COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION REPORT TO THE BUDGETARY AUTHORITY ON GUARANTEES COVERED BY THE GENERAL BUDGET - SITUATION AT 31 DECEMBER 1996

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REPORT ON GUARANTEES COVERED BY THE GENERAL BUDGET SITUATION AT 31 DECEMBER 1996

This report describes the situation as regards budget guarantees at 31 December 1996.

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.

This report is presented in accordance with Article 134(g) of the Financial Regulation applicable to the general budget of the European Communities.

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

The report is in two parts with an annex:

1) Events since the last report, the risk situation and the activation of budget guarantees.
2) Evaluation of potential risks. Economic and financial situation of non-Community countries benefiting from the most important operations.

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PART ONE: EVENTS SINCE THE REPORT AT 30 JUNE 1996, THE RISK SITUATION AND ACTIVATION OF BUDGET GUARANTEES

I. INTRODUCTION: TYPES OF OPERATION

The risks covered by the Community budget derive from a variety of lending and guarantee operations which can be divided into two categories: loans with macroeconomic objectives and loans with microeconomic objectives.

I.A Operations with macroeconomic objectives

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

This category includes 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 this operation depends to a large extent on macroeconomic and political developments in the recipient countries.

I.B Operations with microeconomic objectives

These are loans to finance 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 companies, financial institutions or non-member countries and, in addition to the Community guarantee, are covered by the usual guarantees demanded by banks.

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

II. EVENTS SINCE THE REPORT AT 30 JUNE 1996

The main events in the second half of 1996 were as follows:

II.A 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, implementation of this operation was deferred until December 1994 when the first tranche of ECU 70 million was finally paid. The second tranche of ECU 40 million was paid in August 1996. It will be repaid in one instalment on 29 August 2003 and the interest, which is at variable rates, is payable half-yearly.

II.B Ukraine II

As part of an overall aid programme for Ukraine, the Council Decision of 23 October 1995 empowered the Commission, on behalf of the Community, to borrow ECU 200 million for a maximum period of ten years. The proceeds of this operation are to be on-lent to Ukraine in two tranches.

Half of the first tranche, i.e. ECU 50 million of the ECU 100 million provided, was paid on 29 August 1996. The loan is to be repaid in five equal annual instalments from the sixth year onwards. The full loan will have been repaid by 29 August 2006. The other half of the first tranche, i.e. ECU 50 million of the ECU 100 million provided, was paid on 30 October 1996. The loan is to be repaid in five equal annual instalments from the sixth year onwards. The full loan will have been repaid by 30 October 2006. The interest, which is at variable rates, is payable half-yearly.

II.C Moldova II

As part of an overall aid programme for Moldova, the Council Decision of 25 March 1996 empowered the Commission, on behalf of the Community, to borrow ECU 15 million for a maximum period of ten years. The proceeds of this operation are to be on-lent to Moldova.

The loan was paid in one tranche on 30 December 1996. The loan is to be repaid in five equal annual instalments from the sixth year onwards. The full loan will have been repaid by 30 October 2006. The interest, which is at variable rates, is payable half-yearly.

II.D Loans granted by the European Investment Bank in the other non-member countries (developing countries of Asia and Latin America) with which the Community has concluded cooperation agreements

On 12 December 1996 the Council granted the EIB a 100% Community guarantee for loans to projects of mutual interest in certain non-member countries (developing countries of Asia and Latin America) with which the Community has concluded cooperation agreements. This guarantee is restricted to an overall loan ceiling of ECU 275 million to be granted in 1996. If, on 31 December 1996, the loans granted by the EIB have not attained the overall amount of ECU 275 million, the period during which this Decision remains applicable will be automatically extended by six months.

III. 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 1996, giving the minimum level of risk to the Community assuming that there are no early repayments (see Table 2 below);
- 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 (see Table 3 below).

The latter exercise gives some idea about the future level of risks connected with the proposals made. However, a number of assumptions have to be made about dates of disbursement and terms of repayment (details are given in the annex) as well as interest[1] and exchange rates.[2]

The results are shown in Tables 1 to 3 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.

III.A Amount outstanding at 31 December 1996 (Table 1)

The total risk at 31 December 1996 came to ECU 11 876 million as against ECU 11 705 million at 30 June 1996, an increase of ECU 171 million.[3]

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1 An average interest rate of 10% is assumed.

2 The exchange rate used for loans in currencies other than ecus are those of 31 December 1996.

3 In the case of loans in currencies other than the ecu, part of the change over the past six months is due to exchange rate differences.

Table 1 shows the operations which have had an effect on the amount outstanding since the last report.

in Mio ECU

Amount outstanding at 30 June 1996	11.705
Loan repayments	
Euratom	123
NCI	187,5
EIB	81
Exchange rate differences between ecu and other currencies	- 48,5
Loans disbursed	
NCI	0,01
Bulgaria	40
Moldova	15
Ukraine	100
EIB	456
Amount outstanding at 31 December 1996	11.876

The capital outstanding in respect of operations in the Member States was ECU 5 564 million at 31 December 1996, a fall of 7.03% compared with 30 June 1996.

This fall is mainly due to the repayment of ECU 310,5 million in Euratom and NCI loans

The amount outstanding from other operations in the Member States has remained stable.

The capital outstanding from non-member countries at 31 December 1996 was ECU 6 312 million, an increase of 10.35% compared with 30 June 1996.

III.B Maximum annual risk borne by the Community budget: operations disbursed at 31 December 1996 (see Table 2)

The total risk, which comes to ECU 3 095 million in 1997, will steadily increase to around ECU 3 546 million in 2000, although the situation in 1999 is special in that there will be no capital repayments for the balance-of-payments loans to the Member States and in that capital repayments on loans to Hungary, the Czech and Slovak Republics and the ECU 290 million loan to Bulgaria end in 1998.

The risk for 1997 in respect of the Member States comes to ECU 1 429 million.

This figure 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 up to 2000 when it will reach ECU 2 757 million.

The risk for 1997 in respect of non-member countries comes to ECU 1 666 million as the following capital 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 143 million from the Republics of the former Soviet Union.

The risk will then drop to ECU 1 275 million in 1998 and to ECU 806 million in 1999.

III.C Maximum theoretical annual risk borne by the Community budget (see Table 3)

This risk comes to ECU 3 381 million in 1997 and will increase regularly until 2000 (except in 1999 when it will total ECU 2 072 million).

The trend in the maximum risk in respect of the Member States is much the same as in Table 2 up to 2000 when the risk will amount to ECU 3 154 million. It will fall to ECU 2 366 million in 2003 and ECU 2 188 million in 2004.

The risk in respect of non-member countries will rise from ECU 1 781 million in 1997 to ECU 1 396 million in 1999. The risk will increase from 2000 until 2004 when it will reach ECU 3 370 million.

TABLE 1

CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED
(ECU million)

Operation	Authorized ceiling	Capital outstanding 30.06.96	Capital outstanding 31.12.96	Remainder to be disbursed 31.12.96
MEMBER STATES				
A. Balance of payments	14000			
1. Greece	2200	500	500	1200 1)
2. Italy	8000	3512	3479	4000 2)
B. Others				
3. Euratom	4000	695,2	572,48	0
4. NCI and NCI earthquakes	6830	931,8	748	0
5. EIB Mediterranean, Spain, Greece, Port.	1500	345,9	265	0
MEMBER STATES - TOTAL	26330	5985	5564	5200
THIRD COUNTRIES				
A. Financial assistance				
1. Hungary	1050	180	180	260
2. Czech Republic	250	250	250	0
3. Slovak Republic	125	125	125	0
4. Bulgaria	400	360	400	0
5. Romania	580	510	510	70
6. Algeria	600	500	500	100
7. Israel	160	160	160	0
8. Baltic States	220	135	135	85
9. Moldova	60	45	60	0
10. Ukraine	285	85	185	100
11.Belarus	55	30	30	25
12. Former Soviet Union	1250	143	144	0
B. Other				
13. EIB Mediterranean	6362	1981	2092	2497
14. EIB Central & E. Europe I	1700	884	971	602
15. EIB Central & E. Europe II	3000	141	335	2645
16. EIB Asia, Latin America	1025	191	204	443
17. EIB South Africa	300		32	69
THIRD COUNTRIES - TOTAL	17422	5720	6312	6896
GRAND TOTAL	43752	11705	11876	12096

1) No disbursement is planned.
2) The third and fourth tranches had still not been paid at 31.12.96. So far, the Italian Government has not requested payment.

ANNEX TO TABLE 1

SITUATION IN RESPECT OF EIB OPERATIONS (31.12.96)

Operations	Credit line authorized	Loans made available, minus cancellations	Initial disbursement	Amount outstanding at 31.12.1996
EIB Mediterranean, Spain, Greece, Port.	1500	1465	1543	265
Third countries EIB Med.	6362	5660	3143	2092
Central & Eastern Europe I	1700	1628	1026	971
Central & Eastern Europe II	3000	2980	335	335
Asia, Latin America	1025	647	204	204
South Africa	300	101	32	32

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 31.12.96.

TABLE 2
MAXIMUM ANNUAL RISK BORNE BY THE COMMUNITY BUDGET
(Estimate in ECU million based on all operations disbursed at 31.12.1996)

	1997	1998	1999	2000	2001	2002	2003	2004	TOTAL
MEMBER STATES									
CAPITAL									
A. Balance of payments									
1. Greece		500							500
2. Italy		989		2490					3479
B. Structural loans									
3. Euratom	453	92	16	12					572
4. NCI and NCI EQ	532	50	40	40	71			16	748
5. EIB Med. Old. Prot. Sp. Gr. Port	58	44	39	37	20	22	21	15	257
Capital - subtotal	1042	1675	95	2579	92	22	21	30	5557
INTEREST									
A. Balance of payments									
1. Greece	48	48							95
2. Italy	211	211	157	157					735
B. Structural loans									
3. Euratom	42	10	3	1					55
4. NCI and NCI EQ	63	16	12	10	7	2	2	2	113
5. EIB Med. Old. Prot. Sp. Gr. Port	23	18	14	11	7	5	3	2	83
Interest - subtotal	386	301	186	178	14	7	5	3	1082
MEMBER STATES - TOTAL	1429	1976	280	2757	106	30	27	34	6638
NON-MEMBER COUNTRIES									
CAPITAL									
A. Financial assistance									
6. Hungary	80	100							180
7. Czech Republic	127	123							250
8. Slovak Republic	63	62							125
9. Bulgaria	140	150			70		40		400
10. Romania		185	190	80		55			510
11. Israel	160								160
12. Algeria	250				150	100			500
13. Ex USSR	144								144
14. Baltic States				110		25			135
15. Moldova				5	9	12	12	12	50
16. Ukraine					17	37	37	37	128
17. Belarus					6	6	6	6	24
B. Guarantees									
18. EIB Mediterranean	140	162	175	175	167	162	163	146	1289
19. EIB C+E Eur. I + II	50	78	104	119	123	120	114	114	821
20. EIB Asia Latin America	15	19	20	22	23	24	8	9	141
21. EIB South Africa					32				32
Capital - subtotal	1169	879	489	511	565	541	380	324	4889
INTEREST									
A. Financial assistance									
6. Hungary	18	10							28
7. Czech Republic	25	13							38
8. Slovak Republic	13	6							19
9. Bulgaria	40	26	11	11	11	4	4		107
10. Romania	51	51	33	13	6	6			159
11. Israel	16								16
12. Algeria	50	25	25	25	25	10			160
13. Ex USSR	5	0							5
14. Baltic States	14	14	14	14	3	3			59
15. Moldova	6	6	6	6	5	5	3	2	40
16. Ukraine	19	19	19	19	19	17	13	9	132
17. Belarus	3	3	3	3	3	2	2	1	20
B. Guarantees									
18. EIB Mediterranean	140	130	118	106	94	82	71	59	800
19. EIB C+E Eur. I + II	84	81	76	69	61	53	45	37	506
20. EIB Asia Latin America	11	9	9	8	7	7	6	5	62
21. EIB South Africa	5	5	5	5	5				24
Interest - subtotal	493	392	312	273	233	188	144	115	2174
NON-MEMBER COUNTRIES - TOTAL	1662	1271	801	784	798	729	524	439	7062
GRAND TOTAL	3090	3247	1082	3541	904	758	551	473	13700
(Eastern Europe)	880	926	454	448	332	344	277	219	3879
(Other non-member countries)	782	345	347	336	466	385	248	220	3183

