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**ANNUAL REPORT FROM THE COMMISSION TO THE COUNCIL
AND TO THE EUROPEAN PARLIAMENT ON THE BORROWING
AND LENDING ACTIVITIES OF THE COMMUNITY IN 1998**

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INTRODUCTION

1. The Council decisions establishing the New Community Instrument (NCI)¹ and the lending instruments for research and Euratom activities² require the Commission to inform the Council and Parliament each year of the use made of these instruments. In addition, Parliament, in its resolution on improving political monitoring of the Community's borrowing and lending activities³, called for the activities of the ECSC and the EIB to be included. Finally, Decisions 83/200/EEC (NCI III) and 87/182/EEC (NCI IV) stipulate that information must be provided on a six-monthly basis on the rate of utilisation of the authorised ceilings. Now that these appropriations have been used up, it has been agreed that, where no movement of funds is recorded over the six-month period under review, the relevant report will not be drawn up until the annual report is prepared.

2. Since 1997 the Commission has been required under a single decision⁴ to inform the Council and Parliament on an annual and a six-monthly basis of the situation regarding EIB loans guaranteed by the Community budget in central and eastern Europe, in the Mediterranean countries, in the Latin American and Asian countries and in South Africa.

With a view to providing an overview of the EU's external activities, this report also gives a brief summary of macrofinancial assistance provided by the Community to central European countries and of the EIB's activities in the ACP countries.

3. With a view to complying with the information and monitoring requirements imposed by the Council and Parliament regarding utilisation of the Community budget for the Community's borrowing and lending activities, this report provides details of the budgetary impact of interest subsidies paid and of the outstanding amount of guarantees granted in connection with the various financial instruments.

¹ Decision 78/870/EEC (OJ L 298, 25.10.1978).

Decision 81/19/EEC (OJ L 37, 10.2.1981).

Decision 81/1013/EEC (OJ L 367, 23.12.1981).

Decision 82/169/EEC (OJ L 78, 24.3.1982).

Decision 83/200/EEC (OJ L 112, 28.4.1983).

Decision 87/182/EEC (OJ L 71, 14.3.1987).

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

³ Doc. EP/67134 (OJ C 287, 9.11.1981).

⁴ Decision 97/256/EEC (OJ L 102, 19.4.1997).

1. BORROWING AND LENDING ACTIVITIES IN 1998

1.1. BORROWING

1.1.1. *Ceilings on Community issues*

In order to attain the objectives of the Treaty within **the territory of the Community**, the Commission has been empowered to borrow funds on the capital market. These borrowings must finance the construction of, and improvements to, nuclear power stations (current Euratom ceiling of ECU 4 billion) and investment in the Community under the NCI (current ceiling of ECU 6.8 billion) and must, under the ECSC Treaty, promote productive capacity or conversion projects in the coal and steel industries and, where appropriate, loans for Member States with balance-of-payments difficulties (ceiling of ECU 14 billion). The amounts still available for these borrowing authorisations are indicated in the paragraphs corresponding to each instrument.

On the basis of **agreements concluded with non-Community countries**, the Commission is empowered to borrow in order to finance programmes of **financial assistance** for the countries of central and eastern Europe (CEECs), for the African, Caribbean and Pacific (ACP) countries and for measures adopted pursuant to the Mediterranean protocols.

Both within and outside the Union, the **European Investment Bank (EIB)** is closely involved in financing common policies and priorities. Its borrowings make up the bulk of Community issues, a fact which makes it the largest issuer on international markets.

1.1.2. *Borrowing trends*

In order to meet the aims laid down by the Council, issues by the Community institutions continued to grow in 1998 (by 34.3%, following an increase of 31.6% in 1997). This increase is due solely to EIB issues and those intended to finance the Community's macrofinancial assistance to central and eastern European countries. The total amount of issues thus reached ECU 30.5 billion, against ECU 23.7 billion in the previous year (see Table 4-1 in the annex).

Taking into account repayments, cancellations and exchange-rate fluctuations, the total amount of net borrowings outstanding as at 31 December 1998 was ECU 130.935 billion, 8.9% up on 1997 (see Table 4-2 in the annex). This increase was due entirely to EIB activity; the other Community instruments continued to follow the disengagement guidelines laid down by the Council a few years previously.

ECU borrowings increased significantly in 1998 as the introduction of the euro approached. This prospect also benefited the US dollar, to the detriment of the European currencies which would disappear (see Table 4-3 in the annex). Financial uncertainty nevertheless weighed on these issues, and the proportion of variable-rate borrowings increased sharply.

1.2. LENDING WITHIN THE EUROPEAN UNION

1.2.1. *European Investment Bank (EIB)*

With a view to meeting its aims and objectives, the EIB significantly increased its lending activities in 1998 (by 12.7%) to a total of ECU 29.5 billion, against ECU 26.2 billion in the previous year.

Within the European Union, it lent a total of ECU 25 116 million, comprising ECU 16 850 million in individual loans and ECU 8.266 million in global loans (ECU 6 385 million in traditional global loans; ECU 1 640 million in portfolio global loans and ECU 241 million under the "SME/ASAP window").

* Individual EIB loans to recipients in the **less-favoured regions of the Union** accounted for 72% of its individual lending activities (ECU 12.2 billion). To this figure should be added the amounts allocated under outstanding global loans (ECU 4.4 billion). Overall, regional-development operations totalled ECU 16.6 billion (see the breakdown of lending by objective, Table 4-4 of the annex).

* Launched in response to the Resolution of the Amsterdam European Council (June 1997) on growth and employment, the **Amsterdam special action programme (ASAP)** has developed promisingly:

- by the end of 1998 23 contracts totalling ECU 560 million had been approved via the special window for SMEs, of which 16, totalling ECU 393 million, had been signed;
- 12 individual contracts and a number of cases of financing via global loans in the fields of education and health had been signed (ECU 1.9 billion);
- contracts concerning urban-renewal projects or programmes had been signed (ECU 1.7 billion).

* A total of ECU 8.9 billion went to **European communications infrastructures**, with ECU 5.4 billion going to transport and ECU 3.5 billion to fixed and mobile telecommunications networks, the latter figure being much higher than in 1997 (ECU 1.9 billion).

Financing for TENs in transport, telecommunications and energy transfers continued. By the end of 1998 loans totalling ECU 8 billion had been signed for 9 of the 14 priority transports projects defined at the Essen European Council in December 1994, and a further ECU 2.1 billion for 6 energy-network projects.

* Financing for **environmental-protection projects** was down (ECU 4.4 billion). These loans were earmarked primarily for the improvement of the urban environment, which experienced a marked expansion at the expense of the natural environment (water, air), for which a number of major programmes are now coming to an end.

* Financing for **energy objectives** totalled ECU 2.2 billion, much the same level as in the previous year.

* At ECU 1.3 billion, individual loans to promote the **international competitiveness** of Community industry fell to their 1996 level after increasing sharply in 1997.

Outstanding traditional global loans enabled financing totalling ECU 2.4 billion to be provided to 8 500 SMEs, 70% of which were situated in regional development areas.

