COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

ON GUARANTEES

COVERED BY THE GENERAL BUDGET -

SITUATION AT 31 DECEMBER 1994

REPORT ON GUARANTEES COVERED BY THE GENERAL BUDGET SITUATION AT 31 DECEMBER 1994

This report describes the situation as regards budget guarantees at 31 December 1994.

It is in response to the statement made by the Commission, when the vote was taken on supplementary and amending budget No 1/91, that it would report to the budgetary authority twice a year on budget guarantees and the corresponding risks.

The Commission has already presented seven reports to the budgetary authority.

The report is in three parts:

1. Description of operations entered in the budget and events since the last report.

2. Situation at 31 December 1994 as regards guarantees already activated and risks for the budget in future years.

3. Assessment of the economic and financial situation of non-Community countries benefiting from the most important operations.

PART ONE: OPERATIONS ALREADY ENTERED IN THE BUDGET

The budgetary authority authorized 26 headings with token entries in the 1994 budget to cover any payment of guarantees. These headings can be divided into three categories: borrowing and lending within the Community, borrowing and lending outside the Community and guarantees given to financial institutions.

I. BORROWINGS TO BE ON-LENT WITHIN THE COMMUNITY

A. COMMUNITY BORROWING OPERATIONS TO PROVIDE BALANCE-OF-PAYMENTS SUPPORT

The Community is authorized to borrow on the capital markets or from financial institutions and make the sums raised available to Member States experiencing temporary balance-of-payments difficulties.

The outstanding amount of loans granted to Member States for this purpose may not exceed ECU 14 billion in principal.

At 31 December 1994 there was one operation in respect of Greece under the decision of 4 March 1991 and one operation in respect of Italy under the decision of 18 January 1993.

At 31 December 1994 the amount outstanding was ECU 1 000 million in loans to Greece and ECU 4 021.9 million in loans to Italy (Table 1).

B. EURATOM BORROWING OPERATIONS

In 1977 the Commission was empowered to borrow funds to be used to help finance nuclear power stations.

Loans are made to electricity producers and carry the usual guarantee demanded by banks. Recipients are often State-owned companies or companies enjoying a State guarantee.

The maximum amount of borrowings authorized is ECU 4 billion, of which ECU 500 million was authorized by the 1977 decision, ECU 500 million in 1980, ECU 1 billion in 1982, ECU 1 billion in 1985 and ECU 1 billion in 1990. The amount borrowed comes to around ECU 2 900 million, leaving ECU 1 100 million which may still be raised.

At 31 December 1994 the total outstanding was ECU 779.1 million.

On 9 December 1992 the Commission proposed that the balance of borrowings not used in the Member States could be used to finance the improvement of the degree of efficiency and safety of nuclear power stations in the countries of Central and Eastern Europe and in the CIS.

The Council adopted a decision to this effect in the first half of 1994 (see Part II - Loans raised for non-Community countries).

C. BORROWING OPERATIONS FOR THE PROMOTION OF INVESTMENT IN THE COMMUNITY

The Commission was empowered by a Council Decision of 16 October 1978 to borrow funds to be used to promote investment in the Community (New Community Instrument).

The authorized borrowing ceiling was fixed at ECU 1 billion by the Decision of 16 October 1978 and was then raised by ECU 1 billion by the Decision of 15 March 1982. The ceiling was further raised by ECU 3 billion by the Decision of 19 April 1983 and by ECU 750 million by the Decision of 9 March 1987.

The proceeds of the operations are paid out in the form of loans granted by the EIB, acting for the Commission, to finance investment projects which contribute to greater convergence and growing integration and are consistent with the priority Community objectives in the energy, industry and infrastructure sectors, taking account of such factors as the regional impact of the projects and the need to combat unemployment. Support for small businesses was also made a priority objective by the Decision of 26 April 1982.

A Decision of 20 January 1981 also empowered the Community to contract loans in order to provide exceptional aid of ECU 1 billion to the regions of Italy affected by the earthquake of November 1980. A similar decision involving ECU 80 million was adopted on 14 December 1981 for the regions affected by the earthquakes in Greece in February/March 1981.

The maximum amount of borrowings authorized thus comes to ECU 6 830 million.

At 31 December 1994 the total outstanding was ECU 1 569.8 million, 28.72% less than on 31 December 1993.

The risk is spread over a large number of borrowers. In addition, most of the loans are global loans to financial institutions which guarantee repayment of the funds.

Every year the EIB provides the Commission with a list of debtors who, according to its information, risk defaulting in the coming year. So far, no names have been recorded on this list.

II. LOANS RAISED FOR ON-LENDING TO NON-COMMUNITY COUNTRIES

A. EURATOM BORROWINGS FOR CERTAIN NON-COMMUNITY COUNTRIES

On 21 March 1994 the Council decided to amend Decision 77/270/Euratom to authorize the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non-member countries.

This Decision will allow a considerable proportion of Euratom's available borrowing capacity (some ECU 1 100 million) to be used to finance projects. For these projects to be eligible they must relate to:

- nuclear power stations or installations in the nuclear fuel cycle which are in service, or under construction;

- or to the dismantling of installations which cannot be brought up to standard for technical or economic reasons.

The following non-member countries qualify:

Republic of Bulgaria
Republic of Hungary
Republic of Lithuania
Romania
Republic of Slovenia
Czech Republic
Slovak Republic
Russian Federation
Republic of Armenia
Ukraine

The idea of international financial aid for the closure of the Chernobyl nuclear power plant was entered in the conclusions of both the Corfu European Council of 24 and 25 June 1994 and the G7 summit at Naples on 7 and 8 July 1994.

B. PROGRAMME OF BORROWINGS CONTRACTED BY THE COMMUNITY TO PROVIDE MACROFINANCIAL ASSISTANCE TO THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

1. HUNGARY

(a) Hungary I

In 1990 the Community granted Hungary a medium-term loan of up to ECU 870 million in principal for a maximum of five years. The loan is intended to facilitate the adjustment of the Hungarian economy in a way which will enable it to derive all the benefits of a market-based economy. It is being made available in tranches.

The first tranche of ECU 350 million was paid on 20 April 1990. A second tranche of ECU 260 million was paid on 14 February 1991. The third tranche, which is not to exceed ECU 260 million, was planned for 1992 but has not yet been paid out as Hungary's balance of payments has been more favourable than expected. The tranches will be repaid in one instalment after five years and interest, which is at variable rates, is payable half-yearly.

(b) Hungary II

As the break-up of the Council for Mutual Economic Assistance (Comecon) and the Gulf crisis threatened to compromise the initial encouraging results of the reforms undertaken, the Council decided in June 1991 to grant additional macrofinancial assistance to Hungary in the form of a loan of ECU 180 million under a general G-24 programme of financial assistance.

The first tranche of ECU 100 million was paid on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half-yearly. The second tranche of ECU 80 million was paid on 15 January 1993. It will be repaid in January 1997 and interest, which is at a fixed rate, is payable annually.

At 31 December 1994 the amount oustanding on borrowings for Hungary came to ECU 790 million.

2. CZECH REPUBLIC AND SLOVAK REPUBLIC

- As part of G–24's overall financial assistance, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 375 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to the Czech and Slovak Federal Republic.

The first tranche of ECU 185 million was paid on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half-yearly.

The second tranche of ECU 190 million was paid on 2 March 1992 and will be repaid in one instalment after six years.

- Following the division of Czechoslovakia into the Czech Republic and the Slovak Republic on 1 January 1993, the Commission proposed that the loan be divided between the two Republics.

  Under the Council decision of 24 January 1994, two thirds of the loan - ECU 250 million - will be for the Czech Republic and one third - ECU 125 million - for the Slovak Republic.

  At 31 December 1994 the amount outstanding on borrowings for the two republics came to ECU 375 million.

- Slovak republic

  As part of the new financial assistance to the Slovak Republic, the Commission, on behalf of the Community, was empowered by a Council decision of 22 December 1994 to borrow, in two tranches, ECU 130 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to Slovakia.

  No tranche had been paid at 31 December 1994.

3. BULGARIA

(a) Bulgaria I

As part of G-24's overall financial assistance, the Commission, on behalf of the Community, was empowered to borrow, in two tranches, ECU 290 million for a period of seven years. The proceeds of this operation were to be on-lent on the same terms to Bulgaria.

The first tranche of ECU 150 million was paid to Bulgaria on 14 August 1991. It will be repaid in one instalment after seven years, and interest, which is at variable rates, is payable half-yearly.

The second tranche of ECU 140 million was paid on 2 March 1992 and will be repaid in one instalment after five years. Interest, which is at variable rates, is payable half-yearly.

(b) Bulgaria II

As part of G-24's new aid for 1992 and 1993, the Commission, on behalf of the Community, was empowered to borrow ECU 110 million in two tranches for a maximum period of seven years. The proceeds of this operation were to be on–lent to Bulgaria. Because of delays in the process of economic reform in Bulgaria, this operation was deferred.

The first tranche of ECU 70 million was finally paid to Bulgaria on 7 December 1994. It will be repaid in one instalment on 7 December 2001 and the interest, which is at variable rates, is payable half-yearly.

At 31 December 1994 the amount outstanding on borrowings for Bulgaria came to ECU 360 million.

4. ROMANIA

(a) Romania I

As part of G–24's overall financial assistance, the Commission, on behalf of the Community, was empowered to borrow ECU 375 million in two tranches for a maximum period of seven years. The proceeds of this operation were to be on-lent on the same terms to Romania.

The first tranche of ECU 190 million for a term of seven years was paid on 22 January 1992. It will be repaid in one instalment on 1 February 1999, and interest, which is at variable rates, is payable half–yearly.

The second tranche of ECU 185 million for a term of six years was paid in April 1992 and will be repaid in one instalment on 18 March 1998. Interest, which is at variable rates, is payable half-yearly.

(b) Romania II

As part of G-24's new aid, the Commission, on behalf of the Community, was empowered to borrow ECU 80 million for a maximum period of seven years. The proceeds of this operation were to be on–lent on the same terms to Romania.

The loan was paid out in a single tranche on 26 February 1993. It will be repaid in one instalment on 26 February 2000, and interest is payable half–yearly.

(c) Romania III

As part of G-24's new overall macrofinancial aid, the Commission, on behalf of the Community, was empowered by the Council Decision of 20 June 1994 to borrow ECU 125 million in two tranches of ECU 90 million and ECU 35 million for a maximum period of seven years. The proceeds of this operation are to be on-lent on the same terms to Romania.

No tranche had been paid at 31 December 1994.

At 31 December 1994 the amount outstanding on borrowings for Romania came to ECU 455 million.

C. BORROWINGS CONTRACTED BY THE COMMUNITY TO GRANT MACROFINANCIAL ASSISTANCE TO THE NEW INDEPENDENT STATES OF THE FORMER SOVIET UNION

- **Medium-term loan of ECU 1 250 million**

In December 1991 the Council decided to grant a credit facility of up to ECU 1 250 million for the Soviet Union and its Republics in order to finance imports of agricultural products, foodstuffs and medicines from the Community and Eastern Europe for a maximum period of three years.

After the Soviet Union broke up, the loan was divided between the various new independent States at the beginning of 1992.

1. Loan contracts signed on the basis of the original breakdown

Most of the loan contracts were signed in the course of 1992:

- with Armenia (ECU 38 million), Kyrgyzstan (ECU 32 million), Turkmenistan (ECU 45 million) and Moldova (ECU 27 million) on 10 July 1992; the amount for Kyrgyzstan has since been reduced to ECU 23.7 million at the request of the Kyrgyzstan authorities;
- with Ukraine (ECU 130 million) on 13 July 1992;
- with Belarus (ECU 102 million), Tajikistan (ECU 55 million) and Georgia (ECU 70 million) on 24 July 1992;
- with Russia (ECU 150 million) on 9 September 1992;
- with Russia (ECU 349 million) on 9 December 1992;
- with Kazakhstan (ECU 25 million) on 15 December 1992;

2. Loan contracts signed on the basis of the amended breakdown

Some loan contracts were also signed in 1993 after the initial breakdown of the total amount of the loan had been changed:

- On 5 May 1993 two further contracts were signed with Armenia (ECU 20 million) and Georgia (ECU 10 million). The amount represented by these two loans had originally been allocated to Kazakhstan.

- On 6 December 1993 a further loan contract of ECU 40 million was signed with Georgia. This loan was financed by reducing Uzbekistan's allocation.

- On 14 September 1994 a contract for ECU 59 million was signed with Uzbekistan.

- On 12 October 1994 a contract for ECU 68 million was signed with Azerbaijan.

3. Loan contracts not yet signed

At 31 December 1994 one new loan contract was in preparation but had still not been signed. The loan is for Kazakhstan (ECU 30 million) and will be financed by reducing Uzbekistan's allocation.

4. Utilization of the ECU 1 250 million loan

Republic	Initial breakdown (1992)	Breakdown at 31.12.1994	Actual utilization at 31.12.1994
Armenia a	38	38	37.9
Armenia b		20	19.6
Azerbaijan	68	68	14.9
Belarus	102	100.5	100.5
Georgia a	70	70	69.4
Georgia b		10	9.8
Georgia c		40	34.1
Kazakhstan a	55	25	24.9
Kazakhstan b		30	
Kyrgyzstan	32	23.7	22.7
Moldova	27	27	27.0
Russia a	150	72.9	70.0
Russia b	349	349	299.7
Tajikistan	55	55	54.5
Turkmenistan	45	45	44.9
Ukraine	130	129.8	129.8
Uzbekistan	129	59	
Total	1250	1162.9	959.8

At 31 December 1994 the amount of loans actually being used came to ECU 959.8 million.

5. Capital repayment and interest payment dates

The capital repayment and interest payment dates for this operation vary depending on the date on which the loan contract was signed and the amount of the loan:

- Armenia (ECU 38 million), Belarus, Georgia (ECU 70 million), Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Russia (ECU 150 million):
  - interest on 20 April and 20 October
  - capital on 20 August 1995 (half on 20 August 1994 and half on 20 August 1995 for Belarus, Ukraine and Russia)
- Armenia (ECU 20 million), Kazakhstan, Russia (ECU 349 million), Georgia (ECU 10 million and ECU 40 million):
  - interest on 15 January and 15 July
  - capital on 15 January 1996 (half on 15 January 1995 and half on 15 January 1996 for Russia and 15 January 1997 for Georgia (ECU 40 million)).
- Azerbaijan and Uzbekistan:
  - interest on 28 March and 28 September
  - capital on 28 September 1997.

At 31 December 1994 Ukraine had defaulted on capital repayments and Georgia, Kyrgyzstan and Tajikistan had defaulted on interest. The total came to ECU 43.76 million (see Part IV - Activation of guarantees).

- **Macrofinancial assistance for Moldova**

As part of the Community's contribution to the international aid scheme for Moldova, the Commission, on behalf of the Community, was empowered by a decision of 13 June 1994 to borrow ECU 45 million in two tranches for a maximum period of ten years. The proceeds of this operation were to be on-lent on the same terms to Moldova.

The first tranche of ECU 25 million was paid to Moldova in December 1994. The loan is to be repaid in five equal annual instalments from the sixth year onwards. The full loan will have been paid by 7 December 2004. The interest, which is at variable rates, is payable half-yearly.

At 31 December 1994 the amount outstanding on borrowings for Moldova came to ECU 25 million.

- **Macrofinancial assistance for Ukraine**

As part of the overall aid programme for Ukraine, the Commission, on behalf of the Community, was empowered by the Council Decision of 22 December 1994 to borrow ECU 85 million for a maximum period of ten years. The proceeds of this operation are to be onlent on the same terms to Ukraine in one tranche.

The loan had not been paid at 31 December 1994.

D. BORROWINGS CONTRACTED BY THE COMMUNITY TO GRANT MACROFINANCIAL ASSISTANCE TO THE BALTIC STATES

As part of the G-24's overall programme of financial assistance for these three countries, the Commission, on behalf of the Community, was empowered to borrow ECU 220 million for a period of seven years. The proceeds of this operation were to be on–lent on similar terms in two tranches:

- ECU 40 million for Estonia;
- ECU 80 million for Latvia;
- ECU 100 million for Lithuania.

The first tranches of the loan for Estonia (ECU 20 million) and for Latvia (ECU 40 million) were paid on 31 March 1993. The loans are to be repaid in one instalment on 31 March 2000 and interest, which is at variable rates, is payable half –yearly every 31 March and 30 September.

The first tranche for Lithuania was paid on 27 July 1993; it is to be repaid in one instalment on 27 July 2000 and interest, which is at a fixed rate, is payable annually every 27 July.

At 31 December 1994 the amount outstanding on the borrowings for the Baltic States came to ECU 110 million.

E. BORROWINGS CONTRACTED BY THE COMMUNITY TO GRANT MACROFINANCIAL ASSISTANCE TO THE MEDITERRANEAN COUNTRIES

1. ISRAEL

As part of the financial assistance agreed for Israel and the population of the occupied territories, the Commission was empowered in June 1991 to borrow, on behalf of the Community, ECU 160 million in one tranche for a period of seven years. The proceeds were to be paid out to Israel on the same terms and are accompanied by an interest subsidy of ECU 27.5 million paid from the Community budget.

This operation started on 2 March 1992. The borrowing is to be repaid in full on 15 December 1997.

At 31 December 1994 the amount outstanding on the borrowings for Israel came to ECU 160 million.

2. ALGERIA

In September 1991 the Commission, on behalf of the Community, was empowered to borrow ECU 400 million in two tranches for a maximum period of seven years. The proceeds of this operation were to be on–lent on the same terms to Algeria.

A bridging loan was granted on 23 December 1991 to cover the first tranche of ECU 250 million and was repaid from the net proceeds of the borrowing contracted on 14 January 1992 for a period of six years.

The loan is to be repaid in one instalment on 15 December 1997 and interest is payable annually every 15 December.

Payment of the second tranche of ECU 150 million was deferred because of delays in Algeria's economic reform programme and was not made until August 1994 when the process of structural adjustment resumed. The loan is to be repaid in full on 17 August 2001 and interest is payable annually every 17 August.

