
Fitch long-term foreign currency rating (end of period)		BB-	B+	B-

(1) Fiscal year ends 30th June
* *Sources: IMF, Ministry of Finance, Central Bank of Egypt, EIU*
** *The Government withthdrew its request for an IMF programme in mid 2011. Discussions were renewed in early 2012 and a Stand-By was agreed at Staff level in November 2012 but was not finalised and is not expected to be in the short-term.*

3.5.2. Lebanon

The Lebanese economy deteriorated significantly in 2013, aggravated by the combined political gridlock and the impact of the Syrian crisis (as of April 2014, 1 million Syrian refugees live in Lebanon, about 25% of the resident Lebanese population). Lebanon's high growth rates over 2007-2010 (8.25% on average) fell to 1.5% in 2011 and 2012 and further down to 1% in 2013. The influx of refugees is having a number of effects, including a loss of economic activity, increased core prices and fiscal costs. After accelerating to 10.1% (year on year) in December 2012, inflation declined to 1.1% (year on year) in December 2013. On the other hand, average (annual) consumer price inflation remained high in 2013 at 6.3% (it was 6.6% in 2012). This mirrored continued high global food and fuel prices, and the increased demand from Syria and the Syrian refugee population.

The fiscal deficit continued to increase in 2013: having risen from 5.8% of GDP in 2011 to 9.6% of GDP in 2012, it reached 10% of GDP in 2013. Both Lebanon's public and external debts remained among the highest in the world, at an estimated 143% and 172% of GDP in 2013, respectively. About 80% of external debt is funded by short-term non-resident deposits in the banking sector. These deposits behave like long-term deposits, having demonstrated resilience during past crisis situations. In 2013, fiscal reforms that would have been necessary to restore a sustainable fiscal situation were not implemented, as a result of the fragile political situation.

Lebanon's trade deficit (which may partly reflect measurement issues, including unrecorded exports to Syria), combined with a negative net income due to low returns on foreign reserves and high external debt repayments, only partly mitigated by remittances, translated into a large current account deficit in 2013 (16.7% of GDP, compared with 16.1% in 2012). The central bank maintained large foreign exchange reserves (USD 31.7 billion at end-2013, excluding gold, representing 11 months of the following year's imports), which enhance financial stability and give credibility to the currency peg against the US dollar.

Country-risk indicators : Lebanon		2011	2012	*2013
Output and prices				
Real GDP growth rate	(%)	1.5	1.5	1.5
Unemployment (end of period)	(% labour force)	5.8	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	3.1	10.1	1.1
Public finances				
Central government balance	(% of GDP)	-6.1	-9.0	-10.9
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	18,821.8	20,506.8	21,327.1
Current account balance	(% of GDP)	-12.5	-16.1	-16.7
Net inflow of foreign direct investment	(m EUR)	2,414.8	3,184.9	2,547.9
Official reserves (end of period)	(m EUR)	24,654.1	27,247.7	26,880.5
In months of subsequent year's imports	(months)	11.0	11.2	11.0
Exchange rate (end of period)	(per EUR)	1,948.6	2,098.0	2,036.0
External debt				
External debt (end of period)	(m EUR)	52,400.0	56,500.0	57,372.2
External debt/GDP	(%)	174.0	175.2	172.7
Debt service/exports of goods and services	(%)	20.0	22.3	15.0%
Arrears (on both interest and principal)	(%)	no	no	
Debt relief agreements and rescheduling	(m EUR)	no	no	
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	594.8	561.0	500.0
EU exposure/total EU exposure	(%)	0.8	0.5	0.5
EU exposure/external debt	(%)	1.1	1.0	0.9
EU exposure/exports of goods and services	(%)	3.2	2.7	2.3
IMF arrangements				
Type		none		
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B1	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 (negative)

