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

**ON THE BORROWING AND LENDING ACTIVITIES OF  
THE COMMUNITY IN 1999**

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## INTRODUCTION

1. The Council decisions establishing the various Community lending instruments<sup>1,2</sup> 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 need 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, a decision adopted in 1997 requires the Commission to inform the Council and Parliament on an annual and a six-monthly basis of the situation regarding EIB loans guaranteed by the Community budget in central and eastern Europe, in the Mediterranean countries, in the Latin American and Asian countries and in South Africa.<sup>3</sup>

In order to meet this requirement, this report describes these operations for each of the areas concerned. It also gives a brief summary of macrofinancial assistance provided by the Community to central and eastern European countries.

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1 Decision 78/870/EEC (OJ L 298, 25.10.1978).  
Decision 81/19/EEC (OJ L 37, 10.2.1981).  
Decision 81/1013/EEC (OJ L 367, 23.12.1981).  
Decision 82/169/EEC (OJ L 78, 24.3.1982).  
Decision 83/200/EEC (OJ L 112, 28.4.1983).  
Decision 87/182/EEC (OJ L 71, 14.3.1987).

2 Decision 77/270/Euratom (OJ L 88, 6.4.1977).

3 Decision 97/256/EEC (OJ L 102, 19.4.1997).

## **1. BORROWING ACTIVITIES IN 1999**

### **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 finance was mobilised on the basis of these instruments in 1999. The only borrowings last year were for **macrofinancial assistance** to central and eastern European countries (**CEECs**), loans to the African, Caribbean and Pacific (**ACP**) countries, measures adopted pursuant to the Mediterranean protocols (**MEDA**), and EIB activities inside and outside the Union (in particular CEECs, ACP and MEDA), which account for the bulk of borrowings in terms of volume.

### **1.2. Borrowing trends**

In view of the above, borrowings by the European institutions fell in 1999 by 6.7%; EIB borrowings fell by 5.8%. The total amount of issues was thus €28.5 billion, against €30.5 billion in the previous year (see table 4-1 in the annex).

Taking into account repayments, cancellations and exchange-rate fluctuations, the total amount of net borrowings outstanding as at 31 December 1999 was €154.7 billion, 18.2% up on 1998 (see Table 4-2 in the annex).

Following the adoption of the single currency on 1 January 1999, euro borrowings virtually quadrupled as compared with 1998, to a level slightly below total borrowings in ecus and in the currencies of Member States participating in monetary union. The share of the currencies of the "pre-in" countries fell significantly, while borrowings in dollars and Swiss francs increased appreciably.

There was also a marked increase in variable-rate borrowings, probably because of monetary uncertainties and expectations of an increase in the ECB's key rates which actually occurred much later in 2000.

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

## 2. LENDING IN THIRD COUNTRIES

### 2.1. Overview

Lending designed to provide financial support to third countries that have concluded cooperation agreements with the Community takes a variety of forms depending on the geographical areas concerned and the objectives pursued. State-to-State loans are used when the EU wishes to help place the macroeconomic fundamentals of these countries on a sounder footing; individual loans are used where the aim is to develop infrastructure and carry out major improvement projects; global loans to local banks are used to develop the productive network of SMEs and stimulate the market economy. In particular, the EIB's operations in the *central and eastern European countries* forms part of the pre-accession strategy designed to assist the integration process. in the *Mediterranean countries*, the Bank's lending comes under the Euro-Mediterranean partnership; in *Latin America and Asia*, the Bank continues to finance projects of common interest; in *South Africa*, lending is designed to underpin the programme of reconstruction and development of the country; finally, in the *ACP countries*, the Bank's activities are being developed in the context of the Lomé Convention and those countries' privileged relations with the Community.

**Table 2-1 Financing outside the Community in 1999 - overview**

	Balance-of-payments support (1)	EIB		TOTAL
		EC and EDF budget resources (2)	Own resources	
ACP-OCT	-	145	196	341
Mediterranean basin	-	56	745 (3)	801
CEECs	108	1467	906 (4)	2481
Balkans	-	-	60	60
Latin America and Asia	-	-	310	310
South Africa	-	-	150	150
<b>Total</b>	<b>108</b>	<b>1668</b>	<b>2367</b>	<b>4143</b>
(1) Disbursements.				
(2) Granted and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).				
(3) Including loans to Egypt and Turkey under the Fourth Protocol				
(4) Under the pre-accession mechanism.				

### 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 new European states of the former USSR 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.

In 1999 the Council approved macrofinancial assistance in five cases in the form of loans to Albania (up to €20 million), Bosnia-Herzegovina (up to €20 million in loans and up to €40 million in grants), Bulgaria (up to €100 million), the Former Yugoslav Republic of Macedonia (up to €50 million in loans and €30 million in grants) and Romania (up to €200 million). The total amount of loans approved by the Council was therefore €390 million.