Table 1-1 Structure of EIB lending (loan contracts signed) - Geographical distribution

	1995		1996		1997		1998	
	ECU million	%	ECU million	%	ECU million	%	ECU million	%
Belgium	685	3.1	857	2.8	1 140	4.4	858	2.9
Denmark	825	3.9	688	3.0	737	2.8	745	2.5
Germany	2 715	12.7	3 022	13.0	3 518	13.4	5168	17.5
Greece	525	2.5	721	3.1	730	2.8	736	2.5
Spain	2 818	13.2	2 553	11.0	2 716	10.4	3152	10.7
France	2 207	10.3	2 509	10.8	2 721	10.4	2837	9.6
Ireland	327	1.5	189	0.8	207	0.8	263	0.9
Italy	3 435	16.0	4 121	17.7	3 517	13.4	4387	14.9
Luxembourg	79	0.4	0	0.0	96	0.4	109	0.4
Netherlands	319	1.5	766	3.3	398	1.5	426	1.4
Austria	242	1.1	490	2.1	555	2.1	358	1.2
Portugal	1 232	5.8	1 294	5.8	1 350	5.2	1505	5.1
Finland	179	0.8	302	1.3	401	1.5	552	1.9
Sweden	273	1.3	846	3.6	925	3.5	664	2.2
United Kingdom	2 244	10.5	2 386	10.3	3 765	14.4	3074	10.4
Other (Article 18)	519	2.4	402	1.7	184	0.7	282	1.0
Total EU	18 604	86.9	20 946	90.1	22 958	87.6	25116	85.1
Total non-EU	2 806	13.1	2 294	9.9	3 244	12.4	4410	14.9
TOTAL	21 410	100.0	23 240	100.0	26 202	100.0	29 526	100.0

1.2.2. European Investment Fund (EIF)

In July 1998 the EIF signed a cooperation agreement with the European Commission for the implementation of two of the three facilities adopted as part of the "growth and employment" initiative for SMEs. These were the "ETF start-up" facility, which enables SMEs to obtain finance from specialised risk-capital companies, and the "Special Guarantee for SMEs" facility, which allows the EIF to guarantee loans to SMEs either alone or in conjunction with national bodies.

A. EIF guarantee activities

In 1998 the EIF gave guarantees for an amount of ECU 486 million to TENs and SME projects, bringing the overall volume of operations signed since it was set up in June 1994 to ECU 2.6 billion. A breakdown of this total by country is given in the table below.

The sectoral breakdown is as follows: 23.5% for TENs transport projects, 20.0% for TENs energy projects, 23.4% for TENs telecommunications projects (total for TENs projects: 66.9%) and 33.1% for SMEs.

Although the EIF operates mainly within the Union, operations outside it are not ruled out.

Since the launch in 1996, at Parliament's initiative, of a pilot project known as the "growth and environment" programme, the EIF has signed agreements with financial partners in all the Member States.

Under this arrangement, the EIF provides partial cover for bank loans granted to SMEs investing in projects of potential benefit to the environment. The cost of guaranteeing the loans taken out by SMEs is borne by the Community budget. In 1998 this mechanism accounted for some 76% of all guarantees concluded with SMEs.

Table 1-2 EIF activity since its establishment - Breakdown by country

	(ECU million)	
	Guarantees	Equity participations (1)(2)
Belgium	151	9
Denmark	13	
Germany	100	14
Greece	108	
Spain	140	35
France	291	
Ireland	64	4
Italy	585	5
Luxembourg	5	
Netherlands	59	5
Austria	60	
Portugal	212	
Finland	29	5
Sweden	8	3
United Kingdom	546	33
Outside EU	232	7
Total	2 600	120
(1) Country in which the fund is based.		
(2) All resources combined.		

B. Equity participations

At the end of 1998 the Fund's commitments from its own resources amounted to ECU 58.5 million. The EIF has also been responsible for managing the EIB's special "ETF" (European Technology Facility) fund, which is designed to acquire shares in risk-capital funds (venture capital) specialised in financing high-technology firms in their start-up phase. By the end of 1998 the EIF had committed ECU 61.7 million under this heading. Overall, the amount used by individual funds in which the EIF holds a participation was ECU 1 179 million, all resources combined.

1.2.3. ECSC

Under the arrangements for the ECSC's **borrowing and lending** activities decided on by the Commission in June 1994 (OJ C 175, 28.6.1994) ahead of the expiry of the ECSC Treaty on 23 July 2002, it is no longer possible to obtain loans with a due date after 2002. The only exceptions are certain large infrastructure projects of European interest in respect of which a state guarantee can be obtained. In this context, the ECSC did not pursue any borrowing or lending activities in 1998 and confined itself to managing outstanding borrowings and loans. Financing of workers' housing has ended

with the 12th programme. The payment of the 1998 tranche (ECU 20.5 million) was the last to be made under this programme.

Table 1-3 ECSC loans in 1998

	(ECU thousand)				
	Article 54	Article 56	Article 95	Workers' housing	Total
Belgium	-	-	-	757	757
Denmark	-	-	-	40	40
Germany	-	-	-	5 907	5 907
Greece	-	-	-	113	113
France	-	-	-	1 878	1 878
Spain	-	-	-	4 643	4 643
Ireland	-	-	-	14	14
Italy	-	-	-	1 478	1 478
Luxembourg	-	-	-	255	255
Netherlands	-	-	-	-	0
Austria	-	-	-	3 606	3 606
Portugal	-	-	-	150	150
United Kingdom	-	-	-	800	800
Finland	-	-	-	847	847
Total	0	0	0	20 488	20 488

1.2.4. New Community Instrument (NCI)

a) Overall view

As regards the NCI, no new lending operations have been undertaken since 1991 because the borrowing ceilings laid down by the Council have been reached. Repayments have continued and, in some countries, loans have been repaid virtually in full. The degree of utilisation of loan ceilings is shown in Table 1-4.

NCI IV is of interest because of its special features, such as the options of converting loans into risk capital, using loans to finance the purchase of intangible assets, deferring interest payments, etc.

Table 1-4 NCI loans as at 31 December 1998

Financial agreements	(ECU million)						
	NCI I	Reconst ITALY	Reconst GREECE	NCI II	NCI III	NCI IV	TOTAL
Global loans(1)	-	--	--	406.8	2 138.0	668.8	3 213.5
Productive sector (1)	5.4	--	--	10.6	--	--	15.9
Infrastructure	538.5	598.7	80.0	279.4	465.3	--	1 961.9
Energy	446.7	--	--	300.8	258.3	--	1 005.8
Total contracts signed, net (2)	990.5	598.7	80.0	997.5	2 861.5	668.8	6 197.1
EIB loans (own resources)	--	351.6	--	--	--	--	351.6
Authorised ceilings	1 000.0	1 000.0	80.0	1 000.0	3 000.0	750.0	6 830.0
Balance	9.5	49.7	0.0	2.5	138.5	81.2	281.3

(1) Industry and agriculture.
(2) Contracts signed less cancellations.

b) Six-monthly rate of utilisation of the NCI

With regard to the six-monthly report on the rate of utilisation of the NCI tranches III and IV, it has been agreed that, since the relevant ceilings have now been reached and there have now been no movements in the accounts, the report will be drawn up on an annual basis unless account movements occur. This was not the case during the six months under review.

