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COMMISSION STAFF WORKING DOCUMENT

accompanying the

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

**on guarantees covered by the general budget
situation at 31 December 2009**

COM(2010)580

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1. EXPLANATORY NOTES ON THE SITUATION OF RISKS COVERED BY THE BUDGET

1.1. Tables A1 and A2

The purpose of Tables A1 and A2 is to show the outstanding amount and annual repayments of capital and interest in respect of borrowing and lending operations for which the risk is covered by the Budget. The figures show the maximum possible risk for the EU in respect of these operations and must not be read as meaning that these amounts will actually be drawn from the Fund or the Budget.

1.1.1. *Authorised ceiling (Table A1)*

This is the aggregate of the maximum amounts of capital authorised (ceilings) for each operation decided by the Council or by the European Parliament and 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 authorised ceiling.

Factors reducing the risk:

- limitation of the guarantee given to the EIB¹:

75% of the total amounts of loans signed in the Mediterranean countries based on the Mediterranean protocols of 1977 and Council Regulations 1762/92/EEC and 1763/92/EEC.

70% of the total amounts of loans signed as part of lending operations with certain non-Member States authorised by Council Decisions 96/723/EC, 97/256/EC, 98/348/EC and 98/729/EC and a sharing of risk between the EU and the EIB as the Budget guarantee covers only political risks in some cases;

65% of the total amounts of loans signed as part of financing operations with certain non-Member States authorised by Council Decisions 99/786/EC, 2000/24/EC and Decision 2009/633/EC of the European Parliament and of the Council, and a sharing of risk between the EU and the EIB as the Budget guarantee covers only political risks in some cases, as regards the two first-mentioned decisions, and only risks of a political or sovereign nature in the case of the last decision;

- operations already repaid, since the amounts concerned are the maximum amounts of capital authorised (ceilings) and not outstanding amounts;
- the ceilings are not necessarily taken up in full.

Another factor to be considered is that some loans are disbursed in currencies other than the EUR. Due to exchange rate fluctuations, the ceiling may be exceeded when the amounts disbursed up to the date of the report are converted into EUR.

¹ Within each portfolio individual EIB loans are, de facto, guaranteed at 100% until the global ceiling is reached.

1.1.2. Capital outstanding (Table A1)

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 or the proportion of disbursed loans which have already been repaid.

1.1.3. Annual risk (Table A2)

Estimated amount of principal and interest due each financial year by each country according to disbursements made until 31 December 2009².

² For the purpose of this calculation, it is assumed that defaulting loans are not accelerated, i.e. only due payments are taken into account.

TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 31.12.2009 (in EUR million)

Operations	Authorised ceiling	Capital outstanding at 30.06.2009	Capital outstanding at 31.12.2009	Remainder to be disbursed at 31.12.2009
MEMBER STATES				
EIB (Member States)		3 659	3 533	766
MFA to Bulgaria and Romania		115	90	
Euratom to Bulgaria and Romania		431	427	
BoP¹				
Hungary	6 500	4 000	5 500	1 000
Latvia	3 100	1 000	2 200	900
Romania	5 000		1 500	3 500
MEMBER STATES - TOTAL		9 205	13 250	6 166
THIRD COUNTRIES				
A. Macro-Financial Assistance				
Albania	9	9	9	
Bosnia-Herzegovina	40	40	40	
FYROM	90	82	77	
Georgia	142	58	36	
Lebanon	50	25	25	25
Serbia and Montenegro	280	280	280	
Tajikistan	75	28	28	
Ukraine	260	15	0	
Sub total MFA	946	536	495	50
B. EURATOM²		50	54	9
C. Other				
EIB Pre-Accession countries	28 755	5 487	6 333	5 440
EIB Neighbourhood and Partnership countries	28 342	5 930	6 641	4 604
EIB Asia and Latin America	8 205	1 659	2 049	1 311
EIB South Africa	2 400	583	667	497
Sub total EIB³	67 702	17 318	19 224	12 618
THIRD COUNTRIES - TOTAL	68 648	14 245	16 239	11 911
GRAND TOTAL		68 648	23 450	18 076

(1) By Decision 431/2008/EC of 18 May 2009 the Council decided to increase the ceiling from EUR 25 000 million to EUR 50 000 million.

(2) The overall ceiling is EUR 4 000 million for loans to Member States and to certain non-member States.

(3) The subtotal EIB includes the EIB loans to Member States.

