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

**ON THE BORROWING AND LENDING ACTIVITIES OF THE COMMUNITY
IN 2001**

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INTRODUCTION

1. The Council decisions establishing the various Community lending instruments require the Commission to inform the Council and Parliament each year of the use made of these instruments.

However, in view of the moratorium on the construction of nuclear power stations within the EU, the fact that the appropriations allocated by the Council to the New Community Instrument (NCI) have been used up and the cessation of ECSC loans as the expiry of the ECSC Treaty in 2002 approaches, the Commission considers that there is no longer any reason to inform the Council and Parliament of Community lending activities under the instruments applicable within the Community. This report contains only information concerning the repayment of loans (see the section on borrowings).

2. As for lending activities outside the Community, the decisions adopted in 1997 and 2000¹ require the Commission to inform the Council and Parliament on an annual basis of the situation regarding EIB loans guaranteed by the Community budget in Central and Eastern Europe, in the Mediterranean countries, in Latin America and Asia and in South Africa. These same obligations were extended in 1998 to the EIB's loans to the former Yugoslav Republic of Macedonia (Decision 98/348/EC) and Bosnia and Herzegovina (Decision 98/729/EC), in 2000 to the loans to Croatia (Decision 2000/688/EC) and in 2001 to the loans to the Baltic regions of Russia (Decision 2001/777/EC) and to the Federal Republic of Yugoslavia (Decision 2001/778/EC).

In order to meet this requirement, this report describes these operations for each of the areas concerned. To complete the picture of lending activities, it also gives a brief summary of the macrofinancial assistance provided by the Community to the countries of Central and Eastern Europe and of the interest subsidies and guarantees associated with Community loans.

¹ Decision 97/256/EC for the first global mandate and 2000/24/EC for the second mandate.

1. BORROWING ACTIVITIES IN 2001

1.1. Community issues

In order to finance the lending activities decided on by the Council, the Commission is empowered to borrow funds on the capital market. However, given that the **NCI** ceilings have been fully used up, and in view of the moratorium on **Euratom** activities within the EU and the approaching expiry in 2002 of the **ECSC** Treaty, no funds were raised on the basis of these instruments in 2001. The only borrowings last year were for **macrofinancial assistance** to the western Balkan countries, loans to the African, Caribbean and Pacific (**ACP**) countries, measures adopted pursuant to the Mediterranean protocols (**MEDA**), and the **EIB**'s activities inside and outside the Union in the areas mentioned above.

1.2. Trends in borrowing

Despite the above-mentioned factors, borrowings by the European institutions increased in 2001 by 11.3% to €32.5 billion, against €29.2 billion the previous year (see Table 4-1 in annex).

Taking into account repayments, cancellations and exchange-rate fluctuations, the total amount of net borrowings outstanding as at 31 December 2001 was €179.1 billion, 9.5% up on 2000 (see Table 4-2 in annex).

Following the adoption of the single currency on 1 January 1999, euro borrowings continued to increase in 2001, accounting for 67.3% of all issues, while issues in other Community currencies fell from 39% to 21.7%. Taking all Community currencies as a whole, there was a rapid rise in issues to the detriment of non-Community currencies, which fell from 18% to 11% of the total. Issues in US dollars were down by 36.2%.

Low interest rates and economic and financial uncertainties led borrowers to continue to favour variable-rate loans. Nonetheless, such loans accounted for just under 80% in 2001 against 82% in 2000.

With regard to the **special case of the NCI**, almost all loans have now been repaid; the corresponding situation for outstanding borrowings is set out by currency in Table 4-4 in the statistical annex.

2. LENDING IN NON-MEMBER COUNTRIES

2.1. Overview

Financial support for non-member countries that have concluded cooperation agreements with the Community takes a variety of forms depending on the geographical areas concerned and the objectives pursued. It generally takes the form of bilateral loans (macrofinancial support or balance-of-payments support), where the Union helps to re-establish a country's macroeconomic balance. In other cases it may be ordinary loans in the form either of direct financing for individual projects or of global loans to banks, which then allocate funds to smaller-scale local projects.

In the first case, the Commission administers the financial operations under the Council decisions. In the second case, it is chiefly the EIB which manages the loans on its usual terms, mostly with the guarantee of the EU budget. The areas for which the Community conducts these activities are listed in Table 2-1.

Table 2-1 Lending outside the Community in 2001 - Overview

(€ million)

	EC		EIB (2)		TOTAL	
	Euratom	Macro-financial assistance (1)	Budget and EDF resources (3)	Own resources		
Tajikistan	40	60			60	
Balkans		245		319	564	
Bulgaria					40	
NIS					374	374
Mediterranean basin				6	1 395	1 401
Latin America and Asia					543	543
South Africa					150	150
ACP-OCT countries				332	188	520
Total	40	305	338	2 969	3 652	
(1) Disbursements						
(2) Signatures						
(3) Granted and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).						

2.2. The Community's macrofinancial assistance

Macrofinancial assistance in the form of loans is, by its very nature, exceptional and forms part of the efforts of the international community to provide, in conjunction with the Bretton Woods institutions, balance-of-payments support to certain countries grappling with transitional difficulties. The Community's assistance focuses on neighbouring regions, such as Central and Eastern Europe, the western Balkans, the NISs of Europe, Central Asia and the Caucasus and the countries of the southern Mediterranean. Disbursements are themselves linked to the beneficiary countries' meeting objectives in terms of macroeconomic stabilisation and structural reforms. In these circumstances, the number of operations effected each year is limited, and it is difficult to make valid comparisons for the assistance given from one year to the next. However, as the candidate countries make significant progress toward macroeconomic adjustment, there is less need for macrofinancial assistance. In contrast, the Balkan region is currently in receipt of considerable Community macrofinancial assistance, which also includes a significant grant component.