As regards disbursements, aid paid out in 1999 in the form of loans amounted to €108 million. The breakdown is as follows: €58 million to Ukraine under an operation approved by the Council in 1998, €40 million to Bulgaria under an operation approved in 1999 and €10 million (accompanied by a €15 million grant) to Bosnia-Herzegovina under an operation approved in 1999

### **2.3. Lending within the Framework of Council Decision 97/256/EC, as amended by Council Decisions 98/348/EC and 98/729/EC : Central and Eastern Europe, The Mediterranean Countries, Asian and Latin American Countries, The Republic of South Africa, The Former Yugoslav Republic of Macedonia (FYROM) and Bosnia-Herzegovina**

Section 2.3 constitutes the report to be submitted to the European Parliament and the Council in accordance with Articles 2 and 3 of Council Decision 97/256/EC, i.e. it comprises the six-monthly report for the second half of 1999 and the annual report for 1999.

#### *2.3.1. EIB objectives and priorities*

In **central and eastern Europe**, the Bank assists the countries which have applied for EU membership, by helping them to create the economic framework necessary for them to join. In addition, it assists Cyprus and Malta, which are also applicants,<sup>4</sup> Albania, FYROM 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 within 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, in particular when involving EU partners either directly or through its global loan instrument.

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4 In addition to its activities under the Council decisions, the Bank has recently renewed its substantial Pre-Accession Facility for lending from its own resources without budgetary guarantee, with a view to helping the countries which have applied for EU membership.

In the **Mediterranean region**, the Bank's lending in support of the economic development of the countries concerned takes place mainly within the framework of the Euro-Mediterranean Partnership. It 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.

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

In **Asia and Latin America**, the Bank finances projects which are of mutual interest to the countries concerned and the European Union – co-financing 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 2.7.

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

In **FYROM**, the Bank focuses on transport infrastructure projects.

In **Bosnia-Herzegovina**, the Bank finances infrastructure projects.

### 2.3.2. *Lending activity*

In 1999, the Bank signed 19 loan contracts in **central and eastern Europe** and in **FYROM** within the framework of the Council decisions (in addition to substantial lending under the Pre-Accession Facility) for an aggregate amount of €966 million. Loans for projects in Bulgaria, Romania and the Slovak Republic accounted for 82% of the aggregate amount. The Bank signed loans pursuant to the Council decisions in 6 countries.

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. Of total financing 83% (€803 million) was allocated to the **communications sector**, including rehabilitation and completion of motorways in Romania on Pan-European Transport Corridor IV, modernisation of the railway networks in the Slovak Republic, Bulgaria and Lithuania, acquisition of aircraft by the Romanian national airline and extension of the GSM network in Lithuania.
- A loan in support of **industry and services**, allocated to a car production plant in the Slovak Republic, accounted for 4% of total financing (€40 million).
- In the **energy sector**, a loan of €4 million was allocated to a district heating network in Romania.
- In the **water management and miscellaneous sector**, €25 million was allocated to protection works on the Black Sea coast and the banks of the Danube – a project with substantial environmental benefits.
- Finally, **global loans** totalling €50 million were allocated in support of SMEs in Bulgaria and the Slovak Republic.

**Table 2-2 Breakdown by country and sector of EIB lending in central and eastern Europe in 1999**

Country	Number of loans	Total loans signed (€ m)	Energy	Communications	Water management & miscellaneous	Industry & services	Global loans
Bulgaria	3	128 <i>100%</i>		80 <i>62.5%</i>	28 <i>21.9%</i>		20 <i>15.6%</i>
FYROM	1	60 <i>100%</i>		60 <i>100.0%</i>			
Latvia	2	28 <i>100%</i>		8 <i>28.6%</i>	20 <i>71.4%</i>		
Lithuania	4	84 <i>100%</i>		63 <i>75.0%</i>	21 <i>25.0%</i>		
Romania	6	396 <i>100%</i>	4 <i>1.0%</i>	392 <i>99.0%</i>			
Slovak Rep.	3	270 <i>100%</i>		200 <i>74.1%</i>		40 <i>14.8%</i>	30 <i>11.1%</i>
<b>Overall</b>	<b>19</b>	<b>966</b> <i>100%</i>	<b>4</b> <i>0.4%</i>	<b>803</b> <i>83.1%</i>	<b>69</b> <i>7.1%</i>	<b>40</b> <i>4.1%</i>	<b>50</b> <i>5.2%</i>

In the **Mediterranean region**, the Bank signed 20 loans in 7 countries in 1999 (not including two loans in Cyprus under the Pre-Accession Facility and 2 loans - 1 in Egypt and 1 in Tunisia - under the Fourth Financial Protocols with those countries). Loans for projects in Egypt and Morocco accounted for 59% of the overall amount.

