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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
2000**

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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 suspended 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 EU. 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 the Latin American and Asian countries and in South Africa. The same requirements were extended in 1998 to the situation regarding EIB loans to the Former Yugoslav Republic of Macedonia (Decision 98/348/EC), Bosnia-Herzegovina (Decision 98/729/EC) and Croatia (Decision 2000/688/EC).

In order to meet these requirements, this report describes operations for each of the areas concerned. In order to give an overview of lending activities, it also includes a brief summary of Community macrofinancial assistance to central and eastern European countries and of interest subsidies and guarantees linked to Community loans.

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

1. BORROWING ACTIVITIES IN 2000

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 suspension of **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 2000. 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 the Union and outside it in the above regions.

1.2. Borrowing trends

Despite the above circumstances, borrowings by the European institutions showed a slight increase (2.6%) in 2000 to EUR 29.2 billion, as against EUR 28.5 billion 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 2000 was EUR 163.6 billion, 7% up on 1999 (see Table 4-2 in the annex).

Following the introduction of the single currency on 1 January 1999, issues in euros remained predominant in 2000 (accounting for just under 43% of all issues), while issues in other Community currencies rose from 25% to 39% of issues. The total amount of such issues thus grew rapidly at the expense of non-Community currencies, which fell from 30% to 18% of the total. Issues in US dollars fell by 50%.

Economic and financial uncertainties meant that borrowers showed an even greater preference for variable-rate loans than in the previous year. These rose from 77% of issues in 1999 to 82% last year.

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

2. LENDING IN THIRD COUNTRIES

2.1. Overview

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. It generally involves bilateral loans (macrofinancial or balance-of-payments support) in cases where the Union helps to restore the macroeconomic equilibria in a particular country. In other cases, it may involve ordinary loans in the form of either direct financing for individual projects or global loans for banking institutions, which allocate them to smaller local projects.

In the first case, the Commission administers the financing in accordance with the Council directives. In the second case, it is essentially the EIB that administers the loans on its usual terms, very often with a guarantee from the Commission budget. The geographical areas in which the Community provides such assistance are shown in Table 2-1.

Table 2-1 Financing outside the Community in 2000 - summary

(in EUR million)

	Macro-financial assistance (1)	E I B (2)		TOTAL
		Budgetary and EDF resources (3)	Own resources	
CEECs	160	-	1 484	1 644
Mediterranean basin	-	-	1 193	1 193
Latin America and Asia	-	-	532	532
Republic of South Africa	-	-	140	140
ACP-OCT	-	215 (4)	186	401
Total	160	215	3 535	3 910
(1) Disbursements.				
(2) Signatures.				
(3) Signed and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).				
(4) Of which EUR 8 million from the EDF-Sysmin budget.				

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 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. However, as the applicant countries make considerable progress in terms of macroeconomic adjustment, macrofinancial assistance will prove to be less necessary. The Balkans region currently receives from the Community a significant amount of macrofinancial assistance which includes a large "grant" element.

Table 2-2 Disbursements of loans under macrofinancial assistance arrangements for third countries - period from 1996 to 2000 (EUR million)

	1996	1997	1998	1999	2000	Total
Total by region and country						
"Enlargement" countries	40	70	250	40	160	560
of which:						
Bulgaria	40		250	40	60	390
Romania		70			100	170
Other CEECs - western Balkans		25	15	10		50
of which: (1)						
Bosnia-Herzegovina (2)				10		10
FYROM (3)		25	15			40
NIS	115	100	138	58		411
of which:						
Armenia (4)			28			28
Georgia (4)			110			110
Moldova	15					15
Ukraine	100	100		58		258
Grand Total	155	195	403	108	160	<u>1021</u>

(1) An outright grant of EUR 20 million was disbursed to Albania in 1996. Disbursements of EUR 35 million and EUR 7 million respectively in the form of outright grants were made to Kosovo and Montenegro in 2000.

(2) The loan was accompanied by grants totalling EUR 15 million.

(3) EUR 20 million in outright grants was disbursed in 2000 under a new operation.

(4) Exceptional financial assistance - these loans to Armenia and Georgia were supplemented by grants of EUR 8 million and EUR 10 million respectively in 1998 and by outright grants of EUR 4 million and EUR 9 million respectively in 1999.

In 2000 the Council decided on **two macrofinancial assistance operations**: one in the form of loans to Moldova (maximum of EUR 15 million) and the other consisting of both loans and grants to Tajikistan (maximum of EUR 75 million in loans and EUR 35 million in grants). Two budget-support operations in the form of outright grants were also approved in 2000: one for Kosovo (maximum of EUR 35 million) and the other for Montenegro (maximum of EUR 20 million).

As regards **disbursements**, assistance in the form of loans amounted to EUR 160 million in 2000, broken down as follows: EUR 100 million for Romania and EUR 60 million for Bulgaria, under operations approved by the Council in November 1999. Assistance totalling EUR 62 million was also paid out in 2000 in the form of outright grants, of which EUR 20 million went to FYROM (Council Decision of November 1999), EUR 35 million to Kosovo (Council Decision of February 2000) and EUR 7 million to Montenegro (Council Decision of May 2000).