Table 2-2 Loan disbursements for macrofinancial assistance to non-member countries - 1996-2001

(€ million)

	1996	1997	1998	1999	2000	2001	Total
Total by region and by country							
<i>"Enlargement" countries</i>	40	70	250	40	160	0	560
<i>of which:</i>							
<i>Bulgaria</i>	40		250	40	60		390
<i>Romania</i>		70			100		170
<i>Other CEECs - Western Balkans</i>		25	15	10		245	295
<i>of which: (1)</i>							
<i>Bosnia-Herzegovina (2)</i>				10		10	20
<i>FYROM (3)</i>		25	15			10	50
<i>Federal Republic of Yugoslavia (4)</i>						225	225
<i>NIS</i>	115	100	138	58	0	60	471
<i>of which:</i>							
<i>Armenia (5)</i>			28				28
<i>Georgia (5)</i>			110				110
<i>Moldova</i>	15						15
<i>Tajikistan (6)</i>						60	60
<i>Ukraine</i>	100	100		58			258
Grand Total	155	195	403	108	160	305	1326

- (1) A grant of €20 million was disbursed to Albania in 1996. Grants of €35 million and €7 million were disbursed to Kosovo and Montenegro respectively in 2000.
- (2) Disbursement of the loan was accompanied by disbursements of grants of €15 million in 1999 and €10 million in 2000. A further grant of €15 million was paid in 2001.
- (3) Grants totalling €20 million were disbursed in 2000 under a new operation, followed by a further grant of €10 million in 2001.
- (4) Disbursement accompanied by grants totalling €35 million in addition to the €35 million for Kosovo and the €3 million for Montenegro granted in 2000 in the form of budgetary support. A further grant of €5 million was disbursed in 2001 for Kosovo.
- (5) Exceptional financial assistance. These loan disbursements to Armenia and Georgia were supplemented by the disbursement of grants totalling, respectively, €8 million and €10 million in 1998 and €4 million and €9 million in 1999. A further grant of €6 million was made to Georgia in 2001.
- (6) This loan was accompanied by the disbursement of grants totalling €14 million.

In 2001 the Council approved macro-financial assistance in the form of a loan totalling €225 million to the Federal Republic of Yugoslavia, accompanied by a grant of €120 million. Furthermore, the macro-financial assistance in the form of grants to the former Yugoslav

Republic of Macedonia was increased by €18 million, and for Kosovo macro-financial assistance of up to €30 million was approved in the form of budget support.

With regard to disbursements, macro-financial assistance in the form of loans totalled €305 million in 2001. It breaks down as follows for the Balkan countries: €225 million for the Federal Republic of Yugoslavia, €10 million for the FYROM and €10 million for Bosnia-Herzegovina. As for the Newly Independent States, a loan of €60 million was disbursed to Tajikistan.

2.3. EIB lending in 2001 in Central and Eastern Europe, the Mediterranean, Asia & Latin America, Republic of South Africa, FYROM, Bosnia and Herzegovina in the framework of Council Decision 97/256/EC, as amended by Council Decisions 98/348/EC and 98/729/EC, Council Decision 99/786/EC, and Council Decision 2000/24/EC, and extended by Council Decision 2001/778/EC to the Federal Republic of Yugoslavia

Section 2.3 constitutes the annual report for 2001 to be submitted to the European Parliament and the Council in accordance with Article 2 of Council Decision 2000/24/EC.

2.3.1. EIB Objectives and Priorities

In **Central and Eastern Europe**, the Bank assists the countries that have applied for EU membership by helping them to create the economic framework necessary for accession (the Bank assists Cyprus, Malta and Turkey).² In addition, the Bank provides assistance to Albania, Croatia, the Federal Republic of Yugoslavia and Bosnia-Herzegovina.

The EIB gives priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on Trans-European Networks (TENs) on the basis of the road and rail corridors defined by the Pan-European Conference of Transport Ministers as development priorities for the medium term.

Environmental issues related to EIB projects are given priority in the framework of the gradual adaptation of the legislation of the countries concerned to that of the EU.

The EIB also supports SMEs and other industrial initiatives, either directly or through its global loan instrument, in particular when EU partners are involved. In the **Mediterranean region**, the Bank's lending under mandate takes place mainly within the framework of the Euro-Mediterranean Partnership, in support of the economic development of the countries concerned. EIB lending supports individual investment projects and, through the global loan mechanism, smaller projects and SMEs, while at the same time strengthening the financial sector in the various countries. The Bank also lends under the TERRA Programme (Turkey Earthquake Reconstruction and Rehabilitation Action).

Under the terms of the Euro-Mediterranean Partnership, EIB own resources lending is complemented by interest subsidies (for loans in the environmental sector) and by risk capital from EU budgetary sources, managed by the Bank.

² In addition to its activities under mandate in the framework of the Council Decisions, the Bank has renewed its substantial Pre-Accession Facility for lending from its own resources without budgetary guarantee, to help the countries that have applied for EU membership.

In addition to its lending under mandate and at the request of the Council, the Bank has launched a programme of lending from its own resources, without budgetary guarantee, under its Mediterranean Partnership Facility.

In **Asia and Latin America**, the Bank finances projects that are of mutual interest to the countries concerned and the European Union – cofinancing with EU promoters, transfer of technology, cooperation in the fields of energy and environmental protection. Details of the mutual interest of the projects concerned are included in Table 2-11.

In the **Republic of South Africa**, the Bank's objective is to contribute to the successful implementation of the country's reconstruction and development programme.

