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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 2012

{COM(2013) 871 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 2012. 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 during the second semester 2012, and either categorised as “severely indebted” according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation in section 3. The evaluation comprises short analyses and tables of risk indicators.

The evaluated countries are grouped in 5 sub-sections: candidate countries (3.1), potential candidate countries (3.2), European Neighbourhood Policy (ENP) countries (3.3), Mediterranean partners (3.4), and other countries (3.5).

2. SITUATION OF RISKS COVERED BY THE EU BUDGET

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

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

TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 31.12.2012 (in EUR million)				
Operations	Authorised ceiling **(a)**	Capital outstanding at 30.06.2012 **(b)**	Capital outstanding at 31.12.2012	Remainder to be disbursed at 31.12.2012 **(c)**
MEMBER STATES				
EIB (Member States)		2,838	2,653	230
MFA to Romania		25	13	
Euratom to Bulgaria and Romania		393	387	
BoP				
Hungary	6,500	3,500	3,500	
Latvia	3,100	2,900	2,900	
Romania	5,000	5,000	5,000	
EFSM				
Ireland	22,500	18,400	21,700	800
Portugal	26,000	20,100	22,100	3,900
MEMBER STATES - TOTAL	**63,100**	**53,156**	**58,253**	**4,930**
THIRD COUNTRIES				
A. Macro-Financial Assistance				
Albania	9	9	9	
Armenia	65	65	65	
Bosnia-Herzegovina	40	34	32	
FYROM	90	56	51	
Lebanon	50	25	25	25
Serbia	473	373	329	100
Montenegro	7	7	6	
Tajikistan	75	16	16	
Sub total MFA	**809**	**585**	**533**	**125**
B. Euratom(1)		41	36	
C. Other				
EIB Pre-Accession countries	29,103	9,557	9,973	4,363
EIB Neighbourhood and Partnership countries	29,490	7,701	8,581	7,029
EIB Asia and Latin America	8,357	2,780	2,698	1,025
EIB South Africa	2,436	1,017	965	172
EIB Climate change (3)	2,000	150	150	600
Sub total EIB (2)	**71,386**	**24,043**	**25,020**	**13,419**
THIRD COUNTRIES - TOTAL	**72,195**	**21,831**	**22,936**	**13,314**
GRAND TOTAL	**135,295**	**74,987**	**81,189**	**18,244**

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

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

(3) The Climate change mandate (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.

(c) Remainder to be disbursed (Table A1)

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

- *EIB financing operations*

In the past, EIB financing operations represented the largest category of the total loan operations covered by the EU Budget. At the date of this report, they still amount to 31%. However, the implementation of the EFSM gradually increases the portion of the risk borne by the EU Budget that relates to the Member States.

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

ANNEX TO TABLE A1: SITUATION IN RESPECT OF EIB OPERATIONS at 31.12.2012 (in EUR million)

Operations	Authorised ceiling **(a)**	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 31.12.2012 **(b)**
Mandate 2007/2013:	**29,484**	**23,161**	**11,362**	**10,983**
Pre-Accession countries	*9,048*	*8,346*	*4,967*	*4,868*
Neighbourhood and Partnership countries:	*13,548*	*10,503*	*3,852*	*3,643*
Mediterranean	9,700	*7,861*	*3,303*	*3,210*
Eastern Europe, Southern Coucasus and Russia	3,848	*2,642*	*549*	*433*
Asia and Latin America:	*3,952*	*2,871*	*1,908*	*1,845*
Asia	1,040	*783*	*424*	*419*
Latin America	2,912	*2,088*	*1,484*	*1,426*
South Africa	*936*	*691*	*486*	*477*
Climate change mandate	*2,000*	*750*	*150*	*150*
Previous General Mandate 2000/2007[3]:	**20,060**	**18,865**	**16,876**	**11,414**
Pre-Accession countries	10,235	7,299	6,365	4,868
Neighbourhood and Partnership countries	6,520	5,905	5,482	3,971
Asia and Latin America	2,480	2,105	1,799	713
South Africa	825	817	706	432
Member States (following the accession)[2]		2,739	2,523	1,430
sub-total 65 %[1]	**49,544**	**42,027**	**28,238**	**22,397**
Financial agreements (70% Guarantee rate)	**7,477**			
Pre-Accession countries	3,770	477	450	203
Neighbourhood and Partnership countries	2,310	1,587	1,510	343
Asia and Latin America:	1,022	809	671	77
South Africa	375	375	272	55
Member States (following the accession)[2]		3,235	3,188	963
sub-total 70 %[1]	**7,477**	**6,482**	**6,091**	**1,641**
Financial agreements (75% Guarantee rate)	**7,712**			
Pre-Accession countries	1,350	713	723	33
Neighbourhood and Partnership countries	6,362	4,478	4,534	334
Member States (following the accession)[2]		1,857	1,959	25
sub-total 75 %[1]	**7,712**	**7,047**	**7,216**	**392**
Financial agreements (100% Guarantee rate)	**6,653**			
Pre-Accession countries	4,700	29	29	0
Neighbourhood and Partnership countries	750	315	316	290
Asia and Latin America	903	710	723	63
South Africa	300	285	204	1
Member States (following the accession)[2]		3,982	4,128	235
sub-total 100 %[1]	**6,653**	**5,320**	**5,399**	**590**
Total	**71,386**	**60,876**	**46,944**	**25,020**

(1) Percentage figures relate to the Guarantee rate.

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

(3) Including Turkey Terra and Special Action Turkey.

2.2. Risk factors

Factor increasing the risk:

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

Factors reducing the risk:

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

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

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 remaining risks.

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

2.3. Cumulative and annual EU Budget guarantee exposures

With the cash flow approach based on the existing loans disbursed it is possible to calculate the total capital exposure of the Budget and the total capital and interest payments due to be received each

[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.

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 2012[5].

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 31.12.2012.

[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 Budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, BoP, Euratom, EFSM and EIB) disbursed at 31.12.2012

Ranking	Country	2013	2014	2015	2016	2017	2018	2019	2020	2021-2042	Total
1	Ireland	665.48	661.00	5,661.00	536.00	536.00	4,436.00	413.63	413.63	16,421.50	29,744.23
2	Portugal	648.26	644.88	644.88	5,394.88	514.25	1,114.25	500.00	500.00	20,138.25	30,099.63
3	Turkey	483.43	527.88	612.14	603.23	1,003.35	569.83	903.68	517.05	3,904.59	9,125.19
4	Romania	392.46	373.62	1,874.37	305.31	1,445.64	1,596.69	1,181.57	136.25	482.78	7,788.69
5	Tunisia	209.33	210.14	216.13	223.90	216.04	195.85	180.51	160.88	942.69	2,555.48
6	Egypt	204.79	183.87	183.40	192.45	209.57	206.63	203.85	181.56	736.94	2,303.05
7	Morocco	192.19	204.92	308.52	188.63	187.42	188.87	178.96	170.40	1,124.75	2,744.67
8	Serbia	167.48	185.88	246.98	201.45	192.56	202.66	164.06	108.53	632.30	2,101.89
9	Hungary	133.25	2,128.42	62.98	1,558.78	2.12	0.00	0.00	0.00	0.00	3,885.56
10	Latvia	96.63	1,096.49	1,265.11	26.76	25.96	25.91	524.04	7.16	229.45	3,297.52
11	Lebanon	89.48	100.68	78.74	70.65	59.25	52.59	36.03	23.97	49.43	560.82
12	South Africa	88.83	83.04	90.97	100.39	98.12	113.88	72.45	90.88	491.13	1,229.68
13	Bulgaria	85.80	86.76	84.03	81.40	76.11	65.69	53.22	44.88	124.56	702.44
14	Syria	77.70	76.06	80.66	79.55	55.68	55.30	54.49	52.15	114.22	645.81
15	Poland	72.45	53.37	43.33	29.36	21.55	20.70	18.90	18.07	33.65	311.38
16	Brazil	71.35	100.72	236.46	223.28	72.75	67.47	128.16	29.03	12.96	942.18
17	Czech Republic	68.37	56.44	45.73	43.66	25.93	13.16	12.62	12.07	22.52	300.50
18	Bosnia and Herzegovina	56.98	55.29	97.86	57.89	69.08	62.65	59.48	51.91	363.10	874.25
19	Argentina	49.72	40.38	44.19	43.75	42.15	40.55	38.95	10.89	15.84	326.42
20	FYROM	45.76	48.03	41.76	29.43	21.36	16.22	8.06	7.90	22.34	240.88
21	Croatia	45.32	42.55	40.51	38.86	38.00	35.77	34.11	32.63	127.45	435.20
22	Jordan	44.01	41.62	35.55	34.18	35.78	37.69	28.45	27.33	162.43	447.03
23	Slovak Republic	37.23	25.76	15.08	14.66	14.24	13.82	13.40	12.98	46.99	194.16
24	Colombia	26.02	25.31	25.31	25.31	25.31	17.68	7.28	0.77	0.00	152.99
25	India	23.92	28.65	33.31	35.29	32.27	22.27	17.27	13.28	25.69	231.94
26	Vietnam	20.72	23.48	20.32	20.97	20.10	18.39	16.44	14.13	71.08	225.63
27	Albania	18.19	22.58	23.61	23.30	25.94	24.47	23.02	22.34	104.34	287.78
28	Peru	16.12	15.88	15.88	13.16	13.16	5.51	0.54	0.00	0.00	80.25
29	Montenegro	15.48	18.41	20.68	20.84	19.37	23.04	16.69	11.88	58.00	204.39
30	Paraguay	15.28	15.16	15.16	11.37	7.58	0.00	0.00	0.00	0.00	64.55
31	Israel	15.19	22.62	18.46	15.86	15.36	15.54	15.82	16.39	230.71	365.96
32	the Philippines	14.12	15.50	14.24	12.98	8.13	3.22	2.97	2.91	6.93	81.00
33	Indonesia	12.65	12.62	12.62	8.26	8.26	6.09	5.26	2.63	0.00	68.39
34	Tadjikistan	12.04	4.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.05
35	Sri Lanka	11.32	13.77	15.46	13.86	13.74	14.63	14.58	13.07	26.07	136.52
36	Russia	10.96	11.03	13.26	20.66	18.91	15.91	15.91	15.91	87.23	209.80
37	Pakistan	9.74	6.62	6.62	4.61	3.79	3.79	1.89	0.00	0.00	37.07
38	Slovenia	9.40	7.44	4.39	2.09	0.00	0.00	0.00	0.00	0.00	23.32
39	Thailand	9.04	2.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.23
40	Ukraine	8.61	6.85	11.33	19.97	24.76	23.52	20.68	20.68	206.15	342.57
41	Bangladesh	8.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.22
42	China	7.78	7.83	9.68	4.93	5.19	5.32	5.45	5.84	35.35	87.38
43	Panama	6.68	6.53	6.66	6.93	7.46	7.46	14.94	14.54	91.48	162.66
44	Maldives	5.63	5.50	5.50	5.50	3.74	3.74	3.34	1.67	0.00	34.61
45	Lithuania	5.13	4.95	4.78	4.60	4.42	3.49	2.74	1.83	0.78	32.72
46	Cyprus	5.12	3.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45
47	Uruguay	4.51	4.94	4.07	4.07	2.04	0.00	0.00	0.00	0.00	19.64
48	Ecuador	4.42	4.31	4.31	4.31	4.31	4.31	2.15	0.00	0.00	28.11
49	Mexico	4.11	3.50	3.50	3.50	3.50	84.44	3.50	0.00	0.00	106.03
50	Costa Rica	3.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.87
51	Republic of Moldova	3.33	3.12	4.57	7.71	9.64	10.56	10.44	10.31	38.84	98.51
52	The West Bank and the Gaza Strip	2.93	2.93	2.93	3.02	3.11	2.66	0.72	0.61	4.30	23.22
53	Laos	2.66	2.68	2.71	2.74	2.78	2.81	2.86	2.90	51.55	73.69
54	Georgia	2.43	4.32	6.34	8.38	9.34	10.03	9.96	7.75	67.95	126.50
55	Armenia	2.31	2.28	2.61	3.02	3.09	3.08	3.07	3.05	81.57	104.08
56	El Salvador	1.62	1.34	1.99	2.68	2.03	2.03	2.03	2.03	18.53	34.28
57	Malaysia	0.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
58	Nicaragua	0.44	0.44	0.44	0.54	1.06	1.15	1.12	1.09	10.13	16.40
59	Malta	0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.34
	Grand total	4,347.64	7,337.89	12,321.09	10,388.93	5,261.30	9,467.33	5,029.26	2,795.76	47,416.57	#########
	MS	2,219.92	5,142.46	9,705.66	7,997.50	2,666.23	7,289.71	2,720.11	1,146.87	37,500.48	76,388.95
	Non MS	2,127.72	2,195.43	2,615.43	2,391.43	2,595.07	2,177.62	2,309.15	1,648.89	9,916.09	27,976.83
	% of MS in the total	51.06%	70.08%	78.77%	76.98%	50.68%	77.00%	54.09%	41.02%	79.09%	73.19%