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)

	1997	1998	1999	2000	2001	2002	2003	2004	TOTAL
MEMBER STATES									
CAPITAL									
A. Balance of payments									
1. Greece		500							500
2. Italy		989		2490			2000	2000	7479
B. Structural loans									
3. Euratom + NCI	985	141	55	52	71				1305
4. EIB Sp,Gr,Port	58	44	39	37	20	22	21	15	257
Capital - subtotal	1042	1675	95	2579	92	22	2021	2015	9541
INTEREST									
A. Balance of payments									
1. Greece	48	48							95
2. Italy	383	553	553	553	340	340	340	170	3230
B. Structural loans									
3. Euratom + NCI	105	25	15	11	7	2	2	2	169
4. EIB Sp,Gr,Port	23	18	14	11	7	5	3	2	83
Interest - subtotal	559	644	582	575	354	347	345	174	3577
MEMBER STATES - TOTAL	1601	2318	676	3154	446	369	2366	2188	13118
NON-MEMBER COUNTRIES									
CAPITAL									
A. Financial assistance									
5. Hungary	80	100						260	440
6. Czech Republic	127	123							250
7. Slovak Republic	63	62							125
8. Bulgaria	140	150			70		40		400
9. Romania		185	190	80		55	0	70	580
10. Israel	160								160
11. Algeria	250				150	100		100	600
12. Ex USSR	144								144
13. Baltic States				110		25		85	220
14. Moldova				5	9	12	12	12	50
15. Ukraine					17	37	57	57	168
16.Belarus					6	6	6	6	24
17. Euratom, C+E Eur.					0	1	7	16	24
B. Guarantees									
18. EIB Mediterranean	140	162	175	231	295	385	500	558	2446
19. EIB C+E Eur. I + II	50	78	104	187	268	365	482	551	2085
20. EIB Asia Latin America	15	19	20	34	54	79	95	119	435
21. EIB South Africa			0	1	40	17	28	39	125
Capital - subtotal	1169	879	489	648	909	1082	1227	1873	8276
INTEREST									
A. Financial assistance									
5. Hungary	31	36	26	26	26	26	26	26	223
6. Czech Republic	25	12							37
7. Slovak Republic	13	6	0	0	0	0			19
8. Bulgaria	40	26	11	11	11	4	4	0	107
9. Romania	55	58	40	21	13	13	7	7	212
10. Israel	16								16
11. Algeria	55	35	35	35	35	20	10	10	235
12. Ex USSR	5								5
13. Baltic States	18	22	22	22	11	11	9	9	124
14. Moldova	6	6	6	6	6	5	3	2	40
15. Ukraine	24	29	29	29	29	27	23	17	205
16.Belarus	3	3	3	3	3	2	2	1	20
17. Euratom, C+E Eur.	1	6	17	34	54	72	88	101	373
B. Guarantees									
18. EIB Mediterranean	173	240	328	436	525	574	594	559	3429
19. EIB C+E Eur. I + II	124	209	310	429	523	571	589	575	3330
20. EIB Asia Latin America	18	34	61	93	122	138	145	141	752
21. EIB South Africa	6	11	20	31	40	45	49	49	251
Interest - subtotal	612	733	907	1175	1397	1507	1550	1497	9377
NON-MEMBER COUNTRIES - TOTAL	1781	1612	1396	1823	2306	2589	2777	3370	17653
GRAND TOTAL	3381	3930	2072	4977	2751	2958	5142	5559	30770
(Eastern Europe)	948	1111	757	962	1045	1231	1356	1795	9204
(Other non-member countries)	833	501	639	861	1261	1358	1421	1575	8449

IV. ACTIVATION OF BUDGET GUARANTEES

IV.A EIB loans to non-member countries

On 23 October 1996 the EIB called on the budget guarantee in respect of loans of around ECU 5.7 million to the Republics of former Yugoslavia (the Former Yugoslav Republic of Macedonia, Bosnia-Herzegovina and Serbia). The payment was made to the EIB on 28 January 1997.

Of the ECU 84.4 million due but not paid, ECU 24 million was entered in the budget in respect of the amount owed from before 1994 and a total of ECU 60.4 million was called in from the Guarantee Fund on 11 January 1995 (ECU 5.3 million), on 30 January 1995 (ECU 14.3 million), on 24 May 1995 (ECU 6.08 million), on 11 October 1995 (ECU 8.6 million), on 26 January 1996 (ECU 5.2 million), on 11 June 1996 (ECU 6.4 million), on 4 October 1996 (ECU 8.9 million) and on 28 January 1997 (ECU 5.7 million).

The Former Yugoslav Republic of Macedonia (FYROM) has repaid some of its arrears (ECU 4.7 million).

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

IV.B.1 Payments from cash resources

The Commission draws on 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 to avoid delays *and resulting costs* in servicing its borrowing operations when a debtor is late in paying.

IV.B.2 Activation of the Guarantee Fund

In the event of late payment by a recipient of a loan granted or guaranteed by the Community, the Guarantee Fund is called on to cover the default within three months of the date on which is payment is due.

Penalty interest for the time between the date on which cash resources are made available and the date of activation of the Fund is drawn from the Fund and repaid to the cash resources.

In the last six months the Fund has been called on to honour guarantees for the following debtor:

Country	Date	Amount (principal + interest)
Georgia (loan of ECU 40 million)	15.10.1996	855.862,78

IV.B.3 Late repayments

During the period covered by this report, the following countries repaid debts on which they had defaulted and for which the Guarantee Fund had already been activated. The amounts recovered are repaid to the Fund under Article 2 of Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external action.

Country	Repayment date	Amount (principal + interest)
Turkmenistan (loan of ECU 45 million)	13.8.1996	11.386.081,43
	9.10.1996	11.467.876,61
	13.12.1996	7.716.363,36
Georgia	10.10.1996	710.997,54
Total		31.281.318,94

IV.B.4 Situation as regards unpaid debts at 31 December 1996

The following amounts had not been paid at 31 December 1996:

Country	Amount (principal + interest)
Tajikistan	63.181.389,89
Georgia	92.608.823,28
Armenia	57.601.313,20
Total[4]	213.391.525,37

V. ANALYSIS OF THE COMMUNITY'S THEORETICAL LENDING AND GUARANTEE CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES

In practice, the Guarantee Fund and reserve facility limits the Community's lending and guarantee capacity to non-member countries since the appropriations available for provisioning the Fund whenever a new lending decision is adopted (or any annual tranche in the case of guarantees for multiannual operations) are limited by the amount entered for the guarantee reserve in the financial perspective.[5]

At any given time, lending capacity corresponds to the margin remaining in the guarantee reserve. This margin is equal to the difference between the reserve and the estimated amount

4 Two repayments totalling ECU 8.4 million have been made since 31 December 1996: ECU 3.7 million by Armenia and ECU 4.7 million by Georgia.

5 ECU 300 million at 1992 prices.

needed to provision the Guarantee Fund for operations which have already been adopted and which are in preparation.

Table 4 contains an estimate of the Community's lending capacity in respect of non-member countries over the period 1997-99 compatible with the Guarantee Fund mechanism. The method of calculation and references to legal texts are set out in greater detail in the Annex.

On the basis of the decisions adopted by the Council and decisions proposed and in preparation (see Table 4), ECU 286 million is expected to be used from the guarantee reserve in 1997, leaving ECU 43 million available at the end of the year.

The Guarantee Fund could then amount to around ECU 843 million at the end of the year assuming:

- no further defaults requiring activation of the Fund;
- no late repayment of arrears by defaulting countries.

If account is taken of the effect on the guarantee reserve of the provisioning of the Fund in respect of loans already decided and loans proposed and in preparation for the period 1997-99, the annual capacity available for loans varies:

- from ECU 213 million to ECU 286 million for loans with a 100% guarantee under the Community budget;
- from ECU 304 million to ECU 409 million for loans with a 70% guarantee (new EIB loans).

VI. RELATIVE SOLIDITY OF THE GUARANTEE FUND

The ratio between the amount in the Fund at the end of 1996 (ECU 557 million) and the maximum annual risk for loans to non-member countries (defined as the total amount falling due) shown for 1997 in Table 3 (ECU 1 781 million) comes to 31%.

The Fund should then correspond to 8.5% of the total amount of guaranteed loans outstanding outside the Community.

TABLE 4

THE COMMUNITY'S THEORETICAL ESTIMATED LENDING & GUARANTEE CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES OVER THE PERIOD 1997-99 under the Guarantee Fund mechanism*

ECU million	1997	1998	1999
Reserve for loan guarantees to non-member countries(1)	*329*	*338*	*345*
Bases for the calculation of the provisioning of the Guarantee Fund(2)			
- EIB loans			
- Mediterranean (a)	644	779,25	693
- countries of Central and Eastern Europe (b)	787,5	728	752,5
- Asia and Latin America (c)	172	210	210
- South Africa (d)	125	87,5	105
- EIB loans - total	*1728,5*	*1804,8*	*1760,5*
- Euratom loans (e)	0	200	350
- Macrofinancial assistance (f)	165	25	0
Provisioning of the Gurantee Fund (3)	*286*	*302*	*313*
Margin remaining in the guarantee reserve (4)	*43*	*36*	*32*
Residual lending capacity (balance of payments loans, EIB loans and Euratom loans) (5)			
- Maximum if used in full for 100% guarantee (e.g. BP loans)	286	243	213
- Maximum if used in full for EIB loans (70% guarantee)	409	347	304

(*) Assuming that the target amount is reached after 1999. For example, if the Fund reaches its target amount at 1 January 1999 and the rate of provisioning is cut to 10% after the review provided for in Article 4 of the Regulation establishing the Fund, the Union's lending capacity in respect of non-member countries would be increased by ECU 106 million a year for loans with a 100% guarantee and by ECU 152 million for loans with a 70% guarantee.