2.3. EIB lending under Council Decisions 97/256/EC and 2000/24/EC (and related amendments²)

This section 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 and Article 2 of Council Decision 2000/24/EC, i.e. it comprises the six-monthly report for the second half of 2000 and the annual report for 2000 in respect of lending under both decisions. The countries and areas covered are: central and eastern Europe, the Mediterranean, Latin America and Asia, the Republic of South Africa, FYROM, Bosnia-Herzegovina, Croatia and Turkey.

2.3.1. EIB objectives and priorities

In **central and eastern Europe**, the Bank is lending in the countries that have applied for EU membership and helping them to create the economic framework that will enable them to join (the Bank also assists Cyprus, Malta and Turkey, which are applicant countries outside that region).³ In addition, the Bank provides lending in Albania, FYROM, Bosnia-Herzegovina and (since 2000) Croatia.

The EIB gives priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on Trans-European Networks (TENs) in the form 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, in particular when involving EU partners either directly or through its global loan instrument.

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 risk capital from EU budgetary sources managed by the Bank. In addition to its lending under mandate and at the request of the Council, the Bank, subject to authorisation from its Board of Governors, is about to launch a programme of lending from its own resources, without budgetary guarantee, under its forthcoming 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 (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 2-11.

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.

² See Decisions 98/348/EC, 98/729/EC, 99/786/EC and 2000/688/EC.

³ 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 in order to help the countries that have applied for EU membership.

In this connection, the summary of EIB activities since 1996 is as follows.

Table 2-3 Signatures on own resources in non-EU countries

(excluding any signatures from pre-accession facilities)

	1996	1997	1998	1999	1 st half 2000	2nd half 2000	Total 1996-2000
CEECs (1994-96)	1 086	20	0	0	0	0	1 106
CEECs (1997-2000)	0	1 466	997	906	77	77	3 523
CEECs (2000-07)	0	0	0	0	0	1 347	1 347
Slovenia (Protocol 1)	30	0	0	0	0	0	30
FYROM	0	0	70	60	0	0	130
Bosnia-Herzegovina	0	0	0	0	60	60	120
MED (non Protocol 1992-96)	562	0	0	0	0	0	562
MED (Partnership 1997-2000)	0	934	677	719	0	0	2 330
MED (Partnership 2000-07)	0	0	0	0	160	698	858
MED (Protocols 3 and 4)	115	152	153	26	45	120	611
Turkey Terra	0	0	0	0	225	375	600

ALA (1993-96)	45	10	0	0	0	0	55
ALA (1996-97)	0	205	70	0	0	0	275
ALA (1997-2000)	0	163	292	310	136	136	1 037
ALA (2000-07)	0	0	0	0	70	397	467
RSA (1995-97)	56	199	0	0	0	0	255
RSA (1997-2000)	0	0	135	150	90	90	465
RSA (2000-07)	0	0	0	0	0	50	50
ACP (1990-95)	296	37	44	0	0	0	377
ACP (1996-2000)	0	0	245	183	39	179	646
OCT (1990-95)	0	4	0	0	0	0	4
OCT (1996-2000)	0	0	0	14	2	7	23
							0
TOTAL	2 190	3 190	2 683	2 368	904	3 536	14 871

2.3.2. Lending in 2000

In 2000 the Bank signed 20 loan contracts totalling EUR 1 484 million in **central and eastern Europe** within the framework of the Council Decisions. Loans for projects in Bulgaria, Romania and the Slovak Republic accounted for 85% of the total. The Bank signed loans in 7 countries.

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. Of total financing of EUR 766 million, 52% was allocated to the **communications sector**, including construction of two motorway sections in Bulgaria on Pan-European Transport Corridor VII, construction of a combined road-rail bridge on Pan-European Transport Corridor IV between Bulgaria and Romania, modernisation of the road and railway networks in Romania and Bosnia-Herzegovina, modernisation of port infrastructure in Lithuania, and extension and modernisation of the fixed telecommunications networks in the Slovak Republic and Slovenia.

- A loan in support of **industry and services** for a car production plant in the Slovak Republic accounted for 11% of total financing (EUR 160 million).
- In the **energy sector**, 11% of total financing (EUR 156 million) was allocated to electricity supply equipment and other facilities in Romania and to rehabilitation of electricity networks in Bosnia-Herzegovina.
- In the **water management and miscellaneous sector**, EUR 360 million (25%) were allocated to reconstruction and prevention measures following flood damage in Romania as well as to rehabilitation of urban infrastructure, while EUR 12 million went towards a waste incineration project in the Slovak Republic
- Finally, **global loans** totalling EUR 30 million (2%) were allocated in support of SMEs in Bulgaria and the Slovak Republic.