- 17% of total financing (€122 million) was allocated to the **water management and miscellaneous** sector. Projects financed included the rehabilitation and extension of wastewater networks, sewerage networks and treatment plants in Morocco, Egypt and Turkey.
- In the **energy** sector, which accounted for 0.7% of total financing (€5 million), a gas pipeline in Egypt received assistance.
- Egypt, Jordan, Morocco and Tunisia benefited from loans to the **industry and services** sector representing 46% of total financing (€330 million). The loans went to an industrial gases plant and a hydrocracking unit in Egypt, two chemical plants in Morocco, fertiliser plants in Tunisia and Jordan, and a phosphate mine in Jordan.
- A roads project in Tunisia and a railways project in Morocco were financed under the heading of **communications** and accounted for 23% of total financing in the region (€167 million).
- **Global loans** in Egypt, Lebanon and Turkey accounted for 13% of overall financing (€95 million).



**Table 2-3 Breakdown by country and sector of EIB lending in the Mediterranean basin in 1999**

Country	Number of loans	Total loans signed (€ m)	Energy	Communications	Water management & miscellaneous	Industry & services	Global loans
Egypt	5	165 <i>100%</i>	5 <i>3.0%</i>		30 <i>18.2%</i>	105 <i>63.6%</i>	25 <i>15.2%</i>
Jordan	3	80 <i>100%</i>				80 <i>100.0%</i>	
Lebanon	1	30 <i>100%</i>					30 <i>100.0%</i>
Morocco	6	261 <i>100%</i>		117 <i>44.8%</i>	44 <i>16.9%</i>	100 <i>38.3%</i>	
Gaza-West Bank	1	10 <i>100%</i>			10 <i>100.0%</i>		
Tunisia	2	95 <i>100%</i>		50 <i>52.6%</i>		45 <i>47.4%</i>	
Turkey	2	78 <i>100%</i>			38 <i>48.7%</i>		40 <i>51.3%</i>
<b>Overall</b>	<b>20</b>	<b>719</b> <i>100%</i>	<b>5</b> <i>0.7%</i>	<b>167</b> <i>23.2%</i>	<b>122</b> <i>17.0%</i>	<b>330</b> <i>45.9%</i>	<b>95</b> <i>13.2%</i>

The Bank signed 6 loans in 4 countries of **Asia and Latin America**, together with one loan for a project of regional interest (hurricane reconstruction) in Central America, for an overall amount of EUR 310 million.

- A water treatment project in China accounted for 8% of total financing (EUR 25 million).
- In the **energy** sector, a gas-fired heat and power plant in Thailand and a gas distribution project in Mexico accounted for 31% of total financing (EUR 97 million).
- A **telecommunications** project in Brazil accounted for 19% of total financing (EUR 58 million).
- Loans to industry and SMEs in Brazil accounted for 31% of total financing (EUR 96 million).

**Table 2-4 Breakdown by country and sector of EIB lending in Asia and Latin America in 1999**

Country	Number of loans	Total loans signed (€ m)	Energy	Communications	Water management & miscellaneous	Industry & services	Global loans
Brazil	3	154 <i>100%</i>		58 <i>37.7%</i>		37 <i>24.0%</i>	59 <i>38.3%</i>
Thailand	1	70 <i>100%</i>	70 <i>100.0%</i>				
Central America	1	35 <i>100%</i>					35 <i>100.0%</i>
Mexico	1	27 <i>100%</i>	27 <i>100.0%</i>				
China	1	25 <i>100%</i>			25 <i>100.0%</i>		
<b>Overall</b>	<b>7</b>	<b>311</b> <i>100%</i>	<b>97</b> <i>31.2%</i>	<b>58</b> <i>18.6%</i>	<b>25</b> <i>8.0%</i>	<b>37</b> <i>11.9%</i>	<b>94</b> <i>30.2%</i>

In 1999 the Bank signed 4 loan contracts in the **Republic of South Africa** for an aggregate amount of €150 million, with €55 million going to 2 **energy** projects, €45 million to a **communications** (roads) project and €50 million to a **global loan** benefiting small and medium-scale ventures primarily in the water and sewerage sectors.