2.4. Loan operations covered by the EU Budget guarantee

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

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

TABLE A3a

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

Period 30.06.2012 - 31.12.2012

Instrument	Decision	Date of decision	Loan term (years)	Availability period (for Request for Funds)	Guarantee Rate	Maturity Date (*)	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Outstanding amount at 30.06.2012	Operations carried out during the 2nd semester 2012 Amounts disbursed	 Amounts repaid	Outstanding amount at 31.12.2012
BOP	2009/431/EC (1)	08/05/2009			100%		50,000.0					
Total								16,000.0	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**
1st tranche (**)			3.0			9/12/2011	(a)		0.0			0.0
2nd tranche			5.6			7/11/2014	(c)		2,000.0			2,000.0
3 rd tranche			6.8			6/04/2016	(c)		1,500.0			1,500.0
Latvia	2009/290/EC	20/01/2009		closed			(b)	**3,100.0**	**2,900.0**	**0.0**	**0.0**	**2,900.0**
1st tranche			5.1			3/04/2014	(c)		1,000.0			1,000.0
2nd tranche			5.5			27/01/2015	(c)		1,200.0			1,200.0
3rd tranche			9.2			10/05/2019	(c)		500.0			500.0
4th tranche			15.3			20/10/2025	(c)		200.0			200.0
Romania	2009/459/EC	06/05/2009		closed			(c)	**5,000.0**	**5,000.0**	**0.0**	**0.0**	**5,000.0**
1st tranche			5.5			27/01/2015	(c)		1,500.0			1,500.0
2nd tranche			9.2			10/05/2019	(c)		1,000.0			1,000.0
3rd tranche			7.0			22/09/2017	(c)		1,150.0			1,150.0
4th tranche			7.0			4/04/2018	(c)		1,200.0			1,200.0
5th tranche			7.3			4/10/2018	(c)		150.0			150.0
Precautionary EU medium-term financial assistance for Romania	2011/288/EU	12/05/2011		31/03/2013			(d)	**1,400.0**				
EFSM	2010/407/EU	11/05/2010			100%		60,000.0					
Total								48,500.0	38,500.0	5,300.0	0.0	43,800.0
Ireland	2011/77/EU	07/12/2010		08/12/2013				**22,500.0**	**18,400.0**	**3,300.0**	**0.0**	**21,700.0**
1st tranche			4.9			04/12/2015	(c)		5,000.0			5,000.0
2nd tranche			7.0			04/04/2018	(c)		3,400.0			3,400.0
3rd tranche			10.0			04/06/2021	(c)		3,000.0			3,000.0
4th tranche			14.9			04/09/2026	(c)		2,000.0			2,000.0
5th tranche			7.0			04/10/2018	(c)		500.0			500.0
6th tranche			30.2			04/04/2042	(c)		1,500.0			1,500.0
7th tranche			20.1			04/04/2032	(c)		3,000.0			3,000.0
8th tranche			15.8			04/04/2028	(c)			2,300.0		2,300.0
9th tranche			15.0			04/11/2027	(c)			1,000.0		1,000.0
Portugal	2011/344/EU	17/05/2011		18/05/2014				**26,000.0**	**20,100.0**	**2,000.0**	**0.0**	**22,100.0**
1st tranche			10.0			04/06/2021	(c)		1,750.0			1,750.0
2nd tranche			5.0			03/06/2016	(c)		4,750.0			4,750.0
3rd tranche			10.0			21/09/2021	(c)		5,000.0			5,000.0
4th tranche			14.9			04/09/2026	(c)		2,000.0			2,000.0
5th tranche			7.0			04/10/2018	(c)		600.0			600.0
6th tranche			30.2			04/04/2042	(c)		1,500.0			1,500.0
7th tranche			25.9			04/04/2038	(c)		1,800.0			1,800.0
8th tranche			9.9			04/04/2022	(c)		2,700.0			2,700.0
9th tranche			15.0			04/11/2027	(c)			2,000.0		2,000.0
EURATOM					100%		4,000.0	4,000.0	393.3	0.0	6.5	386.8
	77/270-271/Euratom	29/03/1977					(c)	500.0				
	80/29/Euratom						(c)	500.0				
	82/170/Euratom						(c)	1,000.0				
	85/537/Euratom						(c)	1,000.0				
	90/212/Euratom						(b)	1,000.0				
Bulgaria	SEC(2000)661/2	18/04/2000		closed				**212.5**	**169.8**	**0.0**	**6.5**	**163.3**
1st tranche			20.0			10/05/2021	(c)		36.0		0.0	36.0
2nd tranche			15.0			15/01/2017	(c)		7.5		0.8	6.8
3rd tranche			17.0			19/08/2019	(c)		18.8		1.3	17.5
4th tranche			15.0			18/06/2018	(c)		15.0		1.3	13.8
5th tranche			15.0			16/01/2019	(c)		24.5		1.8	22.8
6th tranche			16.0			10/09/2020	(c)		25.5		1.5	24.0
7th tranche			16.0			4/04/2021	(c)		25.0			25.0
8th tranche			14.0			23/02/2020	(c)		17.5			17.5
Romania	C(2004)891	30/03/2004		closed				**223.5**	**223.5**	**0.0**	0.0	**223.5**
1st tranche			17.0			21/07/2022	(c)		100.0			100.0
2nd tranche			19.0			26/11/2024	(c)		90.0			90.0
3rd tranche			124.1			23/02/2024	(c)		33.5			33.5
MFA								200.0	25.0	0.0	12.5	12.5
ROMANIA IV (****)	99/732/EC	08.11.99		closed				**200.0**	**25.0**	**0.0**	**12.5**	**12.5**
1st tranche			10.0			29/06/2010	(c)	100.0	0.0			0.0
2nd tranche			10.0			17/07/2013	(c)	50.0	25.0		12.5	12.5
3rd tranche			.			.	(a)	50.0	0.0			0.0
TOTAL								**68,700.0**	**50,318.3**	**5,300.0**	**19.0**	**55,599.3**

* Effective payment date maybe different from maturity date as the Conventions stipulate that if annual payment date is not a business day, payment date will be postponed to the next business day without any impact on the interest amount.
** The amount of the first tranche was EUR million 2,000
*** Means that no further request for disbursement are possible (either because the total amount has been disbursed or because the facility has expired)
**** Member State as of 01.01.2007
(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) Lending operations **to non Member States** are covered by the Guarantee Fund for external actions. These include MFA, Euratom (Table A3b) and EIB guaranteed lending operations to third countries (table A4).

TABLE A3b

European Union (MFA) and Euratom loans to non-member States (EUR million)

Changes in amounts outstanding during six-month period 30.06.2012 to 31.12.2012, broken down by countries and tranches

COUNTRY	Decision	Date of decision	Availability Period (for Request for Funds)	Loan term (years)	Expiry date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 30.06.2012	Operations in the six-month period Amounts disbursed	Amounts repaid	Amount outstanding at 31.12.2012
MFA							**1,629.0**	**585.0**	**0.0**	**52.0**	**533.0**
BOSNIA AND HERZEGOVINA I	99/325/EC	10.05.99					**20.0**	0.0			0.0
1st tranche				15	22.12.14	(c)	*10.0*	6.0		2.0	4.0
2nd tranche				-	-	(c)	*10.0*	8.0			8.0
BOSNIA AND HERZEGOVINA II	02/883/EC	09.11.02					***20.0***	0.0			0.0
1st tranche				15	16.01.19	(c)	10.0	10.0			10.0
2nd tranche				15	9.02.21	(c)	10.0	10.0			10.0
FYROM I	97/471/EC	22.07.97					**40.0**	0.0			0.0
1st tranche				15	27.09.12	(c)	*25.0*	5.0		5.0	0.0
2nd tranche				15	13.02.13	(c)	*15.0*	3.0			3.0
FYROM II	99/733/EC	08.11.99					**50.0**	0.0			0.0
1st tranche				15	15.01.16	(c)	*10.0*	8.0			8.0
2nd tranche				15	30.01.17	(c)	*12.0*	12.0			12.0
3rd tranche				15	04.06.18	(c)	*10.0*	10.0			10.0
4th tranche				15	23.12.18	(c)	*18.0*	18.0			18.0
GEORGIA	97/787/EC	17.11.97		15	24.07.12	(a)	**110.0**	0.0			0.0
TADJIKISTAN	2000/244/EC	20.03.00	closed			(b)	**75.0**				
1st tranche				15	30.03.16	(c)	60.0	16.0			16.0
SERBIA AND MONTENEGRO *	2001/549/EC	16.07.01		15	17.10.16	(c)	**225.0**	0.0			0.0
Serbia								223.8		44.8	179.0
Montenegro								1.2		0.2	1.0
SERBIA AND MONTENEGRO *	2002/882/EC	09.11.02					**55.0**				
1st tranche				15	28.02.18	(c)	10.0				
Serbia								9.0			9.0
Montenegro								1.0			1.0
2nd tranche				15	1.09.18	(c)	30.0				
Serbia								27.0			27.0
Montenegro								3.0			3.0
3rd tranche				15	4.05.20	(c)	15.0				
Serbia								13.5			13.5
Montenegro								1.5			1.5
ALBANIA	2004/580/EC	29.04.04		15	23.03.21	(c)	**9.0**	9.0			9.0
LEBANON	2007/860/EC	21.12.07	closed	10	4.06.14	(b)	**50.0**	25.0			25.0
ARMENIA	2009/890/EC	30.11.09	15/11/2012	15	27.07.2026	(b)	**65.0**	65.0			65.0
BOSNIA & HERZEGOVINA	2009/891/EC	30.11.09	08/08/2012			(d)	**100.0**				
SERBIA	2009/892/EC	30.11.09	05/04/2012	8	12.07.2019	(b)	**200.0**	100.0			100.0
UKRAINE IV	2002/639/EC	12.07.02	open **			(d)	**110.0**				
UKRAINE V	2010/646/EC	7.07.10	not yet fixed ***			(d)	**500.0**				
EURATOM											
UKRAINE (Euratom)	94/179/EC	21.03.94		11	29.07.18	(c)	**EUR equivalent ********	**40.8**		**4.8**	**36.0**
		15.03.07				(c)	39.0 EUR	23.4		2.0	21.5
		06.10.08				(c)	**22.0 USD**	11.2		1.5	9.7
		15.10.09				(c)	**10.3 USD**	6.2		1.4	4.9
							of USD 83 million				
TOTAL								**625.8**	**0.0**	**56.8**	**569.0**