Table 2-4 Breakdown by country and sector of EIB lending in central and eastern Europe in 2000

Country	Number of loans	Total loan signatures (EUR m)	Energy	Communications	Water management and miscellaneous	Industry and services	Global loans
Albania	1	34 100%		34 100%			
Bosnia-Herzegovina	2	120 100%	60 50%	60 50%			
Bulgaria	3	160 100%		150 94%			10 6%
Lithuania	1	10 100%		10 100%			
Romania	8	853 100%	96 11%	397 47%	360 42%		
Slovak Rep.	4	242 100%		50 21%	12 5%	160 66%	20 8%
Slovenia	1	65 100%		65 100%			
Overall	20	1 484 100%	156 11%	766 52%	372 25%	160 11%	30 2%

In the **Mediterranean region**, the Bank signed 19 loans in 8 countries in 2000. One loan in Algeria absorbed some small amounts remaining under the Third and Fourth Financial Protocols with that country, while a first loan was granted under the Third Financial Protocol with Syria.

Loans for projects in Turkey accounted for some 48% of overall lending, while Algeria and Tunisia accounted for a further 24%.

- Some 38% of total financing (EUR 455 million) was allocated to the **water management and miscellaneous** sector. Projects financed included the rehabilitation and reconstruction of earthquake-damaged urban infrastructure in Turkey as well as agricultural drainage and regional waste management development in Egypt and Tunisia respectively.
- Road projects in Algeria and Morocco and rail projects in Tunisia were financed under the heading of **communications** and accounted for 21% of total financing in the region (EUR 248 million).

- Jordan, Morocco and Turkey benefited from loans to the **industry and services** sector representing 13% of total financing (EUR 160 million). The loans went to a phosphate mine and manufacturing facilities for bromine and bromine derivatives in Jordan, development of a gold mine in Morocco and investment in pollution abatement measures in Turkey.
- In the **energy** sector, EUR 120 million (10% of total financing) went towards upgrading the power transmission and supply networks in Syria and Tunisia.
- **Global loans** in Egypt, Gaza/West Bank, Tunisia and Turkey accounted for 18% of overall financing (EUR 210 million*).

Table 2-5 Breakdown by country and sector of EIB lending in the Mediterranean countries in 2000

Country	Number of loans	Total loan signatures (EUR m)	Energy	Communications	Water management and miscellaneous	Industry and services	Global loans
Turkey	5	575 100%			380 65%	70 12%	125* 22%
Tunisia	5	150 100%	45 30%	55 37%	25 17%		25 17%
Algeria	1	140 100%		140 100%			
Morocco	2	83 100%		53 64%		30 36%	
Egypt	2	100 100%			50 50%		50 50%
Syria	1	75 100%	75 100				
Jordan	2	60 100%				60 100%	
Gaza-West Bank	1	10 100%					10 100%
Overall	19	1 193 100%	120 10%	248 21%	455 38%	160 13%	210 18%

*Of which EUR 75m under TERRA for industrial rehabilitation in the earthquake area.

The Bank signed 11 loans for an overall amount of EUR 532 million in 6 countries in **Asia and Latin America**.

- Loans in favour of the **industry and services** sector in Argentina, Bangladesh and Brazil accounted for 27% of total financing (EUR 144 million).
- In the **energy** sector, gas pipeline and power station projects in Argentina, Mexico and Indonesia accounted for 43% of total financing (EUR 227 million).
- **Communications** projects, including telecommunications in Brazil and an air traffic control complex in Thailand, accounted for EUR 139 million (26%).
- EUR 20 million was allocated to a **water supply and treatment** project in Argentina (4%).

Table 2-6 Breakdown by country and sector of EIB lending in the Asian and Latin American countries in 2000