### 2.3.3. Risk sharing<sup>5</sup>

During 1999 the Bank continued to work towards the risk-sharing objective. The cumulative total for risk-sharing projects since the start of lending activity within the framework of the Council decisions was €1 484 million on an overall mandate basis at the end of 1999, i.e. 20.5% of the overall lending ceiling and 21.8% of lending to date. Details per region are as follows :

- In **central and eastern Europe**, risk sharing in respect of EIB lending amounted to €819 million, or 23.3% of the lending ceiling for those countries and 24.3% of lending to date. In central and eastern Europe, all lending under the Bank's Pre-Accession Facility is entirely at the Bank's risk and, therefore, risk sharing by the Bank will, "by definition", be more than 50% of overall lending in the region (Pre-Accession Facility lending, to which will be added risk-sharing projects signed within the framework of the Council decisions).

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5 Council Decision 97/256/EC invites the Bank "to aim to cover the commercial risk on 25% of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual mandate basis".

- In the **Mediterranean** region, risk sharing in respect of EIB lending amounted to €71 million, or 3.1% of the lending ceiling for those countries and 3.1% of lending under the mandate (the full amount of which has been signed). In accordance with the programming procedures inherent in the Euro-Mediterranean Partnership, most projects have been signed with governments or public bodies. It is thus not surprising that the risk-sharing total for the Mediterranean countries is relatively low.
- In **Asia and Latin America**, risk sharing in respect of EIB lending amounted to €594 million, or 66% of the lending ceiling<sup>6</sup> for those countries and 77.8% of lending to date.
- No risk-sharing loans have been signed in the **Republic of South Africa** or in **FYROM**.
- The risk-sharing arrangements do not apply to lending in **Bosnia-Herzegovina**.

The regional tables at the end of Section 2.3 identify the loans which are risk-sharing loans.

#### 2.3.4. *Cooperation with other institutions*

In the countries which are **candidates for EU membership**, the Bank's activities are conducted within the framework of the EU programme to help the candidate countries 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 co-financed with other institutions. The Bank's activities thus form part of a concerted approach pursued in close cooperation with the Commission and, where appropriate, with the international financial institutions (IFIs) working in the countries concerned.

The Bank cooperates closely with the PHARE 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 co-financing infrastructure projects.

The contributions of PHARE and the international financial institutions to projects financed by the EIB in 1999 are shown in the table below. Additional projects were co-financed within 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 and within the framework of the Stability Pact for the region.

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<sup>6</sup> An amount of €122 million of lending in Asia and Latin America under the previous interim mandate is also covered by the guarantee arrangements laid down in the Council decisions.

**Table 2-5 Co-financing in central and eastern Europe in 1999**

(€ million)

Country	Project	Cost	EIB	PHARE	Multilateral institutions	Bilateral institutions	Other
Lithuania	Modernisation of railway infrastructure	103.1	40.0		19.4		43.7
	Rehabilitation and up-grading of environmental protection and other municipal infrastructure	100.0	25.0	40.0		25.0	10.0
Romania	Rehabilitation and completion of construction of motorways on Pan-European Transport Corridor IV	420.0	210.0		50.0		160.0
Total		623.1	275.0	40.0	69.4	25.0	213.7

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

**Table 2-6 Co-financing in Mediterranean countries in 1999**

(€ million)

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other <sup>7</sup>
Turkey	Expansion and rehabilitation of sewerage network in Tarsus on south coast; construction of storm-water drainage network and biological wastewater treatment facility	82.1	38.0		18.4	25.7
Egypt	Construction of air separation plant near Alexandria for production of industrial gases	57.1	15.0	3.7		38.4
Morocco	Rehabilitation and extension of wastewater and stormwater network and construction of a treatment plant in Meknès	46.2	23.0		11.6	11.6
	Rehabilitation and extension of the wastewater and stormwater network and construction of a treatment plant in Agadir	51.6	21.0		13.3	17.3
Jordan	Development of Eshidya phos-phate mine in south-east Jordan	99.1	30.0		28.0	41.1
Gaza-West Bank	Rehabilitation of small and medium-scale transport, water supply, sewerage and solid waste disposal infrastructure serving smaller communities	25.0	10.0	7.4		7.6
Total		361.1	137.0	11.1	71.3	141.7

7 Including funds of States, promoters and commercial banks.

In **Asia and Latin America**, the Bank continues to finance projects of mutual interest to the country concerned and to the EU. The mutual interest of loans signed in 1999 is described in the table below.