In this framework, the summary of the activity developed by the EIB from 1997 is as follows:

Table 2-3 Signatures on Own Resources in non EU countries (excluding any signatures from Pre-accession facilities)

	Signatures in 1997	Signatures in 1998	Signatures in 1999	Signatures in 2000	Signatures in 1st half-year 2001	Signatures in 2nd half-year 2001	Total 1997-2001
CEEC (1994-1996)	20	0	0	0	0	0	20
CEEC (1997-2000)	1 466	997	906	154	0	0	3 523
CEEC (2000-2007)	0	0	0	1 347	124	509	1 980
FYROM	0	70	60	0	20	0	150
Bosnia-Herzegovina	0	0	0	120	40	0	160
MED (Partenariat 1997-2000)	934	677	719	0	0	0	2 330
MED (Partenariat 2000-2007)	0	0	0	858	160	1 045	2 063
MED (protocols 3-4)	152	153	26	165	115	0	611
Turkey - TERRA	0	0	0	600	0	75	675
ALA (1993-1996)	10	0	0	0	0	0	10
ALA (1996-1997)	205	70	0	0	0	0	275
ALA (1997-2000)	163	292	310	272	0	0	1 037
ALA (2000-2007)	0	0	0	467	348	194	1 009
RSA (1995-1997)	199	0	0	0	0	0	199
RSA (1997-2000)	0	135	150	180	0	0	465
RSA (2000-2007)	0	0	0	50	40	110	200
ACP (1990-1995)	37	44	0	0	0	0	81
ACP (1996-2000)	0	245	183	218	35	153	834
OCT (1990-1995)	4	0	0	0	0	0	4
OCT (1996-2000)	0	0	14	9	0	0	23
TOTAL	3 190	2 683	2 368	4 440	882	2 086	15 649

2.3.2. *Lending Activity*

In 2001, the Bank signed 21 loan contracts in **Central and Eastern Europe** in the framework of the Council Decisions for an aggregate amount of €693 million in 10 countries. Lending was reasonably spread throughout the region, with approximately 40% being taken up by Croatia and Bulgaria.

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. Out of a total of €693 million, 76% or €527 million, was directed towards the **communications sector**, including construction of a motorway section in Lithuania on Pan-European Transport Corridors, construction of a road bridge over the Danube in Slovakia, modernisation of the road and railway networks in Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, the Slovak Republic and the Federal Republic of Yugoslavia, modernisation of port infrastructure in Albania and the Federal Republic of Yugoslavia, and extension and modernisation of the fixed telecommunications network in Slovenia.
- In the **energy sector**, €30m (4% of total financing) was allocated to the upgrading of power transmission and distribution networks in Albania.
- Finally, **global loans** totalling €136 million (20% of total financing) were made in support of SMEs in Bulgaria, Croatia, Romania and the Federal Republic of Yugoslavia.

Table 2-4 Breakdown by country and sector of EIB lending in 2001 in the Central and Eastern European Countries

Country	Number of loans	Total loan signatures (€ million)	Energy	Communications	Global loans
Croatia	5	146		100	46
		100%		68%	32%
Bulgaria	4	130		100	30
		100%		77%	23%
Yugoslavia (+FYROM*)	2	86		66	20
		100%		77%	23%
Slovak Republic	2	79		79	
		100%		100%	
Lithuania	1	50		50	
		100%		100%	
Albania	2	47	30	17	
		100%	64%	36%	
Bosnia Herzegovina*	1	40		40	
		100%		100%	
Hungary	1	40		40	
		100%		100%	
Romania	2	40			40
		100%			100%
Slovenia	1	35		35	
		100%		100%	
Overall	21	693	30	527	136
		100%	4%	76%	20%

*The last remaining amounts on the allocations of €100m and 150m respectively for Bosnia Herzegovina and FYROM were utilised in 2001. Henceforth loans to these countries will be sourced from the global mandate covering the Balkans and candidate countries.

In the **Mediterranean region**, the Bank signed 15 loans in 6 countries in 2001 and, in addition, one loan for region-wide lending.

Loans for projects in Turkey accounted for some 26% of overall lending, while Algeria, Morocco and Tunisia together absorbed a further 52%.

- Some 41% of total financing (€580 million) was allocated to the **Water Management and Miscellaneous** sector. Projects covered water management in Algeria, Morocco, Tunisia and Turkey as well as rehabilitation of hydro-agricultural equipment in Morocco.
- In the **Energy** sector, €355 million, or 25% of total financing, went towards upgrading the power transmission and supply networks in Egypt, Morocco and Syria.
- Road projects in Morocco and Tunisia were financed under the heading of **Communications** and accounted for 9% of total financing in the region (€130 million).
- Rehabilitation and reconstruction of earthquake-damaged industrial installations in Turkey represented 6% of total financing (€75 million) in the **Industry and Services** sector.
- **Global loans** in Egypt, Tunisia and Turkey and for the Mediterranean region accounted for 19% of overall financing (€261 million).

Table 2-5 Breakdown by country and sector of EIB lending in 2001 in the Mediterranean countries

Country	Number of loans	Total loan signatures (€ million)	Energy	Communications	Water Management & Miscellaneous	Industry & Services	Global and Investment loans
Turkey	4	370			170	75*	125
		100%			46%	20%	34%
Morocco	4	280	90	100	90		
		100%	32%	36%	32%		
Algeria	1	225			225		
		100%			100%		
Tunisia	3	225		30	95		100
		100%		13%	42%		45%
Egypt	2	180	150				30
		100%	83%				17%
Syria	1	115	115				
		100%	100%				
Mediterranean Region	1	6					6
		100%					100%
Overall	16	1 401	355	130	580	75	261
		100%	25%	9%	41%	6%	19%

*Under TERRA for industry rehabilitation in earthquake area

The Bank signed 11 loans for an overall amount of €542 million in 7 countries of **Asia and Latin America**.