ANNEX TO TABLE A1: SITUATION IN RESPECT OF EIB OPERATIONS at 31.12.2009 (in EUR million)

Operations	Credit line authorised	Loans made available minus cancellations	Amounts disbursed	Amounts outstanding at 31.12.2009
Mandate 2007/2013:	25 800	11 928	3 044	3 041
<i>Pre-Accession countries</i>	<i>8 700</i>	<i>5 262</i>	<i>1 077</i>	<i>1 077</i>
<i>Neighbourhood and Partnership countries:</i>	<i>12 400</i>	<i>4 262</i>	<i>1 137</i>	<i>1 137</i>
Mediterranean	8 700	3 860	1 022	1 022
Eastern Europe, Southern Caucasus and Russia	3 700	403	115	115
<i>Asia and Latin America:</i>	<i>3 800</i>	<i>1 921</i>	<i>787</i>	<i>785</i>
Asia	1 000	616	93	93
Latin America	2 800	1 305	694	692
<i>South Africa</i>	<i>900</i>	<i>483</i>	<i>42</i>	<i>42</i>
Previous General Mandate 2000/2007⁵:	20 060	19 384	14 702	11 905
<i>Pre-Accession countries</i>	<i>10 235</i>	<i>7 338</i>	<i>5 447</i>	<i>4 856</i>
<i>Neighbourhood and Partnership countries</i>	<i>6 520</i>	<i>6 325</i>	<i>4 829</i>	<i>4 034</i>
<i>Asia and Latin America</i>	<i>2 480</i>	<i>2 135</i>	<i>1 659</i>	<i>992</i>
<i>South Africa</i>	<i>825</i>	<i>824</i>	<i>616</i>	<i>514</i>
<i>Member States (following the accession)⁵</i>		<i>2 762</i>	<i>2 151</i>	<i>1 508</i>
sub-total 65 %⁴	45 860	31 312	17 746	14 946
Financial agreements (70% Guarantee rate)	7 477	6 513	5 997	2 606
<i>Pre-Accession countries</i>	<i>3 770</i>	<i>477</i>	<i>449</i>	<i>298</i>
<i>Neighbourhood and Partnership countries</i>	<i>2 310</i>	<i>1 617</i>	<i>1 492</i>	<i>632</i>
<i>Asia and Latin America:</i>	<i>1 022</i>	<i>809</i>	<i>657</i>	<i>154</i>
<i>South Africa</i>	<i>375</i>	<i>375</i>	<i>265</i>	<i>105</i>
<i>Member States (following the accession)⁵</i>		<i>3 236</i>	<i>3 134</i>	<i>1 417</i>
sub-total 70 %⁴	7 477	6 513	5 997	2 606
Financial agreements (75% Guarantee rate)	7 712	7 062	7 176	851
<i>Pre-Accession countries</i>	<i>1 350</i>	<i>713</i>	<i>719</i>	<i>95</i>
<i>Neighbourhood and Partnership countries</i>	<i>6 362</i>	<i>4 492</i>	<i>4 499</i>	<i>688</i>
<i>Member States (following the accession)⁵</i>		<i>1 857</i>	<i>1 958</i>	<i>67</i>
sub-total 75 %⁴	7 712	7 062	7 176	851
Financial agreements (100% Guarantee rate)	6 653	5 320	5 209	821
<i>Pre-Accession countries</i>	<i>4 700</i>	<i>29</i>	<i>29</i>	<i>7</i>
<i>Neighbourhood and Partnership countries</i>	<i>750</i>	<i>315</i>	<i>159</i>	<i>150</i>
<i>Asia and Latin America</i>	<i>903</i>	<i>710</i>	<i>714</i>	<i>119</i>
<i>South Africa</i>	<i>300</i>	<i>285</i>	<i>203</i>	<i>5</i>
<i>Member States (following the accession)⁵</i>		<i>3 982</i>	<i>4 104</i>	<i>540</i>
sub-total 100 %⁴	6 653	5 320	5 209	821
Total	67 702	50 207	36 127	19 224

(4) Percentage figures relate to the Guarantee rate.

(5) Loans to Member States were drawn from 'Pre-Accession countries' or from 'Neighbourhood and Partnership countries' ceilings.

(6) Including Turkey Terra and Special Action Turkey.