Description of the loans for which the Fund will be provisioned in the period 1997-99:

- EIB

a. Mediterranean:
- loans decided: 1994-96: ECU 115 million under the Fourth Financial Protocol with Syria
  1995-98: ECU 80 million under the Fourth Financial Protocol with Malta and Cyprus.
- loans proposed or in preparation: 1996-2000: ECU 750 million for financial cooperation with Turkey and ECU 230 million for financial cooperation with Croatia. 1997-2000: ECU 150 million for financial cooperation with the Former Yugoslav Republic of Macedonia (FYROM).
  31.1.97- 31.1.2000: ECU 2 310 million for the renewal of the EIB mandate, covered by overall 70% guarantee.

b. Central and Eastern Europe
- loans proposed or in preparation: 31.1.97-31.1.2000: ECU 3 520 million for the renewal of the EIB mandate, covered by overall 70% guarantee.

c. Asia and Latin America:
- loans decided: 1993-1996: ECU 750 million
- loans proposed or in preparation: 31.1.97-31.1.2000: ECU 900 million for renewal of the EIB mandate, covered by overall 70% guarantee.

d. South Africa:
- loans decided: mid-1995 to mid-1997: ECU 300 million
- loans proposed or in preparation: 1.7.97-1.7.2000: ECU 375 million for the renewal of the EIB mandate, covered by overall 70% guarantee

e. - Euratom
- loans decided: 1994-99: ECU 1 100 million.

f. - Financial assistance
- loans decided: 1997: ECU 25 million loan to Belarus cancelled; ECU 130 million loan to Slovakia cancelled.
- loans proposed or in preparation: 1997: ECU 170 million in loans to the Republics of Georgia, Armenia and Tajikistan, ECU 150 million in loans to Ukraine.

PART TWO
EVALUATION OF POTENTIAL RISKS: ECONOMIC AND FINANCIAL SITUATION OF THE NON-MEMBER COUNTRIES BENEFITING FROM THE MOST IMPORTANT LOAN OPERATIONS

I. INTRODUCTION

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. Recent events which may influence the portfolio country risk are analysed below.

The country risk evaluation presented in this chapter provides a set of extensive country risk indicators for all relevant countries in Central and Eastern Europe, the NIS as well as in the Mediterranean area, in the form of a full-page table per country. As a complement to this, a further textual analysis is provided for those countries where significant new information influencing the risk evaluation has become available since the previous report covering the first six months of 1996.

It may be noted that the evaluation in this section does *not* cover EU exposure in other regions than those mentioned, mainly because this exposure (notably through guarantees of EIB lending) represents only a fraction of total exposure (less than 3 %) and is also well diversified among countries.

II. CENTRAL AND EAST EUROPEAN COUNTRIES

BULGARIA

Since the last report, Bulgaria's situation has worsened significantly and GDP is estimated to have fallen by some 10% in 1996. Year-end inflation was over 300 % and the leva is experiencing a rapid and accelerating depreciation (70 leva/$ at start of 1996, to 250 by November, 500 at end-December, 1000 as of 30 January). In these circumstances, there is a clear risk of hyperinflation in the early months of 1997. The budget deficit has expanded very fast and has been financed in recent months directly by the central bank. At the end of December, internal debt reached BGL 1.053 trillion, up from BGL 345 billion at the end of 1995. Although privatisation has made some progress, structural reforms remain slow and the banking system continues to pose many problems. Several banks are currently subject to bankruptcy proceedings.

During the Autumn, the World Bank and the International Monetary Fund suspended their financial assistance to Bulgaria. In November 1996, the International Monetary Fund proposed the introduction of a currency board as a mechanism to restore macroeconomic stability and confidence among economic agents. Technical discussions with the Bulgarian authorities started in December but negotiations have been delayed by the resignation of the Prime Minister. Political forces, from both the opposition and the ruling party seem, however, to have accepted the idea of a currency board.

The crisis has led to a sharp decline in international reserves - from US$ 1.3 billion at the end of 1995 to US$ 518 million at the end of 1996. Service on foreign debt continues to be very substantial - US$ 300 million in the first quarter of 1997 alone. In these conditions, external viability crucially depends on concluding rapidly an agreement with the IMF and other international creditors.

ESTONIA

Estonia's risk assessment continues to be among the best in the region although there are signs of possible turbulence ahead. In 1996, for the second consecutive year, real GDP growth was positive, although it appears to have been lower than in 1995 (3%). Construction and trade (wholesale and retail) recorded very positive performances while agricultural and industrial output were lower than in 1995. Trade is now more important than manufacturing. Nearly 20% of total exports are goods processed after being imported and another 13% are reported to be transit trade.

Estonia introduced a Currency Board system in 1992 which provides for a strict link between money growth and the level of foreign exchange reserves. The exchange rate is pegged to the DM at a fixed rate. The system has been very successful to stabilise the macroeconomic situation: the general government deficit for 1996 is estimated at 1.5% of GDP (with revenues higher than planned) and inflation has continued to slow down (23% vs. 29% in 1995). Estonian exports have increased by roughly 5% in volume in the first three quarters of 1996, compared to the corresponding period of the previous year, and by 15% in value.

However, the gradual appreciation of the currency has led to a surge of imports and a widening of the trade deficit to nearly 30% in the first three quarters of 1996. Also, whereas in the past the net capital inflow was more than sufficient to finance the current account deficit, the situation in the third quarter of 1996 was just about in balance. Other signs of uncertainties are the high relative level of direct investments outflows (superior to inflows in second quarter of 1996), the political situation (calls for the resignation of the Prime Minister) and the implications of Lithuania's wish to abandon its currency board regime.

LATVIA

Latvia's creditworthiness seems to have improved considerably. The Latvian economy is recovering from the banking crisis in 1995: economic growth is picking up and in the first nine months of 1996 it reached 2.3%. Foreign reserves and banking assets are back up to pre-crisis levels. Furthermore, inflation and interest rates have come down quite rapidly, the currency is stable, and the budget deficit for 1996 remained below target. For these reasons, and because of the country's relatively low external indebtedness (debt/GDP is below 10%), the international credit ratings agencies have awarded Latvia an investment grade rating in January 1997. However, the imbalances on the external side have increased, with the trade and current account deficits rising to 16% and 7% respectively. Foreign direct investment continues to be only modest.

LITHUANIA

The Lithuanian economy is still recovering from the banking crisis of December 1995. During 1996, macroeconomic performance remained satisfactory in spite of the financial troubles. Growth accelerated driven by rising exports and by an upturn in domestic demand later in the year. The currency board system was maintained thanks to continued monetary and fiscal discipline. Inflation fell further. The budget deficit remained moderate although it deteriorated slightly. The balance of payments situation would seem to have remained stable.

The banking sector continues to be weak but supervision was strengthened and the government made some progress in sorting out the legacies of the 1995 crisis. Restructuring on the real side of the economy will make important progress if the authorities go ahead with the announced privatisation of large telecommunications and transport enterprises. This could also spark investors' interest and lead to a surge in foreign direct investment which continues to be disappointingly low. Finally, last September, Lithuania was the first former Soviet republic to receive a credit rating when Moody's rated it just below investment grade.

ROMANIA

Following the formation of a new Government in late 1996, Romania's risk assessment seems to have improved slightly. The new authorities aim at a rapid integration of Romania in the EU and in NATO and are committed to accelerating the pace of reform. On the basis of renewed negotiations with the IMF and the World Bank, the Romanian authorities have announced a comprehensive economic stabilisation and structural adjustment programme.

The economic situation worsened significantly however in the last months of 1996, in particular because of a spending spree by the former Government in the run-up to the elections and largely financed by money creation. Inflation soared to 57% at the end of the year. The State budget deficit rose to 6% of GDP, and taking into account the deficit of state-owned companies and hidden subsidies to agriculture, to a higher level still. Very little progress has been achieved on structural reforms. The 1996 current account is estimated to show a US$ 2 billion deficit. Foreign debt has risen further by 30% in 1996 (to US$ 6.9 billion or 25.8% of GDP) after rising 18% in 1995. Debt service for 1997 remains high at around US$ 1 billion.

The new Government has already taken some steps towards adjustment and liberalisation of the economy. Monetary policy has been tightened. Fuel prices were raised by 90% at the beginning of January; and, since the beginning of January 1997, the official rate of the leu has been devalued by 41% against the dollar. These measures are necessary steps in order to end prices distortions and bring internal prices in line with international prices.

The Government has now agreed in principle with the IMF a programme of adjustment and long-awaited structural reforms which entails very strong upfront measures (e.g. closure of 10 of the large loss-making enterprises in barely 5 weeks, laying off 5% of civil servants in the same period) . If properly implemented these measures are expected to enhance confidence and put Romania back on the path of a rapid and successful transition towards a fully fledged market economy. However, the difficult period which lies ahead could undermine support for the Government both among the general public and within the ruling coalition. Furthermore, special interest groups retain a strong influence which could negatively affect the pace of reforms.

SLOVAKIA

Slovakia country risk remains relatively moderate but the country is increasingly relying on foreign savings. Macroeconomic performance was largely positive during 1996 with high real growth (up 7%), low inflation (5.9%) and falling unemployment. However, rising household and government consumption led to a sharp deterioration in the current account balance (swinging from a surplus position of 3.6% of GDP in 1995 to a deficit of 7.8%) which may put the sustainability of the current policy stance into question. The National Bank sharply raised interest rates in December but may come under pressure to relax its policy in the run-up to the 1998 parliamentary elections. Capital inflows have so far been more than sufficient to finance the current account deterioration and debt service remains low.

III. NEWLY INDEPENDENT STATES

ARMENIA

Armenia remains in the category of high-risk creditors. The economic recovery has continued for a third consecutive year in 1996 with GDP growth expected to have reached some 6%. However, the slow pace of structural reforms - even if the privatization process started early after independence - has made Armenia largely dependent on external assistance. The external debt is estimated at about US$ 600 million (some 35% of GDP) by end 1996. The country has been facing difficulties in meeting its external financial obligations towards the Community but an understanding leading to the eventual full clearance of the existing arrears has now been reached with the Armenian authorities. The approval by the IMF Board in February 1996 of a 3-year economic programme may contribute to accelerate the pace of reforms and to improve the general economic situation in the medium-term. On the political side, no progress has been made concerning the Nagorno Karabakh issue.

AZERBAIJAN

Azerbaijan's risk assessment has improved somewhat in 1996. Economic recovery appears to have started and GDP is estimated to have grown by about 1% during 1996, following a sharp decline of some 40% in 1994-1995. The inflation rate also sharply improved, having declined from 400% in 1995 to some 20% in 1996, while the fiscal deficit is expected to have declined to less than 3% of GDP. The external debt is rather low at about US$ 560 million (some 16 % of GDP) by end 1996. Concerning structural reform, Azerbaijan is lagging well behind most other NIS. A new economic programme has, however, been adopted, covering the 1996-99 period and designed to be supported by IMF credits. This programme, approved by the IMF Board in December 1996, aims at preparing the country for the prospective oil boom and is addressing the key structural reform issues. Azerbaijan's medium-term perspectives are potentially favourable, owing mainly to its huge oil reserves. In the short run however, the combination of a still fragile economic situation, slow structural reforms and the unresolved conflict with Armenia on Nagorno Karabakh implies that the country risk remains high.

BELARUS

The political developments in Belarus during 1996 have been preoccupying. In connection with the referendum in November doubts were raised as regards the Belarussian authorities' commitment to democratic principles. The prospect of a future political and/or economic union between Belarus and Russia adds further uncertainty to the picture. With regard to macro-economic developments, Belarus achieved real GDP growth of 2.6 % in 1996, but several macro-economic developments still raise concerns. Despite a sharp currency depreciation from April 1996, the Belarussian currency remained overvalued at the end of the year and the trade deficit had grown to US$ 1.7 bn or 14.1 % of GDP. In absence of restructuring, 20 % of enterprises were still working at a loss, unemployment remained high and hidden, while interentreprise arrears amounted to above 100 % of GDP. Towards the end of 1996, inflation accelerated (8 % monthly) as a result of lax monetary policy in the form of directed credits from the National Bank. The interruption in the structural reform process as well as the uncertainties regarding the political commitment to pursue economic reform were other sources of concern. The Belarussian economy remains unreformed in many areas and the state continues to play a major role in production and distribution. The structure of the economy remains de facto highly monopolistic and prices are to a high degree controlled. Overall risk therefore remains high.