In December 1994 the Council decided to grant Algeria further macrofinancial assistance. The Commission, on behalf of the Community, was empowered to borrow ECU 200 million for a maximum period of seven years. The proceeds of this operation are to be onlent to Algeria in two tranches on the same terms.

No tranche had yet been paid at 31 December 1994.

At 31 December 1994 the amount outstanding on the loans raised for Algeria came to ECU 400 million.

III. COMMUNITY GUARANTEE TO NON-COMMUNITY COUNTRIES

A. EUROPEAN INVESTMENT BANK LOANS TO MEDITERRANEAN COUNTRIES GUARANTEED BY THE GENERAL BUDGET

Under the terms of the Council Decision of 8 March 1977, the Community guarantees loans to be granted by the European Investment Bank as part of the Community's financial commitments towards the Mediterranean countries.

This decision was the basis for the contract of guarantee signed by the European Economic Community and the European Investment Bank on 30 October 1978 in Brussels and 10 November 1978 in Luxembourg introducing a global guarantee of 75% on all credit lines made available for loans in the following countries: Portugal (Financial Protocol, pre-accession aid), Greece, Spain (financial cooperation), Malta, Tunisia, Algeria, Morocco, Turkey, Cyprus, Egypt, Jordan, Syria, Israel, Yugoslavia and Lebanon.

In addition, by way of exception, a 100% guarantee covers loans allocated for emergency aid to Portugal in accordance with the Council Decision of 7 October 1975.

A new extension of the contract of guarantee is established for each new Financial Protocol.

The loans authorized at 31 December 1994 total ECU 7 782 million, of which ECU 1 500 million is for Spain, Greece and Portugal and ECU 6 282 million for the non–member Mediterranean countries. At 31 December 1994 the total of outstanding loans came to ECU 2 161 million (taking account of the 75% limit), of which ECU 473 million was accounted for by Spain, Greece and Portugal and ECU 1 688 million by the non–member Mediterranean countries.

There is also provision for EIB loans outside these protocols under Council Regulation (EEC) No 1763/92 of 29 June 1992 concerning financial cooperation in respect of all Mediterranean non–member countries.

EIB loans under this operation must not exceed ECU 1 800 million. A 75% overall guarantee is provided.

At 31 December 1994 ECU 527 million had been made available; of this total, ECU 22 million had been paid; this figure corresponds to the amount currently outstanding.

At 31 December 1994, the breakdown of authorizations by country (non–member countries only) was as follows:

	Loans authorized
Algeria	640
Cyprus	92
Egypt	802
Israel	215
Jordan	198
Lebanon	222
Malta	55
Morocco	517
Slovenia	150
Syria	323
Tunisia	418
Turkey	90
Yugoslavia[1]	760
Protocols - Total	4,482
Horizontal financial cooperation	1,800
Mediterranean - Total	6,282

The loans are generally for 15 years with 3 to 4-year periods of grace on capital repayments.

B. LOANS GRANTED BY THE EUROPEAN INVESTMENT BANK IN COUNTRIES OF CENTRAL AND EASTERN EUROPE

In response to a call made by the Council on 9 October 1989, the Board of Governors of the European Investment Bank decided on 29 November 1989 to authorize the Bank to provide loans from its own resources to finance investment projects in Hungary and Poland for a total amount not exceeding ECU 1 billion. These loans are granted to finance investment projects which satisfy the Bank's usual requirements for loans from its own resources. The contract of guarantee covering 100% of the lending operations was signed on 24 April 1990 in Brussels and 14 May 1990 in Luxembourg.

On 14 May 1991 the budgetary authority extended this 100% guarantee to loans made in Czechoslovakia, Bulgaria and Romania up to a maximum of ECU 700 million.

The extension of the contract of guarantee was signed on 31 July 1991.

On 23 October 1992 the Commission presented a proposal for a Council Decision extending this 100% Community guarantee to losses incurred by the EIB as a result of loans granted to Estonia, Latvia and Lithuania; this was approved by the budgetary authority in its decision of 15 March 1993.

The overall ceiling on loans which the EIB may grant in these countries was set at ECU 200 million for a period of three years.

1 The second protocol with Yugoslavia was suspended when ECU 100 million of credits could still be granted.

On 18 December 1992 the Commission also proposed the extension of this 100% guarantee to losses incurred by the EIB as a result of loans granted in Albania.

On 13 December 1993 the budgetary authority renewed the 100% Community guarantee for a period of three years for loans granted by the EIB in the countries of Central and Eastern Europe (including the Baltic States and Albania) up to a maximum of ECU 3 billion.

The contract of guarantee was signed on 22 July 1994 in Brussels and on 12 August 1994 in Luxembourg.

The loans are generally long-term: 15 years on average with 3 to 4-year periods of grace on capital repayments.

At 31 December 1994, ECU 2 571 million had been made available in the Central and Eastern European countries but only ECU 574 million had been disbursed.

C. LOANS GRANTED BY THE EUROPEAN INVESTMENT BANK IN NON-MEMBER COUNTRIES

At its meeting of 19 May 1992 the Council (Economic and Financial Affairs) adopted the guidelines proposed by the Commission for the extension of EIB activities outside the Community and asked it to grant loans in accordance with its statutes and its usual criteria to projects of mutual interest in certain non-member countries (the developing countries of Asia and Latin America) with which the Community has concluded cooperation agreements.

An overall limit of ECU 250 million per year has been set for a 3-year period; this ceiling will be reviewed at the end of the period.

These loans benefit from 100% Community budget guarantees. The Commission presented a proposal for a decision to this effect on 3 June 1992. The formal Council Decision followed on 15 February 1993. The contract of guarantee between the Community and the EIB was signed on 4 November 1993 in Brussels and on 17 November 1993 in Luxembourg.

At 31 December 1994 credit lines of ECU 319 million had been signed but only ECU 45.5 million had been disbursed.

D. COMMUNITY CREDIT GUARANTEE FOR EXPORTS OF AGRICULTURAL PRODUCTS AND FOODSTUFFS FROM THE COMMUNITY TO THE FORMER SOVIET UNION

The Community has decided to guarantee loans granted to the former Soviet Union by a pool of banks to finance imports of agricultural products and foodstuffs originating in the Community and the countries of Central and Eastern Europe.

The Community guarantee covers 98%, up to a maximum of ECU 500 million, of any losses in principal (around ECU 408 million) and interest (around ECU 92 million).

As the credit line has not been used in full and as the time limit for use has not been extended, the amount guaranteed comes to only ECU 375.5 million in principal and ECU 80.3 million in interest.

The Community will receive a surety commission of 0.67% of the amount guaranteed in consideration for this guarantee. Half of this commission was paid on 26 December 1991 under the terms of the contract. The balance corresponding to the Community guarantee was paid on 28 January 1993.

On 26 November 1991 the terms of the loan and the arrangements for the utilization of the funds were laid down in an exchange of letters between the Commission and the Soviet authorities. On the same day the Community and the banks signed a contract of guarantee.

Following the disappearance of the Soviet Union, it has been decided that the funds will be used by the Russian Republic.

The loan is for three and a half years from the date of signature.

Interest is payable half-yearly and the principal will be repaid in three instalments, 20, 31 and 42 months after the agreement has been signed.

Interest payments up to 31 December 1994:

	Payment due	Actual date of payment
1st	9.9.1992	25.9.1992
2nd	9.3.1993	2.4.1993
3rd	9.9.1993	18.11.1993
4th	9.3.1994	24.3.1994
5th	9.9.1994	9.9.1994

Capital repayments up to 31 December 1994:

	Payment due	Actual date of payment
1st	26.7.1993	18.11.1993
2nd	26.6.1994	14.7.1994

All the default interest has been paid on late payments up to 26 June 1994.

PART TWO: RISK SITUATION

There are two possible methods for evaluating the risks borne by the Community budget:

- the method, often used by bankers, of the total amount of capital outstanding for the operations concerned on a given date;
- the more budgetary approach of calculating the maximum amount which the Community could have to pay out in each financial year.

The second approach itself has been applied in two different ways:

- by reference only to actual disbursements at 31 December 1994, giving the minimum level of risk to the Community assuming that there are no early repayments (Table 2);
- on a more forward-looking basis, by reference to all the operations decided by the Council or proposed by the Commission in order to estimate the impact on future budgets, giving the maximum risk borne by the Community assuming that the Commission's proposals are accepted (Table 3).

For the latter exercise a number of assumptions have to be made about dates of disbursement, terms of repayment, interest and exchange rates; details are given in the annex. However, this method does give some idea about the future level of risks connected with the proposals made.

The results are shown in the attached tables, which assess the risk relating to countries inside the Community and countries outside the Community.

The overall figures quoted cover risks of different types; loans to one country in the case of macrofinancial assistance and loans for projects guaranteed by the borrowers in the case of NCI and EIB operations, for example.

The following analysis distinguishes between total risk, the risk in respect of Member States and the risk in respect of non–member countries.

I. TOTAL RISK

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1994 (Table 1)

The total risk at 31 December 1994 came to ECU 13 769 million, 0.2% less than at 30 June 1994.

B. MAXUMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1994 (Table 2)

The total risk, which came to ECU 2 785 million in 1994, will develop as follows:

- 1995: 2 855 million (+2.5%)
- 1996: 3 112 million (+9%)
- 1997: 2 934 million (-6%)
- 1998: 3 130 million (+7%)
- 1999:* 872 million (-72%)
- 2000: 3 335 million (+282%)
- 2001: 620 million (-81%)

* No capital repayments for the balance-of-payments loans to the Member States; capital repayments on loans to Hungary, the Czech and Slovak Republics and Bulgaria end in 1998.

C. MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

This risk comes to ECU 2 857 million in 1994 and will increase regularly until 2000 (except in 1999 when it will total ECU 2 529 million) as follows:

- 1995: 3 148 million (+10%)
- 1996: 3 882 million (+23%)
- 1997: 4 098 million (+5.5%)
- 1998: 4 536 million (+10.5%)
- 1999: 2 529 million (-44%)
- 2000: 5 233 million (+107%)
- 2001: 4 492 million (-14%)

II. RISK IN RESPECT OF THE MEMBER STATES

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1994 (Table 1)

The amount of capital outstanding in respect of operations in the Member States came to ECU 7 844 million at 31 December 1994, a fall of 5.2% compared with 30 June 1994.

This fall is mainly due to the reduction in outstanding loans to Greece, Euratom loans and NCI loans.

The amount outstanding from the other operations has remained stable.

B. MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1994 (Table 2)

The risk for 1994 comes to ECU 1 900 million.

The total maximum annual risk to the Community budget in relation to disbursements (Table 2) changes in line with the capital repayments (every two years) on balance-of-payment loans to Greece and Italy. The maximum risk is highest in the even years leading up to 2000 when it will reach ECU 2 802 million.

C. MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

The trend is much the same as in Table 2 up to 2000 when the risk will amount to ECU 3 196 million and 2001 when it will amount to ECU 2 446 million.

III. RISK IN RESPECT OF NON–MEMBER COUNTRIES

A. AMOUNT OUTSTANDING AT 31 DECEMBER 1994 (Table 1)

The amount of capital outstanding at 31 December 1994 came to ECU 5 925 million, an increase of 7.2% compared with 30 June 1994.

B. MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET: OPERATIONS DISBURSED AT 31 DECEMBER 1994 (Table 2)

The risk for 1994 comes to ECU 885 million and will increase to ECU 1 682 million in 1995, mainly because two repayments of principal then fall due:

- ECU 350 million from Hungary;

- ECU 494 million from the Republics of the former Soviet Union.

The risk will drop in 1996 to ECU 1 032 million and increase again in 1997 to ECU 1 465 million as the following payments fall due:

- ECU 80 million from Hungary;

- ECU 127 million from the Czech Republic;

- ECU 63 million from the Slovak Republic;

- ECU 140 million from Bulgaria;

- ECU 250 million from Algeria;

- ECU 160 million from Israel.

- ECU 108 million from the Republics of the former Soviet Union.

At ECU 1 076 million, the risk will be smaller but still at a high level in 1998, but should fall to ECU 575 million in 1999, ECU 533 million in 2000 and ECU 514 million in 2001.

C. MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET (Table 3)

The risk will rise from ECU 957 million in 1994 to ECU 1 890 million in 1995; in particular, the Republics of the former Soviet Union are to repay principal of ECU 566 million that year.

The risk will drop to ECU 1 461 million in 1996, rise again to ECU 2 205 million in 1997, ECU 2 057 million in 1998, ECU 1 838 million in 1999, ECU 2 037 million in 2000 and ECU 2 046 million in 2001.

IV. ACTIVATION OF BUDGET GUARANTEES

1. EIB loans to non-member countries

On 21 June 1994, the EIB again called on the budget guarantee in respect of loans of around ECU 8.6 million to the Republics of former Yugoslavia (Macedonia and Serbia). The payment was made to the EIB on 23 September 1994.

On 6 October 1994, the EIB again called on the budget guarantee in respect of loans of ECU 5.3 million to the Republics of former Yugoslavia (Macedonia, Serbia and Bosnia-Hercegovina). The payment was made to the EIB on 11 January 1995.

At 31 December 1994 the total amount of debts settled by the Community and not yet repaid by the defaulting debtors came to ECU 43.0 million. These debts were owed by all the Republics of former Yugoslavia with the exception of Slovenia and Croatia, which have no payments overdue.

2. Borrowing/lending operations or loan guarantees for non-member countries

The Commission also made payments from its cash resources under Article 12 of Council Regulation No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources:

(a) loans granted by a consortium of banks guaranteed by the Community (ECU 500 million)

- payment of principal and interest due from Russia on 26 June 1994 and interest due on 9 September 1994 in respect of a loan granted by a consortium of banks and guaranteed by the Community;

(b) loans granted by the Community to the new independent States of the former Soviet Union (ECU 1 250 million)

- payment of interest:

  due from four newly independent States (Russia, Armenia, Georgia and Kazakhstan) on 15 July 1994 in respect of the borrowing and lending operation of ECU 1 250 million for these Republics,

  due from nine newly independent States on 20 October 1994 in respect of the same operation,

- payment of principal and interest due from three newly independent States (Belarus, Russia and Ukraine) on 22 August 1994.

These payments were eventually made by the debtors concerned, except in the case of four Republics: Tajikistan, Kyrgyzstan, Georgia and Ukraine, which had still not settled all their debts on 31 December 1994.

3. Situation as regards unpaid debts at 31 December 1994

Republics of former Yugoslavia:	ECU 48.2 million (including ECU 28.6 million from before 1994)[2]
Tajikistan:	ECU 5.8 million (including ECU 2 million from before 1994)[3]
Kyrgyzstan:	ECU 0.70 million[3]

[2] Of the ECU 48.2 million due but not paid, ECU 28.6 million was entered in the budget in respect of the amount owed from before 1994 and a total of ECU 19.6 million was called in from the Guarantee Fund on 11 January 1995 (ECU 5.3 million) and on 30 January 1995 (ECU 14.3 million).

[3] The amount due but not paid was called in from the Guarantee Fund on 20 January 1995 (ECU 4.6 million) and 30 January 1995 (ECU 30.2 million).

Georgia:	ECU 5.4 million[3]
Ukraine:	ECU 31.9 million[3]

PART THREE: CHANGES IN POTENTIAL RISKS

The figures given in the previous parts provide information on the quantitative aspects of the risks borne by the general budget.

However, these data should be weighted in accordance with aspects relating to the quality of the risk, which depend on the type of operation and the standing of the borrower.

I. TYPES OF OPERATION

The risks to which the above figures relate derive from a variety of operations which can be divided into two categories: operations with macroeconomic objectives and those with microeconomic objectives.

A. OPERATIONS WITH MACROECONOMIC OBJECTIVES

The first of these are the balance of payments loans for Member States, normally carrying strict economic conditions and undertakings.

Macrofinancial assistance operations are similar in nature but are intended for non –member countries.

Finally, this category includes the credit guarantee of ECU 500 million and the loan of ECU 1 250 million to finance imports of agricultural products and foodstuffs into the former Soviet Union, since the risk involved in these two operations depends to a large extent on macroeconomic and political developments in the recipient countries.

B. OPERATIONS WITH MICROECONOMIC OBJECTIVES

These are loans to finance specific projects which are usually repaid over the long term from funds which these projects are expected to generate; as a rule, they are granted to State companies or financial institutions and, in addition to the Community guarantee, are covered by the usual guarantees demanded by banks.

They are the Euratom and NCI loans in Member States and the Euratom and EIB loans outside the Community (Mediterranean and Central and Eastern Europe and certain non-member countries - developing countries of Asia and Latin America).

A. ALGERIA

1. GENERAL ECONOMIC SITUATION

The authorities reached a new agreement with the IMF in April 1994 on an economic reform programme. The programme's main objective is to give a new impetus to economic growth while reducing inflation and the fiscal deficit. It comprises a substantial liberalisation of prices, imports and the foreign exchange regime, combined with stringent monetary and fiscal policies.

Price increases and liberalisation measures were implemented in April. At the same time, the Algerian Dinar devalued from 25 to 36 Dinar per US$. The resulting increase in inflation slowed down towards the end of the year to less than 30%. The foreign exchange allocation system has been liberalised and administrative imports management has been abolished. Weekly fixing sessions of the exchange rate were introduced in October. By the end of 1994, the exchange rate reached 43 Dinar per US$. The various liberalisation measures are expected to result in an increase in imports which, in turn, will fuel industrial and construction activities. GDP growth remained somewhat below forecasts, however, and is now expected to reach 2% in 1994, following a 1.8% decline in 1993. The overall deficit of the government should decline rapidly to no more than 5.7% of GDP in 1994. The increase in hydrocarbon export prices in 1994 is likely to facilitate the implementation of the economic and financial recovery programme.

2. THE BALANCE OF PAYMENTS

In spite of the increase in hydrocarbon prices, export revenues, generated almost exclusively by hydrocarbon products, are projected to remain relatively low in 1994. The elimination of the strict administrative imports regime led to an increase in imports by nearly 20% in 1994. The current account deficit is forecasted to reach some US$ 1.4 billion. In view of the political and economic situation, there were no foreign investments in 1993.