The amount outstanding on loans issued varies every six months in the light of debt repayments and the exchange rate of the currencies borrowed. The situation for the six-month period ending on 31 December 1998 is set out in Table 4-6 in the annex.

1.2.5. *Euratom*

In recent years no financing applications for nuclear projects within the Community have been made under the remaining ECU 1.1 billion Euratom ceiling. However, a number of projects outside the Community are currently being examined.

1.2.6. *Community medium-term financing*

No financing applications were made last year under the facility providing medium-term financial assistance for Member States' balances of payments.

Taking account of amounts disbursed in the past to Greece (ECU 1 billion - first tranche of the 1991 ECU 2.2 billion loan) and to Italy (ECU 4 billion - first two tranches of the 1993 ECU 8 billion loan) and of repayments made in 1998, the total amount of loans outstanding under this facility was ECU 2.5 billion as at 31 December 1998. The available margin to be financed by Community loans on the capital market is therefore EURO 11.5 billion.

2. LENDING IN THIRD COUNTRIES

2.1. OVERVIEW

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

The guarantees granted to the EIB were renewed on 14 April 1997 by Decision 97/256/EC, which laid down the ceilings of the new mandates for three years: ECU 3 520 million for the CEECs, ECU 2 310 million for the Mediterranean countries, ECU 900 million for the Latin American and Asian countries, and ECU 375 million for South Africa. This decision was amended on 19 May 1998 by Council Decision 98/348/EC in order to extend the Community guarantee to EIB loans for projects in the Former Yugoslav Republic of Macedonia (FYROM) (ECU 150 million over the period 1997-2000).

Table 2-1 Financing outside the Community in 1998

	Balance-of-payments support (1)	EIB		TOTAL
		EC and EDF budget resources (2)	Own resources	
ACP-OCT	-	272	288	560
Mediterranean basin	-	86	880 (3)	966
CEECs	265	-	2 387 (4)	2 652
CIS	138	-	-	138
Latin America and Asia	-	-	362	362
South Africa	-	-	135	135
Total	403	358	4 052	4 813
(1) Disbursements.				
(2) Granted and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).				
(3) Loans signed, of which ECU 50 million under the pre-accession mechanism and ECU 830 million under previous protocols.				
(4) Loans signed, of which ECU 1 320 million under the pre-accession mechanism.				

The same decision set up new guarantee arrangements with a view to ensuring that the EIB shoulders a greater share of the risks associated with cooperation with third countries. In line with the arrangements for operations within the Union, the EIB will henceforth bear the financial and economic risks associated with certain projects covered by individual, non-sovereign guarantees, while the Community budget will cover only the political risk.

2.2. THE COMMUNITY'S MACROFINANCIAL ACTIVITY

Macrofinancial assistance in the form of loans is, by its very nature, exceptional and forms part of the efforts of the international community to provide, in conjunction with the Bretton Woods institutions, balance-of-payments support to certain countries grappling with transitional difficulties. The Community's assistance focuses on the neighbouring regions, such as central and eastern Europe, the new European states of the former USSR and the countries of the southern Mediterranean. Disbursements are themselves linked to the beneficiary countries' meeting objectives in terms of macroeconomic stabilisation and structural reforms. In these circumstances, the number of operations effected each year is limited, and it is difficult to make valid comparisons for the assistance given from one year to the next.

In 1998 the Council decided to grant macrofinancial assistance to Ukraine in the form of an ECU 150 million loan.

As regards disbursements, aid paid out in 1998 amounted to ECU 403 million and related solely to loans decided on previously. The breakdown is as follows: ECU 250 million to Bulgaria, ECU 15 million to the FYROM, ECU 28 million to Armenia and ECU 110 million to Georgia. Macroeconomic grants were also made to the latter two countries (ECU 8 million and ECU 10 million respectively).

No new disbursements were made in 1998 under the Council Decision of December 1991 relating to the commercial credit facility of ECU 1 250 million in favour of the new independent states of the former USSR (CIS). In addition, the drawdown period for this credit facility has now terminated and, accordingly, no new disbursements are planned. Most of the loans granted under this facility have been repaid, with the exception of the late payments owed by Tajikistan totalling ECU 63 million, inclusive of principal and interest (exclusive of default interest of ECU 9 million).

2.3. EIB LENDING IN CENTRAL AND EASTERN EUROPE, MEDITERRANEAN COUNTRIES, ASIAN & LATIN AMERICAN COUNTRIES, THE REPUBLIC OF SOUTH AFRICA AND IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA (FYROM)

Section 2.3 constitutes the report to be submitted to the European Parliament and the Council in accordance with Articles 2 and 3 of Council Decision 97/256/EC, as amended by Council Decision 98/348/EC, i.e. it comprises the six-monthly report for the second half of 1998 and the annual report for 1998.

2.3.1. *Lending activity*

A. In 1998 the Bank signed 16 loan contracts in **central and eastern Europe and FYROM** within the framework of the Council decisions (in addition to lending totalling ECU 1 320 million under the Pre-Accession Facility) for an aggregate amount of ECU 1 067 million. Loans for projects in Bulgaria, Poland and Romania accounted for 72% of the aggregate amount. The Bank signed loans pursuant to the Council decisions in 10 countries, i.e. in all countries except Estonia and Slovenia (see Statistical annex Table 4-8).

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. Total financing (ECU 751 million) 70% was allocated to the communications sector, including upgrading of the Bucharest-Brasov railway line and the road network in Romania, priority TEN road projects in Bulgaria, modernisation of the Hungarian rail network, modernisation of the railway networks in Latvia and Lithuania and the construction of road sections in FYROM and Albania.
- Loans in support of industry and services, which were allocated to a diesel engine plant in Poland and a copper processing plant in Bulgaria, accounted for almost 20% of total financing (ECU 210 million).
- In the energy sector, a loan of ECU 51 million was allocated to a combined-cycle heat and power station in Bratislava.
- In the water management and miscellaneous sector, ECU 25 million was allocated to protection works on the Black Sea coast and the banks of the Danube in Bulgaria – a project with substantial environmental benefits.
- Finally, global loans totalling ECU 30 million were allocated in support of SMEs in the Czech Republic and Romania.

B. In the **Mediterranean region**, the Bank signed 19 loans in 9 countries in 1998 for a total of ECU 677 million within the framework of the Council decisions (not including a loan of ECU 50 million in Cyprus under the Pre-Accession Facility and loans in Egypt, Morocco and Tunisia for a total amount of ECU 153 million under the Financial Protocols with those countries). Loans for projects in Egypt, Morocco and Tunisia accounted for more than 55% of the overall amount (see Statistical annex, Table 4-9).