- Loans in favour of the **Industry and Services** sector in Argentina, Brazil, the Philippines and Mexico accounted for 46% of total financing (€246 million).
- In the **Energy** sector, gas pipeline and power station projects in Argentina and Brazil absorbed 29% of total financing (€158 million).
- **Communications** projects, including telecommunications in Panama and a road project in China, accounted for €110 million, or 20% of lending in the region.
- The remaining 5% of lending in the region went towards a global loan in Indonesia.

Table 2-6 Breakdown by country and sector of EIB lending in 2001 in the Asian and Latin American countries

Country	Number of loans	Total loan signatures (€ million)	Energy	Communi-cations	Water Management	Industry & Services	Global loans
Brazil	4	171	81			90	
		100%	47%			53%	
Argentina	2	124	77			47	
		100%	62%			38%	
Philippines	1	93				93	
		100%				100%	
China	1	56		56			
		100%		100%			
Panama	1	54		54			
		100%		100%			
Indonesia	1	28					28
		100%					100%
Mexico	1	16				16	
		100%				100%	
Overall	11	542	158	110	0	246	28
		100%	29%	20%	0%	46%	5%

In 2001, the Bank signed three loan contracts in the **Republic of South Africa** for an aggregate amount of €150 million. €50 million (33%) went to a telecommunications project; and €100 million (67%) to **global loans** for infrastructure projects.

2.3.3. Risk-sharing³

The Council Decisions provide Community guarantee global coverage for 65% of the overall amount of loans signed. Under the risk-sharing arrangements, EIB loans with non-sovereign

³ Council Decision 2000/24/EC invites the Bank “to aim to cover the commercial risk on 30% of its lending under this decision from non-sovereign guarantees as far as possible on an individual regional mandate basis. This percentage shall be expanded upon whenever possible insofar as the market permits.”

project guarantees are covered by the Community guarantee only for political risk, whereas loans with sovereign project guarantees are covered for all risks. The Bank would call the Community guarantee for an individual loan only if the project guarantee for that loan failed to reimburse the Bank, in the case of a non-sovereign project guarantee for political reasons only, but for any reason in the case of a sovereign project guarantee. Such a call would be for the full loan amount outstanding.

During 2001, the Bank continued to work towards the risk-sharing objective with, however, the target increased to 30% instead of 25% under the first mandate.

1st Mandate: (amendments covering Bosnia-Herzegovina and FYROM)

The only loans signed under the 1st Mandates in 2001 were the last remaining amounts for Bosnia-Herzegovina and FYROM. As the mandate for Bosnia-Herzegovina did not envisage risk-sharing and as the particular loan signed for FYROM did not involve risk-sharing, the levels achieved under the 1st Mandate have not changed. In terms of lending compared to the total ceiling, these levels were 81% for ALA, 26% for CEEC and 3% for the Mediterranean.

2nd Mandate and extensions: (Council Decisions covering the period 1.02.2000 to 31.01.2007)

The cumulative total for risk-sharing projects since the start of lending activity in the framework of the Council Decisions relative to the period starting 1.02.2000 was €1 188 million at the end of 2001, i.e. 6% of the overall lending ceiling and 24% of lending to date.

- In **Central and Eastern Europe and the Balkans**, EIB lending based on risk sharing reached a total of €371 million, or 4% of the lending ceiling for those countries and 19% of lending in the region to date.
- In the **Mediterranean** region, no loan was signed under the risk-sharing arrangement in 2001, with the result that risk-sharing now represents only about 1% of total amounts signed. However, as already explained, it has to be remembered that, in accordance with the programming procedures inherent in the **Euro-Mediterranean Partnership**, projects are often signed with governments or public bodies. It is thus expected that the risk-sharing total for the Mediterranean countries will remain relatively low.
- In **Asia and Latin America (ALA)**, risk sharing in respect of EIB lending reached a total of €787 million representing 32% of the mandate ceiling and 84% of lending in the region to date.
- No risk-sharing loans have been signed in the **Republic of South Africa (RSA)**.

Risk-sharing at 31.12.2001 is shown below - separately for each mandate (risk-sharing component unchanged from end-2000 for the 1st Mandate):

Table 2-7 Risk-sharing at 31.12.2001 - 1st Mandate

€ million

	Mandate Ceilings 1 st Mandate	Total amounts of loans signed at 31.12.2001	Number of loans signed with risk-sharing	Amount of loans signed with risk-sharing	Percentage of risk-sharing achieved (relative to mandate ceiling)
CEEC	3 520	3445.5	21	896	26%
Mediterranean	2 310	2 310	5	71	3%
ALA	900	900	17	730	81%
RSA	375	374.6	0	0	0%
FYROM	150	150	0	0	0%
TOTAL	7 255	7 180	43	1 697	24%

Table 2-8 Risk-sharing at 31.12.2001 – 2nd Mandate

(€ million)

	Mandate Ceilings 2 nd Mandate	Total amounts of loans signed at 31.12.2001	Number of loans signed with risk-sharing	Amount of loans signed with risk-sharing	Percentage of risk-sharing achieved to date (relative to mandate ceiling)
CEEC & Balkans	8 930	1 980	10	371	4%
Mediterranean	6 425	1 906	1	30	1%
ALA	2 480	939	17	787	32%
RSA	825	202	0	0	0%
TOTAL	18 660	5 027	90	1 188	6%

The regional tables at the end of section 2.3 (Tables 2-13 to 2-17) identify the loans which are risk-sharing ones.