The projected increase in the current account deficit will be financed by external debt rescheduling arrangements with the Paris Club and commercial creditors as well as new money from, amongst others, the IMF, the World Bank and the EU. In August, the remaining second tranche (ECU 150 million) of the 1992 Community balance of payments loan was disbursed. A proposal for a further balance of payments loan of up to ECU 200 million in support of the economic reform programme has been approved on 22 December 1994.

Algeria's foreign reserves position worsened in 1993 but recovered strongly after the debt rescheduling agreement with the Paris Club and reached nearly US$ 2.2 billion at the end of 1994, equivalent to 11 weeks of imports.

3. FOREIGN DEBT

End 1993, Algeria's foreign debt stock amounted to US$ 24.6 billion, requiring US$ 2.1 billion in interest payments and US$ 7.1 billion in repayments of principal. Nearly three quarters of this debt stock consisted of publicly guaranteed private sector credits. About 13% are bilateral credits, mostly non-concessional.

Following the agreement with the IMF on an economic reform programme, the Algerian authorities obtained, in June, an agreement from Paris Club creditors on a rescheduling of bilateral debt. Commercial debt rescheduling negotiations with commercial creditors have not been concluded yet.

As a result of these reschedulings, external debt service due during the programme period with the IMF (May 1994-May 1995) has been reduced by some US$ 5.1 billion or more than 55% compared to scheduled debt service. According to balance of payments projections, at present hydrocarbon price levels, Algeria will reach external viability only by the end of 1997. Further external financial support, notably from the IMF and through debt reschedulings, will be required over the next three years.

The 1992 Community balance of payments loan (ECU 250 million) is excluded from the rescheduling agreements and debt service on this loan should continue as foreseen.

B. BELARUS

1. General Economic Situation

Belarus used to be, under the former regime, one of the most developed republics of the Union, with a strong industrial base. GDP per capita was one of the highest of the FSU, and close to that of Hungary. However, until 1994 reforms were slow. A large part of the command system remained in place, trade administered and subsidies high. GDP fell by about 10% per year in 1992 and 1993, less than in Russia; however, a considerable drop was expected in 1994, one of the most severe of the countries in transition (already -26% Jan.-Sept., year-on- year).

One of the main reasons for the delays in economic stabilization was the absence of a clear autonomous monetary policy in Belarus. Until early 1994, despite the introduction of a temporary local rouble in 1992, the prospect of monetary union with Russia remained strong. In May 1994 the Belarussian rouble was declared the only legal tender in the country. Although a new President, Mr Lukashenko, favourable to closer links with Russia, was elected in July, the newly formed government under Prime Minister Chigir has adopted a reformist stance and an ambitious programme of reforms, requiring an autonomous monetary policy. Monetary union with Russia now does not seem to be on the agenda any more and would be a more long term prospect at best. The Belarus' new macro-economic programme is to be supported by the IMF and other multilateral and bilateral donors.

The budget deficit was of about 8% of GDP for the first six months of 1994. Over the first nine months of the year, monetary expansion remained high and average inflation was over 25% per month. In July monetary expansion limits were set. The goal is now to reduce inflation down to a monthly 8% level in by mid-1995.

Core structural reforms have also been delayed until the recent decisions of 1994. Subsidies on basic foodstuffs were maintained, and rents and utility prices remained controlled at very low levels. No proper two-tier banking system existed, with the established practice of direct central bank lending, and even subsidising, to enterprises. Enterprise restructuring had not been significant either. The implementation of privatisation and even the corporatisation of enterprises had been delayed by the resistance of entreprises and sectoral ministries: a privatisation law was approved only in July 1993 and, by the end of the year, the private sector accounted for only 5% of employment and 10% of non-agricultural output. Although a bankruptcy legislation had been enacted already in 1992, it has so far been inoperative.

2. Balance of Payments

While the country suffered from disruptions of trade and payments in the FSU, it has so far been unable to redirect its trade to the west. It has furthermore been adversely affected by the deterioration of its terms of trade, with an increasing cost of energy imports which are now close to world market prices. As a result, the trade balance, which was positive in 1991 (mainly inter-FSU republics trade), registered a deficit of about US$ 600 million in 1994, most of which is due to energy imports from Russia which account for more than 50% of total imports. As Belarus lacks currency reserves, net interstate arrears increased and reached US$ 405 million by end-September.

The current account deficit reached about US$ 630 million in 1994. A current account deficit of about US$ 320 million is expected for 1995. The IMF supports the Autumn package of reforms of the government and has called for the support of the international donor community. The Fund is ready to disburse about US$ 300 million under a second tranche of the Systemic Transformation Facility (STF) and a stand-by arrangement to be finalised in early 1995.

After IMF and World Bank support (and bilateral debt restructuring with Russia on 1994's energy import arrears), the remaining balance of payments gap for 1995 is estimated at US$ 250 million and is expected to be filled by bilateral official assistance.

3. FOREIGN DEBT

Under the "zero option" agreement between Russia and the other new independent states, Russia took over the external assets and liabilities of the FSU. Thus, Belarus' external debt has been incurred only recently (after 1992).

A large part of the foreign debt of Belarus is commercial debt and consists of gas arrears vis-à-vis Russia (US$ 405 million). According to ongoing negotiations between Belarus and Russia (to be finalised in early 1995), this debt would be transformed into assets under a US$ 235 million debt/equity swap, or repaid under a barter arrangement between the two countries.

The estimated external debt of the country was about US$ 1.5 billion by the end of 1994. The debt service on exports ratio averaged only 10% of GDP but, owing to the very limited hard currency resources of the country, represented a heavy burden. In 1995, assuming the approval of the IMF stand-by arrangement and the fulfilment of the residual financing gap by new loans of international donors, the external debt could increase up to almost US$ 2 billion, i.e. about 35% of GDP.

C. BULGARIA

1. GENERAL ECONOMIC SITUATION

Following sharp declines through 1993, production started recovering in 1994, entailing some improvement in the rate of unemployment. Inflation increased to 122 percent in 1994, as a consequence of sharp unanticipated depreciations of the national currency (triggered by heightened political uncertainties) and the introduction of the VAT. The authorities responded to those developments by reaffirming their commitment to the programme of fiscal restraint agreed with the IMF: budgetary data for 1994 indicate a considerable improvement in the deficit performance, owing both to buoyant revenues and a scale-down of real expenditures - particularly on wages and operating and maintenance.

Progress in structural reforms have been slow. Despite the parliamentary passage in June 1994 of an amendment to the Privatization Act and the establishment of a Centre for Mass Privatization, the pace of privatization has remained slow; and the completion of a clean-up of non-performing, pre-1991 policy-directed loans of State-owned banks has not been sufficient to significantly improve the functioning of the banking sector.

2. BALANCE OF PAYMENTS

Bulgaria's external financial situation improved in 1994. Exports increased sharply as the lev strongly depreciated (reversing a substantial real appreciation trend in 1993), while imports were contained as a result of restrictive financial policies. External debt service declined sharply following the completion of the debt reduction deal with commercial creditors (see section 3). All this resulted in a shift in the external current account from a deficit equivalent to 8 percent of GDP to a surplus estimated at 2 percent of GDP in 1994.

With the conclusion of a new stand-by arrangement with the IMF in April 1994, official capital inflows, that had been interrupted since end-1992, resumed including significant balance-of-payments support. This permitted Bulgaria to service its external debt and to accumulate official reserves. At end-1994, official reserves amounted to some 2 1/2 months worth of imports of goods and non-factor services.

3. FOREIGN DEBT

Bulgaria's external debt position has significantly improved with the conclusion in July 1994 of a comprehensive debt and debt service reduction (DDSR) agreement with commercial creditors on the restructuring of about US$ 8.1 billion in public external debt, which resulted in a commercial debt reduction equivalent to 46 percent of eligible debt. The upfront costs of the DDSR agreement (which involved several instruments for restructuring, including debt buy-backs and long-term securities) amounted to US$ 706 million. To replenish partially Bulgaria's international reserves used to finance these upfront costs, the IMF and the World Bank extended specific financing in September 1994 for a total amount of US$ 250 million, supplementing already existing balance-of-payments financial support from the IMF, the World Bank, the European Union and other G-24 bilateral donors.

Completion of the DDSR deal is expected to help Bulgaria regain over time access to international credit markets, enhance the investment climate for investors and constitute a crucial step forward in Bulgaria's progress towards external viability. In the immediate, external debt has decreased to 117 percent of GDP at end-1994 (144 percent in 1992) and the debt service ratio to 19 percent (39 percent in 1992).

D. THE CZECH REPUBLIC

1. GENERAL ECONOMIC SITUATION

After a sharp decline in 1990-92 and stagnation in 1993, the Czech economy grew by 2.1% in the first nine months of 1994 (year-on-year) reflecting a strong recovery of private consumption and investment. Real GDP is expected to expand by 3.5-4.5% in 1995. The unemployment rate continued to edge down, reaching 3.1% in December 1994, down from 3.5% in December 1993.

Following a 8.5% price-jump in January 1993 associated with the introduction of the VAT, annual inflation came down rapidly, ending 1993 at 18.2%. Inflation remained subdued in the first half of 1994, with the annual rate falling below 10% for the first time since mid-1992. However, as a result of the rapid expansion of the money supply (M2) and domestic demand annual inflation accelerated to 10.7% in November 1994 and is unlikely to fall below that level in 1995. M2 is estimated to have grown by 20% in 1994, well above the 12% original target.

The rapid growth of M2 reflects the impact of the strong foreign capital inflows, which the Czech National Bank (CNB) has only been able to sterilize partially through open market operations and the increase (effective on 4 August) of the minimum reserve requirements on banks' demand deposits. Monetary policy was again tightened in October, through a 50 basic points increase in the discount and lombard rate, and in December, through a further 50 basic points increase in the lombard rate. Regarding fiscal policy, the state budget ended 1994 with a surplus of Ck 11.2 bn (about US$ 336 mio) and the Parliament has approved a balanced budget for 1995.

As far as structural reform is concerned, the second wave of large-scale voucher privatization, involving assets in 861 enterprises with a book value of KC 155 bn (US$ 4.7 bn), was completed last November. About 80% of the productive capacity of the economy is estimated to be now in private hands.

2. THE BALANCE OF PAYMENTS

Reflecting the acceleration of domestic demand, the real appreciation of the Czech crown and trade restrictions introduced by Slovakia, the current account surplus shrunk considerably in 1994 and is likely to disapear or turn into a moderate deficit in 1995. The surplus declined from US$ 643 mio (1.8% of GDP) in 1993 to US$ 197 mio in the first nine months of 1994. The deterioration was particularly marked vis-a-vis Slovakia, against which the Czech Republic posted a US$ 270 mio deficit in the first nine months of 1995. This has led the Czech Republic to exceed six times in 1994 the ECU 130 mio credit ceiling agreed under the Czech-Slovak clearing system.

The net inflow of FDI slowed down considerably in 1993 (declining to US$ 450 mio from US$ 983 mio in 1992) and has recovered only moderately in 1994 (US$ 420 mio in January-September). The Czech Republic has been experiencing, however, a surge in other capital inflows since the third quarter of 1993. Thus, between January and September 1994, portfolio investment (mostly equity investment in the Prague Stock Exchange and foreign acquisition of Czech issues of international bonds) reached US$ 750.5 mio, and net direct credits by Czech enterprises from foreign banks US$ 967 mio. Over the same period, Czech banks obtained internationally-syndicated loans in the amount of US 175 mio. The Czech Republic's access to the international capital markets has been reinforced by successive upgradings of the country's rating. In June 1994, Moody's upgraded again the Czech Republic's rating (from Baa3 to Baa2), and in July S & P's upgraded its rating from BBB to BBB^{+}.

The combination of a healthy current account and a strong capital inflow has put upward pressure on the nominal exchange rate and has resulted in a rapid growth of official foreign exchange reserves, which stood at US$ 5.8 bn at end November-1994 compared to US$ 0.7 bn at end-1992. In order to stem the upward pressure on the exchange rate the CNB intends to make the crown fully convertible for current account transactions and liberalize capital controls in a phased manner. It has also decided to repay ahead of schedule all remaining loans owed to the IMF.

3. FOREIGN DEBT

Despite a significant growth of convertible debt in 1993 and 1994, mostly associated with strong foreign borrowing by Czech companies and banks, the Czech Republic continues to enjoy a low foreign debt burden. Total convertible debt increased from US$ 6.9 bn at end-1992 to US$ 9.1 bn at end September-1994, but this still implied a relatively low debt/GDP ratio of 25.8%. The debt service ratio has increased between 1992 and 1994 but, at 10.2% in 1994, it remains moderate. While projections for 1995 and 1996 point towards an increase in the debt and debt service indicators, they are expected to remain at reasonable levels.

E. ESTONIA

1. GENERAL ECONOMIC SITUATION

The economy emerged from recession by the end of 1993 and GDP is expected to have grown by 4% in 1994, despite a severe drought which hampered agricultural production. Services now account since 1993 for more than half of GDP. Growth mainly relies on the development of the private sector.

Inflationary pressures, fuelled by sharp increases of energy imports prices, resumed at the end of 1993 and early 1994. Prices increased by about 40% in 1994, well over target, but the latest recorded monthly price increases are moderate (1.4% Q4 average).

Under the currency board arrangement central bank lending to the state is prohibited: this has contributed to budgetary discipline. The general government budget should record a 2.5% deficit of GDP in 1994, against 1.8% in 1993: this is due mainly to increases of public investment. The deficit is fully financed by external borrowings. The 1995 budget envisages an overall balanced outcome.

Estonia has made continuing progress on structural reform. In 1993 and 1994, Estonia advanced further in the area of privatisation, especially for small enterprises of which over 80% have now been sold to private owners. The Estonian Privatisation Office was created in 1993 to better co-ordinate policies towards the enterprise sector, and in 1994 a separate department was established in the Ministry of Economy with responsibility for restructuring state firms before privatisation. In some cases bankruptcy law was applied. Banking supervision has been improved. Following the banking crisis of early 1993, the banking system was restructured. The number of commercial banks was reduced to 21, mostly through mergers. The central bank policy of phased increases in minimum capital requirements keeps the pressure on banks to consolidate.

2. THE BALANCE OF PAYMENTS

Estonia's current account was broadly in balance in 1993. External capital grants fully compensated for the recorded deficit of 2.2% GDP on goods and services. This changed significantly in 1994. The excess of domestic inflation over international price increases reduced the competitive advantage and the resumption of domestic growth led to higher imports. As a result, the current account deficit reached a high level, close to an estimated 7% level of GDP.

The inflow of foreign direct investment remained high for the third consecutive year. Official foreign exchange reserves continued to grow and, with a level worth US$ 450 million at year end, covered approximately 5 months of imports.

Assuming a steady recovery of the Estonian economy, the current account is expected to remain in deficit over the medium term.

3. FOREIGN DEBT

Estonia did not accept any legacy of foreign debts of the FSU. In 1994 the stock of external debts increased from US$ 135 million to an estimated US$ 228 million level (i.e. 9% of GDP). A substantial part of this debt is owed to international financial institutions. The IMF has granted to Estonia a US$ 17 million Systemic Transformation Facility and has disbursed US$ 44 million under the stand-by programmes since 1992. In 1993 the World Bank disbursed the bulk of a US$ 30 million rehabilitation loan to finance critical imports, and has a substantial number of projects in the pipeline. Estonia also benefited from an energy emergency programme of the EBRD, some US$ 9 million of which were disbursed.

Debt service remains very low with a ratio to exports of goods and non-factor services close to 1%.

F. HUNGARY

1. GENERAL ECONOMIC SITUATION

The Hungarian economy recovered in 1994, with real GDP estimated to have grown by about 3%. Industrial production increased by 9% in the first nine months of 1994 (year-on-year). Following a peak in February 1993, the unemployment rate has steadily declined to 10.4% in December 1994. Growth, however, is expected to slow down, or even stop altogether, in 1995, as the government applies an adjustment programme to reduce an unsustainable current account deficit.

Increases in indirect taxes, a faster devaluation of the forint and the strengthening of domestic demand have again prevented a reduction of inflation in 1994. Annual CPI inflation reached 21% in November, the same level as at the end of 1993. After four years of decline, real wages started to grow again in 1994, with a year-on-year increase of 6% in real net average earnings in the first nine months of 1994. The new socialist-liberal government views such large gains as unjustified and is seeking a social pact to impose wage moderation.

At HUF 320 bn (7.5% of GDP), the central government deficit finished 1994 HUF 18 bn below the target contained in the supplementary budget adopted last autumn. As a central element of a three-year stabilization and modernization plan currently under elaboration, the government intends to reduce the 1995 deficit to HUF 282 bn (5.5% of GDP). However, this reduction of the deficit, which largely reflects a change in the accounting methodology and an uncertain increase in privatization revenues, may not be sufficient to produce a significant reduction in the current account deficit.

The authorites have continued implementing the bank consolidation scheme launched in December 1993, involving the recapitalization of the major Hungarian banks in several steps through the transfer of state bonds. The privatization process slowed down in 1993 and 1994. The new govenment plans to revitalize the privatization process, but its recent decision to cancell the already agreed sale of a Hungarian hotel chain to a foreign investor and dismiss the reformist commissioner for privatization has raised some doubts about its strategy.

2. THE BALANCE OF PAYMENTS

Following the sharp deterioration suffered in 1993, the current account deficit continued to increase in 1994, reaching almost US$ 4 bn (or more than 10% of GDP) and significantly exceeding the official forecasts. The weakness of the current account and speculation against the forint led the authorities to devalue the currency by 8% against the ECU-dollar basket on 5 August, thus deviating from their policy of small, regular devaluations aimed at stabilizing the real exchange rate.

Despite the very high current account deficit, official foreign exchange reserves expanded rapidly in 1993, reaching US$ 7 bn at the end of the year, up from US$ 4.4 bn at end-1992. This was made possible by a continuing strong net inflow of FDI (which reached a record of US$ 2.3 bn), high foreign borrowing by commercial banks and enterprises, and the placement by the National Bank of Hungary (NBH) of US$ 4.5 bn in international bonds.