** The outstanding amounts of the two countries have been split as of 01.01.11*
following the signature of the loan agreement with Montenegro on 09/02/2010 confirmed by Serbia on 24/11/2010
*** Means that the Council decision did not foresee any expiry date and the total amount has not been disbursed*

569.0

**** Means that the Memorandum of Understanding and the Loan Agreement have not been signed nor have they entered into force*
***** Including exchange rate valuation*

TABLE A4				LOAN GUARANTEES TO EIB					in EUR million
Geographical Area	Decision	Date of decision	Rate of guarantee	Date of guarantee contract	Amount decided	Loans signed (minus cancellations)		Amount outstanding	
						at 30.06.12	at 31.12.12	at 30.06.12	at 31.12.12
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6,062	5,533	5,533	293	262
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1,800	1,656	1,656	163	131
TOTAL MED. (3)					7,862	7,189	7,189	456	393
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1,000	912	912	37	21
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	-	-
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3,000	2,464	2,464	253	214
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	75	60
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	3	3
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122	122	122	2	1
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	2	1
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7,105	6,110	6,110	1,691	1,508
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	80	75
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	60	57
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	588	588	451	437
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19,460	18,280	18,277	11,310	10,976
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100	85	85	66	60
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500	230	230	225	230
Mandate 2007-2013	2006/1016/EC(12) (13)	19.12.06	65%	01.08.07/29.08.07 (14)	29,484	19,998	23,161	9,333	10,984
TOTAL					71,386	57,716	60,876	24,043	25,020

(1) Including EUR 1,500 million for Spain, Greece and Portugal.
(2) General guarantee of 75% for all credits made available under lending operations under a guarantee contract signed between the Community and the EIB on 30.10.78 and 10.11.78.
(3) The Community has guaranteed EUR 5,497 million, of which EUR 141.5 million were covered by a 100% guarantee for Portugal.
(4) Poland, Hungary.
(5) Czech Republic and Slovak Republic, Bulgaria, Romania.
(6) Poland, Hungary, Czech Republic and Slovak Republic, Bulgaria, Romania, Baltic States and Albania.
(7) Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.
(8) South-eastern Neighbours, Mediterranean countries, Latin America and Asia, Republic of South Africa, Special action Turkey, as amended (2005/47/EC).
(9) A special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension.
(10) A special lending action for certain types of projects in Russia, Belarus,Republic of Moldova and Ukraine.
(11) Restated and amended in 2005.
(12) Pre-Accession countries, Neighbourhood and Partnership countries, Asia and Latin America, Republic of South Africa.
(13) The initial amount of EUR 25,800 has been increased up to EUR 29,484 million further to a Council and European Parliament Decision of 13.10.2011 (1080/2011/EU of 25 October 2011), granting an additional mandate of EUR 2,000 million to tackle climate change and an amount of EUR 1,684 million to foster EIB risk policy.

2.5. Evolution of risk

The evolution of risk corresponds to the schedule of the total annual repayments (amount in capital including interests due) under all financial instruments guaranteed by the 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 Guarantee Fund for external actions.

2.5.1. Situation of loans to Member States at 31 December 2012

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

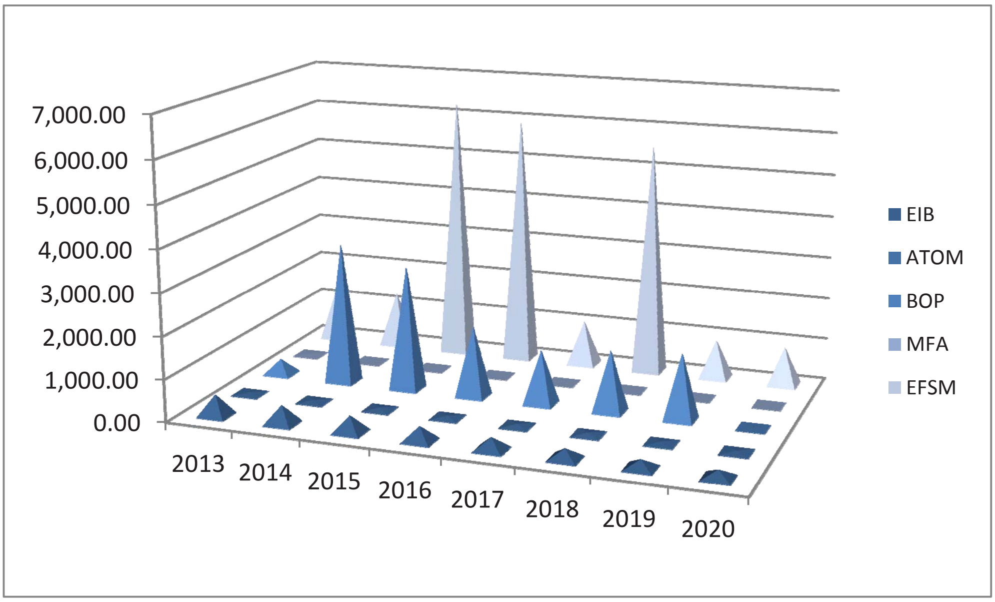
EFSM assistance for Ireland and Portugal reached a total of respectively EUR 21.7 billion and EUR 22.1 billion at 31.12.2012.

Total outstanding for **BOP** loans amounted to EUR 11.4 billion.

Regarding **Euratom** loans, no disbursement took place during the second semester of 2012. EUR 6.5 million were reimbursed by Bulgaria so that the outstanding for Member States is EUR 387 million.

Member States represent 73% 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:

Graph A1: Total Annual Risk to the EU Budget[6] relating <u>to Member States</u> at 31.12.2012 (EUR million) for the period 2013-2020



2.5.2. Situation of loans to third countries

At 31 December 2012, a total of EUR 1,496 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 forecast for EIB loans on general mandate 2000 - 2007

			EUR million
	Ceiling	Loans made available (minus cancellations) at 31.12.2012	to be disbursed
A. Pre-Accession Countries *	10,235	7,299	927
B. Neighbourhood and partnership countries**	6,520	5,905	339
C. Asia and Latin America	2,480	2,105	0
D. South Africa	825	817	0
<u>Sub-total third countries</u>	<u>20,060</u>		
Member States*		2,739	230
	20,060	18,865	1,496

* 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 an
South-Eastern Neighbours ceilings were amended following the enlargements rounds.

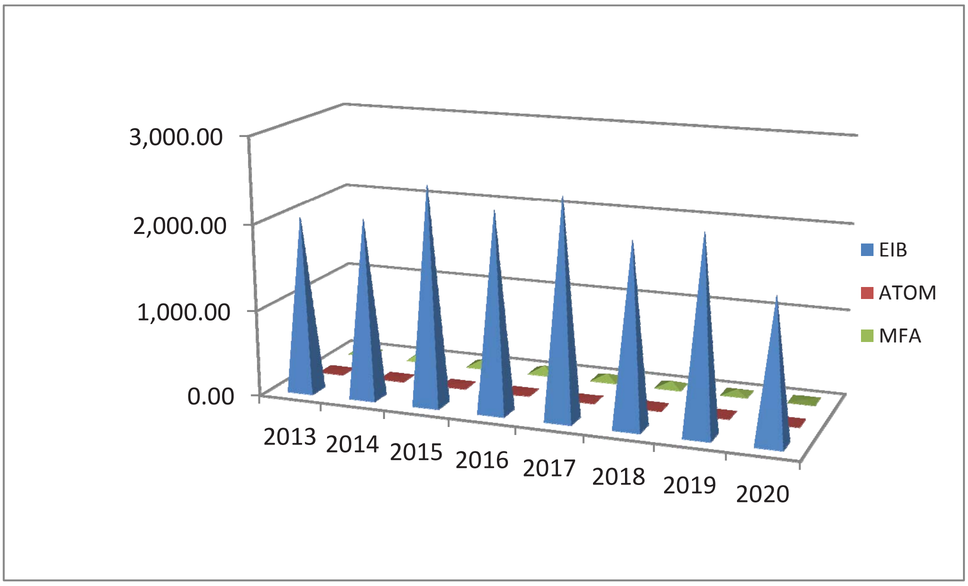
At the same date, an amount of EUR 11,909 million remained to be disbursed under commitments made under the EIB external mandate for 2007-2013.

6 Based on the amounts due (capital and interest) under operations disbursed at 31.12.2012.

Table A6: Disbursement forecast for EIB loans on general mandate 2007 - 2013			
			EUR million
	Ceiling	Loans made available (minus cancellations) at 31.12.2012	to be disbursed
A. Pre-Accession Countries	9,048	8,346	3,423
B. Neighbourhood and partnership countries	13,548	10,503	6,690
C. Asia and Latin America	3,952	2,871	1,025
D. South Africa	936	691	172
E. Climate change	2,000	750	600
	29,484	**23,161**	**11,909**

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 31.12.2012 for the period 2013-2020



Graph A2 presents the result of simulations aiming at estimating the outstanding amount covered by the Fund for the period 2013 to 2020. These simulations are based on disbursements of loans signed and disbursed at the reporting date under all EIB mandates. As graph A2 illustrates, the weight of MFA and Euratom loans are marginal in the total annual risk.