GEORGIA

The risk assessment for Georgia has remained rather stable throughout 1996. Following the first signs of recovery registered in 1995, GDP growth of some 10% is expected for 1996. The situation in public finances has worsened considerably, however, due to a collapse in revenues, which are far below programme targets. Georgia has accumulated foreign debt, estimated at some US$ 1.3 billion by end 1996 (27% of GDP), the main part of which represents import related payments arrears. Rescheduling arrangements have been reached with most creditors. Georgia is also in arrears of payments towards the Community but an understanding has now been reached with the Georgian authorities leading to the eventual full clearance of these arrears. The approval by the IMF Board in February 1996 of a 3-year economic programme may contribute to accelerate the pace of reforms and to improve the general economic situation in the medium-term. On the political side, the Abkhazia problem remains unresolved.

MOLDOVA

Moldova's economic and structural reform performance fell short of expectations in 1996. GDP declined further by some 3 to 5%. Fiscal performance was poor as a result of weak tax collection, although corrective measures were implemented in 1996 to tackle this problem. Moldova's foreign debt was expected to reach some US$ 700 million by end-1996 (some 32% of GDP) and is mainly owed to international financial institutions. Important structural reforms still remain to be undertaken in key sectors such as privatization of agriculture and restructuring of enterprise and energy sectors. The approval by the IMF Board in May 1996 of a 3-year economic programme, should contribute to accelerate the pace of reforms and to improve the general economic situation in the medium-term. The newly-elected President and the new government seem committed to reforms and may also give new impetus to the negotiations aiming at solving the issue of the autonomy of the proclaimed Dniestr Republic, part of Moldova's territory.

TAJIKISTAN

After an escalation of the military confrontation with the Islamic opposition until November 1996, the authorities and the opposition agreed on a ceasefire which appears to be holding. The macro-economic developments since early 1996 have been positive, with rapid reduction of monthly inflation (2.5 % in November 1996), budgetary performance broadly in line with the IMF programme and satisfactory credit and monetary policies. However, GDP has continued to fall (10%). The liberalization of the forex market, foreign trade and prices is well advanced. The pace of the enterprises privatization and of the land reform, slow until now, is expected to accelerate in 1997. At end 1996, the country had a foreign trade surplus of US$ 111 million, but foreign exchange reserves were still weak. The level of these reserves is expected to increase up to a level of 2 months of imports in 1997. At the end of 1996, the external debt of Tajikistan was equivalent to the country's GDP. Major creditors, however, agreed to reschedule the debt falling due in 1996, while rescheduling of debt service payments falling due in 1997 had begun. The country is in arrears of payments towards the Community but an understanding has now been reached with the Tajik authorities leading to the eventual full clearance of these arrears in the context of a Stand-By arrangement with the IMF expected to be agreed in the coming months.

UKRAINE

In the second half of 1996, Ukraine's transition to a market economy, which essentially had started in late 1994 after the election of President Kuchma, seems to have gained new momentum. The continuation of a relatively tight monetary policy was a determining factor in further reducing inflation, stabilizing the exchange rate and ensuring the successful introduction of the new national currency in September. The Central Bank Governor responsible for this policy was recently reconfirmed for a second term. The budget deficit was also brought down to some 3%, in line with targets agreed with the IMF, however at the cost of accumulating significant arrears on public wages, salaries and pensions, in the order of some 3.5% of GDP. The economic situation has remained very difficult, with GDP declining by another 10% in 1996. On the structural side, there was substantial progress in the area of privatization, demonopolization and banking supervision.

With a view to continuing and reinforcing stabilization and reform, thereby laying the foundations for growth to resume, the Ukrainian government adopted in November a comprehensive medium-term reform programme. During the last few months however it became clear that it would take considerable time to have this package approved by Parliament, thereby also delaying the expected economic recovery. Once the reform package has been approved, Ukraine can expect financial assistance of US$ 1.9 bn from the IMF (Extend Financing Facility) and the World Bank to help meet its external financing needs in 1997. In addition, official bilateral donors, including the Community, are expected to provide complementary financial assistance. Ukraine also plans to launch its first Eurobond issue once the Extended Financing Facility is in place and a credit rating has been obtained, both expected for Spring 1997.

Ukraine's debt ratios have declined somewhat during the last two years and therefore remain fairly moderate. With the resumption of payments to Russia and Turkmenistan on previously rescheduled gas arrears, the debt service ratio is expected to rise somewhat in 1997.

UZBEKISTAN

With the relative military stabilization in Afghanistan, prospects for Uzbek authorities to benefit from political stability in Central Asia are better. With regard to macroeconomic indicators, Uzbek real GDP is expected to have grown slightly (1.6 %) in 1996. However, annual inflation was picking up at 65 % towards the end of the year, owing to massive budgetary support to the agricultural sector in October and the budget deficit was higher than expected. In 1996, as a result of a big rise in imports, a fall in the price of cotton and bad harvests, the current account showed a deficit which resulted in a decrease of the foreign exchange reserves to the, still however comfortable, level of US$ 1.8 billion (5 months of imports). With the Som under increasing pressure and the Government reluctant to use its hard currency reserves, Uzbekistan was hit by hard currency shortage on the forex market, while draconian foreign exchange controls were introduced, prompting the international donors to suspend their macro-financial support. Foreign direct investment is however reported to have been high in 1996. With regard to structural reform, the restructuring of enterprises was progressing, whereas some reversals were observed in the liberalization process of the foreign trade and exchange market.

IV. MEDITERRANEAN COUNTRIES

ALGERIA

Although economic indicators have recently improved, Algeria country risk remains high over the medium-term. The macro-economic improvement achieved under the IMF-supported programme implemented since 1994 has recently been strengthened owing in part to good performances in agriculture and the hydrocarbon sector. Output growth, estimated at about 4 percent, continues to recover in 1996-97; inflation decelerated to below 20 percent and the up-swing in oil prices contributed to a budget surplus and external current account surplus of 2.7 percent of GDP and 0.3 percent of GDP, respectively. Foreign exchange reserves increased to US$ 4.2 billion at end-1996, representing more than 4 months of imports. According to the IMF, these trends are expected to continue in 1997. Despite these achievements, the political situation and security problems continue to hinder the medium-term prospects, including the pace of structural reforms and the development of a dynamic private economy. The most sensitive areas for important structural reforms (such as agriculture, public enterprise restructuring, privatization of large public enterprises, deregulation, and property rights) still have to be tackled. In addition, difficult social conditions, including persisting high unemployment (estimated at 28 percent) and housing shortages, could undermine the reform momentum. Finally, Algeria external and domestic financial balances will remain vulnerable to the future vagaries of the oil prices. In particular, the overall external position will remain fragile over the medium-term with no access to the international capital markets, limited foreign direct investment, and continued support from international financial institutions and reschedulings from the London and Paris Clubs.

ANNEX

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I. EXPLANATORY NOTES ON THE SITUATION OF RISKS COVERED BY THE COMMUNITY BUDGET

I.A Tables 1 to 3

The purpose of Tables 1 to 3 is to show the outstanding amount of guarantees and 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, in particular, it is not certain that all the operations described will actually be disbursed.

I.A.1 Authorized ceiling (Table 1)

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

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 (Member States) support, are the maximum amount of loans granted and not outstanding amounts authorized;
- the amounts authorized are not necessarily taken up in full.

I.A.2 Capital outstanding (Table 1)

This is the amount of capital still to be repaid on a given date in respect of operations disbursed.

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.

I.A.3 Annual risk (Tables 2 and 3)

Estimated amount of principal and interest due each financial year.

This amount is calculated for:

a) disbursements alone (Table 2), in which case the capital to be repaid corresponds to the amount outstanding;

b) 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.

I.B Loan operations covered by a budget guarantee

TABLE 5a

Borrowing and lending operations: Member States

Changes in amounts outstanding during six-month period

ECU million

COUNTRY	Decision	Date of decision	Loan term (years)	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 1.7.96	Operations in six-month period		Amount outstanding at 31.12.96
							Amounts disbursed	Amounts repaid	
GREECE	91/136/EEC	04.03.91			**2.200,00**				
			6	(c)	*1.000,00*	500,00			500,00
			-	(d)	*600,00*				
			-	(d)	*600,00*				
ITALY	93/67/EEC	18.01.93			**8.000,00**	3.525,90			3.478,57
			6	(c)	*2.000,00*				
			6	(c)	*2.000,00*				
			-	(d)	*2.000,00*				
			-	(d)	*2.000,00*				
EURATOM			(3)		**4.000,00**	589,50		24,80	572,48
	77/270-271/Euratom	29.03.77		(c)	*500,00*				
	80/29/Euratom	20.12.79		(c)	*500,00*				
	82/170/Euratom	15.03.82		(c)	*1.000,00*				
	85/537/Euratom	05.12.85		(b)(4)	*1.000,00*				
	90/212/Euratom	23.04.90		(d)(4)	*1.000,00*				
NCI			(3)		**6.830,00**	935,60	0,01	187,50	748,11
	78/870/EEC	16.10.78		(c)	*1.000,00*				
	81/19/EEC(1)	20.01.81		(c)	*1.000,00*				
	81/1013/EEC(2)	14.12.81		(c)	*80,00*				
	82/169/EEC	15.03.82		(c)	*1.000,00*				
	83/200/EEC	19.04.83		(c)	*3.000,00*				
	87/182/EEC	09.03.87		(c)	*750,00*				
TOTAL					**21.030,00**	**5.551,00**	**0,01**	**212,30**	**5.299,16** (5)

(1) Exceptional aid for the reconstruction of areas hit by the earthquake in Italy in 1980.
(2) Exceptional aid for the reconstruction of areas hit by the earthquake in Greece in 1981.
(3) Long-term loans for which the schedule of repayments depend on the dates of disbursement.
(4) By Decision 94/179/Euratom of 21 March 1994 the Council decided to extend Euratom loans to the financing of projects in certain non-member countries.
At 31 December 1996 no loans had yet been granted in non-member countries.
(5) Discrepancy caused by change in the rates of the other currencies against the ecu.