- In the **energy** sector, which accounted for 38% of total financing (ECU 255 million), electricity transmission systems in Cyprus, Morocco,

Gaza-West Bank and Tunisia were supported, together with gas pipelines in Egypt and solar energy installations in Morocco.

- 28% of total financing (ECU 192 million) was allocated to the **water management and miscellaneous** sector, underlining the importance of water as a scarce resource in this part of the world. Projects financed include the construction of dams in Algeria and Tunisia, rehabilitation of water-supply systems in Jordan and Gaza-West Bank, and extension of sewerage systems in Tunisia and Turkey.
- Egypt, Jordan and Gaza-West Bank benefited from loans to the **industry and services** sector to the extent of more than 19% of total financing (ECU 130 million). The loans went to a steel mill in Egypt, a potash plant in Jordan and a hotel in Gaza-West Bank.
- **Global loans** in favour of SMEs in Lebanon and Tunisia accounted for almost 12% of overall financing (ECU 80 million).
- A road project in Gaza-West Bank was financed under the heading of **communications** and accounted for 3% of total financing in the region (ECU 20 million).

In addition, the EIB identifies opportunities for, and monitors, risk capital operations via specialist public or private companies operating locally. In 1998 it signed contracts amounting to ECU 86 million, which was drawn from the Community's budgetary resources (see Table 2-1).

C. The Bank signed 7 loans for an overall amount of ECU 362 million in 6 countries of Asia and Latin America (see statistical annex, Table 4-10).

- **Water supply and treatment** projects in Argentina, Indonesia and the Philippines accounted for 36% of total financing (ECU 132 million).
- In the **energy** sector, gas pipeline projects in Brazil and Vietnam accounted for 30% of total financing (ECU 110 million).
- A **telecommunications** project in Panama accounted for ECU 50 million.
- A loan in the **industry and services** sector in Brazil financed a car manufacturing plant.

D. In 1998 the Bank signed 3 loan contracts in the **Republic of South Africa** for an aggregate amount of ECU 135 million. A loan of ECU 45 million was for a **water supply** project. The remainder was allocated to two **global loans** in support small municipal infrastructure investments and SMEs (see statistical annex, Table 4-11).

2.3.2. *Risk sharing*⁵

During 1998 the Bank continued to work towards the risk-sharing objective. The cumulative total for risk-sharing projects since the start of lending activity within the framework of the Council decisions was ECU 1 202 million on an overall mandate basis at the end of 1998, i.e. 16.3% of the overall lending ceiling and 24.8% of lending to date. Details per region are as follows:

- In **central and eastern Europe**, risk sharing in respect of EIB lending amounted to ECU 735 million, or 20.5% of the lending ceiling for those countries and 30% of lending to date. In central and eastern Europe, all lending under the Bank's Pre-Accession Facility is entirely at the Bank's risk and, therefore, risk sharing by the Bank will, "by definition", be more than 50% of overall lending in the region (Pre-Accession Facility lending, to which will be added risk-sharing projects signed within the framework of the Council decisions).
- In the **Mediterranean** region, risk sharing in respect of EIB lending amounted to ECU 66 million, or 2.9% of the lending ceiling for those countries and 4.1% of lending to date. In accordance with the programming procedures inherent in the Euro-Mediterranean Partnership, most projects have been signed with governments or public bodies. It is thus not surprising that the risk-sharing total for the Mediterranean countries is relatively low.
- In **Asia and Latin America**, risk sharing in respect of EIB lending amounted to ECU 401 million, or 39.3% of the lending ceiling⁶ for those countries and 69.6% of lending to date.
- No risk-sharing loans have been signed in the **Republic of South Africa**.

Regional Tables 4-8 to 4-11 in the statistical annex identify the loans signed in 1998 which are risk-sharing loans.

2.3.3. *Cooperation with other institutions*

Whenever possible, co-financing is undertaken with other institutions, in particular to meet the above-mentioned objectives. The Bank's activities thus form part of a concerted approach that is being pursued in close cooperation with the Commission and, where appropriate, with the international financial institutions working in the region.

The Bank cooperates closely with the **PHARE programme**, with which it has developed a close and fruitful relationship, much appreciated by the beneficiary countries.

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- ⁵ Council Decision 97/256/EC invites the Bank "to aim to cover the commercial risk on 25% of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual mandate basis".
 - ⁶ An amount of ECU 122 million of lending in Asia and Latin America under the previous interim mandate is also covered by the guarantee arrangements laid down in the Council decisions.

In addition to frequent PHARE assistance during the pre-investment phase to ensure that the necessary studies and technical assistance are implemented in support of EIB projects, the Bank also cooperates with PHARE in co-financing infrastructure projects, to which up to 25% of PHARE resources may be allocated. In 1998 the Bank and PHARE co-financed roads projects in Albania, Bulgaria, Romania and FYROM, rail projects in Romania, Hungary and Latvia, and a water management project in Bulgaria.

Where appropriate, cooperation between the Bank and other international financial institutions will continue to be close and systematic, although their lending activity in the region is declining in line with their policy of aid differentiation and market developments. In 1998 the EBRD co-financed an industrial project in Bulgaria and a rail project in Latvia, while the IBRD co-financed road projects in Romania and FYROM.

The contributions of PHARE and the IFIs to projects financed by the EIB in 1998 are shown in the table below. Additional projects were co-financed within the framework of the Bank's Pre-Accession Facility, which is outside the scope of this report.

Table 2-2 Share of PHARE and international financial institutions in projects financed by the EIB in 1998

Country	(ECU million)				
	EIB	PHARE	EBRD	IBRD	TOTAL
Albania	22	17			39
Bulgaria	225	80	30		335
Romania	425	200		223	848
FYROM	70	40 ⁷		25 ⁷	135
Hungary	60	40			100
Latvia	34	5	17		56
Total	836	382	47	248	1 513

In the Mediterranean region, the Bank's activities are conducted within the framework of EU policy and form part of a concerted approach that is being pursued in close cooperation with the Commission and, where appropriate, with other international financial institutions, including through co-financing operations.

The Bank cooperates closely, whenever possible, with multilateral and bilateral financial institutions. The contributions of these institutions to projects financed by the EIB are shown in Table 2—3 below.

⁷ Requested.

Table 2-3 Co-financing in the Mediterranean countries in 1998

(ECU million)

COUNTRY	PROJECT	COST	EIB	MULTI-LATERAL INSTITUTIONS	BILATERAL INSTITUTIONS	OTHER ⁸
Egypt	ANSDK II	565.0	75.0	107.0		383.0
Morocco	ONE - ELECTRICITY TRANSMISSION	158.0	75.0	24.0		59.0
	TETOUAN WIND PARK	50.0	20.0		15.0	15.0
Jordan	AMMAN WATER REHABILITATION II	141.0	40.0	50.0	21.0	30.0
	ARAB POTASH COMPANY I	117.0	43.0	22.0		52.0
Gaza-West Bank	ELECTRICITY DISTRIBUTION NETWORK	73.0	35.0	14.0		24.0
	BETHLEHEM HOTEL	42.7	12.0	7.3		23.4
	WEST BANK WATER	65.0	30.0	24.0		11.0
	WEST BANK ROADS REHABILITATION	48.0	20.0	22.0		6.0
Turkey	DIYARBAKIR WASTE WATER	68.0	32.0		27.0	9.0
TOTAL		1 327.7	382.0	270.3	63.0	612.4

In Asia and Latin America, the Bank continues to finance projects of mutual interest to the country concerned and to the EU. The mutual interest of loans signed in 1998 is described in the table below.