Net borrowing by banks and enterprises accelerated in 1994 (to 1.7 bn in January-August) and the NBH continued to raise a considerable amount of funds in the international capital markets. However, the higher current account deficit, lower inflows of FDI (about US$ 1.2 bn), and substantial early repayments of external debt aimed at reducing the "bunching"of repayments expected for 1995 and 1996, resulted in a decrease in official reserves from a peak of US$ 7.5 bn in January 1994 to US $6.8 bn at end-October 1994.

The 18-month stand-by facility granted by the IMF to Hungary in September 1993 was interrupted due to non-compliance with some of the programme targets. The IMF is currently discussing with the authorities on the main elements of an economic programme to be supported by the resumption of IMF lending.

3. FOREIGN DEBT

With the current account considerably exceeding the net inflow of FDI since 1993, both gross and net foreign debt have been rising rapidly, and from already high levels. Gross convertible foreign debt has increased from US$ 21.5 at end-1992 to US$ 28.2 (78% of GDP) bn at end-October 1994. Net foreign debt, for its part, has increased from US$ 13.1 bn at end-1992 to US$ 18.7 bn at end-October 1994. After increasing in previous years, the proportion of medium- and long-term debt has remained practically unchanged at around 92%.

Total debt service (excluding repayments on short-term debt but including early repayments) has been consistently increasing since 1992, reaching an estimated 65% of exports in 1994 (against 33% in 1991). The early repayments made by the NBS have significantly reduced the expected concentration of repayments in 1995 and 1996. Repayments in 1995 and 1996, which would have otherwise reached US$ 3.4 bn and US$ 3.9 bn respectively, are now projected to amount to US$ 3.bn and US$ 3.1 bn.

G. ISRAEL

1. GENERAL ECONOMIC SITUATION

GDP growth accelerated again in 1994, reaching 6.8%. The forecast for 1995 is somewhat lower, at 5%. Inflation accelerated significantly in the last quarter of 1994, reaching nearly 15% on an annual basis. This was not matched by a proportional depreciation of the Shekel, thereby pushing the real exchange rate up and widening the current account deficit to over US$ 3 billion in 1994. This has put pressure on the shekel in foreign exchange markets and the Bank of Israel had to increase its key lending rate to 17% by mid-December without however succeeding in entirely stopping speculative pressure on the national currency. The government plans to present a major macro-economic programme in January 1995. The authorities announced an inflation target zone of 8 to 11% for 1995.

The government budget deficit was further reduced from 2.5% of GDP in 1993 to 2% in 1994 following reductions in the housing programme and other subsidies for immigrants, including unemployment benefits, and tax increases, especially on capital gains. Budget revenue from privatisation increased somewhat to US$ 700 million in 1994, but remains very small compared to the substantial share of state-owned enterprises in the economy and was less than half of the announced target of US$ 1.5 billion.

Unemployment continued to fall, from 9% end 1993 to 7.8% end 1994, as the wave of immigration from Eastern Europe and the ex-Soviet Union of the early 1990s came to an end, and the repeated closure of the Occupied Territories accelerated the replacement of Palestinian workers with immigrants.

2. THE BALANCE OF PAYMENTS

At the end of 1993, Israel accepted the obligations concerning the full liberalization of current account transactions under article VIII of the IMF Articles of Agreement. The Central Bank of Israel maintains a "crawling peg" exchange rate system with a target depreciation rate announced by the Central Bank, in line with expected inflation, and a 2% variation allowed around the targeted exchange rate.

Export expansion, estimated at 10.6%, was a strong driving force for growth in 1994. Imports increased however equally fast at 10.4% and the current account deficit rose from US$ 1.2 billion in 1993 to more than US$ 3 billion in 1994. Net private capital inflows remained small at around US$ 100 million.

Official foreign exchange reserves reached a satisfactory level of US$ 6.8 billion at the end of 1994, or the equivalent of nearly 2.5 months of imports.

3. FOREIGN DEBT

The US$ 10 billion credit guarantees obtained from the US government in 1992 have enabled the authorities to draw on medium and long-term credit lines for investment projects. However, Israel's rating on international capital markets would have to improve from the present BBB+ level in order to get unguaranteed access. Net foreign debt increased from US$ 16.7 billion end-1993 to US$ 17.7 billion at end-1994, of which nearly three quarters was public sector debt. The debt service to exports ratio improved slightly as export growth was strong in 1994.

H. LATVIA

1. GENERAL ECONOMIC SITUATION

For the first year since it became independent, Latvia is likely to emerge out of the recession which saw GDP fall by 45% between 1991 and 1993. Growth in 1994 is, however, likely to have been moderate (it is estimated at 2%), partly because of the adverse impact of the drought which affects the whole region. Unemployment is already substantial, with an estimated 7% level at the end of 1994, the highest among the Baltic states.

The authorities have successfully pursued a policy of stable exchange rate with an informal peg to the SDR. They further tightened monetary policy in 1994, limiting the growth of broad money to 39%. As a result, inflation continued to slow down from 35% in 1993 to an estimated 25% level last year. However, some inflationary pressures remain due to large inflows of foreign capital which might lead the authorities to accept some appreciation of the lats.

The government financial deficit was expected to remain in 1994 within the initial 2% of GDP target. The total deficit (including net government lending), about 4% of GDP, was mainly financed through external borrowing. In 1995, both government expenditures (in particular social benefits) and revenues (both VAT and social security contributions) should increase significantly, and a comparable 2% financial deficit is expected, without taking into account public investment financed by external borrowings.

Structural reforms continued in 1994. The State Property Fund in charge of public assets started its activities in September. Privatisation, which had been initiated at a slow pace in 1992-1993, accelerated at the end of 1994 after the government announced an international tender of 45 medium and large size firms. The Privatisation Agency is now fully operational and intends to privatise 50 firms by tender each year in 1995 and 1996. In the Banking sector, the two main banks, Universal Bank of Latvia (UBL) and Latvian Savings Bank are engaged in the restructuring process, their portfolios have been strengthened and UBL might be ready for privatisation by the end of 1995. The free trade agreement signed with the European Union entered into force on 1 January 1995.

2. THE BALANCE OF PAYMENTS

The current account, which had recorded a substantial surplus in 1993, became negative in 1994 (-160 million US dollars without the official transfers) because imports grew significantly (+20%) while exports decreased. This is mainly due to the upsurge of the economic activity which lead to a substantial increase of investment-related imports.

Substantial official transfers, inflows of private capital and disbursements of the international financial institutions contributed to finance the current account deficit.

Latvia's hard currency reserves have continued to grow in 1994 and, with a US dollar 596 million level at year-end, almost cover 6 months of imports.

3. FOREIGN DEBT

Latvia did not accept any legacy of foreign debts of the FSU. In 1994 the external debt stock increased from US$ 311 million to US$ 445 million. More than 50% of this debt is owed to international financial institutions. Latvia owes the IMF 160 million dollars (93.5 million under the 1992 stand-by and 1993 extended stand-by, 66.5 million under the 1993-1994 STF). In 1993 and 1994, the World Bank disbursed the bulk of a US$ 45 million rehabilitation loan and part of a US$ 24 million agricultural development loan. The EBRD has so far disbursed 20 million dollars on Latvia, half of which was for an energy sector emergency project.

The debt service ratio, with a 3.8% level (debt service on exports) remains moderate.

I. LITHUANIA

1. GENERAL ECONOMIC SITUATION

After a sharp decline of output of about 55% between 1989 and 1993, GDP stabilised in 1994 with an estimated 1.5% growth. The official unemployment rate rose moderately to an estimated 2% level by the end of the year: this figure, however, is considered to be far lower than the actual level of unemployment.

After peaking in 1992 at hyper-inflationary levels, inflation slowed down in 1993 and early 1994. An important step in the stabilisation process of the economy was the introduction, on April 1, 1994, of a currency board arrangement under which central bank lending to the government is suppressed, and the money in circulation is constrained by the market value of gold and hard currencies detained in the Bank of Lithuania. The litas became pegged to the US dollar at a rate of LTL 4 to US$ 1. In the months following the introduction of the currency board arrangement, inflation dropped down to a level of less than 3% per month.

Monetary expansion, under the currency board arrangement, declined in 1994. The state incurred a fiscal deficit of about 4% of GDP in 1994. Most of the deficit has been financed by issuing, since July, treasury bills. Also, to a lesser extent, public investments have been financed with normal commercial bank loans. The increase in the deficit led the authorities to adopt austerity budgetary measures, including the phasing out of public subsidies which fell to below 1% of GDP in 1994 (against 5.5% in 1991).

Structural reforms have been further implemented. The Government continued to progress with privatisation and restitution. By September 1994, 76% of all companies eligible for privatisation, or 30% of all state capital, had been privatised through vouchers, public share subscription and auctions. In December 1994 a new Central Bank bill was adopted in Parliament, and a commercial bank law is expected to be enacted in early 1995.

A three-year programme was adopted by the Government, for the October 1994 - September 1997 period, envisaging tight budgetary policies under the existing currency board arrangement and a sustained effort to maintain the momentum of structural reforms.

2. THE BALANCE OF PAYMENTS

The trade balance, which recorded a surplus until 1992, became negative in 1993 and 1994 due to the sharp increase of energy imports from Russia, which are now close to world market prices, and account for about 50% of the country's imports. As a result, the current account of the country registered a 260 million US dollars deficit in 1994.

A substantial part of the 1994 current account deficit was financed by private capital inflows. Also, following the adoption by the Government autumn three-year programme, the IMF approved on October 24 an SDR 134.55 million (about US$ 200 million) extended facility. This should allow Lithuania to build up the necessary reserves and to finance key energy and investment-related imports.

Over the medium-term, the growth trend should remain robust, and imports of capital goods are expected to grow substantially. The country is therefore expected to remain in current account deficit over the next five years, so that it will heavily rely on private capital inflows and the support of IFIs.

3. Foreign debt

Lithuania has not accepted any legacy of sovereign debts of the FSU. In 1994, the external stock of debts increased by about US$ 250 million, reaching a level of US$ 580 million. This level of debt is moderate relative to GDP (10%). Most of the 1994 increase is due to disbursements under the IMF stand-by and STF programmes, and of the World Bank US$ 60 million rehabilitation loan.

J. MOLDOVA

1. GENERAL ECONOMIC SITUATION

Over the last twelve months, the authorities have been implementing their economic reform program, adopted in December 1993, with remarkable perseverance. However, owing to a severe drought which devastated crops in the south of the country, and given the importance of the agricultural sector which, together with the agricultural processing industry, accounts for roughly 60 percent of GDP, the decline in economic activity accelerated in the second half of 1994 (output is estimated to have declined by 31 percent in 1994, compared to a decline of 8.7 percent in 1993). Registered unemployment remains very low, at under 1 percent of the labour force, but an estimate figure including workers on unpaid leave puts unemployment at 14 percent.

Inflation has fallen dramatically since the beginning of 1994 (the monthly rate fell from 44 percent in January to 3.5 percent in November and to 2.6 percent in December). On a yearly basis, inflation fell to 105 percent at end-1994, compared to 837 percent at end-1993. Since the introduction of the leu in November 1993, the exchange rate has remained relatively stable (about 4 leu per US$) and interest rates have declined (the National Bank of Moldova cut the discount rate to 42 percent in December, compared to the February peak of 377 percent).

The government succeeded in reducing the budget deficit (to about 7.5 % in 1994 from around 9 % in 1993) despite very considerable spending pressure, but this was in part achieved through one-time asset sales. For 1995, the Government intends to enforce fiscal discipline in a more sustainable way, recognising that too much reliance is currently being placed on payment arrears to achieve cash deficit targets. Particular attention will be paid to improve tax collection.

Concerning structural reforms, some progress has been made (first auction for medium and large-sized enterprises held by end-June 1994, elimination of export quotas with the exception of grain, grain products and energy products) but it is lagging behind the efforts made in terms of financial stabilisation. Passed bankruptcy legislation was not used against state enterprises, and there have been no closures of large enterprises to date. Over 200 enterprises of all sizes - about 20 percent of the number of enterprises scheduled to be auctioned under the 1993/94 Privatisation Programme - had been transferred to private ownership by end- November 1994.

2. THE BALANCE OF PAYMENTS

The balance of payments remained under severe pressure in 1994, primarily as a result of higher prices for imported energy. Based on preliminary data, the current account deficit for the first three quarters of 1994 was US$ 90 million, and the deficit for the whole of 1994 is estimated at US$ 183 million (or 15.4 % of GDP), practically the same as in 1993. Both exports and imports have been weak. Exports have been negatively affected by the continuing economic contraction in Moldova's main trading partners and increased transport costs. Concerning the import side, even if adequate financing commitments were obtained in December 1993 to close the projected financing gap for 1993 and 1994, the slow pace of disbursements and the collapse of output have led to a severe compression of imports.

Preliminary figures for the capital account show a surplus of about US$ 170 million for the first three quarters of 1994 and an estimated surplus of US$ 241 million for the whole year, compared to 136 million in 1993. At an estimated US$ 25 million in 1994, direct investment remained low, while medium- and long-term loans accounted for the bulk of capital inflows, with an estimated amount of US$ 181 million for 1994. This capital inflow allowed the Central Bank to accumulate gross official reserves in excess of the programmed target.

3. FOREIGN DEBT

Moldova agreed to the zero option with the Russian Federation and so has no responsibility for the external debt of the FSU. The total external debt of the country is estimated at US$ 550 million by end 1994 (or around 26 % of GDP), mainly to Russia and to the IFIs (IMF and World Bank), compared to US$ 154 in 1993 (about 11 % of GDP). Financing from other bilateral donors, principally the EU, Japan, the USA, China, Romania and the Netherlands are comparatively small. Debt service as a percentage of exports is estimated to have increased from around 1 % in 1993 to more than 8 % in 1994 and is expected to increase further to more than 11 % in 1995.

K. ROMANIA

1. GENERAL ECONOMIC SITUATION

Although its decline was reversed in 1993, real GDP is expected to remain low at around 2% in 1994 owing to the slow implementation of reforms in public enterprises. Growth will come mainly from exports. The government deficit will increase compared to 1993 but is expected to remain low at around 2.5% of GDP.

Inflation slowed down considerably from over 300% end 1993 to 70% at the end of 1994. The increase in interest rates to positive levels in real terms early 1994 contributed to the stabilisation of the Lei and facilitated the unification of official and market exchange rates. However, towards the end of the year, some discrepancies occurred again between the two rates. Nominal interest rates at National Bank credit auctions decreased in line with the slow-down in inflation to some 80% at the end of 1994.

In the course of 1994, a new impulse has been given to public enterprise reform. Some 60 state-owned enterprises with large losses and/or arrears have been isolated from the financial system and financial recovery plans have been implemented. But there is little progress in the privatisation of large and medium sized state-owned enterprises. A new mass privatisation scheme has been announced but not implemented yet. Prudential regulations and stricter control of bank portfolio's have been introduced but little progress has been made with respect to the privatisation of banks.

2. THE BALANCE OF PAYMENTS

The depreciation of the Lei end-1993 and early 1994 improved the competitiveness of the Romanian economy. Imports stabilised close to the 1993 level as domestic demand remained weak. Exports grew because of increased competitiveness and easier access to markets with the approval of the (Interim) Europe Agreement with the European Union and the granting of Most-Favoured-Nation status in the United States import regime.

As a result, the trade balance and current account improved markedly in the first half of 1994. The current account deficit for that period amounted to US$ 166 million only, compared to a US$ 1.6 billion deficit for the whole of 1993. The capital account surplus diminished however to some US$ 100 million (excluding IMF loans) during the first half of 1994, compared to a US$ 1.3 billion surplus for the whole of 1993. But the new agreement with the IMF, approved by the Executive Board in May 1994, is likely to lead to a new stream of official financial inflows into Romania. Access to private financial markets is, however, still limited. Direct foreign investment inflows remain very low as large-scale privatisations have not really started yet.

Foreign currency reserves at the National Bank increased rapidly from only US$ 40 million at end-1993 to over US$ 600 million at end-1994. Most of this increase is due to a shift from foreign currency deposits to Lei deposits in the commercial banking system, triggered by the strong increase in domestic real interest rates.

3. FOREIGN DEBT

Total external debt increased rapidly from virtually zero in 1989 to US$ 4.7 billion or 16% of GDP at end-1993 and debt service accounted for 6.2% of current receipts, which is still relatively low compared to other Eastern-European countries. As foreign investment inflows are unlikely to increase rapidly, official medium and long term loans will remain the principal source of finance for the current account deficit and, consequently, the growth of the debt stock is projected to continue. According to the IMF, the external debt service ratio is projected to increase to around 18% in 1999.

L. RUSSIA

1. General Economic Situation

Gross domestic product is estimated to have fallen by 15% in 1994, with industrial production reported at less than 45% of its 1991 level. However, since October 1994 monthly real GDP is reported to be higher than the corresponding months a year earlier. Similarly the industrial production index grew strongly from the fall of 1994 onwards.

The progress made towards macroeconomic stabilisation in 1993 and during the first half of 1994 has been largely dissipated in the last part of 1994. After a substantial financial tightening in 1993 and part of 1994, there was a marked financial relaxation in the second and third quarter of 1994. During both this quarters central Bank credit grew at 13% per month.

The rising costs of the military campaign in breakaway Chechnya, the fallout from the rouble crash in October and the issue of promissory notes in exchange for corporate debts had fuelled a revamp of inflation. Inflation, down to 4.6% per month in August 1994, has been accelerating in the last quarter of 1994 to around 15% per month, bringing the overall 1994 consumer price increase to over 200%. The rouble exchange rate was over 3.800 to the dollar at mid-January 1995, up from 3.550 at the end of 1994 and compared to 1.247 at the beginning of 1994. The acceleration in the fall of the rouble reflects the Chechen crisis and growing inflationary expectations.

Conflicting signals emerged on structural reforms. On the one hand, some senior members of the government questioned the irreversibility of the privatisation process. On the other, quite unexpectedly, the government at the end of 1994 passed a resolution liberalising the country's energy export regime, clearing the way for higher energy prices, increased export revenue and tax receipts, and reducing the scope for corruption.

The future course of inflation, the development of the relationship with the IMF and the World Bank, and more generally the credibility of the economic policy of the government will depend heavily on the budget for 1995 and the way in which it is financed. By late January 1995, this was still very hard to predict.