<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.

2.5.3. *Borrowing/lending operations*

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

Should the amounts needed for the necessary cash coverage exceed, 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 beeing applied for the EFSM loans with 14 days lead time.

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

<u>Euratom and MFA loans</u>

a) if the payment delay reaches three months after the due date:
- for loans outside the EU, the Commission draws on the Guarantee 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 line under article "01 04 01 European Union guarantees for Union and Euratom borrowing operations and for EIB lending operations" with the necessary appropriations needed to cover the default. This method is used when there are insufficient appropriations in the Fund or if the borrower is a Member State[8] and the transfers are likely to require advance authorisation by the budgetary authority.

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

<u>BOP and EFSM loans</u>

a) the Commission may need to propose a transfer or an Amending Budget to budget the cash advance under the corresponding budget line "01 04 01 01 European Union guarantee for Union borrowings for balance-of-payments support" or "01 04 01 03

[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 Guarantee Fund until the date of accession. From that date, those that remained outstanding ceased to be external actions of the Union and are therefore covered directly by the Budget.

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.

2.5.4. Guarantees given to third parties

The EU provides a guarantee in respect of financing granted by the EIB under the external mandates. When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Commission to pay via the Guarantee 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.

2.5.5. Default interest penalties for late payment

(a) EU or Euratom loans

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

Third countries benefitting from MFA/Euratom loans and/or representing important risks to the EU Budget during the second semester 2012, and either categorised as “severely indebted” according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation.

The evaluation presented below comprises short maroeconomic analyses and tables of risk indicators. The evaluated countries are grouped in 6 sub-sections: candidate countries (3.1)

[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 in 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.

Candidate countries, (3.2) Potential candidate countries, (3.3) ENP countries, (3.4) Mediterranean partners and (3.5) other countries.

Explanatory notes for country-risk indicators

Abbreviations and English words used in tables

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. Candidate countries

3.1.1. *Former Yugoslav Republic of Macedonia*

Economic output remained stable in 2012, slightly declining by 0.2% year-on-year, compared to an increase in GDP of 2.8% the year before. Exports, which in the past were an important source of growth, remained at a similar level as the year before. On the other hand, investment remained strong, increasing by some 16%, largely compensating weak private consumption, which declined by 1.2%. This remarkable decline in private consumption probably reflects continued losses in real disposable income. However, current transfers from abroad, such as workers remittances, income from cross-border trade, foreign loans but also higher FDI inflows continued to support the economic activity. As a result of the high import content of capital formation, imports rose by 4.2% in real terms, which together with declining exports resulted in a negative contribution of net exports by some 1.4%. The trade deficit rose by 1.5% of GDP in 2012, while worker remittances further increased by nearly 2% to about 22% of GDP. This helped to contain the increase in the current-account deficit to 3.9% of GDP, compared to 3% the year before.

Inflation picked up in the second half of 2012, bringing average inflation for 2012 to 3.3%, clearly above the central bank's inflation target. The main factors behind the strong inflation were agricultural products, but also housing, textiles and energy. The situation in the labour

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

market improved in the last quarter of 2012, with a strong employment increase of 2.8% year-on-year. However, for the whole year, employment growth was 0.8% only, which helped to bring down the unemployment rate from 31.4% in 2011 to 31.0% in 2012. Public finances registered a significantly weaker-than-expected revenue performance in 2012, which resulted in a rise in the deficit from 2.5% of GDP in 2011 to 3.8% in 2012, above the revised deficit target of 3.5% of GDP. Gross external debt rose from 65% of GDP at the end of 2011 to 69% by end of 2012. Both, public and private debt contributed to this rise, although private debt rose somewhat faster than the public one. Monetary policy maintains an informal peg to the euro, resulting in a largely unchanged exchange rate at around 61.5 MKD/EUR.

Country-risk indicators : The former Yugoslav Republic of Macedonia		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	2.9	2.8	-0.2
Unemployment (end of period)	(% labour force)	32.0	31.4	31.0
Inflation rate (CPI) (Dec/Dec)	(% change)	1.6	3.9	3.3
Public finances				
General government balance	(% of GDP)	-2.5	-2.5	-3.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	2,566.8	3,277.0	3,115.1
Current account balance	(% of GDP)	-2.0	-3.0	-3.9
Net inflow of foreign direct investment	(m EUR)	158.6	336.8	110.7
Official reserves, including gold (end of period)	(m EUR)	1,715.3	2,302.3	2,330.4
In months of subsequent year's imports	(months)	5.2	5.7	5.0
Exchange rate (end of period)	(per EUR)	61.51	61.53	61.50
External debt				
External debt (end of period)	(m EUR)	4,105.7	4,846.6	5,163.2
External debt/GDP	(%)	58.2	64.9	69.0
Debt service/exports of goods and services	(%)	49.8	44.0	NA
Arrears (on both interest and principal)	(%)	none	none	NA
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	283.0	284.0	241.0
EU exposure/total EU exposure	(%) (1)	0.0	0.0	0.0
EU exposure/external debt	(%)	6.9	5.9	4.7
EU exposure/exports of goods and services	(%)	11.0	8.7	7.7
IMF arrangements				
Type			PCL	PCL
(Date)			19/01/2011	
On track			On-track	On-track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB	BB	
Fitch long-term foreign currency rating (end of period)		BB+	BB+	

3.1.2. Montenegro

After two years of moderate growth, the economy entered into a mild recession in 2012. Real GDP contracted by 0.5%, pulled downward by poor performance in the following sectors: industry, construction, financial services and agriculture. The unilateral use of the euro implies that there is only limited scope for domestic monetary policy instruments. While the foreign exchange risk is reduced, external financing risks remain significant. In 2012, despite consolidation efforts, the budget deficit remained very high at 5.3% of GDP, and considerably above the target (2.4% of GDP), reflecting weaker-than-expected growth together with the activation of state guarantees and the accumulation of tax arrears. As a result, public debt climbed to 51% of GDP in 2012, up from 46% a year before. The increase in public debt was driven by the rapid expansion of the external debt (+22% year-on-year), which accounts for 75% of the total public indebtedness.

In 2012, the merchandise trade deficit widened to 41.8% of GDP compared to 40.4% of GDP a year before. The increase in tourism revenues and higher surpluses from transfers of Montenegrin workers abroad compensated for the expansion of the trade deficit. As a result, the 2012 current account deficit remained at the same level as in 2011 (around 17.6% of GDP). The financial account balance covered 69% of the current account deficit, while the remaining 31% were attributed to net errors and omissions related to unrecorded revenues from tourism, remittances and other unregistered cash payments. In 2012, after two consecutive years of contraction, net foreign direct investment (FDI) climbed by 16.6 % year-on-year to 13.6 % of GDP. A cutback in capital inflows, notably in greenfield investments, remains a major risk, as it would depress domestic demand and further weaken fiscal performance, given the reliance of indirect tax revenue on imports.

Country-risk indicators : Montenegro		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	2.5	3.2	-0.5
Unemployment (end of period)	(% labour force)	12.2	13.2	13.5
Inflation rate (CPI) (Dec/Dec)	(% change)	0.5	3.1	4.1
Public finances				
General government balance	(% of GDP)	-4.9	-5.4	-5.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,157.7	1,382.6	1,377.5
Current account balance	(% of GDP)	-23.0	-17.7	-17.6
Net inflow of foreign direct investment	(m EUR)	552.1	389.1	340.0
Official reserves, including gold (end of period)	(m EUR)	416.4	303.5	347.9
In months of subsequent year's imports	(months)	3.0	2.0	2.3
Exchange rate (end of period)	(per EUR)	1.00	1.00	1.00
External debt				
External debt (end of period)	(m EUR)	2,992.1	3,279.3	3,603.2
External debt/GDP	(%)	96.4	101.4	108.4
Debt service/exports of goods and services	(%)	2.7	3.4	4.3
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)	188.0	197.2	204.0
EU exposure/total EU exposure	(%) (1)	0.5	0.3	0.2
EU exposure/external debt	(%)	6.3	6.0	5.7
EU exposure/exports of goods and services	(%)	16.2	14.3	14.8
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BB	BB	BB-
Fitch long-term foreign currency rating (end of period)		none	none	none

3.1.3. Serbia

Following two years of mild recovery, real GDP is estimated to have dropped by 1.7% in 2012. Inflation accelerated sharply since April 2012 and reached double-digit levels in the autumn, mainly as a result of rising food prices and the depreciation of the dinar. It peaked at 12.9% (year-on-year) in October 2012, influenced by increased indirect taxation (VAT hike from 18 to 20%), before decelerating slightly to 12.2% in December.

The budget deficit increased strongly in 2012 to an estimated 6.4% of GDP. In the autumn, the government adopted a number of measures, mostly on the revenue side, to stem the deterioration in public finances. Government debt increased, approaching 60% of GDP by the end of 2012 – far above the legally binding limit of 45%. The overall uncertainty prior to the general elections in mid-2012, the unchecked fiscal expansion and deteriorating external imbalances led to a strong depreciation of the dinar. Since early August 2012, when it reached its low for the year, the dinar has stabilised and even regained some of the lost ground against the euro. In view of depreciation pressures and increased inflationary expectations, the central bank raised its main policy interest rate in several steps from 9.5% in June 2012 to 11.5% in January 2013.

External imbalances increased in 2012, driven by subdued export performance and growing imports, especially in the first half of the year. The current account deficit is estimated to have widened to 10.5% of GDP. The trend of decreasing reserve assets was reversed in October 2012 and, boosted by external government borrowing, foreign exchange reserves of the central bank increased further, reaching 10.9 EUR billion by the end-2012 and covering more than 7 months' of imports. Foreign debt increased as well, adding EUR 1.6 billion since the beginning of 2012, to EUR 25.7 billion (86% of GDP). The deteriorating fiscal performance, among other factors, triggered a downgrade of Serbia's long term sovereign credit rating in August. The completion of the first review of the precautionary Stand-By Arrangement with the IMF of September 2011 has not been finalised because the 2012 budget deviated from the agreed fiscal programme.