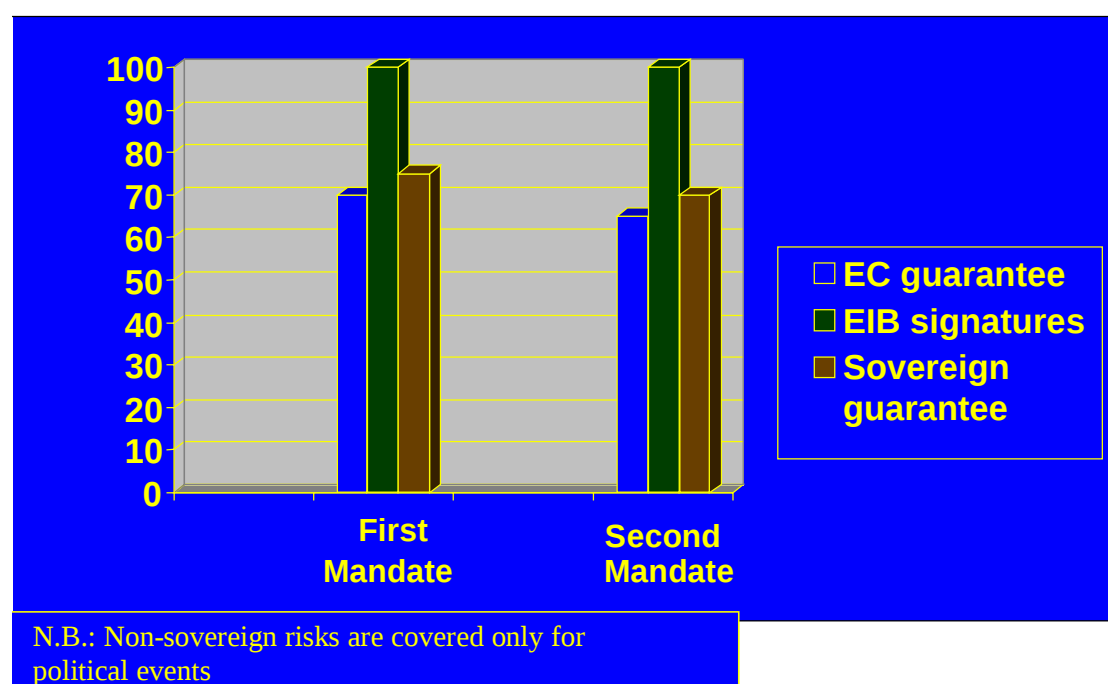
Country	Number of loans	Total loan signatures (EUR m)	Energy	Communications	Water management and miscellaneous	Industry and services	Global loans
Brazil	3	205 100%		113.5 55%		91.5 45%	
Argentina	4	147 100%	109.5 74%		20.4 14%	17.1 12%	
Indonesia	1	70 100%	70 100%				
Mexico	1	47.7 100%	47.7 100%				
Bangladesh	1	36.2 100%				36.2 100%	
Thailand	1	26.4 100%		26.4 100%			
Overall	11	532.3 100%	179.5 34%	139.9 26%	20.4 4%	192.5 36%	0 0%

In 2000 the Bank signed 4 loan contracts totalling EUR 140 million in the **Republic of South Africa**, with EUR 50 million (36%) going to a telecommunications project, EUR 25 million (18%) to an industrial project and EUR 65 million (46%) to **global loans** benefiting small and medium-scale ventures.

2.3.3. Risk sharing⁴

The Council Decisions provide coverage under the Community guarantee for 65% of the overall amount of loans signed. Under the risk-sharing arrangements, EIB loans with non-sovereign project guarantees are covered only for political risk by the Community guarantee, whereas loans with sovereign project guarantees are covered for all risks by it. The Bank would call the Community guarantee for an individual loan only if the project guarantee for that loan failed to reimburse the Bank, either for political reasons in the case of a non-sovereign project guarantee or for any reason in the case of a sovereign project guarantee. Such a call would be for the full loan amount outstanding.

**Guarantee and nature of risks covered by the
Community for EIB loans
outside the EU**



During 2000 the Bank continued to work towards the risk-sharing objective. As the amount signed under the new mandates⁵ is inevitably rather small, the percentages for risk sharing under the mandates up to 31 January 2000 and those in force since that date are given separately.

First mandates (Council Decisions covering the period from 31 January 1997 to 31 January 2000)

The cumulative total for risk-sharing loans since the start of lending under the Council Decisions relating to the period up to 31 January 2000 was EUR 1 697 million at the end of 2000, i.e. 23% of the overall lending ceiling and 24% of lending to date. The details for each region are as follows:

⁴ 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".
⁵ Council Decision 2000/24/EC, with the risk-sharing target increased to 30%.

- In **central and eastern Europe**, risk sharing in respect of EIB lending amounted to EUR 896 million (25.4% of the lending ceiling for those countries and 26% of lending to date). With reference to central and eastern Europe, it should be noted that all lending under the Bank's Pre-Accession Facility is entirely at the Bank's risk.
- In the **Mediterranean** region, the full amount of the first mandate had already been signed at the end of 1999). Risk sharing in respect of EIB lending remained, therefore, unchanged at EUR 71 million (3.1 % of lending under the first mandate).
- In **Asia and Latin America**, risk sharing in respect of EIB lending totalled EUR 730 million, or 81% of the lending ceiling⁶ for those countries (the full amount of which has been signed).
- No risk-sharing loans have been signed in the **Republic of South Africa**.
- The risk-sharing arrangements do not apply to lending in **Bosnia-Herzegovina**.

Second mandates (Council Decisions covering the period from 1 February 2000 to 31 January 2007)

The cumulative total for risk-sharing projects under the Council Decisions as from 1 February 2000 was EUR 560 million at the end of 2000, i.e. 22% of lending to date.

- In **central and eastern Europe**, risk sharing in respect of EIB lending totalled EUR 230 million, i.e. 17% of lending to date.
- In the **Mediterranean** region, one project representing 4% of the amounts signed has been signed under the risk-sharing arrangement. 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**, risk sharing in respect of EIB lending amounted to EUR 300 million, or 76% of lending to date.