TABLE 5b (1)

Financial assistance to non-member countries

Changes in amounts outstanding during six-month period, broken down by countries and tranche

ECU million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partly disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 1.7.96	Operations in six-month period: Amounts disbursed	Operations in six-month period: Amounts reapid	Amount outstanding at 31.12.1996
HUNGARY I						**870,00**				
1st tranche	90/83/EEC	22.02.90	5	20.04.95	(a)	*350,00*	-			-
2nd tranche	90/681/EEC	21.12.90	5	14.02.96	(a)	*260,00*	-			-
3ème tranche	-	-	-	-	(d)	*260,00*	0,00			0,00
HUNGARY II	91/310/EEC	24.06.91				**180,00**				
1st tranche			7	18.03.98	(c)	*100,00*	100,00			100,00
2nd tranche			5	15.12.97	(c)	*80,00*	80,00			80,00
CZECH REPUBLIC	91/106/EEC	25.02.91				**250,00**				
1st tranche			7	18.03.98		*123,30*	123,30			
2nd tranche			5	15.12.97		*126,60*	126,60			
SLOVAKIA	91/106/EEC	25.02.91				**125,00**				
1st tranche			7	18.03.98	(c)	*61,60*	61,60			185,00
2nd tranche			5	15.12.97	(c)	*63,30*	63,30			190,00
BULGARIA I	91/311/EEC	24.06.91				**290,00**				
1st tranche			7	18.03.98	(c)	*150,00*	150,00			150,00
2nd tranche			5	15.12.97	(c)	*140,00*	140,00			140,00
BULGARIA II	92/511/EEC	19.10.92				**110,00**				
1st tranche			7	07.12.2001	(c)	*70,00*	70,00			70,00
2nd tranche			7	29.08.2003	(c)	*40,00*	0,00	40,00		40,00
ROMANIA I	91/384/EEC	22.07.91				**375,00**				
1st tranche			7	01.02.99	(c)	*190,00*	190,00			190,00
2nd tranche			6	18.03.98	(c)	*185,00*	185,00			185,00
ROMANIA II	92/551/EEC	27.11.92	7	26.02.2000	(c)	**80,00**	80,00			80,00
ROMANIA III	94/369/EC	20.06.94			(d)	**125,00**				0,00
1st tranche			7	20.11.2002	(c)	*55,00*	55,00			55,00
2nd tranche			-	-	(d)	*70,00*	0,00			0,00
BALTIC STATES	92/542/EEC	23.11.92				**220,00**				
ESTONIA						**40,00**				
1st tranche			7	31.03.2000	(c)	*20,00*	20,00			20,00
2nd tranche			-	-	(d)	*20,00*	0,00			0,00

TABLE 5b (2)

Financial assistance to non-member countries

Changes in amounts outstanding during six-month period, broken down by countries and tranche

ECU million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partly disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 1.7.96	Operations in six-month period: Amounts disbursed	Operations in six-month period: Amounts repaid	Amount outstanding at 31.12.1996
LATVIA						**80,00**				
1st tranche			7	31.03.2000	(c)	*40,00*	40,00			40,00
2nd tranche			-	-	(d)	*40,00*	0,00			0,00
LITHUANIA						**100,00**				
1st tranche			7	27.07.2000	(c)	*50,00*	50,00			50,00
2nd tranche			7	16.08.2002	(b)	*50,00*	25,00			25,00
MOLDOVA I	94/346/EC	13.06.94				**45,00**				
1st tranche			10	07.12.2004	(c)	*25,00*	25,00			25,00
2nd tranEC			10	08.08.2005	(c)	*20,00*	20,00			20,00
MOLDOVA II	96/242/EC	25.03.96	10	30.10.2006	(c)	**15,00**	0,00	15,00		15,00
UKRAINE I	94/940/EC	22.12.94	10	28.12.2005	(c)	**85,00**	85,00			85,00
UKRAINE II	95/442/EC	23.10.95			-	**200,00**				
1/2 tranche			10	29.08.2006	(c)		0,00	50,00		50,00
1/2 tranche			10	30.10.2006	(c)		0,00	50,00		50,00
2nd tranche					(d)		0,00			0,00
BELARUS	95/132/EC	10.04.95				**55,00**				
1st tranche			10	28.12.2005	(c)	*30,00*	30,00			30,00
2nd tranche			-	-	(d)	*25,00*	0,00			0,00
ALGERIA I	91/510/EEC	23.09.91				**400,00**				
1st tranche			5	15.12.97	(c)	*250,00*	250,00			250,00
2nd tranche			7	17.08.2001	(c)	*150,00*	150,00			150,00
ALGERIA II	94/938/EC	22.12.94				**200,00**				
1st tranche			7	27.11.202	(c)	*100,00*	100,00			100,00
2nd tranche			-	-	(d)	*100,00*	0,00			0,00
ISRAEL	91/408/EEC	22.07.91	5	15.12.97	(c)	**160,00**	160,00			160,00
REPS.OF FORMER USSR	91/658/EEC	16.12.91	3	28.09.97	-	**1.250,00**	143,70			143,70
TOTAL						**5.035,00**	2.523,50	155,00	0,00	2.678,70

TABLE 6

LOAN GUARANTEES TO EIB

GEOGRAPHICAL AREA	Decision	Date of decision	Rate of guarantee	Loan term (years)	Date of guarantee contract	Amount decided	Loans signed		Amount outstanding	
							at 1.7.96	during six-month period	at 1.7.96	at 31.12.96
MED. financial protocols (1)		8.03.77	75% (2)	15	30.10.78/10.11.78	6062	5196	129	2065	2057
MED. horizontal cooperation	R/1762/92/EEC	29.06.92	75% (2)	15	09.11.92/18.11.92	1800	1397	404	261	301
TOTAL MED.						7862	6593 (3)	533 (3)	2327	2357
Central & Eastern Europe	90/62/EEC(4)	12.02.90	100%	15	24.04.90/14.05.90	1000	947	-20	559	615
	91/252/EEC(5)	14.05.91	100%	15	19.01.93/04.02.93	700	700	-	325	356
Central & Eastern Europe II	93/696/EC(6)	13.12.93	100%	15	22.07.94/12.08.94	3000	1999	981	141	335
Asia, Latin America I	93/115/EEC	15.02.93	100%	15	04.11.93/17.11.93	750	647		191	204
Asia, Latin America II	96/723/EC	12.12.96	100%	15	18.03.97/-	275	-	-	-	-
SOUTH AFRICA	95/207/EC	01.06.95	100%	15	04.10.95/16.10.95	300	101	-	-	32
TOTAL						13887	10987	1494	3543	3898

(1) including ECU 1 500 million for Spain, Greece and Portugal.
(2) General guarantee of 75% for all credits made available under lending operations under a guarantee contract signed between the Community and the EIB on 30.10.78 and 10.11.78.
By way of exception, a 100% guarantee applies to the emergency aid granted to Portugal in accordance with the Council Decision of 7 October 1975.
(3) the Community has guaranteed ECU 5 379.4 million, of which ECU 141.5 million is covered by a 100% guarantee for Portugal.
(4) Non-member countries: Poland, Hungary.
(5) Non-member countries: Czech Republic and Slovak Republic, Bulgaria, Romania.
(6) Non-member countries: Poland, Hungary, Czech Republic and Slovak Republic, Bulgaria, Romania, Baltic States and Albania.

I.C Expected signature and disbursement of EIB loans

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).

Expected signatures

Mediterranean countries

At 31 December 1996 a total of ECU 250 million was still to be signed in 1977 under current and former mandates (ECU 477 million, less ECU 227 million for the remainder from the first and second protocols with Yugoslavia which will no longer be signed).

It is assumed that all the ECU 225 million under the third and fourth protocols with Syria will be signed in 1998; however, this assumption is very uncertain.

Central and Eastern Europe

At 31 December 1996 a total of ECU 20 million was still awaiting signature under current and former mandates.

Asia and Latin America

At 31 December 1996 a total of ECU 20 million was still awaiting signature under the first mandate. As the Council decided to grant ECU 275 million on 12 December 1996, the total still to be signed in 1997 comes to ECU 295 million.

South Africa

At 31 December 1996 a total of ECU 199 million was still to be signed in 1997 under the first mandate.

Disbursement forecasts

As regards disbursement of the loans still awaiting signature, it is assumed that nothing will be paid in the year of signature, 10% in the second year, 25% a year between the third and fifth years and 15% in the sixth year.

At 31 December 1996 ECU 6 256.3 million still had to be disbursed against loans signed at that date. The total breaks down as follows:[6]

Mediterranean	ECU 2 497.3 million
Central and Eastern Europe	ECU 3 247 million
Asia and Latin America	ECU 443 million
South Africa	ECU 69 million

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6 Based on a working assumption that 25% of the loan will be disbursed every year for four years and that the average term will be fifteen years with a three-year period of grace.

I.D Payment of the budget guarantee

I.D.1 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.

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

a) The amount required may be taken provisionally from cash resources in accordance with 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. 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.

b) 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.

c) The transfer procedure can be used to provide the budget heading with the appropriations needed to cover the default; any margin available in the guarantee reserve is drawn on first. This method is used when there are insufficient appropriations in the Guarantee Fund and must be authorized in advance by the budgetary authority.

d) 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.

I.D.2 Guarantees given to third parties

The loan guarantee is in respect of loans granted by a financial institution such as the European Investment Bank (EIB). When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Community 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.

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. METHODOLOGICAL NOTE ON THE ANALYSIS OF THE COMMUNITY'S ESTIMATED LENDING CAPACITY IN RESPECT OF NON-MEMBER COUNTRIES OVER THE PERIOD 1997-99 UNDER THE GUARANTEE FUND MECHANISM

II.A Reserve for loan guarantees to non-member countries (1)

As agreed at the Edinburgh European Council, the Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure provided for the entry of a reserve for loan guarantees to non-member countries as a provision in the general budget of the European Communities. This reserve is intended to cover the requirements of the Guarantee Fund and, where necessary, activated guarantees exceeding the amount available in the Fund, so that these amounts may be charged to the budget.

The amount of the guarantee reserve is the same as in the financial perspective, viz. ECU 300 million at 1992 prices. The amount in the reserve comes to ECU 329 million in 1997.

The conditions for the entry, use and financing of the guarantee reserve are laid down in the following decisions:

- Council Decision 94/729/EC of 31 October 1994 on budgetary discipline
- Council Regulation (ECSC, EC, Euratom) No 2730/94 of 31 October 1994 amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities
- Council Decision 94/728/EC of 31 October 1994 on the system of the Communities' own resources.

II.B Bases for the calculation of the provisioning of the Guarantee Fund (2)

The bases for the provisioning of the Fund are calculated by applying the appropriate rate of guarantee (75% or 100%):

- to the loan guarantees authorized by the Council and to the loan guarantees proposed or being prepared by the Commission on the basis of the estimates of loan signatures contained in the financial statements (EIB and Euratom loans);
- to the loans (for financial assistance) authorized by the Council and to the loans proposed or being prepared by the Commission.

The annex to Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external actions, which relates to the arrangements for payments into the Guarantee Fund, states that, in the case of borrowing/lending operations or guarantees to financial bodies under a framework facility spread over a number of years and with a microeconomic and structural purpose, payments into the Fund will be made in annual tranches calculated on the basis of the annual amounts indicated in the financial statement attached to the Commission proposal, adapted where appropriate in the light of the Council decision.

For other Community borrowing/lending operations, such as loans for the balance of payments of third countries, whether made in one or more than one tranche, payments into the Fund are calculated on the basis of the total amount for the operation decided on by the Council.

The annex to the Regulation establishing the Guarantee Fund states that, as from the second year (in the case of operations spread over a number of years), the amounts to be paid into the Fund will be corrected by the difference recorded on 31 December of the previous year between the estimates that were taken as a basis for the previous payment and the actual figure for the loans signed during that year. Any difference relating to the previous year will give rise to a payment in the following year.

The annex states that, when it starts a payment procedure, the Commission will check the situation with regard to the performance of the operations which were the subject of previous payments and, where the commitment deadlines originally laid down have not been met, will propose that this will be taken into account in calculating the first payment to be made at the start of the following financial year for operations already under way.

In the second half of 1996 the budgetary authority therefore adopted transfers 42/96 and 52/96 to provision the Guarantee Fund in respect of the lending operations with non-member countries (loans to Moldova and EIB loans to Asian and Latin American developing countries with which the Community has concluded cooperation agreements).

II.C Basis for the provisioning of the Fund in the event of a part guarantee

For EIB loans covered by an aggregate 75% guarantee, the Fund is provisioned on the basis of 100% of the annual forecast of signatures up to a level of 75% of the total amount of operations authorized.

II.D Provisioning of the Guarantee Fund (3)

The amounts paid into the Fund are obtained by applying the appropriate rate of provisioning (15% or 14%) to the calculation base set out above.