Sources: Central Administration of Statistics - Lebanon, IMF, EIU

** Numbers for 2013 are estimates*

3.5.3. Morocco

The Moroccan economy performed well in 2013, with GDP growth accelerating from 2.7% in 2012 to 4.5% in 2013, boosted by a strong rebound in the agricultural sector, which is estimated to have grown by almost 20% after a bad harvest in 2012. GDP growth is forecast to remain solid in 2014, at 3.9%. The fiscal deficit declined from 7.3% of GDP in 2012 to 5.5% in 2013, owing to lower international oil prices that reduced the cost of subsidies as well as measures taken by the government to control spending. Average inflation remained low at 1.9% in 2013, a slight decrease from the 2.3% registered in 2012. Expectations in the medium term are that inflation remains below 3% with occasional spikes, as certain subsidies are gradually cut back due to their significant fiscal cost. Monetary policy remains focused on controlling inflation. The exchange rate continues to be tightly managed against a basket of euro-dominated currencies.

Morocco's current account deficit, which had reached a substantial 9.7% of GDP in 2012, narrowed to 7.4% in 2013 and should continue to decline in the medium term thanks to increased domestic production and lower energy imports. The current account deficit was partly financed by the resilient capital account surplus, including substantial FDI flows.

Public debt continued its upward trend, gradually increasing from 54.4% of GDP in 2011 to 61.9% in 2013. The level of total external debt also gradually increased from 25.1% of GDP at year-end 2011 to 30.9% at year-end 2013, as Morocco tapped the international USD-denominated bond market for the first time in December 2012 (for USD 1.5 billion) and again in May 2013 (USD 750 million). Still, it remains sustainable. Gross foreign reserves slightly increased from EUR 13.6 billion at year-end 2012 to roughly EUR 14.3 billion at year-end 2013, representing 4.1 months of the following year's imports. In August 2012, Morocco entered into a two-year USD 6.3 billion financing arrangement with the IMF under the Precautionary and Liquidity Line (PLL). The Moroccan authorities have not drawn on the PLL so far and have not declared the intention to do so.

Country-risk indicators : Morocco		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	5.0	2.7	4.5
Unemployment (end of period)	(% labour force)	8.9	9.0	9.2
Inflation rate (CPI) (average)	(% change)	2.6	2.3	1.9
Public finances				
General government balance	(% of GDP)	-6.7	-7.4	-5.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	24,234.5	24,888.8	25,685.2
Current account balance	(% of GDP)	-8.0	-9.7	-7.4
Net inflow of foreign direct investment	(m EUR)	1,391.3	1,969.0	2,250.0
Official reserves, including gold (end of period)	(m EUR)	14,795.0	13,610.0	14,980.0
In months of subsequent year's imports	(months)	5.1	4.1	4.2
Exchange rate (end of period)	(MAD per EUR)	11.3	11.07	11.19
External debt				
External debt (end of period)	(m EUR)	18,670.0	22,038.0	23,984.0
External debt/GDP	(%)	25.1	29.8	30.9
Debt service/exports of goods and services	(%)	5.3	5.8	6.6
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)	2,483.5	2,745.0	3,021.0
EU exposure/total EU exposure	(%)	3.2	2.6	2.9
EU exposure/external debt	(%)	13.3	12.5	12.6
EU exposure/exports of goods and services	(%)	10.2	11.0	11.8
IMF arrangements				
Type		no	Precautionary Liquidity Line 4.12 SDR	Precautionary Liquidity Line 4.12 SDR
(Date)			August 2012	August 2012
On track			on track	on track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1 /stable	Ba1 /stable	Ba1 /negative
S&P long-term foreign currency rating (end of period)		BBB-	BBB- /negative	BBB- /negative
Fitch long-term foreign currency rating (end of period)		BBB- /stable	BBB- /stable	BBB- /stable

3.5.4. Syria

The economic and financial situation of Syria is difficult to assess, given the significant disruption caused by the ongoing conflict and the scarcity of reliable figures. Still, it is clear that growth has been seriously affected by a sharp slowdown in trade, tourism and private investment, as well as the destruction of infrastructure. Consumer prices increased by 41.2% year-on-year in the third quarter of 2012, according to the Syrian Central Bureau of Statistics (last official data available). This rise mainly consisted of price increases in food, housing, utilities and fuel due to a combination of sharp reductions in their supply and alleged printing of money by the central bank to pay for state salaries. The value of the Syrian pound (SYP) against the EUR more than halved between January 2012 and December 2013 (one euro officially being exchanged for 155 SYP as of 31 December 2013, against about 65 SPY in early January 2012).