Country-risk indicators : Serbia		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	1.0	1.6	-1.7
Unemployment (end of period)	(% labour force)	19.2	23.7	22.4
Inflation rate (CPI) (Dec/Dec)	(% change)	10.3	7.0	12.2
Public finances				
General government balance	(% of GDP)	-4.7	-4.9	-6.4
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	10,069.6	11,471.9	11,913.4
Current account balance	(% of GDP)	-6.7	-9.1	-10.5
Net inflow of foreign direct investment	(m EUR)	860.1	1,826.9	231.9
Official reserves, including gold (end of period)	(m EUR)	10,002.0	12,057.7	10914.1
In months of subsequent year's imports	(months)	7.2	8.4	7.2
Exchange rate (end of period)	(per EUR)	105.50	104.64	113.72
External debt				
External debt (end of period)	(m EUR)	23,786.4	24,125.4	25,721.0
External debt/GDP	(%)	84.9	76.7	85.9
Debt service/exports of goods and services	(%)	35.2	35.6	34.3
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)	1,609.0	1,959.0	2,102.0
EU exposure/total EU exposure	(%) (1)	4.5	3.0	2.6
EU exposure/external debt	(%)	6.8	8.1	8.2
EU exposure/exports of goods and services	(%)	16.0	17.1	17.6
IMF arrangements				
Type		SBA	SBA (precaut.)	none
(Date)		16.01.2009	29.09.2011	
On track		On-track	off-track	
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB-	BB	BB-
Fitch long-term foreign currency rating (end of period)		BB-	BB-	BB-

3.1.4. Turkey

In 2012, the Turkish economy continued a slowdown which had started in the middle of the previous year. Year-on-year growth rates declined gradually from 5.3% in the fourth quarter of 2011 to 1.4% in the fourth quarter of 2012 while annual GDP growth dropped from 8.8% in 2011 to 2.2% in 2012. The slowdown was partly induced by a tightening of monetary policy and was accompanied by a rebalancing of growth from domestic demand to foreign trade. Despite the slowdown, employment increased by 4.3% in the course of the year. However, since the labour force expanded even faster, the unemployment rate rose by 0.3% to 9.5%. Inflationary pressures receded with headline inflation falling from 10.5% at the end of 2011 to 6.2% at the end of 2012 in the context of an appreciating Turkish lira, a softening of food prices, and emerging economic slack.

The current account narrowed to 6.0% of GDP in 2012 from 9.7% of GDP in the preceding year as exports surged while imports declined. Most of the rise in exports was due to an extraordinary rise in gold exports. Over the course of the year, official foreign exchange reserves (including gold) rose by 25% to EUR 105 billion, or 17% of GDP. Gross external debt increased in absolute terms, but fell by 1.8% to 42.5% as a share of GDP due to high nominal GDP growth. The fiscal deficit of the general government is estimated to have more than doubled to 2.3% of GDP due to expenditure overruns and the economic slowdown. However, the general government's debt-to-GDP ratio fell by 2.9% to 36.2% over the year due to high nominal GDP growth. The central bank started to ease monetary policy in the second half of 2012 when economic activity had stabilised and the Turkish lira had noticeably strengthened.

Country-risk indicators : Turkey (1)		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	9.2	8.8	2.2
Unemployment (end of period) *	(% labour force)	10.7	9.2	9.5
Inflation rate (CPI) (Dec/Dec)	(% change)	6.4	10.5	6.2
Public finances				
General government balance **	(% of GDP)	-2.6	-1.0	-2.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	118,954.1	132,198.3	161,010.9
Current account balance	(% of GDP)	-6.2	-9.7	-6.0
Net inflow of foreign direct investment	(m EUR)	5,724.5	9,867.6	6,608.2
Official reserves, including gold (end of period)	(m EUR)	83,216.3	84,115.4	104,776.8
In months of subsequent year's imports	(months)	7.1	5.8	6.8
Exchange rate (end of period)	(per EUR)	2.07	2.44	2.36
External debt				
External debt (end of period)	(m EUR)	220,038	234,611	255,947
External debt/GDP	(%)	41.1	44.3	42.5
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)	7,429.0	8,330.0	9,125.0
EU exposure/total EU exposure	(%) (1)	21.0	12.9	11.1
EU exposure/external debt	(%)	3.4	3.6	3.6
EU exposure/exports of goods and services	(%)	6.2	6.3	5.7
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	Ba2	Ba1 /positive
S&P long-term foreign currency rating (end of period)		BB	BB	BB /stable
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BBB- /stable

** Based on the national definition of the labour force (15 years and older)*
*** General government balance for 2012 is from DG ECFIN Spring 2013 Forecast*

3.2. Potential candidate countries

3.2.1. Albania

According to preliminary data, economic growth slowed to 1.6 % in 2012 from 3.1 % a year earlier. Financial constraints, low confidence among consumers and investors and the presence of spare production capacity held back private consumption and investment. Net exports were the main contributor to economic growth, with exports holding up and imports declining due to weak domestic demand. The current account deficit narrowed to 10.5% of GDP in 2012 from 13% a year earlier on the back of a still very large but contracting trade deficit (amounting to 19 % of GDP). Net foreign direct investment (FDI) inflows remained at the same level in 2012 as in 2011 and financed some 70 % of the current account deficit, up from 60 % in 2011. Labour market conditions improved somewhat during 2012, but unemployment remained high at 13.0%, down slightly from 13.4 % in 2011. Long-term unemployment accounts for around two thirds of total jobseekers, reflecting its structural nature. The average inflation rate decelerated from 3.5 % in 2011 to 2% in 2012, which corresponds to the lower end of the Bank of Albania’s target range of 2-4 %. Low inflation reflected the negative output gap, well-anchored inflation expectations and the absence of supply-side shocks. The Albanian lek continued to remain stable in 2012, marking a slight appreciation by 0.9 % against the euro.

In the wake of weak revenue collection, the government deficit reached 3.4 % of GDP in 2012, exceeding the 3 % target in the initial budget but slightly lower than the 2011 deficit of 3.5 %. Public debt remains high and increased further from 59.4 % of GDP in 2011 to 61.5 % by the end of 2012, exceeding the statutory ceiling of 60 %, which has been abolished. The banking system remains well capitalised and liquid. However, non-performing loans remain a cause for concern, while the sharp deceleration of credit growth is detrimental to the economy.

Country-risk indicators : Albania		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	3.8	3.1	1.6e
Unemployment (end of period)	(% labour force)	13.7	13.4	13.0
Inflation rate (CPI) (Dec/Dec)	(% change)	3.6	3.5	2.0
Public finances				
General government balance	(% of GDP)	-3.1	-3.6	-3.4
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	2,922.2	3,152.9	3,180.7
Current account balance	(% of GDP)	-11.5	-13.0	-10.5
Net inflow of foreign direct investment	(m EUR)	793.5	745.6	744.7
Official reserves, including gold (end of period)	(m EUR)	1825.3	1852.4	1910.7
In months of subsequent year's imports *	(months)	6.3	5.7	6.1
Exchange rate (end of period)	(per EUR)	137.48	140.07	138.83
External debt				
External debt (end of period)	(m EUR)	3,919.1	4,599.5	5 044.6 (Q3)
External debt/GDP	(%)	41.0	46.5	49.8e
Debt service/exports of goods and services	(%)	9.9	9.3	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)	244.0	267.0	288.0
EU exposure/total EU exposure	(%) (1)	0.7	0.4	0.4
EU exposure/external debt	(%)	6.2	5.8	5.7
EU exposure/exports of goods and services	(%)	8.3	8.5	9.1
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		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.*

3.2.2. Bosnia and Herzegovina

Following a moderate recovery in 2010 and 2011 (0.7% and 1% increase in GDP, respectively), real GDP growth in 2012 is estimated to have turned negative (-1.7%) due to worsened external demand and challenging domestic conditions. However, high frequency indicators for the first half of 2013 show some signs of a bottoming out. The current account deficit in 2012 remained broadly unchanged from 2011 (-9.5% of GDP) as falling exports went hand in hand with a decrease in imports. On the financing side, net FDI in 2012 increased to 3.5% of GDP up from 2.1% of GDP in 2011, covering some 37% of the current account deficit. At the same time, gross foreign reserves of the Central Bank of Bosnia and Herzegovina remained at fairly comfortable levels (EUR 3.4 billion, 24.5% of GDP), covering nearly six months of imports. Labor market conditions deteriorated somewhat and the unemployment rate inched up further to an average of 44.5% in 2012 with the construction and the retail sales sectors posting the most pronounced increase. Owing to lower food and fuel prices, inflation has been on the decline since mid-2012 coming down to an average of 2.1% in 2012 and has been decreasing further in the course of 2013 (0.5% as of June 2013).

The banking sector remains fairly sound despite its high dependency on foreign funding and bank profitability has recovered somewhat. Credit growth in 2012 remained broadly on the same level as in 2011 (4.9% and 5.6%, respectively) as a slowdown of claims of the non-bank private sector was fairly compensated by an acceleration of public sector borrowing. On a negative note, bank asset quality has been deteriorating further and reached 13.5% of total loans as of end-2012. In the course of 2012, public finances registered a weaker-than-expected revenue performance reflecting the worsened external environment, which coupled with growing total spending resulted in an increase of the budget deficit to 2% of GDP up from 1.3% in 2011. Consequently, public debt increased by 9%, with the total debt-to-GDP ratio estimated at 44% in 2012. In July 2013, the IMF Board completed the third review under the two-year SBA which resulted in the release of a tranche in the amount of EUR 38.9 million.

Country-risk indicators : Bosnia and Herzegovina		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	0.7	1.0	-1.7
Unemployment (end of period)	(% labour force)	42.7	43.8	45.9
Inflation rate (CPI) (Dec/Dec)	(% change)	2.1	3.7	2.1
Public finances				
General government balance	(% of GDP)	-2.5	-1.3	-2.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	4,794.5	5,331.4	5,230.0
Current account balance	(% of GDP)	-5.5	-9.5	-9.5
Net inflow of foreign direct investment	(m EUR)	188.1	275.2	469.9
Official reserves, including gold (end of period)	(m EUR)	3,330.5	3,333.3	3,353.2
In months of subsequent year's imports	(months)	6.5	5.7	5.8
Exchange rate (end of period)	(per EUR)	1.93	1.93	1.93
External debt				
External debt (end of period)	(m EUR)	3,256.9	3,450.3	3,692.2
External debt/GDP	(%)	25.6	26.1	27.6
Debt service/exports of goods and services	(%)	19.7	14.9	13.2
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)	583.0	666.4	874.0
EU exposure/total EU exposure	(%) (1)	1.6	1.0	1.1
EU exposure/external debt	(%)	17.9	19.3	23.7
EU exposure/exports of goods and services	(%)	12.2	12.5	16.7
IMF arrangements				
Type				SBA
(Date)				26-Sep-12
On track				on-track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B2	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

3.3. ENP countries

3.3.1. Armenia

Driven by mining, services and agriculture, economic activity grew by 7.2% in 2012, compared to 4.7% in 2011. The Armenian economy is expected to continue to grow in 2013, although at slower pace. Consumer price growth remained moderate, with year-on-year inflation limited to 3.2% in December 2012, although it rebounded slightly to 3.9% in April 2013 as a result of increasing global energy prices. The fiscal position continued to improve in 2012 thanks to stronger revenue performance and some under-spending in some infrastructure projects. As a result, fiscal deficit decreased from 2.8% of GDP in 2011 to 1.6% of GDP in 2012.