The 15% provisioning rate is applied to loans granted after guarantees under the Fund have been activated and until the amount involved in the default has been repaid to the Fund. Article 5 of the Regulation establishing the Guarantee Fund states, "If, as a result of the activation of guarantees following default, resources in the Fund stand below 75% of the target amount, the rate of provisioning on new operations shall be raised to 15% until the target amount has once more been reached or, if the default occurs before the target amount is reached, until the amount drawn under the activation of the guarantee has been fully restored". As the amounts drawn under the activation of the guarantee have not been restored, the rate of provisioning applied to the new operations is 15%.

A 14% provisioning rate is applied to the EIB loans granted before defaults were covered by the Fund if the financial statements provide for the signature of part of the loans in 1997. (Pursuant to Articles 2 and 4 of the Regulation establishing the Guarantee Fund, the Fund is endowed by payments from the general budget equivalent to 14% of the capital value of the operations until it reaches the target amount.)

II.E Margin remaining in the guarantee reserve (4)

The margin remaining in the guarantee reserve is equivalent to the difference between the reserve (1) and the heading for the provisioning of the Guarantee Fund (3).

II.F Residual lending capacity (5)

The residual lending capacity is the loan equivalent of the margin left in the reserve, allowing for the guarantee rates in force.

III. TABLES: COUNTRY-RISK INDICATORS

Country-risk indicators

Country: Bulgaria

	footnotes	1994	1995	1996 (10)	(12)
Real GDP growth rate (in %)		1,8	2,5	-10,0	*
Industrial production (% change)		7,8	8,6	-1,1	
Unemployment rate (end of period)		12,8	11,6	12,5	
Inflation rate *(end of period)*		121,9	32,8	311,0	
Exchange rate (Leva per USD) *(end of period)*		66,0	70,7	496,0	
General government balance (as % of GDP)		-5,8	-5,7	-11,0	*
Balance of payments					
Exports of G&S (in bn USD)		5,3	7,0	4,4	(09/96)
Current account balance (in % of GDP)		-2,0	-0,4	-0,1	*
Net inflow of foreign direct investment (in mio USD)		105	90	61	
Official reserves, including gold (end of period)					
in bn USD		1,3	1,5	0,5	
in months of imports of G&S		3,0	2,8	(11)	
External debt					
External debt		10,3	9,4	9,9	(09/96)
(In convertible currencies, in bn USD, end of period.)					
Convertible debt service (in bn USD)		0,9	0,8	1,1	
principal		0,5	0,2	0,5	
interest		0,5	0,6	0,6	
External debt/GDP (%)		118,9	80,9	280,0	*
External debt/exports of G&S (%)		219,8	155,1	221,0	(09/96)
Debt service/exports of G&S (%)		18,4	11,4	(11)	
Arrears (on both interest and principal, in bn USD)		17,6	(9)	(9)	
Debt relief agreements and rescheduling		(4)	(9)	(9)	
Indicators of EU exposures					
EU exposure/total EU exposure (%)	(1)	6,8	7,3	8,1	
EU exposure/external debt (%)		4,6	5,7	6,5	
EU exposure/exports of G & S (%)		8,9	7,7	14,6	(09/96)
IMF arrangements					
Type/no		(5)+(6)	-	-	
(Date / -)		(3/94-3/95)	-	-	
On track/off track		(7)			
(- / Date)		(09/94)			
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		(8)	(8)	(8)	
S&P long-term foreign currency rating (end of period)		(8)	(8)	(8)	
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(2)	88 98	90 90	99 92	
(number of countries)		(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(2)	91 95	93 94	92 93	
(number of countries)		(135) (135)	(135) (135)	(135) (135)	
Credit rating	(3)	19.8 20.8	21.9 22.2	23.1 23.5	

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) London Club DDSR (July) Paris club resched. (Apr)
(5) SBA
(6) STF
(7) SBA suspended
(8) Not rated
(9) No
(10) Preliminary
(11) Not available
(12) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Czech Republic

	footnotes	1994	1995	1996 (7)
Real GDP growth rate (in %)		2,6	4,8	4,8
Industrial production (% change)		2,1	9,2	7,9
Unemployment (% of labour force) (end of period)		3,3	3,0	3,0
Inflation rate *(Dec/Dec)*		10,2	7,9	9,0
Exchange rate (CK's per USD) *(end of period)*		28,2	26,3	27,0
General government balance (as % of GDP)		-0,3	-0,8	-0,6
Balance of payments				
Exports of G&S (in mio USD)		14295	17054	29920
Current account balance (in % of GDP)		-0,1	-3,0	-6,5
Net inflow of foreign direct investment (in mio USD)		762	2547	875
Official FX reserves (end of period)				
in bn USD		6,2	14,0	12,4
in months of imports of G&S		4,2	7,9	5,3
External debt (end of period)				
External debt		10,7	16,5	16,1
(In convertible currencies, in bn USD, end of period.)				
Convertible debt service (in bn USD)		2,5	2,6	3,8
principal		2,0	1,5	3,0
interest		0,5	1,1	0,8
External debt/GDP (%)		29,7	35,8	30,6
External debt/exports of G&S (%)		56,6	56,5	53,8
Debt service/exports of G&S (%)		12,6	15,2	12,7
Arrears (on both interest and principal, in mio USD)		(4)	(4)	(4)
Debt relief agreements and rescheduling		(4)	(4)	(4)
Indicators of EU exposures				
EU exposure/total EU exposure (%)	(1)	5,2	5,8	7,3
EU exposure/external debt (%)		3,4	2,6	3,6
EU exposure/exports of G & S (%)		2,5	2,5	1,9
IMF arrangements				
Type/no		(5)	-	-
(Date / -)		(3/93-3/94)		
On track/off track		(6)	-	-
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa2 (06/94)	Baa1 (09/95)	Baa1
S&P long-term foreign currency rating (end of period)		BBB+ (07/94)	A	A
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96
Position in the ranking	(2)	40 39	35 41	36 35
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	40 39	33 30	30 29
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	49.7 52.8	55.8 58.4	60.1 62.0

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) No
(5) SBA
(6) On-track. All debts to IMF paid ahead of schedule.
(7) Projections (unless otherwise stated)

Country-risk indicators

Country: Estonia

	footnotes	1994	1995	1996 (10)	(12)
Real GDP growth rate (in %)		-0,1	3,2	3,1	*
Industrial production (% change)		3,5	1,4	-0,7	
Unemployment rate (end of period)		4,5	4,1	4,3	
Inflation rate (end of period)		41,6	28,8	23,1	
Exchange rate (Kroons per USD) (end of period)		13,0	11,5	12,4	
General government balance (as % of GDP)					
Financial balance	(1)	2,9	-0,4	(11)	
Fiscal balance	(1)	1,3	-0,8	-1,5	*
Balance of payments					
Merchandise exports (in mio USD)		1329	1861	1980	*
Current account balance (in % of GDP) (excl. official transfers)		-12,3	-8,2	(11)	
Net inflow of foreign direct investment (in mio USD)		212	202	42	(09/96)
Official FX reserves (end of period)					
in mio USD		447	583	605	(09/96)
in months of goods imports		3,2	2,7	2,3	(09/96)
External debt					
External debt (incl. to IMF) *(in convertible currencies, in mio USD, end of period)*		170,3	246,8	294	(10/96)
Convertible debt service (in mio USD)		8,1	12,8	21,4	*
principal		3,0	3,5	10,5	*
interest +charges to IMF		5,1	9,3	10,9	*
External debt/GDP (%)		7,5	7,1	(11)	
External debt/merchandise exports (%)		12,8	13,3	14,3	(10/96)
Debt service/merchandise exports (%)		0,6	0,7	(11)	
Arrears (on both interest and principal, in mio USD)		(5)	(5)	(5)	
Debt relief agreements and rescheduling		(5)	(5)	(5)	
Indicators of EU exposures					
EU exposure/total EU exposure (%)	(2)	0,4	0,5	0,5	
EU exposure/external debt (%)		15,7	16,5	13,8	
EU exposure/exports of G & S (%)		2,0	2,2	2,1	
IMF arrangements					
Type/no		(6)	(9)	(9)	
(Date / -)		(10/93-3/95)	(4/95-6/96)	(4/95-6/96) (13)	
On track/off track		(7)	(7)	(7)	
(- / Date)					
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		(8)	(8)	(8)	
S&P long-term foreign currency rating (end of period)		(8)	(8)	(8)	
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	105 102	66 76	73 71	
(number of countries)		(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	88 86	79 79	76 71	
(number of countries)		(135) (135)	(135) (135)	(135) (135)	
Credit rating	(4)	20.7 23.6	25.4 26.3	28.9 31.1	

(1) Financial balance does not take into account government net lending, whereas fiscal balance does.
(2) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(3) The higher the ranking number, 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) No
(6) SBA/STF
(7) On-track
(8) Not rated
(9) SBA
(10) Preliminary
(11) Not available
(12) Latest data or estimates (E) (in sheet * is being used)
(13) The SBA (7/96-7/97) is also on track.

Country-risk indicators

Country: Hungary

	footnotes	1994	1995	1996	(10)
Real GDP growth rate (in %)		2,9	1,5	1,0	(09/96)
Industrial production (% change)		9,0	6,0	2,3	(11/96)
Unemployment (% of labour force) (end of period)		10,9	10,4	10,5	
Inflation rate *(Dec/Dec)*		21,2	28,5	19,8	
Exchange rate (forints per USD) *(end of period)*		111,0	139,5	164,0	
Consolidated state budget balance (as % of GDP) (GFS definition)		-6,3	-6,8	-3,3	
Balance of payments					
Exports of G+S (in mio USD)		10219	14667	12788	(11/96) (8)
Current account balance (in % of GDP)		-9,5	-5,6	-3,2	*
Net inflow of foreign direct investment (in mio USD)		1100	4410	1730	(11/96)
Official reserves (end of period)					
in bn USD		6,8	12,0	13,8	(11/96)
in months of imports of merchandises		7,2	9,5	10,1	(11/96)
External debt					
External debt		28,5	31,7	26,4	(11/96)
(in convertible currencies, in bn USD, end of period)					
Convertible debt service (in bn USD)		6,2	7,7	7,4	
principal	(1)	4,2	5,3	5,1	
interest		2,0	2,4	2,3	
External debt/GDP (%)		68,9	70,8	59,1	
External debt/Exports of G+S (%)		278,9	189,2	206,2	(8)
Debt service/Exports of G+S (%)		60,8	52,5	43,6	(8)
Arrears (on both interest and principal, in mio USD)		(5)	(5)	(5)	
Debt relief agreements and rescheduling		(5)	(5)	(5)	
Indicators of EU exposures					
EU exposure/total EU exposure (%)	(2)	16,5	13,0	9,6	
EU exposure/external debt (%)		4,0	3,1	2,9	
EU exposure/exports of G & S (%)		11,3	6,6	5,9	
IMF arrangements					
Type/no		(6)	-	(6)	
(Date / -)		(7)	-	(3/96-2/98)	
On track/off track				(9)	
(- / Date)					
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	Baa3	
S&P long-term foreign currency rating (end of period)		BB+	BB+	BBB-	
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	44 46	50 44	44 44	
(number of countries)		(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	43 44	45 48	50 50	
(number of countries)		(135) (135)	(135) (135)	(135) (135)	
Credit rating	(4)	46.1 46.2	46.4 45.0	43.6 44.7	