The 2013 budget foresaw a 4% nominal increase in expenditures, while leaving out information on revenues. The main sources of revenues have been significantly affected by the conflict, including oil exports (which constituted 25% of government revenue in 2010) and customs revenue on imports. Considering the sharp drop in export revenues combined with an increase in import costs since June 2011, as well as the absence of any major net capital inflows, foreign exchange reserves are believed to have considerably dropped.

Country-risk indicators : Syria		**2011 (est)**	**2012 (est)**	**2013 (est)**
Output and prices				
Real GDP growth rate	(%)	-3.4	n.a.	n.a.
Unemployment (end of period)	(% labour force)	14.9	n.a.	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	11.0	n.a.	n.a.
Public finances				
Central government balance	(% of GDP)	-11.0	n.a.	n.a.
Balance of payments				
Exports of goods f.o.b.	(m EUR)	7,390.8	3761.8	2014.2
Current account balance	(% of GDP)	- 6.1	n.a.	n.a.
Net inflow of foreign direct investment	(m EUR)	n.a.	n.a.	n.a.
Official reserves, including gold (end of period)	(m EUR)	10,655.9	n.a.	n.a.
In months of subsequent year's imports	(months)	n.a.	n.a.	n.a.
Exchange rate (end of period)	(per EUR)	67.3	n.a.	n.a.
External debt				
External debt (end of period)	(m EUR)	6,334.3	6747.8	7336.8
External debt/GDP	(%)	15.2	n.a.	n.a.
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(m EUR)	n.a.		
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	728.0	646.0	585.0
EU exposure/total EU exposure	(%)	0.9	0.6	0.6
EU exposure/external debt	(%)	11.5	9.6	8.0
EU exposure/exports of goods and services	(%)	9.9	17.2	29.0
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
Source: Economist Intelligence Unit				

3.5.5. *Tunisia*

The Tunisian economy has been negatively affected by the domestic unrest that followed the 2011 revolution, regional instability (notably the war in Libya), and a weak international environment, particularly in the euro area, with which Tunisia maintains close trade and financial links. The economy experienced a recession in 2011 and, after the moderate economic recovery witnessed in 2012, the macroeconomic situation has worsened in 2013. In particular, the fiscal and balance of payments situation has deteriorated quite markedly, generating important financing needs. Against this background, the Tunisian authorities reached in mid-April 2013 an agreement with the International Monetary Fund (IMF) on a 24-

month Stand-By Arrangement (SBA) in the amount of USD 1.75 billion, which was approved by the IMF Board on June 2013.

Real GDP growth is estimated to have reached 2.6% in 2013, against an initial IMF programme estimate of 4%. While inflation has remained relatively stable compared to 2012, ending 2013 at 6%, year-end inflationary pressures led the central bank to increase rates in December by 50 bps to 4.5% (also in support of a weakening currency). The fiscal deficit declined to 6.2% of GDP in 2013, compared to an IMF programme target of 7.5% of GDP, mainly on account of the deferral of payments to state-owned enterprises to 2014, and a lower execution of the investment budget. On the external side, the current account deficit for 2013 is estimated at about 8.2% of GDP, mainly as a result of the widening of the trade deficit, with exports restrained by sluggish demand in the EU, which represents almost 70% of Tunisia's exports. In addition, tourism and worker remittances have remained weaker than expected. Net foreign direct investment dropped in 2013 by 42%, to USD 1 billion compared to 2012, as a result of the domestic political turmoil and a wait-and-see attitude from investors. All this has been combined with a substantial shortfall in external official financing in 2013. Reserves are estimated to have ended 2013 close to USD 6.8 billion, at barely three months of imports, which compares to an initial target of USD 9.0 billion under the IMF programme. The Tunisian dinar has depreciated by about 11% against the euro in 2013 and by about 9.5% in nominal effective terms, despite central bank's efforts to contain the slide.