2.3.4. Cooperation with other institutions

In the countries that are **candidates for EU membership**, the Bank's activities are conducted within the framework of the EU programme to help the candidate countries to prepare for accession, in particular by financing investment aimed at integrating their infrastructure with that of the EU and by assisting SMEs. Whenever possible, projects are cofinanced with other institutions. The Bank's activities thus form part of a concerted approach that is being pursued in close cooperation with the Commission and, as appropriate, with the international financial institutions working in the countries concerned.

The Bank cooperates closely with the PHARE/ISPA Programme, with which it has developed a productive relationship, much appreciated by the beneficiary countries. In addition to frequent PHARE assistance during the pre-investment phase to ensure that the necessary

studies and technical assistance are implemented in support of EIB projects, the Bank also cooperates with PHARE in cofinancing infrastructure projects.

The contributions of PHARE/ISPA and the IFIs to projects financed by the EIB in 2001 are shown in the table below. Additional projects were cofinanced in the framework of the Bank's Pre-Accession Facility, which is outside the scope of this report.

For **South-Eastern Europe**, the Bank has established a special Balkans Task Force to identify infrastructure projects which should be financed as a priority, in cooperation with other IFIs in the framework of the Stability Pact for the region.

Table 2-9 Cofinancing in 2001 in Central and Eastern Europe and the Balkans

(€ million)

Country	Project	Cost	EIB	PHARE/ ISPA	Multilateral institutions	Bilateral institutions	Other ⁴
Albania	Upgrading of power transmission and distribution networks	191	4		45	96	46
Albania	Rehabilitation of basic infrastructure of port of Durrës and reconstruction of breakwater	35	17	1	13	2	2
Bosnia Herzegovina	Railway reconstruction	112	40	17	21	3	31
Lithuania	Construction and upgrading of road sections of Pan-European Corridors	153	50	65			38
Slovenia	Expansion and modernisation of fixed telecommunications network	75	35		40		
Federal Republic of Yugoslavia	Rehabilitation of transport infrastructure	132	66	25			41
Total		698	212	108	119	101	158

In the **Mediterranean** region, the Bank's operations are conducted within the framework of EU policy and form part of a concerted approach that is being pursued in close cooperation with the Commission and, as appropriate, with other IFIs, including through cofinancing operations. The contributions of these institutions to projects financed by EIB are shown in the table below.

⁴ Including funds of states, promoters and commercial banks.

Table 2-10 Cofinancing in 2001 in the Mediterranean countries

(€ million)

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other ⁵
Algeria	Completion of drinking-water supply network between Taksebt dam and Algiers	540	225		30	285
Egypt	Construction of natural gas-fired combined-cycle power plant in Cairo	426	150	146		130
Morocco	Construction of pumped-storage power plant, south-east of Casablanca	230	90	84		56
Morocco	Construction of two motorways between Sidi El Yamani and Tangier and between Casablanca and El Jadida	320	100	80	40	100
Morocco	Improvement of drinking-water supply in a number of Moroccan towns	139	50		58	31
Tunisia	Upgrading of drinking-water supply to eastern coastal regions of Sahel and Sfax	199	95	34	25	45
Turkey	Urban development in Eskisehir	232	110	28	48	46
Syria	Upgrading of medium-voltage power transmission facilities	166	115	22	29	
Total		2 252	935	394	230	693

⁵ Including funds of states, promoters and commercial banks.

In **Asia and Latin America**, the Bank continues to finance projects that are of mutual interest to the country concerned and to the EU. The mutual interest of the loans signed in 2001 is described in the table below.

Table 2-11 Mutual interest of projects in the countries of Asia and Latin America

Country	Project	Mutual interest
Brazil	Expansion and modernisation of natural gas distribution network in State of São Paulo	The project is implemented by Comgás, which is owned and operated by EU companies (BG and Shell). The project will contribute to the competitiveness of these companies. In addition, it will contribute to the improvement of the environment and to regional integration in the Southern Cone of Latin America.
	Expansion and modernisation of power transmission and distribution networks in State of Rio de Janeiro	The project is implemented by a joint venture with strong European participation and management control. There will also be a transfer of know-how from Europe. The financial intermediary, Banco BBA Creditanstalt, S.A. has a European shareholder, the Bank Austria Group, holding 48% of capital.
	Construction of cold-rolling and hot-dip galvanising plant in State of Santa Catarina	The project is promoted and partially owned and operated by Arcelor, a leading European company in its sector. Also, it will support the international growth strategies of Arcelor's main customers and result in significant transfers of technology from Europe. The contractor selected to build the core facilities is European, as also the majority of the equipment suppliers.
	Planting of eucalyptus forests in State of Bahia for producing pulpwood	Implemented by a company owned and managed by Finland's Stora-Enso, in joint venture with two Brazilian companies, the project will help this EU company to consolidate its presence in Latin America and provide a source of cheaper and high-quality raw material, contributing thereby to the improvement of its international competitiveness. Also, the project will have a globally positive impact on the environment and is in line with the recommendations of the Kyoto protocol, as well as with the EU policy on climate change.
Argentina	Construction of gas-fired power plant in Buenos Aires metropolitan area	The project has a strong mutual interest through the involvement of two European shareholders, ENDESA and REPSOL. It will enhance the competitiveness of a European service business beyond its home market in the EU.
	Production of gearboxes for passenger cars in the Córdoba province	The project is implemented by the subsidiary of a leading European company, the Volkswagen group, which has established a prominent position in Latin America in general. The project will result in transfers of technology from Europe, create jobs and help develop the country's exports of automotive parts.
Panama	Upgrading and extension of telecommunications installations	This is a joint venture with a strong European participation and management control through the Cable and Wireless Group. The project will involve the transfer of technology and know-how and help the presence in the Panamanian market of one of the most important European firms in the sector.
Mexico	Construction of glass fibre production plant near Puebla, eastern Mexico	Vetrotex America S.A. belongs to the Saint-Gobain group. The project will contribute to increasing the competitiveness of a European group in North America and to its overall growth.
Philippines	Construction of second integrated-circuits assembly and test facility in Calamba, near Manila	The project concerns a significant investment of a major EU-based industrial group in the Philippines. It will help a European company which is operating at a global level to optimise its production cycle for semiconductors and therefore to improve its international competitiveness.
China	Construction of toll expressway and ancillary roads between Nanning and Vietnamese border	The project facilitates regional cooperation between China, Vietnam and other countries of the Greater Mekong Subregion, as well as internal communication. A European consultancy company has been involved in the project preparation and, during implementation, an international consultant will strengthen the project supervision unit.
Indonesia	Financing for small and medium-scale ventures	The project is of mutual interest in that (i) the borrower is a majority-owned subsidiary of a European Bank and (ii) the allocations will be targeted to investments undertaken by EU companies or including other forms of EU interest.