Table A2: Total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, BoP, Euratom and EIB) disbursed at 31.12.2009

Ranking	Country	2010	2011	2012	2013	2014	2015	2016	2017 until 2039	Total Outstanding
1	Turkey	343.9	343.6	376.9	381.8	405.5	395.5	331.0	3 126.6	5 704.7
2	Romania	279.6	318.4	264.9	264.1	244.7	1 743.8	174.1	916.1	4 205.7
3	Egypt	202.8	198.3	191.4	187.3	171.0	170.3	170.3	949.3	2 240.7
4	Hungary	196.3	2 209.0	141.7	132.9	2 128.4	63.0	1 558.8	2.1	6 432.2
5	Morocco	152.2	160.3	164.1	167.0	163.7	152.6	139.8	1 124.2	2 224.0
6	Tunisia	149.1	148.9	153.5	158.8	155.1	149.2	138.4	846.6	1 899.6
7	South Africa	89.3	65.9	81.9	57.3	59.4	53.5	61.1	274.2	742.5
8	Bulgaria	88.0	73.7	86.5	71.9	72.4	69.0	66.6	250.3	778.5
9	Czech Republic	82.0	73.0	70.5	67.9	56.4	45.7	43.7	86.3	525.5
10	Poland	80.5	77.8	75.3	69.6	53.0	43.0	29.4	112.9	541.5
11	Lebanon	70.6	73.6	74.3	73.1	55.2	48.7	41.8	101.4	538.8
12	Slovak Republic	65.6	66.0	51.0	37.2	25.8	15.1	14.7	101.4	376.8
13	Brazil	63.1	46.9	41.2	68.8	91.5	197.9	175.1	6.8	691.2
14	Serbia	61.5	68.2	112.7	114.6	122.0	174.2	122.9	541.9	1 317.9
15	Latvia	60.2	75.4	73.9	73.8	1 073.7	1 242.3	4.0	9.8	2 610.0
16	Syria	56.9	72.6	73.6	71.2	70.5	72.9	70.2	275.0	762.8
17	Jordan	44.2	42.4	40.9	34.5	30.0	23.0	20.9	133.0	368.8
18	Bosnia and Herzegovina	34.0	36.3	60.6	33.8	33.1	74.6	30.0	170.2	472.5
19	Croatia	32.1	40.7	43.6	43.7	40.4	38.6	37.9	264.5	541.4
20	Russia	26.4	22.4	24.9	24.9	24.9	24.9	16.1	28.0	192.5
21	The former Yugoslav Republic of Macedonia	24.8	28.2	31.0	27.7	29.7	26.1	24.3	59.9	251.6
22	Mexico	22.9	3.2	3.2	3.2	3.2	3.2	3.2	9.6	51.7
23	Argentina	22.8	22.7	19.7	43.9	35.3	34.1	29.1	80.1	287.6
24	Georgia	22.4	13.6	0.0	0.0	0.0	0.0	0.0	0.0	36.0
25	Slovenia	20.8	14.3	11.4	9.4	7.4	4.4	2.1	0.0	69.9
26	Indonesia	18.3	14.6	12.6	12.6	12.6	12.6	8.6	21.9	113.9
27	Albania	14.5	14.6	16.0	14.0	16.8	17.3	16.7	113.4	223.2
28	Vietnam	14.4	14.6	14.6	14.4	14.3	9.3	8.0	19.4	108.8
29	the Philippines	12.9	12.7	12.9	13.2	14.3	12.1	10.9	20.2	109.2
30	Pakistan	11.8	11.7	11.7	8.9	6.1	6.1	4.2	8.7	69.3
31	Israel	10.6	12.6	12.6	12.8	13.0	11.3	9.9	131.5	214.3
32	Peru	10.2	17.2	18.1	17.9	14.5	14.5	12.1	17.6	122.1
33	Cyprus	9.7	9.3	7.2	4.7	3.1	0.0	0.0	0.0	34.0
34	China	8.2	7.4	6.7	6.8	7.0	7.1	2.7	18.6	64.5
35	Ukraine	7.3	7.0	6.9	6.9	6.8	11.2	11.2	68.3	125.6
36	Lithuania	5.7	5.5	5.3	5.1	5.0	4.8	4.6	13.3	48.2
37	Thailand	4.8	4.4	6.1	8.3	2.0	0.0	0.0	0.0	25.5
38	Bangladesh	4.7	4.7	4.7	4.6	0.0	0.0	0.0	0.0	18.7
39	Colombia	4.7	12.4	15.3	15.3	15.3	15.3	15.3	32.2	125.9
40	India	4.1	3.2	8.2	16.8	13.6	13.6	13.6	15.9	69.2
41	The West Bank and the Gaza Strip	3.8	3.8	3.8	3.8	3.8	3.8	3.7	5.5	32.0
42	Sri Lanka	3.8	4.7	7.7	10.4	13.5	15.2	12.6	53.1	120.9
43	Costa Rica	3.5	3.5	3.5	3.5	0.0	0.0	0.0	0.0	14.2
44	Maldives	3.1	4.4	5.2	5.2	5.2	5.2	5.2	11.9	45.2
45	Malaysia	3.0	1.8	0.9	0.9	0.0	0.0	0.0	0.0	7.4
46	Montenegro	2.9	3.5	10.0	10.2	12.1	13.0	13.1	61.7	126.5
47	Panama	2.4	2.4	2.4	2.4	2.4	2.4	2.4	16.6	33.2
48	Uruguay	2.4	3.0	3.4	4.1	4.5	3.7	3.7	1.9	26.7
49	Ecuador	2.1	3.9	3.9	3.9	3.9	3.9	3.9	9.9	35.7
50	El Salvador	2.0	1.9	0.9	1.3	1.2	1.2	0.8	4.2	13.6
51	Estonia	1.0	1.0	0.5	0.0	0.0	0.0	0.0	0.0	2.5
52	Malta	0.7	0.7	0.7	0.3	0.0	0.0	0.0	0.0	2.3
53	Tadjikistan	0.3	0.3	12.2	12.1	4.0	0.0	0.0	0.0	28.9
54	Republic of Moldova	0.2	0.1	0.1	0.2	0.4	1.0	0.9	6.8	9.8
55	Paraguay	0.0	3.5	6.9	6.9	6.9	6.9	3.5	0.0	34.8
56	Laos	0.0	0.2	0.4	0.5	0.5	0.6	0.6	34.4	37.2
	Total outstanding	2 465.0	4 486.0	2 490.9	2 446.2	5 355.2	5 057.6	3 473.8	10 157.2	35 931.7
	Member States	890.1	2 924.1	788.9	736.9	3 669.9	3 231.0	1 897.9	1 492.2	15 631.0