External debt increased from 48% of GDP in 2011 to an estimated 52% of GDP in 2013, and is expected to gradually increase further to 59% of GDP by end-2016. Tunisia’s sovereign ratings were downgraded again in November 2013 by Moody’s (from Ba2 to Ba3) following the downgrading by Standard & Poor’s (from BB- to B) in August 2013 and by Fitch (from BB+ to BB-) in October 2013.

Country-risk indicators : Tunisia		2011	2012	2013
Output and prices				
Real GDP growth rate	(%)	-1.9	3.6	2.6
Unemployment (end of period)	(% labour force)	18.3	17.6	16.7
Inflation rate (CPI) (Dec/Dec)	(% change)	4.2	5.9	6.0
Public finances				
Central government balance (inc. grants)	(% of GDP)	-3.2	-4.8	-6.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	19,930	20,456	19,601
Current account balance (exc. grants)	(% of GDP)	-7.4	-8.2	-8.2
Net inflow of foreign direct investment	(m EUR)	322	1306	756
Official reserves, including gold (end of period)	(m EUR)	5,796	6,370	5,037
In months of subsequent year's imports	(months)	3.4	3.9	3.0
Exchange rate (end of period)	(per EUR)	1.94	2.00	2.20
External debt				
External debt (end of period)	(m EUR)	17,080	17,609	18,074
External debt/GDP	(%)	47.8	53.8	51.9
Debt service/exports of goods and services	(%)	11.9	12.0	9.4
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)	2,355.4	2,555.0	2,700.0
EU exposure/total EU exposure	(%)	3.0	2.4	2.6
EU exposure/external debt	(%)	13.8	14.5	14.9
EU exposure/exports of goods and services	(%)	11.8	12.5	13.8
IMF arrangements				
Type		no	no	SBA
(Date)				Jun-13
On track				Yes
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3	Baa3	Ba3
S&P long-term foreign currency rating (end of period)		BBB-	BB	B
Fitch long-term foreign currency rating (end of period)		BBB-	BB+	BB-

3.6. Other countries

3.6.1. Brazil

In 2013, the Brazilian economy grew by 2.3% as compared to a 1.0% annual growth in 2012. The largest expansion was achieved by the agricultural sector, which recorded a 7.0% annual growth, while services (+2.0%) and industry (+1.3%) also rose although to a minor extent. On the demand side, the strongest performance was posted by gross fixed capital formation (+6.3% annual growth in 2013), driven by the rise in domestic production of machinery and equipment. With respect to the external sector, the trade deficit widened as a result of imports (+8.4% in 2013) growing faster than exports (+2.5% in 2013), on the back of rising oil imports.

The European Commission's GDP growth forecasts for Brazil currently stand at +2.3% in 2014 and +2.9% in 2015 (European Economic Forecast, February 2014). The major downside risks to the forecast are linked to weaker-than-expected growth in China, which could negatively affect other emerging markets, and to the possible spill-overs from the gradual normalisation of the US monetary policy, which could cause some capital outflows from Brazil and weaken the Real. As inflation has continued to be well above the annual 4.5% target (5.9% year-on-year in December 2013, 6.2% on average for 2013 as a whole), the Brazilian Central Bank has gradually raised the benchmark Selic interest rate from 7.25% in April 2013 to 11.00% in April 2014. Any further increase in consumer prices, combined to a somewhat sharper depreciation of the Real in the event of another bout of volatility in emerging markets, could warrant another rate hike which would act as a further drag on growth.

In the short term, weak growth is expected to affect Brazil's public finances through a higher fiscal deficit (-3.3% of GDP in 2013), a lower primary surplus and difficulties in achieving a decline in gross public debt (estimated at 57% of GDP in 2013). Nevertheless, the economy's resilience to adverse shocks will remain warranted by a credible macro-prudential framework, a high level of international reserves (15.4% of GDP in the fourth quarter of 2013, covering for 18 months of imports), strong capital ratios in the banking system and limited exposure to foreign-currency-denominated debt.