Armenia's external situation improved marginally in 2012 but remains fragile. The current account deficit remains large at 10.6% of GDP in 2012 (a marginal improvement from 10.9% in 2011 on the back of growing remittances and exports), which underlines a critical need to strengthen the economy. FDI increased marginally to reach EUR 359 million in 2012. By December 2012, foreign reserves dropped to 4.2 months of next year's imports (from 4.6 months in December 2011), as a result of heavy interventions by the central bank to limit the depreciation of the dram.

Public debt increased gradually and substantially from 16% of GDP in 2008 to 45% of GDP 2012. The total external debt-to-GDP ratio increased from 72% in 2011 to 77% in 2012. The debt servicing ratio of the total external debt reached 27% of exports of goods and services in 2012 and is expected to remain high in the next few years, as since April 2013 Armenia is no longer eligible to IMF's concessional financing and will possibly get lower concessional support from other international financial institutions. However, both the IMF Debt Sustainability Analysis (February 2013) and the Sixth Programme Review (June 2013) conclude that Armenia's public and external debt dynamics are sustainable.

In June 2013, the IMF Board successfully completed its sixth and final review of Armenia’s performance under the three-year programme supported by Extended Fund Facility and Extended Credit Facility arrangements. Given Armenia's financing needs in the next few years, inter alia, due to external debt repayments, the country is in discussions with the IMF for a new financing arrangement.

Country-risk indicators : Armenia		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	2.2	4.7	7.2
Unemployment (end of period)*	(% labour force)	19.0	18.4	16.0
Inflation rate (CPI) (Dec/Dec)	(% change)	8.5	4.7	3.2
Public finances				
General government balance	(% of GDP)	-4.6	-2.8	-1.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,459.3	1,728.3	1,888.6
Current account balance	(% of GDP)	-14.8	-10.9	-10.6
Net inflow of foreign direct investment	(m EUR)	423.2	321.3	358.6
Official reserves, including gold (end of period)	(m EUR)	1,405.8	1,445.0	1,363.9
In months of subsequent year's imports	(months)	4.7	4.6	4.2
Exchange rate (end of period)	(per EUR)	476.4	504.6	532.24
External debt				
External debt (end of period)	(m EUR)	4,629.4	5,207.0	5,813.0
External debt/GDP	(%)	65.4	72.8	77.7
Debt service/exports of goods and services	(%)	21.6	22.1	27.5
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)	n.a.	100.6	105.0
EU exposure/total EU exposure	(%) (1)	n.a.	0.2	0.1
EU exposure/external debt	(%)	n.a.	0.2	0.2
EU exposure/exports of goods and services	(%)	n.a.	n.a.	n.a.
IMF arrangements				
Type: Extended Fund Facility/Extended Credit Facility		EFF/ECF	EFF/ECF	EFF/ECF
Started June 2010 - completed June 2013		(from June2010)	(from June 2010)	(from June 2010)
On track		On track	On track	On track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba2	Ba2	Ba2
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		BB-	BB-	BB-

**Integrated Living Condition Survey*
Sources: Central Bank of Armenia, National Statistical Service of Armenia, Commission, IMF, Moody's, Fitch

3.3.2. Ukraine

Ukraine's real GDP growth slowed significantly in 2012 to 0.2% compared to 5.2% in 2011 and 4.1% in 2010. This disappointing growth performance is mainly a consequence of the more challenging global economic environment and the worsening domestic business climate, but also tight monetary policy, to stave off currency depreciation. The economy would presumably have entered recession if the government had not sustained public investment in the run-up to the Euro 2012 football championship and loosened fiscal policy before the October 2012 parliamentary elections.

Inflation remains at its lowest level for a decade, reaching -0.2% end-of-year 2012, as food prices declined, administrative tariffs were kept flat, and as the National Bank of Ukraine (NBU) kept the refinancing rate high with a view to limiting downward pressure on the exchange rate. The NBU's current focus on supporting the currency has resulted in a decline of the foreign exchange reserves by about one fourth in 2012, to EUR 19.1 billion, or 2.8 months of imports, at end-2012. While administrative measures and market interventions to stabilize the hryvnia provided some short-term relief, the currency peg is unsustainable in the medium term against the background of the persistently large current account deficit and slowing growth.

The balance of payments situation continued to deteriorate in 2012, with the current account deficit widening to 8.2% of GDP from 6.3% a year earlier as a result of higher energy import prices and weak external demand for traditional Ukrainian exports. There are also significant risks to the financial account if foreign banks continue to deleverage and as FDI inflows remain subdued as a consequence of the deteriorating business climate. Ukraine's vulnerability to external shocks, such as a new oil price spike or a slump in steel prices, remains high. Overall, 2012 was a disappointing year for Ukraine due to both sluggish economic growth and low international creditworthiness. Expectations are that the economy will not start to pick up before 2014.

The USD 15 billion Stand-By Arrangement with the IMF went off track and lapsed in December 2012, as the authorities made no progress on key programme conditions, including energy pricing reforms, revision of some budget policies and provision of greater flexibility of the hryvnia. Failure to unblock the IMF Stand By Arrangement has prevented the disbursement of macro-financial assistance from the EU (total amount of EUR 610 million).

Country-risk indicators : Ukraine		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	4.1	5.2	0.2
Unemployment (end of period)	(% labour force)	8.1	7.9	8.0
Inflation rate (CPI) (Dec/Dec)	(% change)	9.1	4.6	-0.2
Public finances				
General government balance*	(% of GDP)	-5.8	-2.7	-4.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	52,218	63,790	69,840
Current account balance	(% of GDP)	-2.2	-6.3	-8.2
Net inflow of foreign direct investment	(m EUR)	4,342	5,037	5156
Official reserves, including gold (end of period)	(m EUR)	26,070	22,829	19,097
In months of subsequent year's imports	(months)	5.7	3.6	2.8
Exchange rate (end of period)	(per EUR)	10.7	10.4	10.6
External debt				
External debt (end of period)	(m EUR)	88,479	90,637	105,081
External debt/GDP	(%)	86	77.2	76.6
Debt service/exports of goods and services	(%)	35.77	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)	200.0	247.2	343.0
EU exposure/total EU exposure	(%) (1)	0.6	0.0	0.0
EU exposure/external debt	(%)	0.2	0.3	0.3
EU exposure/exports of goods and services	(%)	0.4	0.4	0.5
IMF arrangements				
Type		SBA 15.2bn USD		
(Date)		Jul 2010 - Dec 2012		
On track		On track	Off track	Off track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B2	B3
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 (1.7% of GDP in 2012)*

3.4. Mediterranean partners

3.4.1. Egypt

The uncertainties triggered by the January 2011 revolution, the ousting of President Morsi in July 2013 and the subsequent riots and violence continue to affect the economic situation in

Egypt, even though the full impact of these events is not yet reflected in the available data. Real GDP growth in 2011/12 fiscal year (FY) reached 2.2%, a slight acceleration from 1.8% in FY 2010/11, and is estimated to be 2.0% in FY 2012/13. On the fiscal side, fiscal deficit stood at 10.8% of GDP in FY 2011/12 – up from 9.7% the year before. Although the budget for FY 2012/13 foresaw a reduction of the deficit to 9.8% of GDP, the figure is estimated to have increased to 12-13% of GDP on the back of increased subsidies and social transfers, debt repayments and salary increases, based on May 2013 figures. Inflation, which had remained subdued in 2012, picked up considerably in 2013, reaching 10.3% in July.

Reserves reached a low of USD 13 billion in May 2013 (from a peak of USD 36 billion in December 2010), forcing the Central Bank of Egypt to allow for a currency depreciation of 16% between December 2012 and August 2013. However, capital inflows estimated at USD 8 billion from Qatar and Libya to the Morsi government, followed by combined pledges of USD 12 billion from Saudi Arabia, Kuwait and Unites Arab Emirates since July 2013, have eased financing pressures on the government. As a result, external debt increased significantly and, even though it represents a still relatively modest 14.9% of GDP as of March 2013, it is expected to continue to rise. Debt service represents a significant 26.3% of the total budget for FY 2012/13, and includes a particularly costly domestic portion (average interest rate of 13.26% as of May 2013) with a short maturity profile.

On the external side, the balance of payments is foreseen to have improved in FY 2012/13 as a result of (i) a drop of US 0.7 bn in the trade deficit and a rise of USD 1 bn in tourism revenues in the first nine months of FY 2012/13 (ii) a continued strong inflow of remittances, and (iii) a significant slowdown in portfolio investment outflows. In the short-term however, the current account situation is expected to deteriorate on the back of lower tourism revenues during the key summer and autumn seasons 2013. The staff level agreement reached with the IMF in November 2012 to enter into a USD 4.8 billion Stand-By Arrangement was never finalised, and recent developments suggest that it will not materialise in the short-term.

Country-risk indicators : Egypt (1)		2010/2011	2011/2012	2012/2013
Output and prices				
Real GDP growth rate	(%)	1.8	2.2	2.0
Unemployment (end of period)*	(% labour force)	12.0	12.7	12.8
Inflation rate (CPI) (Dec/Dec)	(% change)	9.9	8.4	9.0
Public finances				
General government balance	(% of GDP)	-9.8	-10.7	-12.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	35,490.5	37,548.9	38,525.2
Current account balance	(% of GDP)	-2.6	-3.1	-1.9
Net inflow of foreign direct investment	(m EUR)	1,572.0	1,616.0	1,089.0
Official reserves, including gold (end of period)	(m EUR)	13,760.8	11,678.0	14,685.0
In months of subsequent year's imports	(months)	3.3	3.0	3.8
Exchange rate (end of period)	(EG£ per EUR)	8.2	7.75	9.17
External debt				
External debt (end of period)	(m EUR)	25,998.3	30,409.1	37,486.4
External debt/GDP	(%)	14.8	13.5	14.9
Debt service/exports of goods and services	(%)	5.7	6.1	6.9
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)	2,178.0	2,037.0	2,555.0
EU exposure/total EU exposure	(%) (1)	6.2	3.2	3.1
EU exposure/external debt	(%)	8.4	6.7	6.8
EU exposure/exports of goods and services	(%)	6.1	5.4	6.6
IMF arrangements				
Type		no	no	Stand-By**
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B2	B2 /negative	Caa1
S&P long-term foreign currency rating (end of period)		B+	B /negative	CCC+
Fitch long-term foreign currency rating (end of period)		BB-	B+ /negative	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.*

3.4.2. Lebanon

The Lebanese economy continues to be seriously affected by the conflict in Syria, in particular through disruptions in trade of goods and services (e.g. tourism), but also real estate. Lebanon's real GDP growth fell from 7% in 2010 to 1.5% in 2011 and 2012. The expectations of a mild recovery in 2013 (GDP growth forecast at 2%) may not be realised, in view of the summer 2013 developments, which exacerbate the region's volatility. Consumer price inflation increased to 10.1% in 2012 (from 3.1% the year before) mirroring continued high global food and fuel prices, but also partly reflecting the revision of the CPI and the increased demand from Syria and the Syrian refugee population. Inflation expectations for 2013 (2.8%) are also likely to be revised upward.