**Table 2-7 Mutual interest of projects in Asia and Latin America**

<b>Country</b>	<b>Project</b>	<b>Mutual interest</b>
Brazil	Modernisation and expansion of a mobile telephone network in southern state of Rio Grande do Sul	The project will be implemented by a company owned, managed and operated by leading European shareholders. These European companies have made massive strategic long-term investments in Latin America and in Brazil in particular; the Bank will support them in this new investment in emerging markets.
	Modernisation of tyre factory	The project will be implemented by a subsidiary of a leading European company. A European commercial bank is acting as guarantor.
	Financing for small and medium-scale ventures	The global loan will be used to finance investment projects of mutual interest. Both medium-sized and large companies could be the final beneficiaries. The availability of long-term funds will widen the range of funding, accelerate project implementation and reduce the financial burden of such investments, thus supporting the financial viability of the projects and the long-term development of the Brazilian economy. The global loan will thereby enhance the Bank's support for European companies investing in Brazil.
Thailand	Construction and operation of natural gas-fired combined heat and power plant in Chonburi industrial estate, south-east of Bangkok	The borrower is a 100% subsidiary of a joint venture involving Tractebel Belgium. The project will give Tractebel an additional foothold in the region. It will also lead to a substantial transfer of European expertise, especially in the management of a combined-cycle power station, as the turnkey contract to construct the plant has been awarded to a European group. In a wider context, the project will promote some of the major aims of the EU-ASEAN Cooperation Agreement, which includes particular reference to cooperation in the fields of energy and improvement of the environment.
Central America	Financing for reconstruction schemes and expansion of private-sector ventures in areas affected by Hurricane Mitch	The global loan is a special EIB contribution to the response of the international community to Hurricane Mitch. In view of the exceptional nature of the loan, eligibility for allocations is not restricted to firms with a European interest in the form of joint ventures or European investments, which would very much narrow the scope and diminish the utility of the operation.
Mexico	Construction and operation of gas distribution network in Mexico City	The project is a joint venture with strong European participation. It also involves a significant transfer of technology and will open up the Mexican market to one of the most important European firms in the sector, thus enhancing the firm's competitiveness.
China	Construction of a drinking water treatment plant in Chengdu (Sichuan Province)	Compagnie Générale des Eaux Sahide, a French company, holds the majority interest in the borrower. The project will strengthen European competitiveness in the fast-growing water sector in China, which is opening up to foreign private investors. It will also involve the transfer to China of European expertise in water treatment technology and efficient plant operation and management.

Wherever possible, the Bank cooperates with other IFIs in Asia and Latin America. The table below gives details of co-financing.

**Table 2-8 Co-financing in Asia and Latin America in 1999**

(€ million)

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other <sup>8</sup>
China	Construction of a drinking water treatment plant in Chengdu (Sichuan Province)	92.8	24.8	23.0		45.0

### 3. BUDGETARY IMPACT OF BORROWING AND LENDING

The Community's general budget is affected by lending activities where loans are accompanied by interest subsidies and/or budget guarantees.

#### 3.1. Interest subsidies

Interest subsidies are granted by the Community in the following fields (see Table 4.7):

- (a) under the "SME facility";
- (b) industrial conversion of coal and steel areas (Article 56 of the ECSC Treaty);
- (c) reconstruction in the disaster-hit areas of Italy, Greece and Portugal (Autonomous Region of Madeira).

The Copenhagen European Council in 1993 increased by ECU 3 billion the funds available for the temporary facility agreed in Edinburgh for major infrastructure projects. Of that amount, ECU 1 billion was earmarked for measures to strengthen the competitiveness of small and medium-sized enterprises in Europe and was combined with interest subsidies linked to job creation. The subsidy amounted to ECU 3 000 per additional job created (equivalent on average to an interest-rate reduction of two percentage points). The allocation of loans ended on 15 December 1995, the ECU 1 billion limit having been reached.

No ECSC loans have been signed since 1998, and there has therefore been no further budgetary impact resulting from Article 56 of the Treaty.

The aggregate amount of interest subsidies granted for the reconstruction of disaster-hit areas in 1999 was EURO €2.2 million. This includes payments made directly by the Commission to the Autonomous Region of Madeira without EIB involvement (€475 500).

Interest subsidies are also provided in connection with certain EIB loans outside the Community. These are included in the budgetary and EDF resources shown in Table 2.1.

#### 3.2. Budget guarantees

The situation with regard to guarantees is described in the Commission report on the Budget Guarantee Fund, which is drawn up every six months by DG BUDG.

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8 Including funds of States, promoters and commercial banks.