The Bank cooperates with other IFIs in Asia and Latin America whenever possible. The table below gives details of cofinancing.

Table 2-12 Cofinancing in 2001 in Asia and Latin America

(€ million)

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other ⁶
Argentina	Production of gearboxes for passenger cars	167	47		113	7
Brazil	Construction of cold-rolling and hot-dip galvanising plant.	500	58		100	342
China	Construction of toll expressway and ancillary roads.	521	56	170		295
Philippines	Construction of second integrated circuits assembly and test facility	967	177	170		620
Total		2 155	338	340	213	1 264

In the **RSA**, there were several cases of cooperation with IFIs and regular contact is maintained with the EU DFIs such as DEG, who have recently opened an office in Johannesburg as well as Proparco and CDC Capital Partners. Considerable effort in 2001 went into working with the EU Commission on the establishment of a €50m venture-capital fund designed to support black economic empowerment in South Africa as well as skills transfer and employment generation.

⁶ Including funds of states, promoters and commercial banks.

Table 2-13 Loans signed in 2001 in Central and Eastern Europe

(€ million)

Country	Description	Loan	Risk-sharing
Bulgaria	Rehabilitation of priority national roads	30.0	No
	Upgrading of Plovdiv-Dimitrovgrad-Svilengrad railway line	70.0	No
	Financing for small and medium-scale ventures (2 loans)	30.0	Yes
Total		130.0	
Slovak Rep.	Construction of road bridge over Danube and several sections of urban access roads in Bratislava	45.0	No
	Realignment and technical upgrading of Hronsky Benadik-Nova Bana and Nova Bana-Rudno and Hronom sections of I/65	34.0	No
Total		79.0	
Lithuania	Construction and upgrading of road sections of Pan-European Corridors (Via Baltica, Via Hanseatica and Vilnius-Klaipeda motorway)	50.0	No
Total		50.0	
Hungary	Rehabilitation and upgrading of railway network	40.0	No
Total		40.0	
Romania	Financing for small and medium-scale ventures (2 loans)	40.0	Yes
Total		40.0	
Slovenia	Expansion and modernisation of fixed telecommunications network	35.0	Yes
Total		35.0	
Grand Total		374.0	

Table 2-14 Loans signed in 2001 in the Balkans

(€ million)

Country	Description	Loan	Risk-sharing
Croatia	Rehabilitation and modernisation of Croatian railway section of Pan-European Corridor Vc	40.0	No
	Technical upgrading of priority sections of national road network	60.0	No
	Financing for small and medium-scale ventures (3 loans)	46.0	Yes (on 36m)
Total		146.0	
Federal Republic of Yugoslavia	Rehabilitation of transport infrastructure in Serbia and Montenegro; road repair, reconstruction of breakwater at port of Bar and infrastructure works at Belgrade International Airport.	66.0	No
Total		66.0	
Albania	Upgrading of power transmission and distribution networks	30.0	No
	Rehabilitation of basic infrastructure of port of Durrës and reconstruction of breakwater.	17.0	No
Total		47.0	
Bosnia-Herzegovina	Rehabilitation of several railway sections of Pan-European Transport Corridors	40.0	No
Total		40.0	
FYROM	Financing for small and medium-scale ventures	20.0	No
Total		20.0	
Grand Total		319.0	

Table 2-15 Loans signed in 2001 in the Mediterranean countries

(€ million)

Country	Description	Loan	Risk-sharing
Tunisia	Upgrading and construction of road network around lake of Bizerte, north of Tunis	30.0	No
	Upgrading of drinking-water supply to eastern coastal regions of Sahel and Sfax	95.0	No
	Financing for small and medium-scale ventures mounted by Tunisian enterprises	100.0	No
Total		225.0	
Algeria	Completion of drinking-water supply network between Taksebt dam and Algiers	225.0	No
Total		225.0	
Morocco	Construction of pumped storage power plant, south-east of Casablanca	90.0	No
	Construction of two motorways between Sidi El Yamani and Tangier and between Casablanca and El Jadida	100.0	No
	Improvement of drinking-water supply in a number of Moroccan towns	50.0	No
	Rehabilitation of hydro-agricultural equipment belonging to Regional Agricultural Development Agencies	40.0	No
Total		280.0	
Egypt	Construction of natural gas-fired combined-cycle power plant in Cairo	150.0	No
	Financing for small and medium-scale ventures	30.0	No
Total		180.0	
Syria	Upgrading of medium-voltage power transmission facilities	115.0	No
Total		115.0	
Turkey	Wastewater treatment and sewerage networks in city of Mersin on Mediterranean coast	60.0	No
	Urban development in Eskisehir	110.0	No
	Rehabilitation and reconstruction of industrial installations in earthquake-damaged regions	75.0	No
	Financing for small and medium-scale ventures	125.0	No
Total		370.0	
Mediterranean Group	Financing for participations in investment funds	6.0	No
Total		6.0	
Grand Total		1 401.0	