1.2. Loan operations covered by the Budget guarantee

Tables A3a, A3b(1), A3b(2) and A4

TABLE A3a
BoP and Euratom lending operations to Member States
Period 30.06.2009 to 31.12.2009

Instrument	Decision	Date of decision	Loan term (years)	Guarantee Rate	Maturity Date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Outstanding amount at 30.06.2009 in EUR million	Outstanding amount at 31.12.2009 in EUR million
BOP	2009/431/EC	8/05/2009		100%		(b)	50 000.00	5 000.00	9 200.00
Hungary	2009/102/EC	4/11/2008				(b)	6 500.00	4 000.00	5 500.00
1st tranche		9/12/2008	3		9/12/2011	(c)		2 000.00	2 000.00
2nd tranche		26/03/2009	5.6		7/11/2014	(c)		2 000.00	2 000.00
3rd tranche		6/07/2009	6.8		6/04/2016	(c)			1 500.00
Latvia	2009/290/EC	20/01/2009				(b)	3 100.00	1 000.00	2 200.00
1st tranche		25/02/2009	5.1		3/04/2014	(c)		1 000.00	1 000.00
2nd tranche		27/07/2009	5.5		27/01/2015	(c)			1 200.00
Romania	2009/459/EC	6/05/2009				(b)	5 000.00		1 500.00
1st tranche		27/07/2009	5.5		27/01/2015	(c)			1 500.00
EURATOM				100%			4 000.00	430.50	426.75
	77/270-271/Euratom	29/03/1977				(c)	500.00		
	80/29/Euratom	20/12/1979				(c)	500.00		
	82/170/Euratom	15/03/1982				(c)	1 000.00		
	85/537/Euratom	5/12/1985				(c)	1 000.00		
	90/212/Euratom	23/04/1990				(b)	1 000.00		
Bulgaria							212.50		
1st tranche			20		10/05/2021	(c)		40.00	40.00
2nd tranche			15		15/01/2017	(c)		12.00	11.25
3rd tranche			17		19/08/2019	(c)		25.00	25.00
4th tranche			15		18/06/2018	(c)		22.50	21.25
5th tranche			15		16/01/2019	(c)		35.00	33.25
6th tranche			16		10/09/2020	(c)		30.00	30.00
7th tranche			16		4/04/2021	(c)		25.00	25.00
8th tranche			14		23/02/2020	(c)		17.50	17.50
Romania							223.50		
1st tranche			17		21.07.2022	(c)		100.00	100.00
2nd tranche			19		26.11.2024	(c)		90.00	90.00
3rd tranche			18		23.02.2024	(c)		33.50	33.50
TOTAL							54 000.00	5 430.50	9 626.75

TABLE A3b (1)
European Union (MFA) and Euratom loans to non-member States*
Changes in amounts outstanding during six-month period 30.06.2009 to 31.12.2009, broken down by countries and tranche