#### 4. STATISTICAL ANNEX

**Table 4-1 Trend of borrowing and lending in the Community**

(€ million)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>I. Borrowing</b>									
<b>ECSC</b>	1 446	1 474	908	644	386	298	474	-	-
<b>Balance-of-payments (1)</b>	1 695	1 209	4 969	402	410	155	195	403	108
<b>Euratom</b>	-	-	-	49	-	-	-	-	-
<b>NCI</b>	49	-	-	70	66	-	-	-	-
<b>Total Commission</b>	3 190	2 683	5 877	1 165	862	453	669	403	108
<b>EIB (2)</b>	13 672	12 974	14 224	14 148	12 395	17 553	23 026	30 098	28 355
<b>Total EC</b>	16 862	15 657	20 101	15 313	13 257	18 006	23 695	30 501	28 463
<b>II. Lending</b>									
<b>ECSC</b>	1 382	1 486	918	674	409	280	541	21	-
<b>Balance-of-payments (1)</b>	1 695	1 209	4 969	402	410	155	195	403	108
<b>Euratom</b>	-	-	-	49	-	-	-	-	-
<b>NCI</b>	39	9	30	-	-	-	-	-	-
<b>Total Commission</b>	3 116	2 704	5 917	1.125	813	435	736	424	108
<b>EIB (3)</b>	14 438	16 066	17 724	17 682	18 604	20 946	22 958	25 116	27 765
<b>Total EC</b>	17 554	18 770	23 641	18 807	19 417	21 381	23 694	25 540	27 873
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 out of own resources, no account being taken of the guarantees provided by the EIB to promoters of or operations financed out of NCI resources.								

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

(ECU/€ million)

	<b>EIB (2)</b>	<b>ECSC</b>	<b>NCI</b>	<b>Euratom</b>	<b>Sub-total</b>	<b>Balance of payments</b>	<b>Total borrowing</b>
<b>1982</b>	16 570	6 178	1 747	1 272	25 767	591	26 358
<b>1983</b>	20 749	6 539	3 269	1 680	32 237	4 610	36 847
<b>1984</b>	25 007	7 119	4 432	1 892	38 450	4 932	43 382
<b>1985</b>	26 736	7 034	4 960	2 013	40 743	3 236	43 979
<b>1986</b>	30 271	6 761	5 202	2 168	44 402	1 890	46 292
<b>1987</b>	31 957	6 689	5 229	2 500	46 375	2 997	49 372
<b>1988</b>	36 928	6 825	5 514	2 164	51 431	2 459	53 890
<b>1989</b>	42 330	6 738	5 122	1 945	56 135	2 075	58 210
<b>1990</b>	48 459	6 673	4 542	1 687	61 361	(3) 2 045	63 406
<b>1991</b>	58 893	7 139	3 817	1 563	71 412	3 513	74 925
<b>1992</b>	67 784	7 327	3 326	1 338	79 775	4 035	83 810
<b>1993</b>	78 661	7 331	2 202	1 018	89 212	8.422	97 634
<b>1994</b>	83 673	6 548	1 570	779	92 570	8.492	101 062
<b>1995</b>	87 079	5 966	1 113	720	94 878	8 032	102 910
<b>1996</b>	96 649	4 677	748	572	102 646	6 661	109 307
<b>1997</b>	110 394	3 637	218	118	114 367	5 853	120 220
<b>1998</b>	123 767	2 806	168	28	126 769	4 166	130 935
<b>1999</b>	148 086	2 432	130	12	150 660	4 074	154 734

(1) The conversion rates used were those obtaining 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 1999, by currency**

(€ million)

	<b>EIB</b>	<b>Balance of payments (1)</b>	<b>Total borrowing</b>	<b>1998 %</b>	<b>1999 %</b>
<b>EURO</b>	12 422 (2)	108	12 530	13.0	44.0
<b>BEF</b>	-	-	-	-	-
<b>DEM</b>	-	-	-	15.3	-
<b>ESP</b>	-	-	-	3.6	-
<b>FRF</b>	-	-	-	2.8	-
<b>IEP</b>	-	-	-	-	-
<b>ITL</b>	-	-	-	13.8	-
<b>LUF</b>	-	-	-	-	-
<b>NLG</b>	-	-	-	-	-
<b>ATS</b>	-	-	-	-	-
<b>PTE</b>	-	-	-	1.3	-
<b>FIM</b>	-	-	-	0.4	-
<b>Total EURO</b>	12 422	108	12 530	50.2	44.0
<b>DKK</b>	186	-	186	0.1	0.7
<b>GBP</b>	6 974	-	6 974	26.5	24.5
<b>GRD</b>	15	-	15	0.8	0.1
<b>SEK</b>	60	-	60	0.4	0.2
<b>Total Pre-ins</b>	7 236	-	7 236	27.8	25.4
<b>Total EU</b>	19 658	108	19 766	78.0	69.4
<b>USD</b>	7 825	-	7 825	21.2	27.5
<b>CHF</b>	622	-	622	0.4	2.2
<b>JPY</b>	-	-	-	-	-
<b>NOK</b>	-	-	-	0.2	-
<b>CZK</b>	85	-	85	0.1	0.3
<b>ZAR</b>	116	-	116	0.1	0.4
<b>HUF</b>	49	-	49	0.1	0.2
<b>Subtotal</b>	8 697	-	8 697	22.0	30.6
<b>TOTAL</b>	28 355	108	28 463	100.0	100.0
Fixed-rate	6 505		6 505	53.0	22.9
Variable-rate	21 850		21 850	47.0	77.1
(1)	Balance-of-payments and financial assistance for non-member countries.				
(2)	From 1997 to 1998, issued in euros with payment in ecus.				