Lebanon's trade deficit, combined with a negative net income due to low returns on foreign reserves and high external debt payments, only partly mitigated by remittances, translated into a large current account deficit in 2012 (16% of GDP). The central bank maintained large foreign exchange reserves (USD 35.7 billion at end-2012) to protect financial stability and give credibility to the currency peg against the US dollar.

The Syrian refugee crisis is causing serious strains on the Lebanese fiscal situation, which remains very vulnerable. The central government deficit increased from 6.1% of GDP in 2011 to 9% of GDP in 2012. Fiscal reforms are however unlikely to take place due to the volatile political situation both in the Cabinet and in the Parliament. Gross public debt remains among the highest in the world at 139% of GDP in 2012. It is now foreseen to increase further to 141% of GDP in 2013, as the downward trend of 2009-2011 was reversed with the outbreak of the Syrian conflict.

Lebanon's external debt remains among the highest in the world at 175% of GDP in 2012. The spill-overs of the Syrian conflict are negatively affecting the country, and the progressively declining trend has been on the reverse since mid-2012. About 80% of the external debt consists of short-term non-resident deposits in the banking sector. However, these deposits are largely owned by the Lebanese diaspora and have demonstrated highly resilient in crisis situations. Bank deposits continued to grow in 2012 and exceeded 300% of GDP by the end of 2012. No IMF arrangement was agreed with Lebanon in 2012 and 2013.

Country-risk indicators : Lebanon		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	7.0	1.5	1.5
Unemployment (end of period)	(% labour force)	6.0	5.8	n.a.
Inflation rate (CPI) (Dec/Dec)	(% change)	5.1	3.1	10.1
Public finances				
Central government balance	(% of GDP)	-7.7	-6.1	-9.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	18,556.2	18,821.8	20,506.8
Current account balance	(% of GDP)	-9.6	-12.5	-16.1
Net inflow of foreign direct investment	(m EUR)	2,861.3	2,414.8	3,184.9
Official reserves (end of period)	(m EUR)	22,451.7	24,654.1	27,247.7
In months of subsequent year's imports	(months)	10.7	11.0	11.2
Exchange rate (end of period)	(per EUR)	1,997.4	1,948.6	2,098.0
External debt				
External debt (end of period)	(m EUR)	46,400.0	52,400.0	56,500.0
External debt/GDP	(%)	167.2	174.0	175.2
Debt service/exports of goods and services	(%)	21.2	20.0	22.3
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	598.0	594.8	561.0
EU exposure/total EU exposure	(%) (1)	0.0	0.0	0.0
EU exposure/external debt	(%)	1.3	1.1	1.0
EU exposure/exports of goods and services	(%)	3.2	3.2	2.7
IMF arrangements				
Type	none			
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B3	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
Sources: IMF, EIU				

3.4.3. Morocco

The Moroccan economy slowed down markedly in 2012, with GDP growth of 2.4% compared to 5% the year before, mainly as a result of a poor harvest that dragged down agricultural performance. Growth is expected to pick up to 3.5% in 2013 and further accelerate in 2014 as the economic situation of Morocco's main trading partners gradually improves and sound macroeconomic policies are pursued. As a result of a shortfall in revenues and the significant cost of price subsidies, the government budget posted a deficit of

7.5% in 2012, which is expected to decrease slightly in 2013. Inflation averaged 1.3% in 2012 and stood at 2.4% as of April 2013. Expectations in the medium term are that it remains below 3% with occasional spikes, as certain subsidies are gradually cut back due to their significant fiscal cost. Monetary policy has been slightly expansionary (rates were last cut in March 2012 to 3%), while remaining focused on controlling inflation. The exchange rate continues to be tightly managed against a basket of euro-dominated currencies, despite pressure from exporters to float the exchange rate to improve the terms of trade.

Morocco's current account deficit reached a substantial 8.8% of GDP in 2012, but is expected to narrow to 6.3% in 2013 thanks to increased domestic production and fiscal consolidation. Apart from weaker exports, the current account was affected by higher import prices of energy and food commodities. The current account deficit was partly financed by the resilient capital account surplus, including substantial FDI flows.

Public debt continued its upward trend, increasing from 64.8% of GDP in 2011 to 71.2% of GDP in 2012. The level of total external debt increased slightly to 24.8% of GDP in 2012, and is expected to increase to 26.1% in 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). Gross foreign reserves fell by 8% to EUR 13.6 billion by end 2012, although they are expected to increase to EUR 14.3 billion by end 2013. In August 2012, Morocco entered into a 2-year USD 6.3 billion financing arrangement with the IMF under the Precautionary and Liquidity Line (PLL), which it seems so far unlikely to tap.

Country-risk indicators : Morocco		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	3.6	5.0	2.4
Unemployment (end of period)	(% labour force)	9.1	8.9	9.0
Inflation rate (CPI) (Dec/Dec)	(% change)	1.0	0.9	1.2
Public finances				
General government balance	(% of GDP)	-4.4	-6.8	-7.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	23,736.0	24,234.5	24,888.8
Current account balance	(% of GDP)	-4.1	-8.0	-8.8
Net inflow of foreign direct investment	(m EUR)	982.5	1,391.3	1,969.0
Official reserves, including gold (end of period)	(m EUR)	17,788.0	14,795.0	13,610.0
In months of subsequent year's imports	(months)	5.7	5.1	4.1
Exchange rate (end of period)	(MAD per EUR)	11.2	11.3	11.07
External debt				
External debt (end of period)	(m EUR)	18,618.0	16,949.0	20,532.0
External debt/GDP	(%)	22.7	23.4	24.8
Debt service/exports of goods and services	(%)	#REF!	#REF!	#REF!
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)	2425.0	2483.5	2,745.0
EU exposure/total EU exposure	(%) (1)	6.9	3.8	3.3
EU exposure/external debt	(%)	13.0	14.7	13.4
EU exposure/exports of goods and services	(%)	10.2	10.2	11.0
IMF arrangements				
Type		no	no	Precautionary Liquidity Line 4.12 SDR
(Date)				August 2012
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 /stable
S&P long-term foreign currency rating (end of period)		BBB-	BBB-	BBB- /negative
Fitch long-term foreign currency rating (end of period)		BBB-	BBB- /stable	BBB- /stable

3.4.4. Syria

The outlook of the economic and financial situation of Syria is difficult to assess, given the significant disruption caused by the on-going conflict and the scarcity of reliable figures. Still, it is clear that growth has been significantly 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. 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. Taking into consideration black market and official exchange rates, the Cato Institute's 'Troubled Currencies Project' estimated that inflation had accelerated to more than 225% by mid-July 2013, fuelled by the currency's sharp depreciation. In fact, the value of the Syrian pound (SYP) against the EUR more than halved between January 2012 and September 2013 (one euro being exchanged for 149 SYP as of 10 September 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. It is clear that 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. The Economist Intelligence Unit (EIU) estimates that the external debt stock in Syria was limited to 18.7% of GDP in 2012, but expects it to reach 26.9% of GDP by year-end 2013. The debt service-to-exports ratio also remains low at an estimated 2%. Except for an EIB loan on which Syria defaulted in response to the suspension of loan disbursements by the EIB, the country allegedly continues to service its debt.

Considering the sharp drop in export revenue 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. The EIU estimated that official reserves decreased to around USD 4.8 billion at the end of 2012 (from USD 19.8 billion at the end of August 2012, the latest IMF data available), which would be equivalent to 4.7 months of imports.

Country-risk indicators : Syria		2010	2011 (est)	2012 (est)
Output and prices				
Real GDP growth rate	(%)	3.4	-3.4	-18.8
Unemployment (end of period)	(% labour force)	8.6	14.9	18.0
Inflation rate (CPI) (Dec/Dec)	(% change)	6.4	11.0	41.0
Public finances				
General government balance	(% of GDP)	-3.2	-11.0	-13.8
Balance of payments				
Exports of goods f.o.b.	(m EUR)	9,552.5	7,390.8	3761.8
Current account balance	(% of GDP)	-3.9	-6.1	-10.6
Net inflow of foreign direct investment	(m EUR)	1,000.0	n.a.	n.a.
Official reserves, including gold (end of period)	(m EUR)	15,192.2	10,655.9	3601.1
In months of subsequent year's imports	(months)	9.4	n.a.	n.a.
Exchange rate (end of period)	(per EUR)	62.4	70.7	103.5
External debt				
External debt (end of period)	(m EUR)	5,534.4	6,334.3	6,747.8
External debt/GDP	(%)	12.4	15.2	18.7
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(m EUR)	none	n.a.	70.0
Debt relief agreements and rescheduling	(m EUR)	none	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	796.0	728.0	646.0
EU exposure/total EU exposure	(%) (1)	2.3	1.1	0.8
EU exposure/external debt	(%)	14.4	11.5	9.6
EU exposure/exports of goods and services	(%)	8.3	9.9	17.2
IMF arrangements				
Type		none		
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		none	none	none

(1) See explanatory notes
Source: the Economist Intelligence Unit

3.4.5. Tunisia

Following the sharp economic contraction of 2011, Tunisia has embarked on a gradual recovery since the beginning of 2012, broadly supported by the rebound in tourism and foreign investment and generous public spending. Real GDP grew by 3.6% in 2012 after contracting by 1.9% in 2011 and inflation picked up to 5.9% by the end of the year (from 4.2% at end-2011) on the back of stronger domestic demand and rising commodity prices. Against this background, the central bank started tightening its monetary stance in October 2012, through policy rate increases and tighter reserve requirements for consumer credit. On the fiscal front, public finances came under further strain as current expenditures (in particular subsidies and wages) continued to rise, contributing to a 1.3% widening of the budget deficit (to 4.5% of GDP) and to a further increase in the level of external debt (to 51.6% of GDP at end-2012 as compared to 47.8% at end-2011). On the external side, the rebound in tourism revenues and remittances (+34% and +22%, respectively, as compared to 2011) did not offset the increase in imports and the slowdown in exports related to the Eurozone crisis. This resulted in a deteriorated current account deficit, which increased to 8.1% of GDP in 2012 from 7.3% the year before. Net foreign direct investment rebounded to EUR 1.3 billion in 2012 from EUR 0.3 billion the previous year, allowing a partial recovery of international reserves after their 20% drop in 2011. Reserves stood at EUR 5.7 billion at end-August 2013 (representing around 3.8 months of next year's imports).

Amid prolonged political uncertainty, Tunisia's long-term foreign currency rating was downgraded by all three main agencies (Moody's in May 2013, Fitch in December 2013, and S&P three times between May 2012 and August 2013). Against this background, Tunisia reached an agreement with the IMF on a 24-month Stand-By Arrangement (SBA) in the amount of USD 1.75 billion (400% of Tunisian quota), which was approved by the IMF Board in June 2013. In early September 2013 the authorities requested complementary macro-financial assistance from the EU.