2. The Balance of Payments

The assessment of the balance of payments of Russia is complicated by the poor quality of the data. For instance, there is wide evidence that capital flight has been significant since the early 1990s, but this is not totally reflected in the official data.

In 1994 Russia recorded a large trade surplus, preliminarily estimated at US$ 19.8 bn, compared with a surplus of US$ 16 bn in 1993. This amount, however, may be greatly over-estimated, as a part of imports go unrecorded in order to escape tax payments. The main feature is the diversion of trade and financial transactions away from traditional partners - former CMEA partners and, even more, former soviet republics - and re-direction of flows towards developed countries. Industrialised countries accounted for 69% of the total volume of imports in 1994, compared to 60% in 1993, while imports from former-CMEA countries continued to decline and accounted for less than 8.5%.

The current account swang from a deficit of US$ 4 bn in 1992 to a surplus of US$ 2 bn in 1993. According to data of the Russian Central Bank, the current account had a surplus of US$ 3.6 bn in the first half of 1994.

The level of foreign direct investment in Russia remains very small in relation to the dimensions of the economy and the resource endowment of the country. The net inflow in the first half of 1994 amounted to 400 million dollar. Political infighting, and the lack of basic legislation on contracts, land ownership, oil, gas and securities are perpetuating legal uncertainties for business, therefore preventing large capital inflow.

During the first eight months of 1994, the level of net reserves fell by US$ 1.9 bn, reaching US$ 1.4 bn at end-August.

3. FOREIGN DEBT

The external debt of Russia was estimated at US$ 85 bn at the end of 1994. Slightly less than 90% of the total consists of debt contracted during the Soviet period, which was taken over by Russia in early 1993. The debt represents about 30% of GDP. Debt service in 1994 is estimated to have represented 32% of exports, of which about 10% is in interest payments.

Re-estimations by the Ministry of Finance put the debt to US$ 113 bn at the beginning of 1995. At the moment it is unclear why there is such a big discrepancy. This discrepancy is too big to be explained only in terms of revaluation of the currencies in which the debt is denominated vis-à-vis the dollar.

Maturities of the debt contracted or guaranteed by the government before the 31 December 1991 have been re-scheduled in the framework of several agreements with the Paris Club in 1992, 1993 and 1994. Negotiations with the Paris Club on the rescheduling of maturities due in 1995 have been postponed until after the conclusion of a stand-by arrangement with the IMF. An agreement with the London Club on the restructuring of the commercial debt, worth 24 billion dollars, is still under discussion and could not be finalised in 1994 despite a legal understanding reached on the status of Russia's commercial debts.

M. THE SLOVAK REPUBLIC

1. GENERAL ECONOMIC SITUATION

Following a 4.1% decline in 1993, real GDP recorded year-on-year growth of 4.3% in the first nine months of 1994. Industrial production has recovered strongly, growing by 9.3% in the third quarter of 1994 (year-on-year) and unemployment seems to have stabilized at about 14.3%. After accelerating to 25.1% in 1993 as result of increases in indirect taxes and the devaluation of the Slovak crown, CPI inflation has been on a downward trend since the beginning of 1994, falling to about 12% at end-1994.

The reduction of inflation has been supported by tight macroeconomic policies. Net domestic assets fell by 1.4% in 1994, while net credit to the government increased by only 3.3%. The general government deficit, for its part, is estimated to have finished the year close to the 4% of GDP target, well below a deficit of 7.5% of GDP in 1993. The new government intends to reduce the 1995 deficit to around 3% of GDP. These fiscal targets are part of the economic programme for 1994/95 agreed with the IMF and supported by a SDR 115.8 mio stand-by arrangement, a second purchase (of SDR 64.34 mio) from the Systemic Transformation Facility (STF), and complementary macro-financial assistance from the EU/G-24 in the amount of about US$ 243 mio.

Large-scale privatization was reactivated through the launching in the summer of 1994 of a second wave of voucher privatization for which about 3.2 mio citizens (almost 90% of those eligible) registered. The voucher scheme, however, has been on hold since the September 30/October 1 general elections and the new Parliament has invalidated some direct-sale privatization contracts concluded after 6 September 1994. The new government has yet to clarify its strategy towards privatization and financial and enterprise restructuring.

2. THE BALANCE OF PAYMENTS

Slovakia's balance of payments strengthened considerably in 1994. The current account, which had recorded a deficit of 4.2% of GDP in 1993, is estimated to have swung into a surplus of about 3% of GDP in 1994. This compares with a deficit of 2.5% of GDP projected under the programme agreed with the IMF. The improvement in the current account has been particularly marked with respect to the Czech Republic. In the first nine months of 1994, Slovakia ran a surplus of US$ 581.7 mio (or about 5% of GDP) against the Czech Republic, and the latter exceeded in 1994 six times the ECU 130 mio credit ceiling agreed under the bilateral clearing system.

Also the capital account has strengthened, reflecting both substantial official support from the international financial community (IMF, World Bank, EU/G-24) and an improved access to the international capital markets. In July 1994, the National Bank of Slovakia placed successfully in the Samurai market a US$ 250 mio bond and further international issues are being envisaged. The Japan Bond Research Institute assigned to Slovakia an investment grade rating (BBB) in July 1994.

Official foreign exchange reserves have increased from only US$ 395 mio (less than 1 month of imports) at end-1993 to US$ 1.8 bn (2.5 months of imports) at end-1994, or the target for official reserves set within the IMF programme for end-1995. The total foreign exchange reserves of the banking system, for their part, have risen from US$ 1.4 bn at end-1993 to US$ 3.5 bn at end-1994.

Despite the improvement in the balance of payments, the Slovak government has announced its intention of maintaining during 1995 the 10% surcharge on imports of consumer goods introduced in March 1994. Within the IMF programme, the government is committed to removing this surcharge and making progress towards achieving full current account convertibility so as to reach "Article VIII status" at the IMF by 1 January, 1996. Regarding exchange rate policy, the Slovak crown has been kept stable since July 1994 against a basket of Western currencies but has been devalued by 5% against the Czech crown within the clearing system.

3. FOREIGN DEBT

Slovakia inherited from the Czechoslovak federation a very low external debt. While external debt and debt service ration are expected to deteriorate in the coming years, they will remain at relatively low levels. The convertible currency debt/GDP ratio is projected to increase from 30.5% at end-1993 to around 40% at end-1995 and stabilize at around 45% after 1997. Convertible debt service as a percentage of exports of goods and services, for its part, is expected to increase from 8.9% in 1993 to 11% in 1995 and remain approximately at that level thereafter.

N. TRANSCAUCASIAN AND ASIAN REPUBLICS

1. GENERAL ECONOMIC SITUATION

The situation among the Tanscaucasian and Asian Newly Independent States (NIS), varies considerably. All the former soviet republics suffered in 1992-1993 from the weakening of old structures and the collapse of inter-republican trade links. The decline in trade among the NIS (probably 20-30% a year since 1992) has had serious knock-on effects on output. Loose financial policies in many NIS compounded the adverse effects of the external shocks. Political and military conflicts in Tadjikistan and the Transcaucasian republics dramatically aggravated the situation in these countries.

Far-reaching economic reform already begun in most NIS in 1993: several republics have already made considerable strides in the transition to a market-based system while implementing more strict financial policies. 1994 has been a year of acceleration of reforms in Georgia and Armenia. While a hyper-inflationary situation prevailed in most republics in 1993, inflation generally slowed down in 1994. Most countries suffer from high government budget deficits.

Two republics, Kyrgyzstan and Kazakhstan, had already received in 1993 financial support from the IMF, mainly in the form of structural adjustment facility (STF) loans. Georgia and Armenia concluded similar arrangements with the IMF by the end of 1994. Also, progress towards comprehensive reforms has been made in Azerbaijan and Uzbekistan. The case of Tadjikistan remained very preoccupying: while reforms have been delayed in the context of civil war and political instability, there were no short term prospects of significant improvement. The country's output is estimated to have dropped by more than 60% since 1989.

2. THE BALANCE OF PAYMENTS

The balance of payments situation of the area is extremely weak, with probably the exception of Turkmenistan. Large trade deficits with Russia and Turkmenistan, linked primarily to higher prices for energy and raw materials make the current account position of the other countries particularly precarious. The financial credibility of most countries is further aggravated by lack of international reserves, so that current account deficits tend to degenerate into crisis of payments and the piling up of arrears.

From a longer term perspective, the new states present rather variable profiles. Some have considerable hard currency earning potential (Kazakhstan, Uzbekistan, Azerbaijan) and industrial productive capacity. Others are clearly close to developing countries and will therefore strongly rely on external assistance. Armenia, Georgia and Kyrgyzstan have already been made eligible to highly concessional lending from the Bretton Woods institutions.

3. FOREIGN DEBT

The NIS already made in 1993 substantial progress in clarifying their position vis-à-vis the question of the foreign debt legacy of the former Soviet Union. Initially (at the end of 1991), the former republics were made jointly and severally responsible for such debt. A Memorandum of Understanding setting forth the principle of joint and several liability was signed on 28 October 1991. The April 1993 Paris Club agreement with Russia, however, was accompanied by a change in legal arrangements on debt servicing within the FSU making in fact Russia the sole actual manager of the debt. Accordingly, the creditors acknowledged that the so-called "zero-option" agreements concluded by Russia with other former republics (by virtue of which Russia takes over the full amount of the ex-Soviet debt, in exchange for the full amount of the ex-Soviet external assets) discharge them of any servicing of such debt.

Very few countries, like Kazakhstan, have attracted since their independence new credits from the West. The bulk of the NIS external debt is owed to Russia and Turkmenistan. This debt results from balances of the ex-republics' Central Banks with the Central Bank of Russia and arrears on energy shipments. In 1993, Russia concluded with all the NIS (with the only exception of Turkmenistan) agreements rescheduling its claims over a 1994-1997 period (Azerbaijan, Georgia). Russia awarded bilateral loans to several countries (Armenia, Uzbekistan, Kyrgyzstan) which had a negative correspondent account position with it. Trade arrears have however continued to build up with the two energy-exporting NIS in 1994.

The Community has also provided significant amounts of three year commercial credits to all the NIS under the ECU 1250 million loan facility. Some of those countries are presently facing difficulties in ensuring a timely servicing to their debts towards the Community.

O. UKRAINE

1. General economic situation

Following an accumulated output contraction of 40% from 1990 to 1993, GDP fell another 26% in 1994 reflecting not only the balance of payments constraint but also a massive shift into the informal, unregistered sector. However, the 1994 decline hides the fact that the Ukrainian economy seems to have stabilized in the second half of 1994. The official unemployment figure does not reflect the protracted fall in output; at the end of 1994, it stood at 0.3%. However, estimates on hidden unemployment reach as much as 20%.

Following a stop and go pattern, the National Bank of Ukraine made another attempt in autumn 1993 to tighten monetary policy considerably, which led to a sharp fall of inflation to a monthly rate of 3% in summer 1994. The subsequent sharp increase of inflation in the last quarter of 1994 (monthly average 40%) partly reflects another relaxation of credit policy. But this also is a reaction to the liberalization of prices in the context of Ukraine's comprehensive stabilization and reform programme agreed with the IMF in September 1994 and supported by the Systemic Transformation Facility (STF) in October 1994. The tight monetary policy contained in this programme should contribute to a rapid deceleration of inflation in the first half of 1995.

Following a sharp decline of the budget deficit in 1993 (10% of GDP, after 29% in 1992) the authorities managed to stabilize it in 1994, despite substantial demands to increase expenditures previously cut and to finance state procurement of agricultural products for which commercial banks refused to take the credit risk. The stabilization of the budget was achieved - despite an increase in outlays in the social safety net - through cuts in subsidies and commodity reserves and through requiring the full repayment of all directed credits extended in the first half of 1994. It is the government's intention to achieve a further substantial reduction of the budget deficit in 1995.

In the last quarter of 1994, a number of important reforms were initiated. Besides the liberalization of prices and the reduction of subsidies, it was decided to make adjustments to administered prices to fully pass implied price increases of imported energy onto industrial and agricultural users. The interbank auction market was also opened, and efforts were made to unify the exchange rate of the karbovanets. In addition, the Government approved an action plan to remove the legal obstacles to the ability of enterprises and individuals to own and transfer land and took steps to speed up privatization. These measures will be enhanced further in the context of an IMF stand-by arrangement which is expected to be in place in Spring 1995.

2. THE BALANCE OF PAYMENTS

As a consequence of the move of energy prices charged by former Soviet republics (mainly Russia) towards world market levels starting in 1992, Ukraine suffered a severe terms of trade shock. Given the heavy dependence of its economy on energy, Ukraine was forced to reduce import volumes both for energy and other goods adding further to the economic decline. The current account deficit is estimated to have widened further in 1994 to US$ 1.8 bn (some 8% of GDP).

Given also the estimated capital flight, the need to amortize medium- and long-term credits not matched by new credits, and the negligible foreign direct investment, Ukraine accumulated important external arrears (more than US$ 2 bn). At the same time, the official foreign exchange reserves increased by some US$ 600 mio.

In 1994, Ukraine received the first tranche (US$ 271 mio) from the IMF under the STF backing the country's comprehensive stabilization and reform programme. It also obtained a first tranche (US$ 100 mio) of a rehabilitation loan from the World Bank (totalling US$ 500 mio) which was approved in December 1994. The Union decided, in December 1994, to provide Ukraine with balance of payments assistance of up to ECU 85 million in support of the country's reform programme.

3. FOREIGN DEBT

In 1994, Ukraine's external debt stock increased from US$ 4.1 bn in 1993 to US$ 7.5 bn. In percent of GDP this represents an increase from 27% to 35%. The ratio of debt service to exports of goods and services rose from 1% to 8.6%. In November 1994, Ukraine reached an agreement with Turkmenistan that it would clear arrears of US$ 300 mio on gas, whereas the remaining arrears would be rescheduled. Russia declared its willingness to reschedule some US$ 500 mio on interstate debt, but negotiations are still ongoing; in addition, there are discussions about the regularization of a US$ 1.5 bn debt to Russia accumulated in 1994 on account of gas.

II-F-3 Country risk indicators
Last update
27-Jan-95 Country: Algeria

	1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)	2,2	-1,8	2,0 (E)
Hydrocarbon production (% change)	2,6	-0,5	-0,8 (E)
Unemployment rate (end of period)	21,9	n.a.	n.a.
Inflation rate *(Dec/Dec)*	32,1	20,5	29,2
Exchange rate (dinars per USD) *(end of period)*	22,8	24,0	42,9
Nominal effective exchange rate *(change Q4/Q4) (- = depreciation)*	-1,0	-7,9	-78,6
Real effective exchange rate *(change Q4/Q4) (- = depreciation)*	27,0	14,2	n.a.
General government balance (as % of GDP)	-1,3	-9,2	-5,0 (E)
Balance of payments			
Exports of G&S (in bn USD)	12,1	10,9	10,0 (E)
Current account balance (in % of GDP)	1,3	1,0	-1,4 (E)
Net inflow of foreign direct investment (in mio USD)	30,0	0,0	0,0
Official FX reserves (end of period)			
in bn USD	1,5	1,4	2,2
in months of imports of G&S	2,0	1,9	2,9
External debt			
External debt	26,1	24,6	26,2 (E)
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)	25,0	n.a.	n.a.
short-term (=< 1 year)	1,2	n.a.	n.a.
Convertible debt service (in bn USD)	9,1	9,1	n.a.
principal	6,8	7,0	n.a.
interest	2,3	2,1	n.a.
External debt/GDP (%)	58,6	53,4	65,3 (E)
External debt/exports of G&S (%)	215,6	225,3	255,0 (E)
Debt service/exports of G&S (%)	75,0	83,6	46,1 (E)
Arrears (on both interest and principal, in mio USD)	No	No	No
Debt relief agreements and rescheduling (bn USD)	No	No	5,2
IMF arrangements			
Type/no	No	No	SBA
(Date / -)			(6/94-6/95)
On track/off track			On-Track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of per.)	Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated
Euromoney		Mar Sep	Mar Sep
Position in the ranking (1)	66	68 79	92 96
(number of countries)	(169)	(169) (170)	(167) (167)
The Institutional Investor	Mar Sep	Mar Sep	Mar Sep
Position in the ranking (1)	53 57	62 69	75 78
(number of countries)	(119) (126)	(127) (133)	(135) (135)
Credit rating (2)	33.1 28.9	28.2 27.1	26.3 24.6

(1) The higher the score in the ranking, the lower the creditworthiness of the country.
(2) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 27-Jan-95	Country risk indicators Country: Belarus	1992	1993	1994 Latest data or estimates
Real GDP growth rate (in %)		-9,6	-11,6	-26,0
Industrial production (% change)		-10,0	-10,0	-35,0
Unemployment rate (end of period)		0,6	1,5	2,0
Inflation rate	*(Dec/Dec)*	1560	1990	1200
Exchange rate (Rbs per USD)	*(average)*	226	2688	26800
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
General government balance (as % of GDP)		-4,5	-9,4	-12,0
Balance of payments.				
Imports in million US$		3203	3299	3125
Exports in million US$		3580	2946	2650
Trade Balance in million US$		377	-353	-475
Current account balance in million US. $		221	-413	-502
Current account balance (in % of GDP)		0,7	-1,5	-2,4
Net inflow of foreign direct investment (in million USD)		n.a.	10	10
Official FX reserves (end of period)				
in mio USD		n.a.	62	85
in months of imports		n.a.	0,3	0,4
External debt				
External debt		n.a.	n.a.	n.a.
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		n.a.	n.a.	n.a.
short-term (=< 1 year)		n.a.	n.a.	n.a.
Convertible debt service (in bn USD)		n.a.	n.a.	197,0
principal		n.a.	n.a.	n.a.
interest		n.a.	n.a.	n.a.
External debt/GDP (%)		n.a.	n.a.	n.a.
External debt/exports of G&S (%)		n.a.	n.a.	n.a.
Debt service/exports of G&S (%)		n.a.	n.a.	7,6
Arrears (on both interest and principal, in bn USD)		n.a.	n.a.	n.a.
Debt relief agreements and rescheduling				likely with Russia on gas arrears
IMF arrangements				
Type/no			STF	STF
(Date / -)			(08.93 - 8.94)	(01.95)
On track/off track			Off track	See footnote
(- / Date)			See footnote (5)	(5)
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (2)				
Score (end of period)		Not rated	Not rated	Not rated
Rating (end of period)		Not rated	Not rated	Not rated
Euromoney			Mar Sep	Mar Sep
Position in the ranking (3)		132	148 139	145 138
(number of countries)		(169)	(169) (170)	(167) (167)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)			100	109 109
(number of countries)		-- (126)	(127) (133)	(135) (135)
Credit rating (4)				15.5 15.7

(1) For all 1994 data, preliminary estimates.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.
(5) IMF 1993 STF programme was not on track in early 1994. However, IMF staff considered favourably the Government programme adopted in Autumn 1994, which it intends to support with the second STF tranche by end-January 1995 and a stand-by arrangement later in 1995.