Risk sharing at 31 December 2000 is shown below for each mandate.

⁶

An amount of EUR 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 2-7 Risk sharing at 31.12.2000 – First mandate (EUR million)

	Mandate ceilings	Total amounts of loans signed at 31.12.2000	No of loans signed with risk sharing	Amount of loans signed with risk sharing	Percentage of risk sharing achieved to date
	(1)	(2)	(3)	(4)	(5) = (4) / (2)
CEECs	3 520	3 445.5	21	896	26.0 %
Mediterranean	2 310	2 310	5	71	3.1 %
ALA	900	900	17	730	81.1 %
RSA	375	374.6	0	0	-
FYROM	150	130	0	0	-
Total	7 255	7 160	43	1 697	23.7 %

Table 2-8 Risk sharing at 31.12.2000 – Second mandate (EUR million)

	Mandate ceilings	Total amounts of loans signed at 31.12.2000	No of loans signed with risk sharing	Amount of loans signed with risk sharing	Percentage of risk sharing achieved to date
	(1)	(2)	(3)	(4)	(5) = (4) / (2)
CEECs	8 930	1 347	3	230	17.1 %
Mediterranean	6 425	701	1	30	4.3 %
ALA	2 480	397	7	300	75.6 %
RSA	825	50	0	0	-
Total	18 660	2 495	11	560	22.4 %

The regional tables at the end of section 4 (Tables 4-5 to 4-8) identify the loans which are risk-sharing loans.

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 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 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 cooperates with PHARE in co-financing infrastructure projects.

The contributions of PHARE/ISPA and the IFIs to projects financed by the EIB in 2000 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 within the framework of the Stability Pact for the region.

Table 2-9 Co-financing in central and eastern Europe and the Balkans in 2000

Country	Project	Cost	EIB	PHARE/ ISPA*	Multilateral institutions	Bilateral institutions	Other ⁷
Albania	Rehabilitation and upgrading of about 86km of roads	71	34	8		20	9
Bosnia-Herzegovina	Electric power reconstruction	223	60		70	62	31
Romania	Improvement of power transmission system	200	96	21	54		29
Romania	Road rehabilitation IV	491	245	72*			174
Total		985	435	101	124	82	243

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 co-financing operations. The contributions of these institutions to projects financed by the EIB are shown in the table below.

⁷ Including funds of States, promoters and commercial banks.

Table 2-10 Co-financing in the Mediterranean countries in 2000

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other ⁴
Egypt	Rehabilitation and extension of agricultural land drainage networks in Nile valley and delta	284	50	52	42	140
Morocco	Construction and upgrading of rural roads	118	53		24	41
Morocco	Development of a gold mine in the Western Atlas	71	30		20	21
Jordan	Eshidiya Phosphate Mines B	116	30		15	71
Jordan	Jordan Bromine Company B	85	30		18	37
Tunisia	Dualling of rail line and modernisation of rail network	81	25	21		35
Tunisia	Development of regional systems for solid waste management	59	25		9	25
Tunisia	Extension of the light metro network in Tunis	67	30		13	24
Turkey	Rehabilitation and reconstruction of earthquake-damaged urban infrastructure	493	150	79		264
Turkey	Rehabilitation and reconstruction of earthquake-damaged industrial installations	493	150	79		264
Syria	Electricity transmission	279	75		75	129
Total		2 146	648	231	216	1 051