Table 2-16 Loans signed in 2001 in Asia and Latin America

(€ million)

Country	Description	Loan	Risk-sharing
Brazil	Expansion and modernisation of natural gas distribution network in State of São Paulo	46.8	Yes
	Expansion and modernisation of power transmission and distribution networks in State of Rio de Janeiro	33.6	Yes
	Construction of cold-rolling and hot-dip galvanising plant in State of Santa Catarina	58.0	Yes
	Planting of eucalyptus forests in State of Bahia for producing pulpwood	32.7	Yes
Total		171.1	
Argentina	Construction of gas-fired power plant in Buenos Aires metropolitan area	77.3	Yes
	Production of gearboxes for passenger cars in Córdoba	46.6	Yes
Total		123.9	
Panama	Upgrading and extension of telecommunications installations	54.2	Yes
Total		54.2	
Mexico	Construction of glass-fibre production plant near Puebla, eastern Mexico	15.9	Yes
Total		15.9	
Philippines	Construction of second integrated-circuits assembly and test plant in Calamba near Manila	93.2	Yes
Total		93.2	
China	Construction of toll expressway and ancillary roads between Nanning and Vietnamese border	56.2	No
Total		56.2	
Indonesia	Financing for small and medium-scale ventures	28.1	Yes
Total		28.1	
Grand Total		542.6	

Table 2-17 Loans signed in 2001 in the Republic of South Africa

(€ million)

Country	Description	Loan	Risk-sharing
RSA	Financing for small and medium-scale infrastructure	40.0	No
	Modernisation and technical upgrading of N1 linking Pretoria and Warmbaths to the north and N4 linking Pretoria and Botswana border to the west	50.0	No
	Financing for small and medium-scale ventures	60.0	No
Total		150.0	

2.4. Signatories of the Lomé Convention

2.4.1. Lending activity

Total EIB lending in the ACP/OCT amounted to €520 million, of which €188 million from the Bank's own resources and €332 million from risk capital. The regional and sectoral breakdown of this lending is as follows:

Table 2-18 Breakdown by region and sector of EIB lending in 2001 in the ACP/OCT

(€ million)

	Total	Own resources *	Risk capital	Energy	Communi-cations	Water Management & Miscel-laneous	Industry & Services	Global Loans
ACP/OCT	520	188	332	260	16	65	45	133
Africa	434	158	276	240	1	65	45	85
<i>Southern</i>	139	70	69	41		35	31	32
<i>West</i>	66	0	66			30	11	25
<i>Central & Equatorial</i>	144	88	56	144				
<i>East</i>	85	0	85	55	1		4	25
Caribbean	68	30	38	20	15			33
Regional	15		15					15
OCT	3	0	3					3

* Of which 100 million subsidised

3. BUDGETARY IMPACT OF LENDING

Lending activities have an impact on the Community budget when they are accompanied by Community guarantees, interest subsidies or special conditions comparable to risk-bearing operations for the lender.

3.1. Budget guarantees

On 22 December 1999 the Council decided on a general renewal of the Community guarantee for EIB loans outside the EU for a period of seven years (Council Decision 2000/24/EC). This decision was amended twice in 2000 (2000/688/EC and 2000/788/EC).

On 6 November 2001 the Council decided to extend this scheme to EIB loans concluded in Yugoslavia by including this country in the group of central and eastern European countries (Council Decision 2001/778/EC).

The new ceilings for each area are as follows:

* Turkey:	€	450 million
* Central and Eastern Europe:	€	9 280 million
* Mediterranean countries:	€	6 425 million
* Latin America and Asia:	€	2 480 million
* Republic of South Africa:	€	825 million

The overall ceiling for the guarantee is therefore €19 460 million, and the Commission budget covers 65% of that amount (compared with 70% under the previous mandate). The new decision calls on the EIB to seek other sources of (commercial) guarantee from its financial intermediaries where possible and sets a target rate of 30% of the ceiling (as opposed to 25% under the previous mandate).

This guarantee programme will expire on 31 January 2007; it may automatically be extended by six months if the loan ceiling has not been reached.

During the second year of the new mandate the EIB signed loan agreements for a total of €2 486 million, bringing the total amount in the new mandate to €5 027 million corresponding to 25.8% of the ceiling, with risk-sharing already equivalent to 39.7% of the loans signed.

On November 6, 2001 the Council decided to grant a 100% Community guarantee to the European Investment Bank against losses under lending operations for environmental projects in the Baltic regions of Russia for a total amount of €100 million (Council Decision 2001/777/EC).

The detailed situation relating to guarantees is set out in the six-monthly report by the Commission on guarantees covered by the general budget.

3.2. Interest subsidies

Interest subsidies were granted under a number of Community programmes both inside and outside the Union. At the Council's request, the Commission drew up an overall assessment report on this subject (see COM(2000) 524 of 6 September 2000). Most of these programmes have been completed and no longer have any impact on budgetary expenditure. The table below lists the programmes which are still under way and the amount of interest subsidies paid during the year under review.

Table 3-1 Interest subsidies paid under the various Community mechanisms from 1995 to 2001

(€ million/ECU million)

Financial year	Within the Community		Outside the Community		
	Natural disasters	Trans-European Networks	EDF	MEDA	FYROM
1995	6.1	25	28.1	15.2	-
1996	4.3	18	28.6	22.4	-
1997	4.0	37	56.9	48.2	-
1998	2.8	20	24.5	30.3	2.7
1999	2.2	71	27.1	29.2	4.0
2000	1.7	54	18.7	17.4	1.1
2001	1.3	15	14.5	26.6	2.3

3.3. Venture capital

Under the agreements with the Mediterranean countries and the Lomé Convention, concessionary loans are concluded by the EIB involving special conditions regarding duration or debt consolidation, which enable them to be treated as capital investments. The operations carried out in the Mediterranean region are financed by the general budget, and in the ACP by the EDF budget. A breakdown of the operations is given in Table 2-18.