II-F-3 Last update: 27-Jan-95	Country risk indicators Country: Bulgaria			
		1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)		-5,6	-4,2	0,2
Industrial production (% change)		-11,0	-9,0	4,0
Unemployment rate (end of period)		15,3	16,3	12,9
Inflation rate	*(end of period)*	79,4	63,9	122,0
Exchange rate (Leva per USD)	*(end of period)*	24,5	33,3	66,5
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-15,7	-3,1	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	43,6	59,2	n.a.
General government balance (as % of GDP)		-7,4	-13,6	-6,6
Balance of payments				
Exports of G&S (in bn USD)		4,0	4,0	3,9 (Q1-Q3)
Current account balance (in % of GDP)		-9,2	-7,9	2,0 (E)
Net inflow of foreign direct investment (in mio USD)		42	55	n.a.
Official FX reserves (end of period)				
in bn USD		1,0	0,7	1,1
in months of imports of G&S		2,2	1,5	2,4
External debt				
External debt		12,5	12,8	10,8
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		n.a.	n.a.	n.a.
short-term (=< 1 year)		n.a.	n.a.	n.a.
Convertible debt service (in bn USD)		2,0	1,7	1,0
principal		1,4	1,1	0,5
interest		0,6	0,6	0,4 (E)
External debt/GDP (%)		144,0	124,0	117,0 (E)
External debt/exports of G&S (%)		248,0	249,0	204,6 (E)
Debt service/exports of G&S (%)		39,0	32,0	19,0 (E)
Arrears (on both interest and principal, in bn USD)		6,1	n.a.	n.a.
Debt relief agreements and rescheduling		Paris Club (resched.) London Cl. (roll-overs)	London Club (roll-overs, and DDSR agreed in principle)	London Club DDSR (July)
IMF arrangements				
Type/no		SBA	No	SBA
(Date / -)		(4/92-4/93)	-	(3/94-3/95)
On track/off track		Off-track	-	
(- / Date)			-	
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (1)				
Score (end of period)		80	80	80 (Aug)
Rating (end of period)		E	E	E (Aug)
Euromoney		Sep	Mar Sep	Mar
Position in the ranking (2)		91	122 125	88
(number of countries)		(169)	(169) (170)	(167)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (2)		81 86	91 89	91 95
(number of countries)		(119) (126)	(127) (133)	(135) (135)
Credit rating (3)		21.1 19.8	18.9 19.5	19.8 20.8

(1) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(2) The higher the score in the ranking, the lower the creditworthiness of the country.
(3) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 27-Jan-95	Country risk indicators Country: Czech Republic			
		1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)		-7,1	-0,3	2,1 1-Q3/Q1-Q3)
Industrial production (% change)		-10,6	-5,4	2,7 1-Q3/Q1-Q3)
Unemployment (% of labour force) (end of period)		3,1	3,5	3,1
Inflation rate	*(Dec/Dec)*	12,7	18,2	10,7 (Nov)
Exchange rate (CK's per USD)	*(end of period)*	28,9	29,9	27,8 (Nov)
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-0,1	4,2	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	14,7	19,3	n.a.
General government balance (as % of GDP)		1,9	0,7	0,1 (E)
Balance of payments				
Exports of G&S (in mio USD)		14800	16728	18627
Current account balance (in % of GDP)		0,4	1,8	0,7 (E)
Net inflow of foreign direct investment (in mio USD)		983	450	420 (Jan-Sep)
Official FX reserves (end of period)				
in bn USD		0,7	3,8	5,8 (Nov)
in months of imports of G&S		1,1	2,7	3,9 (Nov)
External debt (end of period)				
External debt		6,9	8,7	9,1 (Q3)
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		5,1	6,6	n.a.
short-term (=< 1 year)		1,8	2,1	n.a.
Convertible debt service (in bn USD)		1,4	1,4	1,9 (E)
principal		0,8	0,9	n.a.
interest		0,5	0,5	n.a.
External debt/GDP (%)		25,4	27,4	25,8 (E)
External debt/exports of G&S (%)		46,8	52,0	48,9 (E)
Debt service/exports of G&S (%)		9,1	8,4	10,2 (E)
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		SBA	SBA	SBA
(Date / -)		(4/92-4/93)	(3/93-3/94)	
On track/off track		on-track but expired with dissolution of CSFR	On-track	On-track
(- / Date)				All debts to IMF paid ahead of schedule.
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period) (1)		Ba1	Baa3	Baa2 (Jun)
S&P long-term foreign currency rating (end of period)		Not rated	BBB	BBB+ (Jul)
EIU country risk service (2)				
Score (end of period)		30	25	25 (Aug)
Rating (end of period)		B	B	B (Aug)
Euromoney			Mar Sep	Mar Sep
Position in the ranking (3)		49	48 43	40 39
(number of countries)		(169)	(169) (170)	(167) (167)
The Institutional Investor (1)		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		37 39	42 40	40 39
(number of countries)		(119) (125)	(127) (133)	(135) (135)
Credit rating (4)		47.1 46.1	44.6 46.6	49.7 52.8

(1) For 1992, rating or position in the ranking assigned to the former CSFR.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last up date: 27-Jan-95	Country risk indicators Country: Estonia			
		1992	1993	1994 Latest data or estimates
Real GDP growth rate (in %)		-19,0	-3,5	4,0
Industrial production (% change)		-38,7	-27,0	n.a.
Unemployment rate (end of period)		2,0	1,7	4,0
Inflation rate	*(end of period)*	953,5	35,7	40,0
Exchange rate (100 Krons per USD)	*(end of period)*		1,6	8,0
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
General government balance (as % of GDP)				
Financial balance (1)		0,8	0,2	-0,5
Fiscal balance (1)		0,5	-1,8	-2,5
Balance of payments				
Exports of goods (in mio USD)		446,0	801,0	881,0
Current account balance (in % of GDP)		0,0	-2,2	-7,0
Net inflow of foreign direct investment (in mio USD)		57,9	145,0	150,0
Official FX reserves (end of period)				
in mio USD		195,2	384	445
in months of goods imports		4,5	5,2	4,7
External debt				
External debt		27	135,5	228,1
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		n.a.	n.a.	n.a.
short-term (=< 1 year)		n.a.	n.a.	n.a.
Convertible debt service (in mio USD)		0,3	13,5	10,2
principal		n.a.	n.a.	n.a.
interest		n.a.	n.a.	n.a.
External debt/GDP (%)		3,3	6,7	9,0
External debt/exports of G&NFS (%)		5,9	12,1	16,6
Debt service/exports of G&NFS (%)		0,0	1,2	0,7
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		SBA	SBA/STF	STF
(Date / -)		(9/92-9/93)	(10/93-3/94)	3/94
On track/off track		On track	On track	On track
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (2)				
Score (end of period)		80	75	70 (Aug)
Rating (end of period)		E	D	D (Aug)
Euromoney		Sep	Mar Sep	Mar Sep
Position in the ranking (3)		117	126 122	105 102
(number of countries)		(169)	(169) (170)	(167) (167)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)		68 74	81 84	88 86
(number of countries)		(119) (126)	(127) (133)	(135) (135)
Credit rating (4)		25.7 22.1	21.4 20.9	20.7 23.6

(1) Financial balance does not take into account government net lending, whereas fiscal balance does.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Country risk indicators Last update: 27-Jan-95 Country: Hungary			
	1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)	-4,4	-2,3	3,0 (E)
Industrial production (% change)	-9,8	4,0	9,0 (Q1-Q3/Q1-Q3)
Unemployment (% of labour force) (end of period)	12,3	12,1	10,4
Inflation rate *(Dec/Dec)*	21,6	21,1	21,0 (Nov)
Exchange rate (forints per USD) *(end of period)*	84,0	100,7	111,0 (24 Jan 95)
Nominal effective exchange rate *(change, Q4/Q4) (- = depreciation)*	-5,4	-3,1	-12,1 (Q3/Q3)
Real effective exchange rate *(change, Q4/Q4) (- = depreciation)*	7,9	10,2	3,0 (Q2/Q2)
General government balance (as % of GDP) (GDS definition)	-6,9	-7,0	-8,0 (E)
Balance of payments			
Exports of G+NFS (in mio USD)	13332	10898	9428 (E)
Current account balance (in % of GDP)	0,7	-9,3	-10,0 (E)
Net inflow of foreign direct investment (in mio USD)	1471	2328	1200 (E)
Official FX reserves (end of period)			
in bn USD	4,4	7,7	6,8 (Oct)
in months of imports of merchandises	6,1	8,2	6,3 (Oct)
External debt			
External debt *(in convertible currencies, in bn USD, end of period)*	21,5	24,6	28,2
medium and long-term (> 1 year)	19,3	22,8	25,8
short-term (=< 1 year)	2,3	1,8	2,3
Convertible debt service (in bn USD)	4,7	5,0	6,1
principal (1)	3,1	3,3	4,4
interest	1,6	1,7	1,7
External debt/GDP (%)	58,7	64,2	77,5
External debt/Exports of G+NFS (%)	161,3	225,4	299,1 (Oct)
Debt service/Exports of G+NFS (%)	35,3	45,9	64,7 (Oct)
Arrears (on both interest and principal, in mio USD)	No	No	No
Debt relief agreements and rescheduling	No	No	No
IMF arrangements			
Type/no	EFF	SBA	SBA
(Date / -)	(2/91-2/94)	(9/93-12/94)	First review
On track/off track	Off track	On track	uncompleted
(- / Date)	Summer	-	
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)	Ba1	Ba1	Ba1
S&P long-term foreign currency rating (end of period)	BB+	BB+	BB+
EIU country risk service (2)			
Score (end of period)	40	50	50 (Aug)
Rating (end of period)	B	C	C (Aug)
Euromoney		Mar Sep	Mar Sep
Position in the ranking (3)	46	47 46	44 46
(number of countries)	(169)	(169) (170)	(167) (167)
The Institutional Investor	Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)	42 43	43 43	43 44
(number of countries)	(119) (126)	(127) (133)	(135) (135)
Credit rating (4)	41.7 42.3	44.3 44.8	46.1 46.2

(1) Including early repayments.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Country risk indicators Last update: 27-Jan-95 Country: Israël				
	1992	1993	1994 Latest data or estimates (E)	
Real GDP growth rate (in %)	6,6	3,5	6,8	(E)
Industrial production (% change) (at constant 1990 prices)	8,2	6,5	8	(E)
Unemployment rate (average)	11,2	10,0	7,8	(Nov)
Consumer Price Index *(Dec/Dec)*	9,4	11,3	15	(Nov)
Exchange rate (sheqalim per USD) *(end of period)*	2,764	2,986	3,018	
Nominal effective exchange rate *(change, Q4/Q4) (- = deprec.)*	-9,7	-6,1	-1,1	
Real effective exchange rate *(change, Q4/Q4) (- = deprec.)*	-4,9	1,8	n.a.	
Central government overall deficit (as % of GDP)	-2,4	-2,5	-2,0	(E)
Balance of payments				
Exports (in bn USD)	13,3	14,9	16,5	(E)
Current account balance (in % of GDP)	0,1	-1,8	-3,1	(E)
Net inflow of foreign direct investment (in mio USD)	-340	n.a.	100	(E)
Gross official FX reserves (end of period) (in months of total imports)				
in billions US$	5,127	6,382	6,817	(Nov)
in months of imports of G&S	2,2	2,4	2,5	(Nov)
External debt				
External debt (gross external liabilities) *(in bn USD, end of period)*	33,6	36,1	37,4	(E)
medium and long-term (> 1 year)	23,2	n.a.	n.a.	
short-term (=< 1 year)	10,4	n.a.	n.a.	
Debt service (in bn USD)	6,5	6,4	n.a.	
principal	4,2	4,1	n.a.	
interest (gross)	2,3	2,3	n.a.	
External debt/GDP (%)	52,3	55,8	n.a.	
External debt/exports (%)	252,6	242,3	226,7	(E)
Debt service/exports of goods and services (%)	31,0	29,0	n.a.	
Arrears (on both interest and principal; in mio USD)	No	No	No	
Debt relief agreements and rescheduling	No	No	No	
IMF arrangements				
Type/no	CCFF	No	No	
(Date / -)	(3/92-3/93)	-	-	
On track/off track	On-track	-	-	
(- / Date)	178	-	-	
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated	
S&P long-term foreign currency rating (end of period)	BBB-	BBB+	BBB+	
Euromoney		Mar Sep	Mar Sep	
Position in the ranking (1)	32	29 29	30 00	
(number of countries)	(169)	(169) (170)	(167) (000)	
The Institutional Investor	Mar Sep	Mar Sep	Mar Sep	
Position in the ranking (1)	50 52	46 46	46 43	
(number of countries)	(119) (126)	(127) (133)	(135) (135)	
Credit rating (2)	37.1 35.1	39.6 40.5	43.4 46.5	

(1) The higher the score in the ranking, the lower the creditworthiness of the country.
(2) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Country risk indicators Last update: 27-Jan-95 Country: Latvia	1992	1993	1994 (1) Latest data or estimates (E)
Real GDP growth rate (in %)	-33,8	-12,0	2,0
Industrial production (% change)	-35,1	-32,6	n.a.
Unemployment (end of period)	2,3	5,8	7,0
Inflation rate	958,1	34,8	25,0
Exchange rate (Lats per USD) *(end of period)*	0,843	0,595	0,537
Nominal effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
Real effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
General government balance (as % of GDP)			
Financial balance (2)	0,0	1,0	-2,0
Fiscal balance (2)	-0,8	0,6	-4,1
Balance of payments			
Exports (in mio USD)	825	998	951
Current account balance (in % of GDP)	2,3	8,6	-1,6
Net inflow of foreign direct investment (in mio USD)	14	39	60
Official FX reserves (end of period)			
in mio USD	156	510	596
in months of imports of G&S	2,0	5,6	5,5
External debt			
External debt			
(in convertible currencies, in mio USD, end of period)	58	311	445
medium and long-term (> 1 year)	58	311	445
short-term (=< 1 year)	0,0	0,0	0,0
Convertible debt service (in mio USD)	0	10	
principal	0	n.a.	
interest	0	n.a.	
External debt/GDP (%)	4,7	12,7	12,1
External debt/merchandise exports (%)	7,0	31,2	46,8
Debt service/merchandise exports (%)	0,0	0,4	3,8
Arrears (on both interest and principal, in mio USD)	No	No	No
Debt relief agreements and rescheduling	No	No	No
IMF arrangements			
Type/no	SBA	SBA/STF	SBA/STF
(Date / -)	(9/92-9/93)	(12/93-3/95)	(12/93-3/95)
On track/off track	On track	On track	On track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)	Not rated	Not rated	
S&P long-term foreign currency rating (end of period)	Not rated	Not rated	
EIU country risk service (3)			
Score (end of period)	80	75	75 (Aug)
Rating (end of period)	E	D	D (Aug)
Euromoney	Sep	Mar Sep	Mar Sep
Position in the ranking (4)	123	133 132	104 125
(number of countries)	(169)	(169) (170)	(167) (167)
The Institutional Investor	Mar Sep	Mar Sep	Mar Sep
Position in the ranking (4)	72 77	89 87	94 92
(number of countries)	(119) (126)	(127) (133)	(135) (135)
Credit rating (5)	23.9 21.4	19.5 20.0	19.6 21.3

(1) For all data, preliminary estimates.
(2) Financial balance does not take into account government net lending, whereas fiscal balance does.
(3) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(4) The higher the score in the ranking, the lower the creditworthiness of the country.
(5) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Country risk indicators Last update: 27-Jan-95 Country: Lithuania	1992	1993	1994 Latest data or estimates
Real GDP growth rate (in %)	-37,7	-16,2	1,5
Industrial production (% change)	-51,6	-47,0	n.a.
Unemployment rate (end of period)	1,3	1,6	2,0
Inflation rate *(end of period)*	1161,1	188,6	38,0
Exchange rate (Litas per USD) *(end of period)*	1,8	3,9	4,0
Nominal effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
Real effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
General government balance (as % of GDP)			
Financial balance (1)	0,6	0,9	-1,3
Fiscal balance (1)	0,7	-4,6	-4,0
Balance of payments			
Exports of G&S (in mio USD)	1145	1877	2313
Current account balance (in % of GDP)	3,4	-6,2	-4,8
Net inflow of foreign direct investment (in mio USD)	10	23	60
Official FX reserves (end of period)			
in mio USD	106	410	600
in months of imports of G&S	2,6	2,4	2,7
External debt			
External debt	98,8	345,3	580
(in convertible currencies, in bn USD, end of period)			
medium and long-term (> 1 year)	n.a.	n.a.	n.a.
short-term (=< 1 year)	n.a.	n.a.	n.a.
Convertible debt service (in mio USD)	2,0	15,0	25,4
principal	n.a.	n.a.	n.a.
interest	n.a.	n.a.	n.a.
External debt/GDP (%)	5,4	11,2	10,6
External debt/exports of G&S (%)	7,8	16,3	25,0
Debt service/exports of G&S (%)	0,2	0,7	1,0
Arrears (on both interest and principal, in mio USD)	No	No	No
Debt relief agreements and rescheduling	No	No	No
IMF arrangements			
Type/no	SBA	SBA/STF	STF (10/93-3/94)
(Date / -)	(10/92-9/93)	(10/93-3/94)	EFF (10/94-11/95)
On track/off track	On track	On track	On track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated
EIU country risk service (2)			
Score (end of period)	80	75	75 (Aug)
Rating (end of period)	E	D	D (Aug)
Euromoney	Sep	Mar Sep	Mar Sep
Position in the ranking (3)	118	134 130	110 121
(number of countries)	(169)	(169) (170)	(167) (167)
The Institutional Investor	Mar Sep	Mar Sep	Mar Sep
Position in the ranking (3)	73 80	91 93	97 96
(number of countries)	(119) (126)	(127) (133)	(135) (135)
Credit rating (4)	23.7 20.7	18.9 19.0	18.4 20.0