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 2000 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	Modernisation and extension of mobile telephony network in six north-eastern States	A company owned, managed and operated by a leading European shareholder, Telecom Italia, will implement the project. TI has made massive strategic long-term investments in Latin America in general and in Brazil in particular. In addition, the project has a significant developmental potential in an underdeveloped region that has historically been overlooked by commercial lenders.
	Modernisation and extension of mobile telephony network in States of Bahia and Sergipe in north-eastern Brazil	The project is implemented by a company owned, managed and operated by leading European shareholders with a strategic long-term commitment to Latin America and to Brazil in particular. As with the project mentioned above, this project allows the Bank to support an underdeveloped region that has historically been overlooked by commercial lenders.
	Modernisation of two plants for manufacturing new range of compact passenger cars in State of São Paulo	The project will be implemented by the subsidiary of a leading European company, the Volkswagen group, which has established a prominent position in Latin America in general and in Brazil in particular. The project will result in transfers of technology from Europe. In addition, it will help safeguard jobs and improve the quality of the Brazilian vehicle fleet in terms of emissions and safety, and contribute to the modernisation of local manufacturing industries.
Argentina	Expansion and conversion of gas-fired power station into combined-cycle plant in Tucumán, northern Argentina	Apart from the involvement of a European shareholder (REPSOL), the project will result in the transfer of technology, thus enabling more efficient use of local energy resources. Commercial banks participate as co-financiers under a COFACE facility and by providing their guarantee.
	Construction of gasline; part-replacement and extension of distribution network in Buenos Aires Province	There are two European partners (British Gas and REPSOL). The project also involves the transfer of technology and will have beneficial effects on the environment. Commercial banks could potentially participate by providing their guarantee.
	Extension of water supply and sewerage networks of Posadas and Garupá, in Misiones Province, eastern Argentina	There will be a European shareholder (Dragados group) and the project will involve the transfer of technology and beneficial effects on the environment. Commercial banks participate by providing their guarantee.
	Construction of glass-container production line in Mendoza	Apart from the fact that there is a European shareholder (the Saint-Gobain group), the project will contribute to increasing the competitiveness of the Argentine viticulture by improving the quality and reducing the cost of packaging. The environment will benefit through the increased use of recycled glass.
Mexico	Construction and operation of a natural gas supply network in Mexico City	This is a joint venture with a strong European participation (Gaz de France). It will also entail an important transfer of technology and will open up the Mexican market to the presence of one of the most important European firms of the sector. The natural gas will replace LPG as well as fuel oil and gasoil in the local energy markets, thus helping to reduce polluting emissions in densely populated areas.
Indonesia	Extension of Sumatra's gas transmission network, including a pipeline to export gas to Singapore	The project will have a positive impact on the environment both in Indonesia and Singapore. In addition, it will stimulate regional development between Indonesia and Singapore, two member states of ASEAN.
Bangladesh	Construction of a cement plant near Chhatak in north-eastern Bangladesh	The Lafarge group has the controlling interest in the joint venture undertaking the project. It will also act as the industrial operator of the facility. The project would be the first major integrated cement plant in Bangladesh, helping Lafarge to establish a stronghold in a rapidly growing market. Bangladesh would benefit from the project as a result of (i) the transfer of European expertise in cement technology, operation and management, and (ii) foreign exchange savings by reducing the volume of imported cement.
Thailand	Construction of an air traffic control complex at the new Bangkok international airport	The project is of mutual interest due to its enhancement of communications between Thailand and the EU. The project also stimulates regional development and integration.

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

Table 2-12 Co-financing in Asia and Latin America in 2000

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other ⁸
Argentina	Expansion and conversion of gas-fired power station into a combined-cycle plant in Tucuman	205	58		64	83
Argentina	Extension of water supply and sewerage networks	71	20	23		28
Bangladesh	Construction of a cement plant near Chatak	221	36	92	39	54
Brazil	Modernisation of two car-manufacturing plants	1676	92		117	1 467
Indonesia	Extension of Sumatra's gas transmission network	750	70	217		463
Total		2 923	276	332	220	2 095

In RSA, there were several cases of cooperation with IFIs. For the “extension of phosphoric and sulphuric acid production facilities at Richard's Bay Project”, there is EUR 20 million bilateral cooperation in addition to the Bank's loan of EUR 30 million towards a project cost of EUR 206.5 million. There is also cooperation with bilateral institutions in the context of loans via intermediaries to support small and medium-sized enterprises.

⁸ Including funds of States, promoters and commercial banks.

2.4. Signatories to the Lomé Convention

2.4.1. Lending activity

Total EIB lending in the ACP/OCT amounted to EUR 401 million, of which EUR 186 million from the Bank's own resources, EUR 207 million from risk capital and EUR 8 million from EDF Sysmin. The regional and sectoral breakdown of this lending is as follows:

Table 2-13 Breakdown by region and sector of EIB lending in 2000 in the ACP/OCT

	Total	Own resources *	Risk capital	Energy	Communi-Cations	Water management and miscellaneous	Industry and services	Global loans
ACP/OCT	401	186	215**	21	93	0	109**	178
ACP group	50	50	0	0	0	0	0	50
OCT group	5	5	00	0	0	0	0	5
Africa	264	94	170	10	58	0	101	95
Southern	101	53	48**	10	27	0	44**	20
West	82	30	52	0	20	0	30	32
Central and Equatorial	56	11	45	0	11	0	27	18
Regional projects	25	0	25	0	0	0	0	25
Caribbean	77	35	42	9	35	0	8	25
Pacific	3	0	3	0	0	0	0	3
OCT	2	2	0	2	0	0	0	0

* This entire amount is subsidised, except for two projects totalling EUR 12.5 million.

** Includes EUR 8 million allocated from the resources of FED Sysmin.

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; OJ L 9 of 13 January 2000). The new ceilings for each area are as follows:

- * Central and Eastern Europe: EUR 8 680 million
- * Mediterranean countries: EUR 6 425 million
- * Latin America and Asia: EUR 2 480 million
- * Republic of South Africa: EUR 823 million.

The overall ceiling for the guarantee is therefore EUR 18 410 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.

On 7 November 2000 the Council decided to extend this scheme to EIB loans concluded in Croatia by including this country in the group of central and eastern European countries (Council Decision 2000/688/EC; OJ L 285 of 10 November 2000). As a result, the ceiling guaranteed for this group was increased to EUR 8 930 million (up by EUR 250 million) and the overall ceiling to 18 660 million.