**Table 4-4 Breakdown of NCI loans by currency: amounts outstanding as at 31.12.1999**

Currency	(million)	Equivalent in € million (1)
ECU	70.0	70.0
DEM	5.0	2.6
NLG	51.9	23.6
GBP	11.5	18.5
CHF	25.0	15.6
<b>Total</b>		<b>130.3</b>
(1) Exchange rate as at 31.12.1999.		

**Table 4-5 Interest subsidies paid out by the various Community mechanisms 1987-99**

(ECU/€ million)

Year	Discounted systems (1)	Non-discounted systems (2)			
		within the Community			
	SME facility	Art. 54 ECSC (restruct.)	Art. 56 ECSC (conver.)	Employment in Portugal	Disaster reconstr.
<b>1987</b>	-	2.4	35.6	4.0	28.6
<b>1988</b>	-	3.0	38.6	3.9	27.8
<b>1989</b>	-	2.6	42.5	-	26.6
<b>1990</b>	-	1.3	40.6	-	23.1
<b>1991</b>	-	1.0	48.6	-	20.1
<b>1992</b>	-	-	106.0	-	17.2
<b>1993</b>	-	-	114.3	-	12.3
<b>1994</b>	65.5	-	51.1	-	9.3
<b>1995</b>	2.8	-	11.5	-	6.1
<b>1996</b>	25.3	-	36.8	-	4.3 (3)
<b>1997</b>	-	-	1.8	-	4.0
<b>1998</b>	-	-	-	-	2.8
<b>1999</b>	-	-	-	-	2.2

(1) Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.

(2) Interest subsidies paid by the Commission after discounting to a present value and charged to the budget as a single sum in the initial year.

(3) As from 1996, including the interest subsidy paid direct by the Commission to the Autonomous Region of Madeira (Council Decision 95/250/EC of 29 June 1995).

**Table 4-6 Loans signed in 1999 by the EIB in Central and Eastern Europe and FYROM**

Country	Description	Loan (€ m)	Risk sharing
<b>Romania</b>	Rehabilitation of district heating network in municipality of Cluj-Napoca	3.5	No
	Rehabilitation and completion of construction of motorways on Pan-European Transport Corridor IV	210.0	No
	Modernisation of tram network in Bucharest	63.0	No
	Renewal of rolling stock and infrastructure completion for Bucharest underground railway system	60.0	No
	Modernisation of tram network in Timisoara	19.0	No
	Acquisition of ATR-42 aircraft by flagship carrier TAROM and rehabilitation of airline's maintenance hangar at Bucharest Otopeni Airport	40.0	No
<b>Total</b>		<b>395.5</b>	
<b>Slovak Rep.</b>	Modernisation of railway network and purchase of rolling stock	200.0	No
	Construction of a car production plant at Bratislava	40.0	Yes
	Financing for small and medium-scale ventures	30.0	Yes
<b>Total</b>		<b>270.0</b>	
<b>Bulgaria</b>	Upgrading of the Plovdiv-Dimitrovgrad-Svilengrad rail line	80.0	No
	Construction of wastewater treatment plants and sewage collectors in three towns in lower Maritsa basin	28.0	No
	Financing for small and medium-scale ventures	20.0	Yes
<b>Total</b>		<b>128.0</b>	
<b>Latvia</b>	Upgrading of Ventspils port infrastructure	8.0	No
	Refurbishment and upgrading of environmental and other municipal infrastructure	20.0	No
<b>Total</b>		<b>28.0</b>	
<b>Lithuania</b>	Modernisation of railway infrastructure	18.0	No
	Expansion and development of GSM mobile telecommunications network	45.0	Yes
	Rehabilitation and modernisation of wastewater treatment plant at Panevezys	6.0	No
	Rehabilitation and upgrading of environmental protection and other municipal infrastructure	15.0	No
<b>Total</b>		<b>84.0</b>	
<b>FYROM</b>	Construction of Skopje bypass and upgrading of north-south highway	60.0	No
<b>Total</b>		<b>60.0</b>	
<b>Grand Total</b>		<b>965.5</b>	