(1) Including early repayments
(2) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(3) The higher the ranking number, 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) No
(6) SBA
(7) First review uncompleted
(8) Exports of goods only for 1996
(9) On-track
(10) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Latvia

	footnotes	1994	1995	1996	(12)
Real GDP growth rate (in %)		2,0	-1,6	2,5	*
Industrial production (% change)		-2,2	-6,3	1,0	
Unemployment *(end of period)*		6,5	6,1	7,2	
Inflation rate *(end of period)*		26	23,1	13,1	
Exchange rate (Lats per USD) *(end of period)*		0,55	0,54	0,55	
General government balance (as % of GDP)					
Financial balance	(1)	-1,7	-2,7	-1,2	*
Fiscal balance	(1)	-4,0	-3,3	-1,8	*
Balance of payments					
Exports (in mio USD)		997	1306	1430	*
Current account balance, excl. official transfers (in % of GDP)		-3,5	-4,4	-6,8	
Net inflow of foreign direct investment (in mio USD)		155	165	200	*
Official FX reserves (end of period)					
in mio USD		545	527	649	
in months of imports of G&S		4,5	3,2	3,5	*
External debt					
External debt *(in convertible currencies, in mio USD, end of period)*		359	423	500	
Convertible debt service (in mio USD)		50,0	39,0	71,0	
principal		(5)	(5)	(5)	
interest		(5)	(5)	(5)	
External debt/GDP (%)		10,0	9,0	9,0	
External debt/merchandise exports (%)		36,0	32,4	35,0	
Debt service/merchandise exports (%)		5,0	3,0	5,0	
Arrears (on both interest and principal, in mio USD)		(6)	(6)	(6)	
Debt relief agreements and rescheduling		(6)	(6)	(6)	
Indicators of EU exposures					
EU exposure/total EU exposure (%)	(2)	0,7	0,7	0,7	
EU exposure/external debt (%)		13,3	12,3	10,4	
EU exposure/exports of G & S (%)		4,8	4,0	3,6	
IMF arrangements					
Type/no		(7)	(10)	(10)	
(Date / -)		(12/93-3/95)	(4/95-4/96)	(5/96)	
On track/off track		(8)	(11)	(8)	
(- / Date)					
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		(9)	(9)	Baa3 (01/97)	
S&P long-term foreign currency rating (end of period)		(9)	(9)	BBB (01/97)	
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	104 125	106 116	89 75	
(number of countries)		(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(3)	94 92	91 89	86 88	
(number of countries)		(135) (135)	(135) (135)	(135) (135)	
Credit rating	(4)	19.6 21.3	22.6 23.4	24.7 25.7	

(1) Financial balance does not take into account government net lending, whereas fiscal balance does.
(2) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(3) The higher the ranking number, 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) Not available
(6) No
(7) SBA/STF
(8) On-track
(9) Not rated
(10) SBA
(11) Off-track
(12) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Lithuania

		footnotes	1994	1995	1996 (11)	
Real GDP growth rate (in %)			1,0	3,1	3,6	(09/96)
Industrial production (% change)			-6,7	0,8	2,4	(09/96)
Unemployment rate	(end of period)		3,8	6,1	6,4	(11/96)
Inflation rate	*(end of period)*		45,1	35,5	13,1	
Exchange rate (Litas per USD)	*(end of period)*		4,3	4,0	4,0	
General government balance (as % of GDP)						
Financial balance		(1)	-1,5	-1,8	-1,9	
Fiscal balance		(1)	-4,2	-3,3	-3,4	
Balance of payments						
Exports (in mio USD)			1930	2210	3361	
Current account balance (in % of GDP), without official transfers			-4,2	-3,2	-2,7	
Net inflow of foreign direct investment (in mio USD)			60	55	101	
Official FX reserves (end of period, gross foreign assets)						
in mio USD			587	819	838	(09/96)
in months of imports of G&S			3,1	3,9	2,9	
External debt						
External debt *(in convertible currencies, in mio USD, end of period)*			448	757	1070	
Convertible debt service (in mio USD)			19	69	120	
principal			(5)	(5)	(5)	
interest			(5)	(5)	(5)	
External debt/GDP (%)			8,0	9,7	10,4	
External debt/exports of G&S (%)			23,2	34,3	42,7	
Debt service/exports of G&S (%)			1,0	3,1	4,8	
Arrears (on both interest and principal, in mio USD)			(6)	(6)	(6)	
Debt relief agreements and rescheduling			(6)	(6)	(6)	
Indicators of EU exposures						
EU exposure/total EU exposure (%)		(2)	0,9	1,4	1,4	
EU exposure/external debt (%)			13,3	13,9	10,5	
EU exposure/exports of G & S (%)			3,1	4,8	3,3	
IMF arrangements						
Type/no			(7) (10/93-3/94)	(10)	(10)	
(Date / -)			(10) (10/94-11/97)	(10/94-10/97)	(10/94-10/97)	
On track/off track			(8)	(8)	(8)	
(- / Date)						
Indicators of market's perceived creditworthiness						
Moody's long-term foreign currency rating (end of period)			(9)	(9)	Ba2	
S&P long-term foreign currency rating (end of period)			(9)	(9)	(9)	
Euromoney			03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking		(3)	110 121	108 118	85 59	
(number of countries)			(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor			03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking		(3)	97 96	95 90	89 90	
(number of countries)			(135) (135)	(135) (135)	(135) (135)	
Credit rating		(4)	18.4 20.0	21.7 22.9	23.8 25.3	

(1) Financial balance does not take into account government net lending, whereas fiscal balance does.
(2) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(3) The higher the ranking number, 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) Not available
(6) No
(7) STF
(8) On-track
(9) Not rated
(10) EFF
(11) Projections (unless otherwise stated)

Country-risk indicators

Country: Romania

	footnotes	1994	1995	1996 (11)
Real GDP growth rate (in %)		3,9	6,9	4,4
Industrial production (% change)		7,2	5,2	4,9
Unemployment rate (end of period)		10,9	8,9	6,1
Inflation rate *(Dec/Dec)*		61,7	27,8	56,9
Exchange rate (lei per USD) *(end of period)*		1767	2760	4100
General government balance (as % of GDP)		-1,0	-2,8	-5,7
Balance of payments				
Exports of G&S (in bn USD)		6,1	7,5	6,4
Current account balance (in % of GDP)		-1,4	-3,6	-3,4
Net inflow of foreign direct investment (in mio USD)		341	417	608
Official FX reserves (end of period)				
in mio USD		1596	1110	1700
in months of imports of G&S		2,2	1,4	2,3
External debt				
External debt *(in convertible currencies, in bn USD, end of period)*		5,5	6,6	6,9 *
Convertible debt service (in mio USD)		589	1038	1200 *
principal		313	462	477 *
interest		276	576	723 *
External debt/GDP (%)		18,3	18,7	22,0 *
External debt/exports of G&S (%)		90,1	88,0	97,0 *
Debt service/exports of G&S (%)		9,6	13,8	13,7 *
Arrears (on both interest and principal, in mio USD)		(4)	(4)	(4)
Debt relief agreements and rescheduling		(4)	(4)	(4)
Indicators of EU exposures				
EU exposure/total EU exposure (%)	(1)	8,4	10,2	10,2
EU exposure/external debt (%)		10,7	11,5	11,0
EU exposure/exports of G & S (%)		9,7	10,1	12,5
IMF arrangements				
Type/no		(5)	(8)	(10)
(Date / -)		(5/94-12/95)		
On track/off track		(6)	(9)	
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		(7)	(7)	Ba3
S&P long-term foreign currency rating (end of period)		(7)	(7)	BB-
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96
Position in the ranking	(2)	74 77	68 64	67 61
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/96 09/96
Position in the ranking	(2)	76 74	73 71	68 72
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	25.4 26.2	28.1 29.7	30.9 31.0

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) No
(5) SBA/STF
(6) On-track
(7) Not rated
(8) SBA extended through 1997 and augmented
(9) On-track; Off track in1996
(10) SBA cancelled. New programme to be approved by IMF Board.
(11) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Slovak Republic

		footnotes	1994	1995	1996	(9)
Real GDP growth rate (in %)			4,8	7,4	7,0	(09/96)
Industrial production (% change)			7,0	9,6	2,6	(11/96)
Unemployment (% of labour force)	(end of period)		14,6	13,1	12,8	
Inflation rate	*(Dec/Dec)*		11,7	7,2	5,4	
Exchange rate (SK's per USD)	*(end of period)*		31,3	29,6	31,9	
General government balance (as % of GDP)			-0,4	0,7	-1,4	*
Balance of payments						
Exports of G&S (in mio USD)			8983	10921	7980	(09/96)
Current account balance (in % of GDP)			6,0	3,6	-7,7	(10/96)
Net inflow of foreign direct investment (in mio USD)			184	157	189	(09/96)
Official FX reserves (end of period)						
in mio USD			1691	3400	3473	
in months of imports of G&S			2,3	4,1	3,4	
External debt						
External debt *(in convertible currencies, in bn USD, end of period)*			3,9	5,8	6,3	(09/96)
Convertible debt service (in mio USD)			791	1045	820	(09/96)
principal			(4)	(4)	(4)	
interest			(4)	(4)	(4)	
External debt/GDP (%)			31,1	39,9	33,4	(09/96)
External debt/exports of G&S (%)			43,4	53,1	58,8	(09/96)
Debt service/exports of G&S (%)			8,8	9,5	7,7	(09/96)
Arrears (on both interest and principal, in mio USD)			(5)	(5)	(5)	
Debt relief agreements and rescheduling			(5)	(5)	(5)	
Indicators of EU exposures						
EU exposure/total EU exposure (%)		(1)	2,9	4,1	4,5	
EU exposure/external debt (%)			5,3	5,2	5,6	
EU exposure/exports of G & S (%)			2,3	2,8	4,4	
IMF arrangements						
Type/no			(6)	(7)		
(Date / -)			(7/93 - 7/94)	(7/94-3/96) (8)		
On track/off track			(7)			
(- / Date)			(7/94-3/96)			
Indicators of market's perceived creditworthiness						
Moody's long-term foreign currency rating (end of period)			Baa3 (05/94)	Baa3	Baa3	
S&P long-term foreign currency rating (end of period)			BB- (02/94)	BB+	BBB-	
Euromoney			03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking		(2)	64 66	53 51	48 49	
(number of countries)			(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor			03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking		(2)	59 59	61 59	57 53	
(number of countries)			(135) (135)	(135) (135)	(135) (135)	
Credit rating		(3)	31.6 33.1	33.2 35.7	38.6 41.2	

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) Not available
(5) No
(6) STF
(7) SBA
(8) The mid-term review of the programme, which had been scheduled for February 1995, was not completed.
(9) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Belarus

	footnotes	1994	1995	1996 (13)
Real GDP growth rate (in %)		-12,2	-10,2	2,6
Industrial production (% change)		-19,3	-11,5	3,2
Unemployment rate *(end of period)*		2,1	2,7	3,9
Inflation rate *(Dec/Dec)*		1957	244	39
Exchange rate (Rbs per USD) *(average)*		3651	11532	(4)
General government balance (as % of GDP)		-2,6	-1,9	-2,0
Balance of payments.				
Exports of G & S (in mio USD)		2641	4621	5264
Current account balance (in % of GDP)		-12,4	-2,5	-14,1 *
Net inflow of foreign direct investment (in mio USD)		10	7	6 *
Official FX reserves (end of period)				
in mio USD		101,0	377,0	(4)
in months of imports		0,3	0,7	0,7 *
External debt				
External debt *(in convertible currencies, in mio USD, end of period)*		1251,0	1513,0	950,0
Convertible debt service (in mio USD)		123,0	178,0	163,2 *
principal		(4)	(4)	(4)
interest		(4)	(4)	(4)
External debt/GDP (%)		25,9	14,7	8,1
External debt/exports of G & S (%)		47,4	32,7	15,4
Debt service/exports of G & S (%)		4,3	3,4	3,1
Arrears (on both interest and principal, in bn USD)		493,0	460	(4)
Debt rescheduling agreement		(5)	(9)	(9)
Indicators of EU exposure				
EU exposure/total EU exposure (%)	(1)	0,9	0,5	0,5
EU exposure/external debt (%)		4,8	2,6	4,0
EU exposure/exports of G & S (%)		2,3	0,8	0,7
IMF arrangements				
Type/no		(6)	(10)	(10)
(Date / -)		(01/95)	(12/95 - 11/96)	(12/95 - 11/96)
On track/off track		(7)	(11)	(11)
(- / Date)			(12)	(12)
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		(8)	(8)	(8)
S&P long-term foreign currency rating (end of period)		(8)	(8)	(8)
Euromoney		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	145 138	135 134	128 142
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	109 109	112 112	116 118
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	15.5 15.7	15.2 15.5	14.5 14.6