Table 2-4 Mutual interest of projects in Asia and Latin America

Country	Project	Mutual interest
Indonesia	WATER SUPPLY JAKARTA EAST	The borrower is a joint venture between French and Indonesian private-sector interests. In addition, along with substantial environmental benefits the project involves the transfer of European technology in the field of water supply operation and management.
Philippines	WATER AND SEWERAGE MANILA WEST	The borrower is a joint venture set up with a French company. The project will also lead to a substantial transfer of European know-how in the operation and management of a water company and will bring extensive benefits to public health and the environment.
Vietnam	NAM CON SON PIPELINE	The leading foreign partner in the group of companies supporting the project is a UK company. There are good prospects for the award of major contracts to EU companies. In a wider context, the project would promote some of the major aims of the EU-ASEAN Cooperation Agreement, which includes specific reference to cooperation in the fields of energy and improvement of the environment. The project, in particular, is in compliance

⁸ Including funds of promoters, States and commercial banks.

Country	Project	Mutual interest
		with the "Europe-Asia Cooperation Strategy for Energy".
Panama	CABLE AND WIRELESS PANAMA	Development of telecommunications will bring important economic benefits. The Panamanian borrower is a subsidiary of a UK parent company, which is, in turn, one of the Bank's major corporate clients.
Brazil	MERCEDES-BENZ A-CLASS MERCOSUL	The project is complementary to heavy investments made by Mercedes-Benz in Germany (thereby helping the company to spread R&D costs more widely and exploiting economies of scale for the production of several important components) and will help support European exports as well as employment in Europe.
Brazil	BOLIVIA-BRAZIL GAS PIPELINE	The project will foster regional integration, thus contributing to the EU's cooperation policy with Mercosul. It will bring significant environmental improvements. It will involve two major EU companies as shareholders in the two companies set up to implement the project.
Argentina	AGUAS CORDOBESAS	The project is a joint venture with the participation of two European utilities and thus in line with the EU-Argentina Cooperation Agreement, which encourages cooperation between economic operators. The project will contribute to an improvement in public health.

Whenever possible, the Bank cooperates with other international financial institutions in Asia and Latin America. Table 2.5 below gives details of co-financing.

Table 2-5 Co-financing in Asia and Latin America in 1998

(ECU million)						
COUNTRY	PROJECT	COST	EIB	MULTILATERAL INSTITUTIONS	BILATERAL INSTITUTIONS	OTHER ⁹
Philippines	WATER AND SEWERAGE MANILA WEST	125	50	45		30
Brazil	WATER SUPPLY JAKARTA EAST	219	45			174
Brazil	BOLIVIA-BRAZIL GAS PIPELINE	1 268	55	279	72	862
Brazil	MERCEDES-BENZ A-CLASS MERCOSUL	685	70		259	356
Total		2 297	220	324	331	1 422

EIB and Commission activities in the Republic of South Africa complement each other. For example, the Commission provides assistance for basic needs water supply

⁹ Including funds of promoters, States and commercial banks.

programmes, whereas the EIB makes available loans for water and waste water treatment and purification, primarily through the Development Bank of Southern Africa. The Commission is assisting in guarantee programmes for SMEs, whereas the EIB provides loans for SMEs through the Industrial Development Corporation. Regular contact is maintained between the EIB and Commission officials.

In its operations in South Africa, the EIB maintains close contact with the World Bank and with national development organisations operating in the country, including Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) of France, the Commonwealth Development Corporation (CDC) of the United Kingdom and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) of Germany.

During 1998 the EIB entered into a loan agreement (ECU 40m) for municipal infrastructure provision with the local institution "Infrastructure Finance Corporation" (INCA), which has PROPARCO, CDC and DEG as shareholders. Funding (ECU 45m) was also made available for the water transfer project between South Africa and Lesotho, which includes the World Bank as an important co-financier.

2.4. SIGNATORIES OF THE LOME CONVENTION

2.4.1. Development of lending activity

Following the ratification of the Second Financial Protocol of the Lomé IV Convention, EIB lending activity showed a significant increase in 1998 in the ACP and OCT. Total lending amounted to ECU 560 million, of which ECU 288 million was from the Bank's own resources, the remainder being from risk capital. The regional and sectoral breakdown of the lending is as follows:

Table 2-6 Breakdown by region and sector of EIB lending in the ACP/OCT in 1998

	Total	Own resources	Risk capital	Energy	Communications	Water management & miscellaneous	Industry & services	Global loans
ACP/OCT	560	288	272	233	28	58	87	154
Africa	473	239	234	193	28	58	85	109
Southern	277	167	110	122	10	58	62	25
East	115	32	83	41	13			61
West	81	41	41	30	6		23	23
Caribbean	61	49	12	38				23
Pacific	4		4				2	2
Regional ACP	20		20					20
OCT	2		2	2				

3. BUDGETARY IMPACT OF BORROWING AND LENDING

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

3.1. INTEREST SUBSIDIES

Interest subsidies are granted by the Community in the following fields (see Table 4-7):

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

No ECSC loans were signed in 1998, and there was therefore no budgetary impact resulting from Article 56 of the Treaty.

The aggregate amount of interest subsidies granted for the **reconstruction of disaster-hit areas** in 1998 was ECU 2.8 million. This includes payments made direct by the Commission to the Autonomous Region of Madeira without EIB involvement (ECU 475 500).

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

Interest subsidies are also provided in connection with certain EIB loans outside the Community. They are included in the budgetary and EDF resources shown in Table 2-1.

3.2. BUDGET GUARANTEES

3.2.1. Coverage

- All the outstanding borrowing contracted by the Community to finance loans managed by the Commission (Euratom, NCI, balance of payments) is guaranteed by the general budget. Commitments in the 1998 Community budget covering balance-of-payments loans totalled ECU 403 million. The recipients were:
 - ⇒ the Former Yugoslav Republic of Macedonia (FYROM): ECU 15 million (second tranche of macrofinancial assistance totalling ECU 40 million),
 - ⇒ Georgia: ECU 110 million (payment of exceptional microfinancial assistance totalling ECU 110 million),
 - ⇒ Bulgaria: ECU 250 million (payment of a long-term loan of ECU 250 million),
 - ⇒ Armenia: ECU 28 million (payment of exceptional microfinancial assistance totalling ECU 28 million).