Country-risk indicators : Brazil		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	2.7	1.0	2.3
Unemployment (end of period)	(% labour force)	6.0	5.5	5.4
Inflation rate (CPI) (Dec/Dec)	(% change)	6.5	5.8	5.9
Public finances				
General government balance	(% of GDP)	-2.5	-2.8	-3.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	211,403.4	220,256.2	205,223.1
Current account balance	(% of GDP)	-2.1	-2.3	-3.6
Net inflow of foreign direct investment	(m EUR)	55,289	57,686	n.a.
Official reserves, including gold (end of period)	(m EUR)	270,819	280,422	259,284.5
In months of subsequent year's imports	(months)	17.7	19.4	18.0
Exchange rate (average)	(per EUR)	2.33	2.51	2.9
External debt				
External debt (end of period)	(m EUR)	230,469.2	237,152.0	227,042.6
External debt/GDP	(%)	12.1	13.9	14.0
Debt service/exports of goods and services	(%)	20.5	22.3	30.9
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)	909.8	942.0	1,002.0
EU exposure/total EU exposure	(%)	1.2	0.9	1.0
EU exposure/external debt	(%)	0.4	0.4	0.4
EU exposure/exports of goods and services	(%)	0.4	0.4	0.5
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 /positive	Baa2 /positive	Baa2 /stable
S&P long-term foreign currency rating (end of period)		BBB /stable	BBB /stable	BBB /negative*
Fitch long-term foreign currency rating (end of period)		BBB /stable	BBB /stable	BBB /stable

*On 24 March 2014, S&P downgraded Brazil's long-term foreign currency rating to BBB- (outlook stable).

3.6.2. South Africa

While the South African economy had showed signs of rebound in 2010 and 2011 (+3.1% and +3.5% respectively), activity expanded at a slower pace in 2012 (+2.5%) and 2013 (+1.9%). Weak domestic conditions and the delayed recovery in global demand resulted in the country continuing to grow well below potential output and below the rate needed to address persistently high unemployment (24.1% of the labour force in December 2013). With respect to the external sector however, export performance surprised to the upside, with year-on-year growth reaching a three-year high of +8.8% in the fourth quarter of 2013 (in seasonallyadjusted terms), which boosted the annual export growth to +4.2% - compared to a sluggish +0.4% in 2012.

In the medium term, GDP growth is expected to gradually pick-up, supported by robust investment spending and rising exports as global trade recovers. Government policy should generally be supportive through fiscal stimulus measures in the run-up to the Presidential elections in 2014. At the same time, public finances should remain soundly managed and the general government deficit is expected to progressively narrow, as was the case in 2013 where it reached -3.8% of GDP compared to -4.6% in 2012. South Africa's public debt burden continues to be manageable - net public debt was estimated to represent 45% of GDP in 2013, which is moderate by global standards - although it has increased rapidly in the past few years.

On the external front, the main risks perceived to South Africa's growth outlook relate to renewed volatility in capital flows as monetary policy in the US is gradually normalising, as well as moderating growth in China which would translate into lower import growth. On the domestic front, the instability in the mining sector, political uncertainty related to the upcoming elections and rising inflationary pressures represent the major downside risks. With respect to the latter, the year-on-year consumer price index (CPI) reached 5.7% on average in 2013, very close to the Reserve Bank's inflation target ceiling of 6%. Any new episode of financial turmoil in emerging markets, potentially driving the Rand to further depreciate, might therefore prompt the Reserve Bank to raise the benchmark interest rate, as it did in February 2014 (by +0.5pp to 5.5%) for the first time since July 2012.