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) Not available
(5) With Russia on gas arrears
(6) STF
(7) IMF 1993 STF programme went off track in early 1994. However, IMF staff considered favourably the government programme adopted in Autumn 1994, which was supported with the second STF tranche by end-January 1995.
(8) Not rated
(9) Arr. on Rus. gas cancel. agreem. 02/96-08/96
(10) SBA
(11) Off track
(12) The first quarterly review of the programme, initially scheduled for December 1995, has never been completed.
(13) Estimates (E) (in sheet * is being used)

Country-risk indicators Country: Moldova					
	footnotes	1994	1995	1996 (9)	(11)
Real GDP growth rate (in %)		-31,2	-3,0	-5,0	*
Industrial production (% change)		-30,0	-10,0	-17,7	(11/96)
Unemployment (% of labour force) *(end of period)*		1,0	2,0	2,0	*
Inflation rate *(end of period)*		116	24	15	
Exchange rate (leu per USD) *(end of period)*		4,27	4,50	4,65	
General government balance (as % of GDP)		-8,7	-5,5	-3,4	
Balance of payments					
Merchandise exports (in mio USD)		618	741	563	(09/96)
Current account balance (in % of GDP)		-12,9	-6,8	-6,8	
Net inflow of foreign direct investment (in mio USD)		18,0	72,0	(4)	
Official FX reserves (end of period)					
in mio USD		179	257	292	
in months of imports of merchandises		2,9	3,2	3,4	
External debt					
External debt *(in convertible currencies, in mio USD, end of period)*		343,0	675,0	700,0	
Convertible debt service (in mio USD)		12,3	91,0	(4)	
principal		(4)	(4)	(4)	
interest		(4)	(4)	(4)	
External debt/GDP (%)		30,0	38,0	32,0	
External debt/ merchandise exports (%)		55,5	91,1	124,3	(09/96)
Debt service/ merchandise exports (%)		4,0	11,0	11,0	
Arrears (on both interest and principal, in mio USD)		(5)	(5)	(5)	
Debt relief agreements and rescheduling		(5)	(5)	(5)	
Indicators of EU exposures					
EU exposure/total EU exposure (%)	(1)	0,9	0,8	1,0	
EU exposure/external debt (%)		18,0	8,7	11,1	
EU exposure/merchandise exports (%)		10,0	7,9	13,9	(09/96)
IMF arrangements					
Type/no		(6)	(6)	(10)	
(Date / -)		(12/93-3/95)	(3/95-3/96)	(5/96-5/99)	
On track/off track		(7)	(7)	(7)	
(- / Date)					
Indicators of market's perceived creditworthiness					
Moody's long-term foreign currency rating (end of period)		(8)	(8)	(8)	
S&P long-term foreign currency rating (end of period)		(8)	(8)	(8)	
Euromoney		03/94 09/94	03/95 09/95	03/96 09/96	
Position in the ranking	(2)	148 155	157 141	134 125	
(number of countries)		(167) (167)	(187) (181)	(178) (178)	
The Institutional Investor					
Position in the ranking	(2)	(8)	(8)	(8)	
(number of countries)					
Credit rating	(3)				

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) Not available
(5) No
(6) SBA
(7) On-track
(8) Not rated
(9) Projections (unless otherwise stated)
(10) EFF
(11) Latest data or estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Ukraine

	footnotes	1994	1995	1996 (11)
Real GDP growth (% change)		23,0	-11,8	-10,0 *
Industrial production (% change)		-28,5	-11,7	-5,1
Unemployment rate *(end of period)*		0,3	0,6	1,3
Inflation rate *(Dec/Dec)*		401	182	39,7
Exchange rate (Krb per USD) (Hrv per US$ for 1996)				
- auction / interbank *(end of period)*		108196	179400	1,89
- cash *(end of period)*		128000	186000	1,89
General government balance (as % of GDP)		-8,2	-5,0	-3,2
Balance of payments				
Exports of G&S (in bn USD)		14,8	15,1	15,6 *
Current account balance (excl. transfers) (in % of GDP)		-6,0	-4,4	-3,2 *
Net inflow of foreign direct investment (in bn USD)		0,09	0,27	0,4 *
Gross official FX reserves in mio USD		646	1134	1994
in weeks of imports of G&S		2,3	3,7	5,3
External debt				
External debt *(in convertible currencies, in bn USD, end of period)*		7,2	8,1	9,2
Convertible debt service paid (in mio USD)		1794	1531	1221
principal		(4)	986,0	716
interest		(4)	545,0	505
External debt/GDP (%)		29,2	23,3	21,2
External debt/exports of G&S (%)		48,0	53,6	45,3
Debt service/exports of G&S (%)		12,1	9,3	6,0
Arrears (on both interest and principal, in mio USD)		2722	236	-
Debt relief agreements and rescheduling		(5)	(5)	(5)
Indicators of EU exposure				
EU exposure/total EU exposure (%)	(1)	1,6	1,5	3,0
EU exposure/external debt (%)		1,6	1,4	2,6
EU exposure/exports of G & S (%)		0,8	0,7	1,5
IMF arrangements				
Type/no		(6)	(9)	(9)
(Date / -)		10/94	08/95	5/96
On track/off track		(7)	(10)	(7)
(- / Date)				
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		(8)	(8)	(8)
S&P long-term foreign currency rating (end of period)		(8)	(8)	(8)
Euromoney		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	149 147	145 138	136 135
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	111 113	109 111	107 111
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	15,1 14,5	15,5 15,7	16,7 16,6

(1) Only EIB and BOP loans (outstanding disbursements) to CEEC, NIS and MED
(2) The higher the ranking number, 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.
(4) Not available
(5) Rescheduling of debt owed to Russia/Turkm.
(6) STF
(7) On-track
(8) Not rated
(9) SBA
(10) Off track; New SBA approved in May 1996. On track.
(11) Estimates (E) (in sheet * is being used)

Country-risk indicators

Country: Algeria

	footnotes	1994	1995	1996
Real GDP growth rate (in %)		-0,9	3,9	4,0
Hydrocarbon production (% change)		-2,5	4,4	5,4
Inflation rate *(Dec/Dec)*		38,6	21,9	15,1
Exchange rate (dinars per USD) *(end of period)*		42,9	52.2	56,0
General government balance (as % of GDP)		-4,4	-1,4	2,6
Balance of payments				
Exports of G&S (in bn USD)		8,9	10,3	12,6
Current account balance (in % of GDP)		-1,8	-2,2	0,2
Net inflow of foreign direct investment (in mio USD)		0,0	0,0	0,2
Official FX reserves in bn USD		2,6	2,1	3,7
in months of imports of G&S		2,9	2,1	3,9
External debt				
External debt *(in convertible currencies, in bn USD, end of period)*		29,5	32,5	32,7
Convertible debt service (in bn USD)		8,9	9,4	7,6
principal		7,1	7,1	5,2
interest		1,8	2,3	2,4
External debt/GDP (%)		70,3	78,4	72,4
External debt/exports of G&S (%)		307,5	297,1	230,8
Debt service/exports of G&S (%)		48,6	42,4	32,7
Arrears (on both interest and principal, in mio USD)		(4)	(4)	(4)
Debt relief agreements and rescheduling (bln US$)		4,5	4,9	3,3
Indicators of EU exposure				
EU exposure/total EU exposure (%)	(1)	9,9	12,2	11,6
EU exposure/external debt (%)		2,4	2,8	2,7
EU exposure/exports of G & S (%)		7,8	8,9	7,1
IMF arrangements				
Type/no		(5)	(5)	(8)
(Date / -)		(5/94 - 5/95)	(5/94 - 5/95)	(5/95 - 5/98)
On track/off track		(6)	(6)/(8) (5/95 - 5/98)	(6)
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of per.)		(7)	(7)	(7)
S&P long-term foreign currency rating (end of period)		(7)	(7)	(7)
Euromoney		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	92 96	102 107	109 97
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	75 78	89 91	95 95
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	26.3 24.6	23.5 22.8	21.5 22.8

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(4) No
(5) SBA
(6) On-track
(7) Not rated
(8) EFF

Country-risk Indicators

Country: Israel

	footnotes	1994	1995	1996 (7)
Real GDP growth rate (in %)		6,5	7,1	4,3
Industrial production (% change) (at constant 1990 prices)		7,2	7,9	2,7 *
Unemployment rate *(average)*		7,8	6,3	6,3
Consumer Price Index *(average)*		12,3	10,1	11,5
Exchange rate (shekel per USD) *(end of period)*		3,018	3,135	3,244
Central government overall deficit (as % of GDP)		-2,4	-4,2	-4,3
Balance of payments				
Exports of goods (in bn USD)		16,7	19,0	19,9
Current account balance (in % of GDP)		-3,2	-4,5	-5,6
Net inflow of foreign direct investment (in bn USD)		-0,2	1,2	(6)
Gross official FX reserves in billions US$		6,792	8,119	10,05
in months of imports of goods		3,6	3,6	4,2
External debt				
External debt (gross external liabilities) *(in bn USD, end of period)*		41	46	(6)
Debt service (in bn USD)		4,6	3.9	(6)
principal		2,2	(6)	(6)
interest (gross)		2,4	(6)	(6)
External debt/GDP (%)		54,2	53,0	54
External debt/exports of G & S (%)		169,4	170,0	(6)
Debt service/exports of G & S (%)		14,9	15	(6)
Arrears (on both interest and principal, in mio USD)		(4)	(4)	(4)
Debt relief agreements and rescheduling		(4)	(4)	(4)
Indicators of EU exposure				
EU exposure/total EU exposure (%)	(1)	4,4	4,4	3,9
EU exposure/external debt (%)		0,8	0,7	(6)
EU exposure/exports of goods (%)		1,9	1,7	1,5
IMF arrangements				
Type/no		(4)	(4)	(4)
(Date / -)		-	-	-
On track/off track		-	-	-
(- / Date)		-	-	-
Indicators of market's perceived creditworthiness				
Moody's long-term foreign currency rating (end of period)		(5)	A3	A3
S&P long-term foreign currency rating (end of period)		BBB+	A-	A-
Euromoney		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	30 33	31 31	33 32
(number of countries)		(167) (167)	(187) (181)	(178) (178)
The Institutional Investor		03/94 09/94	03/95 09/95	03/95 09/95
Position in the ranking	(2)	46 43	43 42	41 40
(number of countries)		(135) (135)	(135) (135)	(135) (135)
Credit rating	(3)	43.4 46.5	47.9 49.2	50.8 52.2

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(4) No
(5) Not rated
(6) Not available
(7) Estimates (E) (on sheet * is being used)

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