4. STATISTICAL ANNEX

Table 4-1 Trends in borrowing and lending in the Community

(€ million)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
I. Borrowing											
ECSC	1 446	1 474	908	644	386	298	474	-	-	-	-
Balance of payments (1)	1 695	1 209	4 969	245	410	155	195	403	108	160	305
Euratom	-	-	-	49	-	-	-	-	-	-	40
NCI	49	-	-	70	66	-	-	-	-	-	-
Total Commission	3 190	2 683	5 877	1 008	862	453	669	403	108	160	345
EIB (2)	13 672	12 974	14 224	14 148	12 395	17 553	23 026	30 098	28 355	29 038	32 172
Total Community	16 862	15 657	20 101	15 156	13 257	18 006	23 695	30 501	28 463	29 198	32 517
II. Lending											
ECSC	1 382	1 486	918	674	409	280	541	21	-	-	-
Balance of payments (1)	1 695	1 209	4 969	245	410	155	195	403	108	160	305
Euratom	-	-	-	49	-	-	-	-	-	-	40
NCI	39	9	30	-	-	-	-	-	-	-	-
Total Commission	3 116	2 704	5 917	968	813	435	736	424	108	160	345
EIB (3)	14 438	16 066	17 724	17 682	18 604	20 946	22 958	25 116	27 765	30 644	31 184
Total Community	17 554	18 770	23 641	18 650	19 417	21 381	23 694	25 540	27 873	30 804	31 529

Note: The differences between total borrowing and lending by the Commission are due to borrowing operations undertaken for refinancing purposes and to changes in the balance of loans not assigned by the end of the year. The differences between borrowing and lending by the EIB are due to the fact that EIB lending operations are financed both from borrowings and from the Bank's own resources.

- (1) Mechanism for providing financial support for Member States, financial assistance for non-member countries and other forms of assistance.
- (2) Total resources raised.
- (3) Loans signed from own resources, no account being taken of the guarantees provided by the EIB to promoters or operations financed out of NCI resources.

Table 4-2 Community borrowings outstanding at the end of each period (1)

(€ million)

	EIB (2)	ECSC	NCI	Euratom	Sub-total	Balance of payments	Total borrowing
1982	16 570	6 178	1 747	1 272	25 767	591	26 358
1983	20 749	6 539	3 269	1 680	32 237	4 610	36 847
1984	25 007	7 119	4 432	1 892	38 450	4 932	43 382
1985	26 736	7 034	4 960	2 013	40 743	3 236	43 979
1986	30 271	6 761	5 202	2 168	44 402	1 890	46 292
1987	31 957	6 689	5 229	2 500	46 375	2 997	49 372
1988	36 928	6 825	5 514	2 164	51 431	2 459	53 890
1989	42 330	6 738	5 122	1 945	56 135	2 075	58 210
1990	48 459	6 673	4 542	1 687	61 361	(3) 2 045	63 406
1991	58 893	7 139	3 817	1 563	71 412	3 516	74 928
1992	67 784	7 327	3 326	1 338	79 775	4 026	83 801
1993	78 661	7 331	2 202	1 018	89 212	5 204	94 416
1994	83 673	6 548	1 570	779	92 570	7 697	100 267
1995	87 079	5 966	1 113	720	94 878	8 032	102 910
1996	96 649	4 677	748	572	102 646	6 666	109 312
1997	110 394	3 637	218	118	114 367	5 853	120 220
1998	123 767	2 806	168	28	126 769	4 166	130 935
1999	146 223	2 432	130	12	148 797	4 074	152 871
2000	159 860	2 039	90	-	161 989	1 566	163 555
2001	176 027	1 386	19	40	177 472	1 614	179 086

(1) The conversion rates used are those obtained on 31 December of each year. As the majority of borrowings are denominated in national currency, the difference between two year-ends reflects on the one hand changes in the valuation of existing stock and on the other the net volume of borrowings during the year.

Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments and exchange-rate adjustments.

(2) As from 1989, including short term.

(3) As from 1990, including financial assistance for non-member countries.

Table 4-3 Community borrowings in 2001 by currency

(€ million)

	EIB	European Community (1)	Total borrowing	2001 %
EUR	21 535	(2) 345	21 880	67.3
DKK	31	-	31	0.1
GBP	6 971	-	6 971	21.4
GRD	-	-	-	
SEK	60	-	60	0.2
Total pre-ins	7 062	-	7 062	21.7
Total EU	28 597	345	28 942	89.0
USD	2 484	-	2 484	7.6
CHF	204	-	204	0.6
JPY	541	-	541	1.7
SKK	111	-	111	0.4
CZK	23	-	23	0.1
ZAR	69	-	69	0.2
PLN	142	-	142	0.4
Sub-total	3 574	-	3 574	11.0
TOTAL	32 171	345	32 516	100.0
Fixed-rate	6 354	40	6 394	
Variable-rate	25 818	305	26 123	
(1)	Financial assistance to non-member countries and Euratom.			
(2)	From 1997 to 1998, issued in euros with payment in ecus.			

Table 4-4 NCI borrowings by currency: debt outstanding at 31.12.2001

Currency	(million)	Equivalent in € million (1)
GBP	11.5	18.9
Total		18.9
(1) Exchange rate as at 31.12.2001		