As explained in section 2.3.3, the EIB's previous mandate is almost complete and risk sharing between sovereign and non-sovereign guarantees was effected according to the commitments agreed (24%), proportionally reducing the budgetary reserve for the coverage of such risks. For the second mandate, the first year of application saw the signature of loans corresponding to 13.5% of the ceiling, with risk sharing already equivalent to 21% of the loans signed.

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 several Community programmes both inside and outside the Union. An overall evaluation report was drawn up by the Commission at the Council's request (see COM (2000) 524 of 6 September 2000). Most of these programmes have been completed and no longer affect budgetary expenditure. The table below lists the programmes that are still open and the amount paid in interest subsidies during the year under review.

Table 3-1 Interest subsidies paid out by the various Community mechanisms 1995-2000

ECU/EUR million

Year					
	within the Community		Outside the Community		
	Disaster reconstr.	Trans-European networks (TENs)	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

3.3. Risk capital

Under the agreements with the Mediterranean countries and the signatories to the Lomé Convention, the EIB concludes concessionary loans with special conditions relating to duration or debt consolidation that make them comparable to capital investments. Operations in the Mediterranean are financed by the general budget and those in the ACP countries by the EDF budget. The operations are set out in detail in Table 2-13.

4. STATISTICAL ANNEX

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

EUR million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
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
Euratom	-	-	-	49	-	-	-	-	-	-
NCI	49	-	-	70	66	-	-	-	-	-
Total Commission	3 190	2 683	5 877	1 008	862	453	669	403	108	160
EIB (2)	13 672	12 974	14 224	14 148	12 395	17 553	23 026	30 098	28 355	29 038
Total Community	16 862	15 657	20 101	15 156	13 257	18 006	23 695	30 501	28 463	29 198
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
Euratom	-	-	-	49	-	-	-	-	-	-
NCI	39	9	30	-	-	-	-	-	-	-
Total Commission	3 116	2 704	5 917	968	813	435	736	424	108	160
EIB (3)	14 438	16 066	17 724	17 682	18 604	20 946	22 958	25 116	27 765	30 644
Total Community	17 554	18 770	23 641	18 650	19 417	21 381	23 694	25 540	27 873	30 804
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 to Member States, financial assistance to 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 or operations financed out of NCI resources.										

Table 4-2 Community borrowing outstanding

Net outstanding at the end of each period (1)

(EUR million)

	EIB (2)	ECSC	NCI	Euratom	Subtotal	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
(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 2000, by currency

(EUR million)

	EIB	Balance of payments (1)	Total borrowings	1999 %	2000 %
EURO	12 3	160	12 526	44.0	42.9
DKK	108	-	108	0.7	0.4
GBP	11 1	-	11 105	24.5	38.0
GRD		-	-	0.1	-
SEK	185	-	185	0.2	0.6
Total Pre-ins	11 3	-	11 398	25.4	39.0
Total EU	23 7	160	23 824	69.4	81.6
USD	3 1	-	3 891	27.5	13.3
CHF	641	-	641	2.2	2.2
JPY	363	-	363	-	1.2
NOK	78	-	78	-	0.3
CZK	139	-	139	0.3	0.5
ZAR	110	-	110	0.4	0.4
PLN	52	-	52	0.2	0.1
Subtotal	5 2	-	5 274	30.6	18.1
TOTAL	29 0	160	29 198	100.0	100.0
Fixed-rate	5 1		5 192	22.9	17.8
Variable-rate	24 0		24 006	77.1	82.2
(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 borrowings by currency: amounts outstanding as at 31.12.2000

Currency	(million)	Equivalent in EUR million (1)
ECU	70.0	70.0
DEM	2.5	1.3
GBP	11.5	18.4
Total		89.7
(1) Exchange rate as at 31.12.2000.		

Table 4-5 EIB loans signed in central and eastern Europe and the Balkans in 2000

Country	Description	Loan (EUR million)	Risk sharing
Romania	Upgrading of power transmission network	96.0	No
	Upgrading of waste collection, processing and disposal facilities and of electricity supply equipment at Port of Constanta	15.0	No
	Rehabilitation and upgrading of around 650 km of roads	245.0	No
	Modernisation of 60 trains within Bucharest's metro system, and safety improvements to partially constructed tunnel	115.0	No
	Modernisation of tram network in Bucharest	7.0	No
	Modernisation of ticketing and seat-reservation system and of railway maintenance equipment	15.0	No
	Rehabilitation and modernisation of urban infrastructure in Bucharest	110.0	No
	Reconstruction of basic infrastructure damaged by heavy floods and implementation of watercourse management and flood prevention schemes	250.0	No
Total		853.0	
Slovak Rep.	Refurbishment of municipal waste incineration plant in Bratislava	12.0	Yes
	Construction of motor vehicle production plant in Bratislava	160.0	Yes
	Modernisation of telecommunications network	50.0	Yes
	Global loan for financing of small and medium-scale ventures	20.0	Yes
Total		242.0	