- EIB loans from own resources granted to third countries under the Community's policy of providing financial assistance for development are covered by a guarantee agreement. The guarantees are provided by Member States for loans in ACP countries and by the Community for loans in the Mediterranean countries, central and eastern European countries (CEECs), countries in Latin America and Asia with which the European Union has concluded cooperation agreements, South Africa, the Former Yugoslav Republic of Macedonia (FYROM) and Bosnia-Herzegovina.

The various mandates are covered by commitments in the Community budget.

A) Old mandates

- **loans to Mediterranean countries:** these loans are covered by a global Community guarantee in respect of 75% of the amount of loans signed. At the end of 1998 outstanding loans totalled ECU 3 584 million, of which ECU 94 million was accounted for by loans in Spain, Greece and Portugal (pre-accession) and ECU 3 490 million by loans in non-member Mediterranean countries.
- **loans to the CEECs:** loans signed are covered in full by the Community guarantee. At 31 December 1998 the EIB had advanced ECU 4 253 million to these countries out of a total allocation of ECU 4 700 billion under the CEEC I and II agreements. The total amount of loans outstanding at the end of 1998 was ECU 2 282 million.
- **loans to third countries:** loans granted to those countries with which the Community has concluded cooperation agreements are guaranteed in full by the Community budget. They amounted to ECU 903 million. At the end of 1998 loans signed stood at ECU 810 million and the amount of the guarantee outstanding was ECU 512 million.
- **loans to South Africa:** the Community has provided its guarantee for loans granted by the EIB in South Africa up to a maximum amount of ECU 300 million. These loans are guaranteed in full by the Community budget. As at 31 December 1998 the EIB had advanced the full amount of ECU 300 million and the amount of the guarantee outstanding was ECU 151 million.

B) New mandates¹⁰

On 14 April 1997 the Council, acting on a proposal from the Commission and after Parliament had given its opinion, decided to grant the Community guarantee to the EIB in respect of loans made to projects outside the Community (central and eastern European countries, Mediterranean countries, Latin American and Asian countries, and South Africa). The overall ceiling of credits opened is ECU 7 105 million, of which ECU 2 310 million for the Mediterranean countries, ECU 3 520 million for the CEECs,

¹⁰ Council Decision 97/256/EC of 14 April 1997 granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (central and eastern European countries, Mediterranean countries, Latin American and Asian countries, and South Africa).

ECU 1 022 million for Latin American and Asian countries and ECU 375 million for South Africa.

The guarantee was limited to 70% of the total amount of credits opened, plus all related sums¹¹. In addition, the EIB has been asked to aim to cover the commercial risk on 25% of its loans with non-sovereign guarantees.

The total amount of credits opened as at 31 December 1998 was ECU 4 715 million, but the amount outstanding on the same date was only ECU 1 294 million.

On 19 May the Council, acting on a proposal from the Commission and after Parliament had given its opinion, decided once again to grant the Community's guarantee to the EIB in respect of the loans made to investment projects in the Former Yugoslav Republic of Macedonia. This guarantee is limited to an overall ceiling of ECU 150 million to be granted between 1998 and 31 December 2000.

On 14 December the Council decided to grant the Community guarantee in respect of the EIB loans granted to investment projects in Bosnia-Herzegovina. The guarantee, which was adopted on 14 April 1997, was extended to these loans, the amount of which is limited to an overall ceiling of ECU 100 million to be granted over three years.

These two decisions bring the total amount of the new mandates conferred on the EIB to ECU 7 355 million. The total amount of credits opened for the FYROM as at 31 December 1998 was ECU 70 million, and the amount outstanding on the same date was only ECU 15 million.

3.2.2. *Outstanding guarantees at 31 December 1998*

At the end of 1998 outstanding guarantees under the Community budget, details of which are given in Table 6 below, stood at ECU 12.3 billion, more than 77% of which was for countries outside the Community. Compared with 1997, total outstanding guarantees rose by ECU 82 million. However, the proportion of commitments to non-Community countries has increased steadily from 37.5% in 1992 to 77% of the total amount outstanding at present.

The annual risk covered by the general budget, which concerns the repayment of debt (principal and interest), stood at ECU 3 289 million in 1998, of which ECU 1 323 million related to third countries.

As at 31 December 1998 amounts paid out by the Community and not yet repaid by defaulting debtors stood at ECU 154 million, of which ECU 91 million was owed by some of the republics of the former Yugoslavia and ECU 63 million by Tajikistan.

All provisional drawings on the Commission's cash resources in respect of the guarantee have been settled from the budget up to 1994 and, since its establishment by Council Regulation (EC) No 2728/94 of 31 October 1994, by the Guarantee Fund.

¹¹ In accordance with the Contract of Guarantee between the EC and the EIB signed on 25 and 29 July 1997.

Table 3-1 Capital outstanding on guaranteed operations (at 31 December 1998)

(ECU million)

Operation	Authorised ceiling	Amount outstanding at 31.12.1997 (1)	Amount outstanding at 31.12.1998 (2)
Member States	26 330	4 497	2 773
A. Balance of payments	14 000		
1. Greece (3)		500	0
2. Italy		3 448	2 483
B. Other			
3. Euratom (4)	4 000	118	28
4. NCI and NCI.TT	6 830	219	168
5. EIB Mediterranean (E,GR, P)	1 500	212	94
Non-Community countries	24 357	7 674	9 480
A. Macrofinancial assistance	4 615	2 121	1 738
1. Hungary (3)	180	100	0
2. Czech Republic(3)	250	123	0
3. Slovak Republic (3)	125	62	0
4. Bulgaria	650	260	360
5. Romania	580	580	395
6. Algeria	600	250	250
7. FYROM	40	25	40
8. Baltic States	220	130	125
9. Moldova	60	60	60
10. Ukraine	435	285	285
11. Belarus	55	30	30
12. Georgia	142		110
13. Armenia	28		28
14. Former USSR (5)	1 250	216	55
B. Other	19 742	5 553	7 742
15. Mediterranean(6)	8 672	3 150	3 878
16. CEECs	8 220	1 919	3 060
17. Latin America, Asia	1 925	385	638
18. South Africa	675	100	151
19. FYROM	150		15
20. Bosnia	100		
GRAND TOTAL	50 687	12 171	12 253
(1) Exchange rate as at 31.12.1997.			
(2) Exchange rate as at 31.12.1998.			
(3) Loan repaid in full by 31.12.1998.			
(4) Extension of Euratom loans to certain third countries (Council Decision of 21.3.1994)			
(5) The amount outstanding of ECU 55 million corresponds to amounts in principal owed and not paid by 31.12.1998.			
(6) The amount outstanding is increased by ECU 34.8 million corresponding to amounts in principal owed and not paid by 31.12.1998.			