(1) Financial balance does not take into account government net lending, whereas fiscal balance does.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 27-Jan-95 — Country risk indicators — Country: Moldova	1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)	-29,1	-8,7	-31,0
Industrial production (% change)	n.a.	n.a.	-34,0
Unemployment (% of labour force) (end of period)	n.a.	n.a.	1,0
Inflation rate *(end of period)*	2198,0	837	105,1
Exchange rate (leu per USD) *(end of period)*	n.a.	3,00	4,00 (Q3)
Nominal effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
Real effective exchange rate *(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.
General government balance (as % of GDP)	-23,4	-8,9	-7,7 (E)
Balance of payments			
Merchandise exports (in mio USD)	n.a.	451	511 (E)
Current account balance (in % of GDP)	n.a.	-11,2	-15,4 (E)
Net inflow of foreign direct investment (in mio USD)	n.a.	14,0	25 (E)
Official FX reserves (end of period)			
in mio USD	2,5	76,6	118 (Q3)
in weeks of imports of merchandises	0,1	6,3	11,2 (Q3)
External debt			
External debt *(in convertible currencies, in mio USD, end of period)*	n.a.	154,0	550,4 (E)
medium and long-term (> 1 year)	n.a.	n.a.	n.a.
short-term (=< 1 year)	n.a.	n.a.	n.a.
Convertible debt service (in mio USD)	n.a.	5,0	49,4 (E)
principal	n.a.	n.a.	n.a.
interest	n.a.	n.a.	n.a.
External debt/GDP (%)	n.a.	10,8	26,2 (E)
External debt/ merchandise exports (%)	n.a.	34,3	91,5 (E)
Debt service/ merchandise exports (%)	n.a.	1,1	8,2 (E)
Arrears (on both interest and principal, in mio USD)	n.a.	No	No
Debt relief agreements and rescheduling	n.a.	No	No
IMF arrangements			
Type/no		SBA	SBA
(Date / -)		(3/93-3/94)	(12/93-3/95)
On track/off track		On-track	On-track
(- / Date)			
Indicators of market's perceived creditworthiness			
Moody's long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)	Not rated	Not rated	Not rated
EIU country risk service (1)			
Score (end of period)	Not rated	Not rated	Not rated
Rating (end of period)			
Euromoney	Sep	Mar Sep	Mar Sep
Position in the ranking (2)	156	159 160	148 155
(number of countries)	(169)	(169) (170)	(167) (167)
The Institutional Investor			
Position in the ranking (2)	Not rated	Not rated	Not rated
(number of countries)			
Credit rating (3)			

(1) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(2) The higher the score in the ranking, the lower the creditworthiness of the country.
(3) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 27-Jan-95	Country risk indicators Country: Romania			
		1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)		-13,6	1,0	2,0 (E)
Industrial production (% change)		-22,1	7,7	5,1 (Nov)
Unemployment rate (end of period)		8,4	9,9	10,8 (Nov)
Inflation rate	*(Dec/Dec)*	198,5	295,5	69,0 (E)
Exchange rate (lei per USD)	*(end of period)*	460	1276	1800
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-74,6	-56,9	-29,4
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	-24,0	39,7	n.a.
General government balance (as % of GDP)		-4,8	-0,1	-2,5 (E)
Balance of payments				
Exports of G&S (in mio USD)		4299	4882	4691 (Oct)
Current account balance (in % of GDP)		-8,8	-5,5	-3,5 (E)
Net inflow of foreign direct investment (in mio USD)		73	48	172 (June)
Official FX reserves (end of period)				
in mio USD		93	52	650
in months of imports of G&S		0,2	0,1	1,5
External debt				
External debt		3,5	4,7	9,0 (E)
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		2,4	3,3	n.a.
short-term (=< 1 year)		1,1	1,4	n.a.
Convertible debt service (in mio USD)		176	312	449,0
principal		85	147	224,0
interest		91	165	225,0
External debt/GDP (%)		18,1	21,4	23,5 (E)
External debt/exports of G&S (%)		95,1	129,6	191,4 (E)
Debt service/exports of G&S (%)		4,1	6,4	10,0 (E)
Arrears (on both interest and principal, in mio USD)		No	No	No
Debt relief agreements and rescheduling		No	No	No
IMF arrangements				
Type/no		SBA	No	SBA/STF
(Date / -)		(5/92-3/93)	-	(5/94-12/95)
On track/off track		Off track	-	On track
(- / Date)		Dec 92	-	
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (1)				
Score (end of period)		60	65	65 (Aug)
Rating (end of period)		D	D	D (Aug)
Euromoney			Mar Sep	Mar Sep
Position in the ranking (2)		72	66 75	74 77
(number of countries)		(169)	(169) (170)	(167) (167)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (2)		69 68	73 75	76 74
(number of countries)		(119) (126)	(127) (133)	(135) (135)
Credit rating (3)		25.6 24.8	24.2 24.4	25.4 26.2

(1) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(2) The higher the score in the ranking, the lower the creditworthiness of the country.
(3) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Country risk indicators Last update: 27-Jan-95 Country: Russia		1992	1993	1994 Latest data or estimates
Real GDP growth rate (in %)		-19,0	-12,0	-15,0
Industrial production (% change)		-18,4	-16,4	-21,0
Unemployment rate (end of period - ILO definition)		n.a.	5,1	6,8
Inflation rate	*(Dec/Dec)*	2300	840	203
Exchange rate (Rbs per USD)	*(end of period)*	414,5	1247	3571
Nominal exchange rate	*(change, Q4/Q4) (- = depreciation)*	(Q4/Q1) -55,6	-62,5	n.a.
Real exchange rate (*)	*(change, Dec./Dec.) (- = depreciation)*	68,7	66,9	n.a.
General government balance (as % of GDP)		-18,8	-8,0	-10,0
Balance of payments				
Exports of G&S (in bn USD)		57	69	48
Current account balance (in % of GDP)		-1,2	1,8	2,5
Net inflow of foreign direct investment (in bn USD)		0,7	0,7	(Jan/Jun) 0.4
Official FX reserves (end of period) (excluding gold)				
in mio USD		2,0	3,3	(Aug) 1.4
in months of imports of G&S		0,5	0,9	0,5
External debt				
External debt		78,7	83,7	85,0
(in convertible currencies, in bn USD, end of period)				
medium and long-term (> 1 year)		65,7	70,6	n.a.
short-term (=< 1 year)		13,0	13,1	n.a.
Convertible debt service (in bn USD)		15,6	19,6	21,3
principal		10,4	14,7	n.a.
interest		5,2	4,9	n.a.
External debt/GDP (%)		24,0	26,0	30,9
External debt/exports of G&S (%)		137,0	122,0	177,1
Debt service/exports of G&S (%)		25,0	29,0	44,4
Arrears (on both interest and principal, in bn USD)		11,8	11,0	n.a.
Debt relief agreements and rescheduling		Paris Club (deferrals) London Club (roll-overs)	Paris Club (resched.)	Paris Club (resched.)
IMF arrangements				
Type/no (Date / -) On track/off track (- / Date)		1st credit tranche	STF (07.93 - 07.94) Off track	STF (07.93 - 07.94) On track See footnote (4)
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated
EIU country risk service (1)				
Score (end of period)		95	95	90 (Aug)
Rating (end of period)		E	E	E (Aug)
Euromoney			Mar Sep	Mar Sep
Position in the ranking (2)		129	141 137	138 136
(number of countries)		(169)	(169) (170)	(167) (167)
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep
Position in the ranking (2)		-- 73	87 92	98 100
(number of countries)		-- (126)	(127) (133)	(135) (135)
Credit rating (3)		-- 23.6	20.2 19.0	18.1 18.4

(1) Countries are given a rating between A - E and a score between 1 - 100, with E and
(2) The higher the score in the ranking, the lower the creditworthiness of the country.
(3) Countries are rated on a scale of zero to 100, with 100 representing the least chance average global rating for all rated countries improves.
(4) Second tranche disbursed in April 94.
(*) Real exchange rate: (actual rate x US price level) / (Russian price level)

II-F-3 **Last update:** **27-Jan-95**	**Country risk indicators** **Country: Slovak Republic**		
	1992	1993	1994 Latest data or estimates (E)
Real GDP growth rate (in %)	-7,0	-4,1	4,3 (Q1-Q3/Q1-Q3)
Industrial production (% change)	-12,8	-8,6	9,3 (Q3)
Unemployment (% of labour force) (end of period)	10,4	14,4	14,3 (Oct)
	9,1	25,1	12,0 (E)
Inflation rate *(Dec/Dec)*	28,9	33,2	31,3
Exchange rate (SK's per USD) *(end of period)*	1,0	-4,9	-8,4 (Q2/Q2)
Nominal effective exchange rate *(change, Q4/Q4) (- = depreciation)*	6,8	16,7	0,8 (Q2/Q2)
Real effective exchange rate *(change, Q4/Q4) (- = depreciation)*			
General government balance (as % of GDP)	-13,1	-7,5	-4,0 (E)
Balance of payments			
	8219	7568	8903 (E)
Exports of G&S (in mio USD)	1,7	-4,2	3,0 (E)
Current account balance (in % of GDP)	100	134	100 (E)
Net inflow of foreign direct investment (in mio USD)			
Official FX reserves (end of period)	356	395	1725
in mio USD	0,7	0,9	2,5
in months of imports of G&S			
External debt			
	2,6	3,4	4,4
External debt			
(in convertible currencies, in bn USD, end of period)	2,1	n.a.	n.a.
medium and long-term (> 1 year)	0,4	n.a.	n.a.
short-term (=< 1 year)	675	674	650 (E)
Convertible debt service (in mio USD)	415	490	400 (E)
principal	260	184	250 (E)
interest	25,6	30,5	35,0 (E)
External debt/GDP (%)	31,2	44,5	49,4 (F)
External debt/exports of G&S (%)	8,2	8,9	7,3 (F)
Debt service/exports of G&S (%)	No	No	No
Arrears (on both interest and principal, in mio USD)	No	No	No
Debt relief agreements and rescheduling			
IMF arrangements			
	SBA	STF	STF
Type/no	(4/92-4/93)	(7/93 -)	(- 7/94)
(Date / -)	on-track but	On-track	
On track/off track	expired with		SBA
(- / Date)	dissolution		(7/94-3/96)
	of CSFR		On-track
Indicators of market's perceived creditworthiness			
	Ba1	Not rated	Not rated
Moody's long-term foreign currency rating (end of period) (1)	Not rated	Not rated	BB-
S&P long-term foreign currency rating (end of period)			
EIU country risk service (2)	Not rated	Not rated	50 (Aug)
Score (end of period)	Not rated	Not rated	C (Aug)
Rating (end of period)		Mar Sep	Mar Sep
Euromoney	58	56 63	64 66
Position in the ranking (3)	(169)	(169) (170)	(167) (167)
(number of countries)	Mar - Sep	Mar - Sep	Mar Sep
The Institutional Investor (1)	37 39	57 57	59 59
Position in the ranking (3)	(119) (125)	(127) (133)	(135) (135)
(number of countries)	47.1 46.1	31 30.6	31.6 33.1
Credit rating (4)			

(1) For 1992, rating or position in the ranking assigned to the former CSFR.
(2) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk.
(3) The higher the score in the ranking, the lower the creditworthiness of the country.
(4) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

II-F-3 Last update: 27-Jan-95	Country risk indicators Country: Ukraine				
		1992	1993	1994 Latest data or estimates (E)	
Real GDP growth rate (in %)		-17,0	-14,2	-26,3	(E)
Industrial production (% change)		-6,5	-8,0	-27,8	
Unemployment rate (end of period)		0	0,3	0,3	
Inflation rate	*(Dec/Dec)*	2000	10155	386	
Exchange rate (Krb per USD)	*(end of period)*				
- auction		749	25000	130000	
- official		638	12610	108000	
Nominal effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.	
Real effective exchange rate	*(change, Q4/Q4) (- = depreciation)*	n.a.	n.a.	n.a.	
General government balance (as % of GDP)		-29,3	-9,7	-10,0	(E)
Balance of payments					
Exports of G&S (in bn USD)		11,4	15,9	15,2	(E)
Current account balance (excl. transfers) (in % of GDP)		-3,7	-6,4	-8,5	(E)
Net inflow of foreign direct investment (in bn USD)		n.a.	0,05	0,09	(E)
Gross official FX reserves (end of period)					
in mio USD		400	980	550	(Sept)
in months of imports of G&S		0,4	0,7	0,4	
External debt					
External debt					
(in convertible currencies, in bn USD, end of period)		3,48	4,12	7,5	
medium and long-term (> 1 year)		n.a.	n.a.	n.a.	
short-term (=< 1 year)		n.a.	n.a.	n.a.	
Convertible debt service paid (in mio USD)		n.a.	75,0	n.a.	
principal		n.a.	n.a.	n.a.	
interest		n.a.	n.a.	n.a.	
External debt/GDP (%)		21,4	27,3	35,4	(E)
External debt/exports of G&S (%)		30,5	25,9	49,3	(E)
Debt service/exports of G&S (%)		n.a.	0,5	n.a.	
Arrears (on both interest and principal, in bn USD)		0,264	0,548	2,214	
Debt relief agreements and rescheduling				rescheduling Turkmenistan	
IMF arrangements					
Type/no		-	-	STF	
(Date / -)		-		26 Oct 94	
On track/off track				on track	
(- / Date)					
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated	
S&P long-term foreign currency rating (end of period)		Not rated	Not rated	Not rated	
EIU country risk service (1)					
Score (end of period)		100	100	100 (Aug)	
Rating (end of period)		E	E	E (Aug)	
Euromoney			Mar Sep	March	
Position in the ranking (2)		122	142 146	149	
(number of countries)		(169)	(169) (170)	(167)	
The Institutional Investor		Mar Sep	Mar Sep	Mar Sep	
Position in the ranking (2)		-- 79	95 96	111 113	
(number of countries)		-- (126)	(127) (133)	(135) (135)	
Credit rating (3)		-- 21.1	18.2 18.2	15.1 14.5	

(1) Countries are given a rating between A - E and a score between 1 - 100, with E and 100 representing the highest risk
(2) The higher the score in the ranking, the lower the creditworthiness of the country.
(3) Countries are rated on a scale of zero to 100, with 100 representing the least chance of default. A given country may improve its rating and still fall in the ranking if also the average global rating for all rated countries improves.

TABLE 1

CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS AUTHORISED

Operation	Authorized ceiling	Capital outstanding 30.06.94	Capital outstanding 31.12.1994	Remainder to be disbursed 31.12.1994	
MEMBER STATES					
A. Balance of payments	14000				
1. Greece I	1750			0	
2. Greece II	2200	1000	1000	1200	(1)
3. Italy	8000	4005	4022	4000	(2)
B. Other				0	
4. Euratom	4000	862	779	0	
5. NCI and	6830	1880	1570		
NCI earthquakes				0	
6. EIB Mediterranean, Spain, Greece, Port.	1500	527	473		
MEMBER STATES - TOTAL	26330	8274	7843	5200	
THIRD COUNTRIES					
A. Financial assistance					
1. Hungary	1050	790	790	260	
2. Czech Republic	250	250	250	0	
3. Slovak Republic	255	125	125	130	
4. Bulgaria	400	290	360	40	
5. Romania	580	455	455	125	
6. Algeria	600	250	400	200	
7. Israel	160	160	160	0	
8. Baltic States	220	110	110	110	
9. Moldova	45		25	20	
10. Ukraine	85			85	
11. Former Soviet Union	1250	934	810	290	
B. Other					
12. EIB Mediterranean	6282	1634	1688	3804	
13. EIB Central & Eastern Europe I	1700	390	572	1126	
14. EIB Central & Eastern Europe II	3000	2	2	2998	
15. EIB Asia, Latin America	750		46	704	
16. Guarantee, CIS	500	133	133		
THIRD COUNTRIES - TOTAL	17127	5524	5925	9892	
GRAND TOTAL	43457	13798	13769	15092	

1 No disbursement is planned.
2 The third and fourth tranches had still not been paid at 31 December 1994. So far, the Italian Government has not requested payment.

ANNEX TO TABLE 1

SITUATION IN RESPECT OF EIB OPERATIONS AT 31 DECEMBER 1994

Operations	Credit line authorized	Loans made available, minus cancellations	Initial disbursement	Amount outstanding at 30.6.1994
EIB Mediterranean				
Spain, Greece, Portugal	1500	1465	1603	473
Third countries EIB Med	6282	4125	2478	1688
Central & Eastern Europe I	1700	1650	574	572
Central & Eastern Europe II	3000	921	2	2
Asia, Latin America	750	319	46	46

NB: The fact that the initial disbursement sometimes exceeds the authorized ceiling is due to differences in the ecu rate between the date on which the contracts were signed and 31 December 1994.