Bulgaria	Construction of two motorway sections on Pan-European Corridor VII between Sofia and Black Sea	100.0	No
	Construction of combined (road and rail) bridge on Pan-European Corridor IV between Vidin (Bulgaria) and Calafat (Romania)	50.0	No
	Global loan for financing of small and medium-scale ventures	10.0	No
Total		160.0	
Bosnia-Herzegovina	Rehabilitation of electricity transmission and supply networks	60.0	No
	Rehabilitation of national road network	60.0	No
Total		120.0	
Slovenia	Extension and modernisation of fixed telecommunications network	65.0	Yes
Total		65.0	
Lithuania	Renovation and modernisation of port infrastructure at Klaipeda	10.0	No
Total		10.0	
Albania	Rehabilitation and upgrading of around 86 km of roads on Albania's main north-south corridor	34.0	No
Total		34.0	
Grand total		1 484.0	

Table 4-6 EIB loans signed in the Mediterranean countries in 2000

Country	Description	Loan (EUR million)	Risk sharing
Tunisia	Upgrading of power transmission and supply network	45.0	No
	Extension of the light metro network in Tunis	30.0	No
	Dualling of Tunis-Sousse rail line and modernisation of rail network in Sousse region	25.0	No
	Development of regional systems for solid waste management	25.0	No
	Global loan for financing of small and medium-scale ventures	25.0	No
Total		150.0	
Algeria	Completion of three sections of east-west motorway, south-west and south-east of Algiers - Banque Algérienne de Développement	140.0	No
Total		140.0	

Morocco	Construction and improvement of rural roads in northern provinces	53.0	No
	Development of a gold mine in Akka, southern Morocco	30.0	Yes
Total		83.0	
Egypt	Rehabilitation and extension of agricultural land drainage networks in Nile valley and delta	50.0	No
	Global loan for financing of small and medium-scale ventures	50.0	No
Total		100.0	
Syria	Upgrading of high-voltage power conversion and transmission facilities	75.0	No
Total		75.0	
Jordan	Construction of manufacturing facilities for bromine and bromine derivatives at Safi, on southern shore of Dead Sea	30.0	No
	Development of Eshidiya phosphate mine in south-eastern Jordan	30.0	No
Total		60.0	
Turkey	Extension and modernisation of sewerage network in Bursa, west of Ankara - Bursa su ve Kanalizasyon Isletmesi Buski	80.0	No
	Rehabilitation and reconstruction of earthquake-damaged urban infrastructure	300.0	No
	Rehabilitation and reconstruction of earthquake-damaged industrial installations	75.0	No
	Industrial pollution abatement schemes, mainly involving upgrading of wastewater treatment plants and reduction of atmospheric pollution	70.0	No
	Global loan for financing of small and medium-scale ventures	50.0	No
Total		575.0	
Gaza-West Bank	Global loan for financing of small and medium-scale ventures	10.0	No
Total		10.0	
Grand total		1 193	

Table 4-7 EIB loans signed in Asia and Latin America in 2000

Country	Description	Loan (EUR million)	Risk sharing
Brazil	Modernisation and extension of mobile telephony network in six north-eastern States	58.5	Yes
	Modernisation and extension of mobile telephony network in States of Bahia and Sergipe in north-eastern Brazil	40.0 15.0	Yes
	Modernisation of two plants for manufacturing new range of compact passenger cars, in State of São Paulo	91.5	Yes
Total		205.0	
Argentina	Expansion and conversion of gas-fired power station into combined-cycle plant in Tucumán, northern Argentina	57.8	Yes
	Construction of gasoline; part-replacement and extension of distribution network in Buenos Aires Province	51.7	Yes
	Extension of water supply and sewerage networks of Posadas and Garupá, in Misiones Province, eastern Argentina	20.4	Yes
	Construction of glass-container production line in Mendoza	17.1	Yes
Total		147.0	
Mexico	Construction and operation of gas supply network in Mexico City	47.7	Yes
Total		47.7	
Indonesia	Extension of Sumatra's gas transmission network, including project to export gas to Singapore	70.0	No
Total		70.0	
Bangladesh	Construction of cement works near Chhatak in north-eastern Bangladesh	36.2	Yes
Total		36.2	
Thailand	Construction of air traffic control complex at second Bangkok international airport	26.4	No
Total		26.4	
Grand total		532.3	

Table 4-8 EIB loans signed in the Republic of South Africa in 2000

Country	Description	Loan (EUR million)	Risk sharing
RSA	Extension of national telecommunications network Telkom SA Ltd	50.0	No
	Extension of phosphoric and sulphuric acid production facilities at Richard's Bay - Impofin (Pty) Ltd/Indian Ocean Fertilizer (Pty) Ltd	25.0	No
	Global loan for financing of small and medium-scale infrastructure	50.0	No
	Part-financing of loans from European institutions (ECFIs) to private-sector companies in South Africa	15.0	No
Total		140	