4. STATISTICAL ANNEX

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

	ECU million; ECU rate at year-end									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	
I. Borrowing										
ECSC	1 086	1 446	1 474	908	644	386	298	474	0	
Balance of payments(1)	350	1 695	1 209	4 969	245	410	155	195	403	
Euratom	-	-	-	-	49	-	-	-	-	
NCI	76	49	-	-	70	66	-	-	-	
Total Commission	1 512	3 190	2 683	5 877	1 008	862	453	669	403	
EIB (2)	10 996	13 672	12 974	14 224	14 148	12 395	17 553	23 026	30 098	
Total EC	12 508	16 862	15 657	20 101	15 156	13 257	18 006	23 695	30 501	
II. Lending										
ECSC	993	1 382	1 486	918	674	409	280	541	21	
Balance of payments(1)	350	1 695	1 209	4 969	245	410	155	195	403	
Euratom	-	-	-	-	49	-	-	-	-	
NCI	24	39	9	30	-	-	-	-	-	
Total Commission	1 367	3 116	2 704	5 917	968	813	435	736	424	
EIB (3)	12 605	14 438	16 066	17 724	17 682	18 604	20 946	22 958	25 116	
Total EC	13 972	17 554	18 770	23 641	18 650	19 417	21 381	23 694	25 540	
<p>Note: The differences between total borrowing and lending by the Commission are due to borrowing operations undertaken for refinancing purposes and to changes in the balance of loans not assigned by the end of the year. The differences between borrowing and lending by the EIB are due to the fact that EIB lending operations are financed both from borrowings and from the Bank's own resources.</p> <p>(1) Mechanism for providing financial support for Member States, financial assistance for non-member countries and food aid for the former USSR.</p> <p>(2) Total resources raised.</p> <p>(3) Loans signed out of own resources, no account being taken of the guarantees provided by the EIB to promoters of or operations financed out of NCI resources.</p>										

Table 4-2 Community borrowings outstanding

Community borrowings outstanding at the end of each period (1)

(ECU million)

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

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

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

(2) As from 1989, including short term.

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

Table 4-3 Community borrowings in 1998, by currency

	(ECU million)				
	EIB	Balance of payments (1)	Total borrowing	1997 %	1998 %
ECU/EURO11	3 554 (2)	403	3 957	6.3	13.0
BEF	-	-	-	0.1	-
DEM	4 675	-	4 675	15.0	15.3
ESP	1 102	-	1 102	11.0	3.6
FRF	847	-	847	11.0	2.8
IEP	-	-	-	0.2	-
ITL	4 219	-	4 219	21.4	13.8
LUF	-	-	-	0.7	-
NLG	-	-	-	0.1	-
ATS	-	-	-	0.0	-
PTE	395	-	395	5.1	1.3
FIM	128	-	128	0.2	0.4
Total EURO	14 921	403	15 324	71.1	50.2
DKK	30	-	30	0.6	0.1
GBP	8 069	-	8 069	12.5	26.5
GRD	255	-	255	0.7	0.8
SEK	120	-	120	0.8	0.4
Tot. Pre-in	8 474	-	8 475	14.6	27.8
Total EU	23 395	403	23 799	85.7	78.0
USD	6 451	-	6 451	9.3	21.2
CHF	125	-	125	2.4	0.4
JPY	-	-	-	2.3	-
NOK	60	-	60	-	0.2
CZK	11	-	11	-	0.1
ZAR	29	-	29	0.3	0.1
HUF	28	-	28	-	0.1
Subtotal	6 704	-	6 704	14.3	22.0
TOTAL	30 099	403	30 503	100.0	100.0
(1)	Balance-of-payments and financial assistance for non-member countries.				
(2)	Since 1997 issued in euro with payment in ECU.				

Table 4-4 Financing in the Community by the EIB in 1997 and 1998 by economic objective

	1997		1998	
	ECU million	%	ECU million	%
I. Individual loans				
1. Regional development	11 358	100.0	12 184	100.0
A. By country				
Belgium	352	3.1	576	4.7
Denmark	255	2.3	460	3.8
Germany	1 051	9.2	2 451	20.1
Greece	730	6.4	377	3.1
Spain	1 620	14.3	1 635	13.4
France	835	7.4	450	3.7
Ireland	72	0.6	112	0.9
Italy	1 787	15.7	2 936	24.1
Luxembourg				
Netherlands				
Austria	129	1.1	84	0.7
Portugal	1 322	11.6	1 439	11.8
Finland	305	2.7	285	2.3
Sweden	504	4.4	154	1.3
United Kingdom	2 396	21.1	1 225	10.1
B. By major sector				
Energy	849	7.5	1 330	11.7
Communications	6 155	54.2	7 301	64.3
Environment and various infrastructures	1 752	15.4	1 462	12.9
Industry, services	2 148	18.9	1 321	11.6
Education, health	454	4.0	771	6.9
2. Communications infrastructure	8 710	100.0	8 855	100.0
Transport	6 831	78.4	5 420	61.2
Telecommunications	1 879	21.6	3 435	38.8
3. Natural and urban environment	5 753	100.0	4 369	100.0
3.1 Natural environment	3 718	64.6	1 831	41.9
3.2 Urban environment	2 035	35.4	2 538	58.1
4. Energy	2 428	97.1	2 148	100.0
4.1 Indigenous resources	558	23.0	326	15.2
4.2 Import diversification	482	19.9	443	20.6
4.3 Management and rational use	1 388	54.2	1 379	64.2
5. Industrial competitiveness	2 066		1 280	
II. SMEs	2 486	100.0	2 377	100.0
Assisted areas	1 613	64.9	1 548	66.1
Non-assisted areas	873	35.1	829	34.9
(Total number)	(12772)		(8464)	
N.B. As some financing serves a number of purposes, the amounts shown under the different headings cannot be aggregated.				

Table 4-5 Breakdown of NCI-loans, by country as at 31.12.1998

(ECU million)

Country	NCI I	NCI II	NCI III	NCI IV	NCI Reconst	Total	%
Belgium	-	-	-	23.6	-	23.6	0.4
Denmark	66.8	100.6	303.0	63.2	-	533.5	8.6
Greece	-	114.9	111.2	-	80.0	306.1	4.9
Spain	-	-	69.2	118.2	-	187.4	3.0
France	70.0	125.0	938.7	72.3	-	1 206.0	19.5
Ireland	239.0	116.6	68.4	-	-	424.0	6.8
Italy	479.9	473.4	1 228.5	285.7	598.7	3 066.3	49.5
Netherlands	-	-	3.2	-	-	3.2	0.1
Portugal	-	-	29.9	9.9	-	39.8	0.6
UK	134.9	67.1	109.3	95.8	-	407.1	6.6
Total	990.5	997.5	2 861.6	668.8	678.7	6 197.1	100.0

N.B.: Loans signed have been converted into "equivalent borrowings".
Loans in other currencies have been converted into ecus at the exchange rate obtaining on the last working day of the quarter preceding signing.

Table 4-6 Breakdown of NCI loans by currency: amounts outstanding as at 31.12.1998

Currency	(million)	Equivalent in ECU million (1)
ECU	70.0	70.0
DEM	7.5	3.8
NLG	103.6	47.0
GBP	11.5	16.3
CHF	50.0	31.1
Total		168.3

(1) Exchange rate as at 31.12.1998.