TABLE 2

MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET

(Estimate in ECU million based on all operations disbursed at 31 December 1994)

	1994	1995	1996	1997	1998	1999	2000	2001	TOTAL
MEMBER STATES									
CAPITAL									
A. Balance of payments									
1. Greece	200		500		500				1200
2. Italy			500		1000		2522		4022
B. Structural loans									
3. Euratom	270	47	153	459	92	16	13		1049
4. NCI and NCI EQ	656	458	315	537	92	41	41	71	2211
5. EIB Med. Old. Prot. Sp. Gr. Port.	91	81	75	74	58	51	45	21	496
Capital - subtotal	1217	587	1543	1069	1742	108	2621	92	8978
INTEREST									
A. Balance of payments									
1. Greece	110	95	95	48	48				395
2. Italy	253	254	254	213	213	159	159		1505
B. Structural loans									
3. Euratom	81	62	58	43	10	3	1		258
4. NCI and NCI EQ	188	133	96	70	22	13	10	7	539
5. EIB Med. Old. Prot. Sp. Gr. Port.	50	41	34	27	21	15	11	7	207
Interest - subtotal	683	586	537	401	313	190	181	14	2905
MEMBER STATES-TOTAL	1900	1173	2080	1469	2054	298	2802	106	11883
NON-MEMBER COUNTRIES									
CAPITAL									
A. Financial assistance									
6. Hungary		350	260	80	100				790
7. Czech Republic				127	123				250
8. Slovak Republic				63	62				125
9. Bulgaria				140	150			70	360
10. Romania					185	190	80		455
11. Israel				160					160
12. Algeria				250				150	400
13. Ex USSR	152	494	205	108					959
14. Baltic States							110		110
15. Moldova							5	5	10
B. Guarantees									
16. EIB Med.	130	139	138	144	153	152	142	130	1128
17. EIB C+E Eur. I + II	2	14	27	35	46	54	52	52	282
18. EIB, Asia, Latin America									17
19. Aid, Russia, 500m	133	133			4	4	4	5	266
Capital - subtotal	417	1130	630	1107	823	400	393	412	5312
INTEREST									
A. Financial assistance									
6. Hungary	79	79	44	18	10				230
7. Czech Republic	25	25	25	25	13				113
8. Slovak Republic	13	13	13	13	6				58
9. Bulgaria	29	36	36	36	22	7	7	7	180
10. Romania	46	46	46	46	46	27	8		265
11. Israel	16	16	16	16					64
12. Algeria	25	40	40	40	15	15	15	10	200
13. Ex USSR	60	112	15	9					196
14. Baltic States	11	11	11	11	11	11	11		77
15. Moldova		3	3	3	3	3	3	2	20
B. Guarantees									
16. EIB Med.	120	120	110	100	89	78	67	57	741
17. EIB C+E Eur. I + II	21	39	39	37	34	31	27	23	251
18. EIB, Asia, Latin America		3	4	4	4	3	3	3	24
19. Aid, Russia 500m	24	9							33
Interest - subtotal	468	552	402	358	253	175	140	102	2450
NON-MEMBER COUNTRIES-TOTAL	885	1682	1032	1465	1076	575	533	514	7762
GRAND TOTAL	2785	2855	3112	2934	3130	873	3335	621	19645
(Eastern Europe)	595	1 364	724	751	811	323	302	159	4 999
(Other non-member countries)	291	318	308	714	265	252	231	355	2 763

TABLE 3

MAXIMUM THEORETICAL ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in ECU million based on all operations disbursed adopted and proposed by the Commission)

	1994	1995	1996	1997	1998	1999	2000	2001	TOTAL
MEMBER STATES									
CAPITAL									
A. Balance of payments									
1. Greece	200		500		500				1200
2. Italy			500		1000		2522	2000	6022
B. Structural loans									
3. Euratom + NCI	926	505	468	995	184	57	54	71	3260
4. EIB Sp; Gr. Port	91	81	75	74	58	51	45	21	496
Capital - subtotal	1217	587	1543	1069	1742	108	2621	2092	10978
INTEREST									
A. Balance of payments									
1. Greece	110	95	95	48	48				395
2. Italy	253	339	595	638	638	553	553	340	3908
B. Structural loans									
3. Euratom + NCI	270	196	154	113	31	16	11	7	797
4. EIB Sp. Gr. Port.	50	41	34	27	21	15	11	7	207
Interest - subtotal	683	671	878	825	737	583	575	354	5307
MEMBER STATES-TOTAL	1900	1258	2421	1894	2479	692	3196	2446	16285
NON-MEMBER COUNTRIES									
CAPITAL									
A. Financial assistance									
5. Hungary		350	260	80	100				790
6. Czech Republic				127	123				250
7. Slovak Republic				63	62				125
8. Bulgaria				140	150			70	360
9. Romania					185	190	80		455
10. Israel				160					160
11. Algeria				250				150	400
12. Ex USSR	152	566	248	197					1163
13. Baltic States							110		110
14. Moldova							5	9	14
15. Ukraine								17	17
16. Euratom, C+E Eur.							10	23	33
B. Guarantees									
17. EIB Med.	130	139	138	144	208	289	378	420	1846
18. EIB C+E Eur. I + II	2	14	27	35	123	232	308	360	1101
19. EIB, Asia, Latin America					13	27	46	57	143
20. Aid, Russia, Guar. 500m	133	133							266
Capital - subtotal	417	1202	673	1196	964	738	937	1106	7232
INTEREST									
A. Financial assistance									
5. Hungary	79	92	70	44	36	26	26	26	399
6. Czech Republic	25	25	25	25	12				112
7. Slovak Republic	13	16	26	26	19	13	13	13	139
8. Bulgaria	29	38	40	40	26	11	11	11	206
9. Romania	45	52	58	58	58	40	21	13	345
10. Israel	16	16	16	16					64
11. Algeria	25	50	60	60	35	35	35	35	335
12. Ex USSR	80	127	24	18					249
13. Baltic States	11	17	22	22	22	22	22	11	149
14. Moldova		3	5	5	5	5	5	4	31
15. Ukraine		2	9	9	9	9	9	9	96
16. Euratom, C+E Eur.		8	25	45	65	85	102	107	437
B. Guarantees									
16. EIB Med.	148	153	225	323	399	423	405	300	2376
17. EIB C+E Eur. I + II	46	85	192	279	365	394	383	349	2093
18. EIB, Asia, Latin America		5	19	39	56	63	63	58	303
19. Aid, Russia, Guar. 500m	24	9							33
Interest - subtotal	541	697	815	1009	1107	1126	1095	936	7323
NON-MEMBER COUNTRIES-TOTAL	957	1899	1488	2205	2071	1864	2032	2042	14556
GRAND TOTAL	2857	3157	3909	4098	4550	2555	5228	4488	30841
(Eastern Europe)	639	1536	1030	1213	1360	1027	1105	1022	8971
(Other non-member countries)	319	363	458	992	711	837	927	1020	5584

EXPLANATORY NOTES

The purpose of these tables is to show the annual repayments of capital and interest in respect of borrowing and lending operations for which the risk is covered by the Community budget. The figures show the maximum possible risk for the Community in respect of these operations and must not be read as meaning that these amounts will actually be drawn from the budget. In the case of Table 3, it is not certain that all the operations described will actually be disbursed. No account has been taken of interest on late payment or any additional costs such as lawyers' fees.

I. TYPES OF OPERATION AND PAYMENT OF THE BUDGET GUARANTEE

A. Types of operation

The risk covered by the Community budget results from two types of operation:

- borrowing/lending operations;
- guarantees given to third parties.

(a) Borrowing/lending operations

In this type of operation, the Community borrows on the financial market and on-lends the proceeds (at the same rate and for the same term) to Member States (balance of payments), non–member countries (medium-term financial assistance) or firms (NCI, Euratom).

The loan repayments are scheduled to match the repayments of the borrowings due from the Community. If the recipient of the loan is late in making a repayment, the Commission must draw on its resources to repay the borrowing on the due date.

(b) Guarantees given to third parties

The loan guarantee is in respect of loans granted by a financial institution (EIB or commercial banks in the case of the former Soviet Union). When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Commission to pay the amounts owed by the defaulter in accordance with the contract of guarantee. The guarantee must be paid within three months of receiving the EIB's request. The EIB administers the loan with all the care required by banking practice and is obliged to demand the payments due after the guarantee has been activated.

B. Mobilization of funds for guarantee payments

The funds needed to pay the budget guarantee in the event of late payment by the recipient of a loan granted or guaranteed by the Community are raised as follows:

(a) Borrowing/lending operations

1. The amount required may be taken provisionally from cash resources in accordance with Article 12 of the Financial Regulation. This method is used so that the Community can immediately repay the borrowing on the date scheduled in the event of late payment by the recipient of the loan.

2. If the delay extends to three months after the due date, the Commission draws on the Guarantee Fund to cover the default. The funds obtained are used to replenish the Commission's cash resources.

3. The transfer procedure can be used to provide the budget heading with the appropriations needed to cover the default. This method is used when there are insufficient appropriations in the Guarantee Fund and must be authorized in advance by the budgetary authority.

4. The re–use of amounts repaid by debtors who have defaulted, leading to activation of the Community guarantee, allows payments to be made within a short period of time always providing, of course, that there are recovered funds available.

(b) Community guarantees for loans from the EIB's own resources

Since the entry in force of the Regulation establishing a Guarantee Fund for external action, the provisions of the Agreement between the Community and the EIB on management of the Fund state that, after the EIB calls in the guarantee in the event of a default, the Commission must authorize the Bank to withdraw the corresponding amounts from the Guarantee Fund within three months.

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

II. CALCULATION

Some of the amounts indicated are the result of estimates made on the basis of the following assumptions.

Generally speaking, the exchange rates for loans in currencies other than the ecu are assumed to have been stable since 31 December 1994. However, borrowing and lending operations should not involve exchange risks for the Community. Unless otherwise stated, the average rate of interest is estimated at 10%. This rate is probably a little high for EIB loans, which often attract interest subsidies under the protocols.

A. Member States

1. Greece: A balance-of-payments loan of ECU 2 200 million has been authorized. ECU 1 000 million of this amount will be disbursed in two tranches of ECU 500 million to be repaid in 1996 and 1998 respectively. It is assumed that the remaining ECU 1 200 million will not be disbursed.

2. Italy: The Council decision of 18 January 1993 granted a ECU 8 000 million balance-of-payments loan to Italy. The loan is to be made available in four instalments amounting to ECU 2 000 million each and - with the exception of the first instalment - is conditional on the attainment of agreed targets on Italy's public debt and deficit.

   The first two instalments were released in 1993. Concerning the coming period, the Council Decision states that the third instalment could be released as of 1 February 1995 (but the Italian Government has not yet applied for it). The fourth instalment may be released not earlier than 1 February 1996.

If the Italian Government decides to apply for the release of the third and fourth instalments and the conditions are deemed to be fulfilled ECU 2 000 million in 1995 and ECU 2 000 million in 1996 will be disbursed to the Italian Republic.

3. EIB, Mediterranean, old protocols: Spain, Greece, Portugal: These are Community guarantees for EIB operations in these countries prior to accession. The amounts are now final, since all the loans authorized have been disbursed.

B. Non-member countries

a. Financial assistance

1. Hungary I: The amounts of the first two tranches are final and certain. The third tranche of the macrofinancial assistance decided in 1990 could be disbursed in 1995.

2. Hungary II: ECU 180 million has been granted and paid out in full.

3. Czech and Slovak Republics: ECU 375 million has been granted in two tranches for a maximum term of seven years (bullet), with a first tranche of ECU 185 million and a second tranche of ECU 190 million for a term of six years.

   ECU 130 million has been granted to Slovakia in two tranches for a maximum term of seven years (bullet). No tranche had been paid at 31 December 1994.

4. Bulgaria I: ECU 290 million has been granted in two tranches for a maximum term of seven years (bullet), with a first tranche of ECU 150 million for a term of seven years and a second tranche of ECU 140 million for a term of five years.

5. Bulgaria II: The financial assistance of ECU 110 million over a maximum period of seven years decided in 1992 is being granted in two tranches. The first tranche of ECU 70 million was paid on 7 December 1994. The second tranche could be paid in the course of 1995.

6. Romania I: An estimated ECU 375 million in two tranches for a maximum term of seven years (bullet). The first tranche of ECU 190 million was disbursed in 1992 with a term of seven years and the second was disbursed in 1992 with a term of six years.

7. Romania II: The new operation involving ECU 80 million for a maximum term of seven years was disbursed in 1993.

8. Romania III: This is a seven-year loan of ECU 125 million to be disbursed in two tranches. No tranche had been disbursed at 31 December 1994. It is assumed that the first tranche of ECU 65 million will be disbursed in 1995 and the second tranche of ECU 60 million in 1996.

9. Moldova: This is a ten-year loan of ECU 45 million to be disbursed in two tranches. The first tranche of ECU 25 million was disbursed on 7 December 1994. The second tranche of ECU 20 million could be paid to Moldova in 1995.

10. Ukraine: ECU 85 million is to be lent in one tranche for a maximum term of ten years. At 31 December 1994 the loan had still not been paid out.

11. Baltic States: The first tranche (ECU 110 million) of a loan of ECU 220 million was paid in 1993. The second should be paid in 1995. The two tranches would then be due for repayment in 2000 and 2002 respectively.

12. Algeria: ECU 400 million has been granted in two tranches of ECU 250 million and ECU 150 million. The first was paid in December 1991 for a term of six years.

    The second tranche of ECU 400 million was paid on 17 August 1994.

13. Algeria II: ECU 200 million has been granted in two tranches for a maximum term of seven years (bullet). No tranche had been paid at 31 December 1994.

14. Israel: A loan of ECU 160 million has been paid in full and is repayable in 1997.

b. Guarantees

1. EIB

The EIB has supplied the figures used for calculation of the assumptions made for drawing up Table 3 (EIB loans to non-member countries from its own resources).

- Loans not disbursed (Loans not signed and loans signed but not yet disbursed)

The following table shows the situation as regards loans which have not been disbursed.

Year	1995	1996	TOTAL
Mediterranean countries[4]	2 726[5]	1 078	3 804
Central and Eastern Europe I and II	2 804[6]	1 270	4 074
Other non-member countries	454[7]	250	704

In the case of loans not disbursed, we have assumed that an average of 10% of the loan will be disbursed in the year of signature and 30% in each of the three following years.

It is estimated that the average term will be fifteen years with a three–year period of grace.

4 In the absence of a financial statement, all loans still to be committed under the financial protocols for the Mediterranean countries expiring at the end of 1996 have been spread evenly over the period 1995-96.

5 This amount breaks down into ECU 1 647 million in loans to be disbursed under contracts signed before 31 December 1994 and ECU 1 078 million in loans to be signed and disbursed in 1995.

6 This amount breaks down into ECU 1 995 million in loans to be disbursed under contracts signed before 31 December 1994 and ECU 809 million in loans to be signed and disbursed in 1995.

7 This amount breaks down into ECU 273 million in loans to be disbursed under contracts signed before 31 December 1994 and ECU 181 million in loans to be signed and disbursed in 1995.

2. Food aid for the former Soviet Union

(a) Guarantee

This is a guarantee for a bank loan of ECU 500 million, with principal and interest fully covered by the budget, for a term of three and a half years with three repayments at intervals of eleven months starting from the twentieth month. ECU 375 million has been used.

(b) Borrowing/lending

An operation involving ECU 1 250 million for a maximum term of three years.

This borrowing will be divided between the various Republics of the former Soviet Union. Loans amounting to less than ECU 100 million will be repaid in one instalment three years after the start of the period in which the funds may be drawn. Borrowings exceeding ECU 100 million will be repaid in two instalments two years and three years after the start of the period in which the funds may be drawn.

Depending on the type of contract, there are two periods in which funds may be drawn; one starts on 20 August, the other on 15 January.

The balance still to be used at 31 December 1994 came to ECU 204 million.

3. Euratom, countries of Central and Eastern Europe

Of the ECU 1 100 million involved, it is assumed that ECU 150 million will be disbursed in 1995, ECU 200 million in each of the four following years and ECU 150 million in 2000.

It is assumed that the loans will be for an average term of twenty years with a five–year period of grace.

ANNEX

DEFINITION OF FIGURES USED IN THE REPORT

A. Authorized ceiling

This is the aggregate of the maximum amounts of capital authorized (ceilings) for each operation decided by the Council (see Table 1).

In order to relate it to the risk which the budget might have to cover, account should be taken of the following factors which could affect it:

- factor increasing the risk: the interest on the loans must be added to the authorized ceiling;

- factors reducing the risk:

  - limitation of the guarantee given to the EIB to 75% of the loans signed in the Mediterranean countries;

  - operations already repaid, since the amounts concerned, except in the case of balance of payments support, are the maximum amount of loans granted and not outstanding amounts authorized;

  - the amounts authorized are not necessarily taken up in full.

The breakdown of authorizations is as follows:

Member States

Balance of payments	14.000 [8]
NCI	6.830
Euratom	4.000 [9]
EIB; Spain, Greece, Portugal	1.500
Member States - total	26.330

8 Authorized amount outstanding: once this figure is reached, further loans may be granted as previous operations are repaid.

9 Including ECU 1 100 million which may be granted to the countries of Eastern Europe and the CIS.

Non-member countries

Hungary I	870
Hungary II	180
Czech Republic	250
Slovak Republic I	125
Slovak Republic II	130
Bulgaria I	290
Bulgaria II	110
Romania I	375
Romania II	80
Romania III	125
Israel	160
Algeria I	400
Algeria II	200
former Soviet Union I	408
former Soviet Union II	1.250
Baltic States	220
Moldova	45
Ukraine	85
EIB, old protocols	3.032
EIB, Eastern and Central Europe I	1.700
EIB, Eastern and Central Europe II	3.000
EIB, new protocols	1.450
EIB, horizontal financial cooperation	1.800
Other non-member countries	750
Non-member countries - total	17.035
Grand total	43.365

B. Capital outstanding

This is the amount of capital still to be repaid on a given date in respect of operations disbursed (see Table 1).

Compared with the previous aggregate, the amount outstanding does not include loans which have not yet been disbursed nor the proportion of disbursed loans which have already been repaid. It may be described as the amount of loans which exist on a given date.

C. Annual risk

Estimated amount of principal and interest due each financial year.

This amount is calculated for:

- disbursements alone (Table 2), in which case the capital to be repaid corresponds to the amount outstanding;
- disbursements, decisions still awaiting disbursement and Commission proposals still awaiting decisions (Table 3), in which case the capital to be repaid corresponds to the ceiling on loans authorized plus, where applicable, the amounts in respect of operations proposed by the Commission and not yet decided.

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