**Table 4-7 Loans signed in 1999 in the Mediterranean countries**

Country	Description	Loan (€ m)	Risk sharing
<b>Morocco</b>	Track realignment and dualling of rail line between Sidi Kacem and Fez	55.0	No
	Acquisition of port equipment and modernisation of infrastructure at eight major ports	30.0	No
	Modernisation and upgrading of breakwaters and jetties in six of Morocco's main ports	32.0	No
	Rehabilitation and extension of wastewater and stormwater network and construction of a treatment plant in Meknès	23.0	No
	Rehabilitation and extension of the wastewater and stormwater network and construction of a treatment plant in Agadir	21.0	No
	Modernisation and environmental upgrading of sulphuric acid, phosphoric acid and fertiliser production units at two OCP chemical plants in Safi and Jorf Lasfar	100.0	No
<b>Total</b>		<b>261.0</b>	
<b>Tunisia</b>	Improvements to urban road networks of Greater Tunis and other major cities	50.0	No
	Landfill site development for disposal of gypsum (waste product from fertiliser production at Gabès)	45.0	No
<b>Total</b>		<b>95.0</b>	
<b>Egypt</b>	Construction of gas pipeline from Suez Canal to Meet Nama (north of Cairo)	5.0	No
	Upgrading and extension of Alexandria's wastewater collection and treatment system	30.0	No
	Construction of hydrocracking unit and related equipment at Suez	100.0	No
	Construction of air separation plant near Alexandria for production of industrial gases	5.0	Yes
	Financing of environmentally-friendly infrastructure serving hotel and other tourism projects in South Sinai and Red Sea areas	25.0	No
<b>Total</b>		<b>165.0</b>	
<b>Jordan</b>	Development of Eshidya phosphate mine in south-east Jordan	30.0	No
	Construction of production plant for chemical fertiliser and animal feed in Aqaba	30.0	No
	Construction of new manufacturing facilities for bromine and bromine derivatives at Safi, on southern shore of Dead Sea	20.0	No
<b>Total</b>		<b>80.0</b>	
<b>Lebanon</b>	Financing for industrial modernisation ventures	30.0	No
<b>Total</b>		<b>30.0</b>	
<b>Turkey</b>	Expansion and rehabilitation of sewer network in Tarsus on south coast; construction of stormwater drainage network and biological wastewater treatment facility	38.0	No
	Financing for combined-cycle plants for autoproduction of heat and power to cover industrial needs (2 global loans)	20.0 20.0	No
<b>Total</b>		<b>78.0</b>	
<b>Gaza-West Bank</b>	Rehabilitation of small and medium-scale transport, water supply, sewerage and solid waste disposal infrastructure serving smaller communities	10.0	No
<b>Total</b>		<b>10.0</b>	
<b>Grand Total</b>		<b>719.0</b>	

**Table 4-8 Loans signed in 1999 in Asia and Latin America**

<b>Country</b>	<b>Description</b>	<b>Loan (€ m)</b>	<b>Risk sharing</b>
Brazil	Modernisation and expansion of a mobile telephone network in southern state of Rio Grande do Sul	57.7	Yes
	Modernisation of tyre factory	37.0	Yes
	Financing for small and medium-scale ventures	59.0	Yes
<b>Total</b>		<b>153.7</b>	
<b>Thailand</b>	Construction and operation of natural gas-fired combined heat and power plant in Chonburi industrial estate, south-east of Bangkok	70.0	Yes
<b>Total</b>		<b>70.0</b>	
Regional Central America	Financing for reconstruction schemes and expansion of private-sector ventures in areas affected by Hurricane Mitch, in industrial, service, energy, telecommunications and environmental sectors	35.0	No
<b>Total</b>		<b>35.0</b>	
Mexico	Construction and operation of gas distribution network in Mexico City	26.6	Yes
<b>Total</b>		<b>26.6</b>	
China	Construction of a drinking water treatment plant in Chengdu (Sichuan Province)	24.8	Yes
<b>Total</b>		<b>24.8</b>	
<b>Grand Total</b>		<b>310.1</b>	

**Table 4-9 Loans signed in 1999 in the Republic of South Africa**

<b>Country</b>	<b>Description</b>	<b>Loan (€m)</b>	<b>Risk sharing</b>
South Africa	Expansion of Mossel Bay gas field	40.0	No
	Interconnection between electricity transmission grids of South Africa, Swaziland and Mozambique and power supply to Mozal aluminium smelter in Mozambique	14.6	No
	Modernisation and upgrading of toll road between Gauteng and Kwazulu-Natal	45.0	No
	Financing for small and medium-scale ventures, primarily in the water and sewerage sectors	50.0	No
<b>Total</b>		<b>149.6</b>	