Country-risk indicators : Tunisia		**2010**	**2011**	**2012**
Output and prices				
Real GDP growth rate	(%)	2.8	-1.9	3.6
Unemployment (end of period)	(% labour force)	13.0	18.9	16.7
Inflation rate (CPI) (Dec/Dec)	(% change)	4.1	4.2	5.9
Public finances				
Central government balance (inc. grants)	(% of GDP)	-0.5	-3.2	-4.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	12,297	13,775	12,805
Current account balance (exc. grants)	(% of GDP)	-4.8	-7.3	-8.1
Net inflow of foreign direct investment	(m EUR)	979	322	1335
Official reserves, including gold (end of period)	(m EUR)	7,109	5,796	6,518
In months of subsequent year's imports	(months)	4.8	3.7	4.1
Exchange rate (end of period)	(per EUR)	1.87	1.94	2.00
External debt				
External debt (end of period)	(m EUR)	16,015	17,080	17,659
External debt/GDP	(%)	48.3	47.8	51.6
Debt service/exports of goods and services	(%)	10.5	11.9	12.0
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)	2220.0	2,355.4	2,555.0
EU exposure/total EU exposure	(%) (1)	6.3	3.6	3.1
EU exposure/external debt	(%)	13.9	13.8	14.5
EU exposure/exports of goods and services	(%)	18.1	17.1	20.0
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	Baa3 /negative	Baa3 /negative
S&P long-term foreign currency rating (end of period)		BBB	BBB-	BB /negative
Fitch long-term foreign currency rating (end of period)		BBB	BBB- /negative	BB+ /negative

* *See explanatory note: an IMF Stand-By Arrangement of USD 1.75 billion was approved in June 2013*

3.5. Other countries

3.5.1. Brazil

Following weaker-than-expected economic growth in 2012 (+0.9% year-on-year), activity in Brazil has been picking up in the first half of 2013: GDP grew by +0.6% quarter-on quarter in the first quarter and by a three-year-high +1.5% quarter-on-quarter in the second quarter. The rebound has been mainly supported by a strong investment performance, with gross fixed capital formation expanding by +3.6% quarter-on-quarter in the second quarter after a +4.6% increase in the first quarter. Such momentum is however unlikely to be sustained in the second half of the year, as business confidence indices have deteriorated. Moreover, private consumption – Brazil's main growth driver – has been virtually flat in the first half of the year (+0.1% quarter-on-quarter in the first quarter and +0.3% in the second quarter), as a result of persistent inflation and tighter credit conditions. Moreover, the strong depreciation of the Brazilian real (-19% against the USD and the EUR between May and August 2013, -37% since July 2011) does not bode well for Brazil's net exports over the near term.

As inflation expectations continued to drift away from the 4.5% annual target, the Central Bank of Brazil raised the benchmark Selic rate to 9.0% in August - the fourth consecutive rate increase this year. Inflationary pressures have been mounting since the beginning of 2011, affected by the mismatch between supply and demand, higher food prices and internal factors such as increases in transport and education costs as well as above-average growth in service prices. However, inflationary pressures have seemed to ease down recently, with the 12-month consumer price inflation index decreasing to 6.15% year-on-year in August (a five-month low) and thus returning within the Central Bank's tolerance zone of 2.5% - 6.5%.

In the short term, weak growth is expected to affect Brazil's fiscal balance through a higher fiscal deficit (fiscal deficit was 2.8% in 2012), a lower primary surplus and difficulties in achieving a decline in the government debt ratio of 59% of GDP. Nevertheless, the economy's resilience to adverse shocks will remain warranted by a high level of international reserves (18.6 months of imports, at end-2012), strong capital ratios in the banking system, and limited exposure to foreign-currency-denominated debt, which accounts for only 5% of total debt.

Country-risk indicators : Brazil		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	7.5	2.7	0.9
Unemployment (end of period)	(% labour force)	6.7	6.0	5.5
Inflation rate (CPI) (Dec/Dec)	(% change)	5.9	6.5	5.8
Public finances				
General government balance	(% of GDP)	-2.7	-2.5	-2.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	175,909.0	211,403.4	220,256.2
Current account balance	(% of GDP)	-2.2	-2.1	-2.3
Net inflow of foreign direct investment	(m EUR)	39,923	55,289	57,686
Official reserves, including gold (end of period)	(m EUR)	216,200	270,819	280,422
In months of subsequent year's imports	(months)	14.8	19.2	18.6
Exchange rate (average)	(per EUR)	2.33	2.33	2.51
External debt				
External debt (end of period)	(m EUR)	192,189.6	230,469.2	237,152.0
External debt/GDP	(%)	12.3	12.1	13.9
Debt service/exports of goods and services	(%)	23.0	20.5	22.3
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)	826.0	909.8	942.0
EU exposure/total EU exposure	(%)	0.0	0.0	0.0
EU exposure/external debt	(%)	0.4	0.4	0.4
EU exposure/exports of goods and services	(%)	n.a.	n.a.	n.a.
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3 /positive	Baa2 /positive	Baa2 /positive
S&P long-term foreign currency rating (end of period)		n.a.	BBB /stable	BBB /stable*
Fitch long-term foreign currency rating (end of period)		BBB- /positive	BBB /stable	BBB /stable

*On 6 June 2013, S&P downgraded the outlook from 'stable' to 'negative'.

3.5.2. South Africa

While the South African economy had showed signs of recovery in 2010 and 2011 (+3.1% and +3.5% respectively), activity expanded at the slower pace of 2.5% in 2012. Weak domestic conditions and sluggish global demand resulted in the country continuing to grow well below its potential output and the level that would be needed to address chronic unemployment (25.6% in the second quarter of 2013). Despite the persistence of low interest rates and sharp real wage growth, consumer spending is expected to stagnate due to poor job creation and elevated debt levels. This, combined to weak external demand and lower commodity prices, does not bode well for South Africa's export performance and hints at economic growth further decelerating in 2013. In the medium term, GDP growth should gradually pick up, supported by robust investment spending and rising exports as global trade recovers. Government policy should remain supportive through fiscal stimulus measures in the run-up to the Presidential elections in 2014, in spite of the budget deficit deterioration in 2012 (-4.6%). Additional electricity supply from new power plants, upgrades in water supply and rail infrastructures as part of the National Development Plan 2030, as well as strong regional growth should also support the expansion of activity.

On the downside, the main risks perceived to the growth outlook relate to the persistence of global economic fragility, the weakness of the mining sector, the deterioration of the current account deficit (6.3% in 2012), and rising inflationary pressures. With respect to the latter, the year-on-year consumer price index (CPI) reached 6.3% in July 2013, straying outside of the Reserve Bank's inflation target ceiling of 6% for the first time since April 2012. The pick-up mainly stemmed from a 6.9% rise in petrol prices, a 7.1% hike in the cost of electricity and other fuels, and a 9.4% increase in water service charges. A further key cause for rising CPI has been the strong depreciation of the Rand – minus 20% year-on-year in July 2013 – which increased import costs, including for fuel. Pertaining to the fiscal situation, South Africa's public debt burden continues to be manageable - net public debt was estimated to represent 42.3% of GDP in 2012 - although it has increased rapidly in the past few years.

Country-risk indicators : South Africa		2010	2011	2012
Output and prices				
Real GDP growth rate	(%)	2.9	3.1	2.5
Unemployment (end of period)	(% labour force)	24.9	24.9	24.9
Inflation rate (CPI) (Dec/Dec)	(% change)	3.5	6.1	5.7
Public finances				
General government balance	(% of GDP)	-4.0	-3.7	-4.6
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	61,977.6	74,906.7	66,216.8
Current account balance	(% of GDP)	-2.8	-3.4	-6.3
Net inflow of foreign direct investment	(m EUR)	923.9	4,109.8	n.a.
Official reserves, including gold (end of period)	(m EUR)	32,017.1	35,668.7	33,345.1
In months of subsequent year's imports	(months)	4.4	4.1	4.4
Exchange rate (average)	(per EUR)	9.7	10.1	10.6
External debt				
External debt (end of period)	(m EUR)	83263.0	91336.3	107886.2
External debt/GDP	(%)	30.6	29.4	37.0
Debt service/exports of goods and services	(%)	7.6	6.7	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)	1087.0	1,304.0	1,230.0
EU exposure/total EU exposure	(%)	3.1	2.0	1.5
EU exposure/external debt	(%)	1.3	1.4	1.1
EU exposure/exports of goods and services	(%)	1.8	1.7	1.9
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		A3	A3 /negative	Baa1 /negative
S&P long-term foreign currency rating (end of period)		BBB+	BBB+	BBB /negative
Fitch long-term foreign currency rating (end of period)		BBB+	BBB+	BBB+ /negative*

**On 10 January 2013, Fitch downgraded South Africa's long-term foreign currency rating from BBB+ with a negative outlook to BBB with a stable outlook.*

3.5.3. Tajikistan

Real GDP growth remained strong in 2012 at 7.5%, driven by an increase in industrial production and agriculture as well as services. However, economic growth is likely to slow down somewhat in 2013. The strong growth performance and improved revenue collection in 2012 resulted in a small surplus of 0.7% of GDP in the government's fiscal balance. Public external debt remains fairly modest at about 30% of GDP. Consumer price inflation was at about 6.5 % at end-2012, about 3% less in 2010 and 2011, which reflects the developments in global food and fuel prices. The current account balance improved in 2012, recording a deficit of 1.3% of GDP.

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) is likely to have an impact on export revenues in 2013. The national currency somoni has been stable since late 2011, supported by remittances inflows and by central bank interventions. 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. Discussions on a possible IMF-supported successor program are ongoing but have not brought any concrete result so far.

The situation in the banking sector continued to deteriorate during 2012 and remains a main concern. Direct state lending and overall weak governance in the financial sector, including in the central bank, have been long-standing issues which need to be addressed to support savings and investment by the private sector. The resolution of the Agro Invest Bank is an urgent priority for the government. Possible losses originating in bank resolution and government management of State-Owned Enterprises in general could burden the fiscal position, which had started to improve as a result of tight fiscal policy in 2011 and 2012.

Country-risk indicators : Tajikistan		**2010**	**2011**	**2012**
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) (Dec/Dec) - IMF	(% change)	9.8	9.3	6.4
Public finances				
General government balance	(% of GDP)	-3.7	-2.1	0.7
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	1.6	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	32.1	31.2
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)	29.0	28.5	17.0
EU exposure/total EU exposure	(%) (1)	0.1	0.0	0.0
EU exposure/external debt	(%)	2.0	1.9	1.0
EU exposure/exports of goods and services	(%)	6.5	7.5	4.4
IMF arrangements				
Type				
(Date)		Extended Credit Facility (April 2009 - May 2012)		
On track		on track		
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		none	none	none

* *annual average, officially registered*