Country-risk indicators : South Africa		**2011**	**2012**	**2013**
Output and prices				
Real GDP growth rate	(%)	3.6	2.5	1.9
Unemployment (end of period)	(% labour force)	23.9	24.9	24.1
Inflation rate (CPI) (Dec/Dec)	(% change)	6.1	5.7	5.3
Public finances				
General government balance	(% of GDP)	-3.7	-4.6	-3.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	74,906.7	66,216.8	79,465.09
Current account balance	(% of GDP)	-3.4	-6.3	-5.9
Net inflow of foreign direct investment	(m EUR)	4,109.8	3,521.5	n.a.
Official reserves, including gold (end of period)	(m EUR)	35,668.7	33,345.1	32,802.8
In months of subsequent year's imports	(months)	5.1	5.2	5.4
Exchange rate (average)	(per EUR)	10.1	10.6	12.8
External debt				
External debt (end of period)	(m EUR)	91336.3	107886.2	99757.2
External debt/GDP	(%)	29.4	37.0	39.1
Debt service/exports of goods and services	(%)	5.2	7.9	n.a.
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)	1,304.0	1,230.0	982.0
EU exposure/total EU exposure	(%)	1.7	1.2	1.0
EU exposure/external debt	(%)	1.4	1.1	1.0
EU exposure/exports of goods and services	(%)	1.7	1.9	1.2
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)		A3 /negative	Baa1 /negative	Baa1 /negative
S&P long-term foreign currency rating (end of period)		BBB+	BBB /negative	BBB /negative
Fitch long-term foreign currency rating (end of period)		BBB+	BBB+ /negative	BBB /stable

3.6.3. Tajikistan

Real GDP growth remained strong in 2013 at 7.4%, supported by internal demand and high inflows of remittances from Russia, while export performance deteriorated due to a fall in trade with Turkey and Russia, as well as declining prices and production of aluminium. Economic growth is projected to decline to 6.2% in 2014 and further to 5.7% in 2015, in line with the slowdown of emerging markets. Public external debt was fairly modest at about 30% of GDP in 2012. Supported by the sustained inflow of remittances, the current account balance improved in 2013, recording a deficit of 1.9% of GDP. Consumer price inflation was at 5 % in 2013, supported by good local and regional harvests, weak food prices and nominal currency stability. The inflation projections for 2014 stands higher at 5.4%, reflecting the developments in key partner economies, i.e. the Commonwealth of Independent States (CIS) and China, and an expected weakening of the national currency (the somoni). A possible rise of energy prices because of the Russia-Ukraine conflict represents a key external risk to the inflation forecast.

The structural weaknesses of the economy have not changed, however. Tajikistan relies heavily on remittances and a narrow exports base (aluminium, cotton and electricity) in its external current account. A weaker economic outlook for Tajikistan's main economic partners (Russia, China and Turkey) and lower prices of aluminium are likely to have an impact on export revenues in 2014. Tajikistan's economy is highly vulnerable to shocks. International reserves of the central bank remain low, covering 1.5 months of imports at year-end 2012. Tajikistan's agreement with the IMF for an Extended Credit Facility (ECF) expired in May 2012. Negotiations over a new IMF-supported successor program are ongoing but have not brought any concrete result so far.

Country-risk indicators : Tajikistan		2011	2012	2013
Output and prices				
Real GDP growth rate - IMF	(%)	6.5	7.4	7.5
Unemployment*	(% labour force)	n.a.	n.a.	n.a.
Inflation rate (CPI) (year average) - IMF	(% change)	6.5	12.4	5.8
Public finances				
General government balance	(% of GDP)	-3	-2.1	0.5
Balance of payments - IMF				
Exports of goods	(m EUR)	448	380.0	387.5
Current account balance	(% of GDP)	-1.2	-4.7	-1.3
Net inflow of foreign direct investment	(m EUR)	12.	13.	39.
Gross international reserves, (end of period)	(m EUR)	359	411.	515.
In months of subsequent year's imports	(months)	1.5	1.4	1.5
Exchange rate (end of period)	(per EUR)	5.81	6.42	6.11
External debt - IMF				
Total public and publicly guaranteed debt	(m EUR)	1,441	1,504	1,759.0
External debt/GDP	(%)	33.9	35.4	32.3
Debt service/exports of goods and services	(%)	7.3	5.9	10.4
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)	28.5	17.0	4.0
EU exposure/total EU exposure	(%)	0.0	0.0	0.0
EU exposure/external debt	(%)	2.0	1.1	0.2
EU exposure/exports of goods and services	(%)	6.4	4.5	1.0
IMF arrangements				
Type				
(Date)		Extended Credit Facility (April 2009 - May 2012) expired		
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, officially registered*