Table 4-7 Interest subsidies paid out in the Community by the various Community mechanisms 1987-98

(ECU million)

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

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

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

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

Table 4-8 List of loans signed in eastern Europe in 1998

LOAN
AMOUNT
(ECU million)

RISK
SHARING

COUNTRY

COUNTRY	PROJECT	DESCRIPTION	AMOUNT (ECU million)	RISK SHARING
Romania	RAILWAY MODERNISATION	Modernisation of the Bucharest-Brasov railway line	200	No
	ROADS REHABILITATION III	Rehabilitation and modernisation of the road network	225	No
	ABN-AMRO BANK GLOBAL LOAN	Financing of small or medium-scale investments	10	Yes
Total			435	
Bulgaria	CROSS-BORDER/TEN CORRIDOR ROAD	Priority road investments along a cross-border TEN corridor	40	No
	TRANSIT ROADS III	Rehabilitation, modernisation and completion of some 600 km of priority transit roads	60	No
	RIVERBANK AND COASTLINE PROTECTION	Protection of the Black Sea coastline and strengthening of Danube river banks	25	No
	UMPC COPPER PRODUCTION	Modernisation et enlargement of the main Bulgarian copper plant at Pirdop, to the east of Sofia	100	Yes
Total			225	
Poland	ISUZU DIESEL ENGINE PLANT	Construction of a plant manufacturing diesel engines for cars and commercial vehicles close to Katowice	110	Yes
Total			110	
FYROM	FYROM ROADS	Construction of two sections of the road network between Skopje and Tetovo and between Stobi and Demir Kaplja	70	No
Total			70	
Hungary	RAILWAYS I	Rehabilitation et modernisation of the railway network	60	No
Total			60	
Slovak Republic	PPC POWER GENERATION	Construction of a natural-gas combined-cycle plant for the production of heat and electricity in Bratislava	51	Yes
Total			51	
Lithuania	ROADS	Rehabilitation of the road network	40	No
Total			40	
Latvia	LATVIA RAILWAYS	Modernisation of the east-west rail link	34	No
Total			34	
Albania	DURRES-VORE HIGHWAY	Construction of a 2x2-lane road section between Durres et Tirana	22	No
Total			22	
Czech Republic	COMMERZBANK GLOBAL LOAN	Financing of small and medium-scale investments	10	Yes
	DEUTSCHE BANK GLOBAL LOAN	Financing of small and medium-scale investments	10	Yes
Total			20	

TOTAL

GRAND TOTAL

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Table 4-9 List of loan signed in the Mediterranean region in 1998

LOAN
AMOUNT
(ECU million)

RISK
S.H.A.R.I.N.

COUNTRY	PROJECT	DESCRIPTION	LOAN AMOUNT (ECU million)	RISK
Tunisia	ELECTRICITY TRANSMISSION	Improvement of the networks of power-transport and power-distribution	45	No
	ONAS III	Improvement of waste-water collection networks and construction of waste-water treatment plants in 19 medium-sized towns	40	No
	HILL DAMS	Construction of hill dams throughout the country	11	No
	GLOBAL BUSINESS LOAN . A	Financing of small and medium-scale investments	50	No
Total			146	
Egypt	GASCO-PIPELINES	Construction of two gas pipelines supplying the Sinai and Suez regions	50	No
	ANSDK II	Construction of a small integrated steel rolling mill in the Alexandria region	75	No
Total			125	
Morocco	TETOUAN WIND PARK	Construction of installations for the generation of wind power in the province of Tetouan	20	Yes
	ONE - ELECTRICITY TRANSMISSION	Improvement and rehabilitation of the high- and medium-voltage power transmission system	75	No
	SEWERAGE - MOROCCAN TOWNS	Rehabilitation and extension of the sewerage system in the town of Sottat	9	No
Total			104	
Gaza-West Bank	ELECTRICITY DISTRIBUTION NETWORK	Rehabilitation and extension of electricity-distribution networks in the central and southern regions of the West Bank	35	No
	WEST BANK WATER	Rehabilitation of water-supply networks	30	No
	WEST BANK ROAD REHABILITATION	Rehabilitation of roads of local and regional importance and local service roads in the West Bank	20	No
	BETHLEHEM HOTEL	Construction of a hotel in Bethlehem	12	No
Total			97	
Jordan	AMMAN WATER REHABILITATION	Restructuring and rehabilitation of the water-distribution network in the Amman conurbation	40	No
	ARAB POTASH COMPANY I	Improvement of the current potash production capacity and construction of a new magnesium production plant	43	No
Total			83	
Turkey	DIYARBAKIR WASTE WATER	Extension and rehabilitation of the Diyarbakir waste-water treatment system	32	No
Total				
Algeria	TAKSEBT DAM II	Construction of a dam at Taksebt for the supply of water for domestic and industrial use to Algiers and Wilaya from Tizi Ouzou	30	No
Total				
Cyprus	EAC TRANSMISSION SYSTEM EXPANSION	Extension and upgrading of the electricity-transmission system	30	No
Total				
Lebanon	APEX GLOBAL LOAN - RENOVATION OF HOTELS	Finance for the renovation of hotels outside Beirut	30	No
Total				

TOTAL
GRAND
TOTAL

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Table 4-10 List of loans signed in Latin America and Asia in 1998

COUNTRY	PROJECT	DESCRIPTION	LOAN AMOUNT (ECU million)	RISK SHARING
Brazil	BOLIVIA-BRAZIL GAS PIPELINE	Construction and exploitation of a pipeline between southern Bolivia and south-east Brazil	55	No
	MERCEDES-BENZ A-CLASS MERCOSUL	Construction of a motor-vehicle manufacturing plant	70	Yes
Total			125	
Vietnam	NAM CON SON PIPELINE	Construction of a gas pipeline between offshore gas fields and Ho Chi Minh-City	55	No
Total			55	
Panama	CABLE AND WIRELESS	Modernisation and extension of the telecommunications network	50	Yes
Total			50	
Philippines	WATER AND SEWERAGE MANILA WEST	Extension and improvement of the water-supply, water-treatment and sewerage networks in the western part of Manila	50	Yes
Total			50	
Indonesia	WATER SUPPLY JAKARTA EAST	Upgrading, improvement and extension of the water-supply system in the eastern part of Jakarta	45	Yes
Total			45	
Argentina	AGUAS CORDOBESAS	Modernisation and extension of the water-supply networks in Cordoba	36.8	Yes
Total			36.8	
Grand Total			361.8	

Table 4-11 List of loans signed in the Republic of South Africa in 1998

PROJECT	DESCRIPTION	LOAN AMOUNT (ECU million)	RISK SHARING
LESOTHO HIGHLANDS WATER PROJECT	Transfer of water stored in the Senqu/Orange River basin, Highlands (Lesotho) to the Gauteng region	45	No
INCA INFRASTRUCTURE GLOBAL LOAN	Financing of small and medium-scale investments in the municipal infrastructure sector	40	No
IDC GLOBAL LOAN III	Financing of small and medium-scale investments	50	No
TOTAL		135	

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