* Member States as of 01.01.2007

in EUR million

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 30.06.2009	Operations in six-month period		Amount outstanding at 31.12.2009
								Amounts disbursed	Amounts repaid	
BULGARIA IV*	99/731/EC	08.11.99				100.00				
1st tranche			10	21.12.2009	(c)	40.00	10.00		10.00	0.00
2nd tranche			-	-	(c)	60.00	30.00		15.00	15.00
ROMANIA IV*	99/732/EC	08.11.99				200.00				
1st tranche			10	29.06.2010	(c)	100.00	25.00			25.00
2nd tranche			10	17.07.2013	(c)	50.00	50.00			50.00
3rd tranche			-	-	(a)	50.00				
BOSNIA AND HERZEGOVINA I	99/325/EC	10.05.99				20.00				
1st tranche			15	22.12.2014	(c)	10.00	10.00			10.00
2nd tranche			-	-	(c)	10.00	10.00			10.00
BOSNIA AND HERZEGOVINA II	02/883/EC	09.11.02				20.00				
1st tranche			15	16.01.2019	(c)	10.00	10.00			10.00
2nd tranche			15	09.02.2021	(c)	10.00	10.00			10.00
FYROM I	97/471/EC	22.07.97				40.00				
1st tranche			15	27.09.2012	(c)	25.00	20.00		5.00	15.00
2nd tranche			15	13.02.2013	(c)	15.00	12.00			12.00
FYROM II	99/733/EC	08.11.99				50.00				
1st tranche			15	15.01.2016	(c)	10.00	10.00			10.00
2nd tranche			15	30.01.2017	(c)	12.00	12.00			12.00
3rd tranche			15	04.06.2018	(c)	10.00	10.00			10.00
4th tranche			15	23.12.2018	(c)	18.00	18.00			18.00

TABLE A3b (2)
European Union (MFA) and Euratom loans to non-member States
Changes in amounts outstanding during six-month period 30.06.2009 to 31.12.2009, broken down by countries and tranche

COUNTRY	Decision	Date of decision	Loan term (years)	Expiry date	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amount decided	Amount outstanding at 30.06.2009	in EUR million		Amount outstanding at 31.12.2009
								Operations in six-month period		
								Amounts disbursed	Amounts repaid	
UKRAINE III 1st tranche	98/592/EC	15.10.98	10	30.07.2009	(c)	150.00				
			-	-	(a)	58.00	14.50		14.50	0.00
					(d)	92.00				
UKRAINE IV	2002/639/EC	12.07.02			(c)	110.00				
GEORGIA	97/787/EC	17.11.97	15	24.07.2013	(c)	110.00	57.50		22.00	35.50
ARMENIA	97/787/EC	17.11.97	15	30.12.2013	(a)	28.00				
TAJIKISTAN	2000/244/EC	20.03.00			(b)	75.00				
1st tranche			15	30.03.2016	(c)	60.00	28.00			28.00
SERBIA AND MONTENEGRO	2001/549/EC	16.07.01	15	17.10.2016	(c)	225.00	225.00			225.00
SERBIA AND MONTENEGRO	2002/882/EC	09.11.02				55.00				
1st tranche			15	28.02.2018	(c)	10.00	10.00			10.00
2nd tranche			15	01.09.2018	(c)	30.00	30.00			30.00
3rd tranche			15	04.05.2020	(c)	15.00	15.00			15.00
ALBANIA	2004/580/EC	29.04.04	15	23.03.2021	(c)	9.00	9.00			9.00
LEBANON	2007/860/EC	21.12.07		04.06.2014	(b)	50.00	25.00			25.00
UKRAINE (Euratom)	94/179/EC	21.03.94	11	15.03.2018	(b)	EUR equivalent	49.55			53.91
		15.03.2007			(c)	39.00 EUR	35.10		1.95	33.15
		06.10.2008			(c)	22.00 USD	14.45		0.80	13.66
		15.10.2009			(c)	10.34 USD		7.10		7.10
						of USD 83 million				
TOTAL							750.11	7.10	69.25	638.41

TABLE A4

LOAN GUARANTEES TO EIB

in EUR million

Geographical Area	Decision	Date of decision	Rate of guarantee	Date of guarantee contract	Amount decided	Loans signed (minus cancellations)		Amount outstanding	
						at 30.06.09	at 31.12.09	at 30.06.09	at 31.12.09
MED. Financial protocols(1)		8.03.77	75% (2)	30.10.78/10.11.78	6 062	5 548	5 548	615	494
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1 800	1 656	1 656	340	357
TOTAL MED. (3)					7 862	7 204	7 204	955	851
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1 000	912	912	102	90
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700	493	493	5	2
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3 000	2 464	2 464	507	455
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750	571	571	125	114
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153	139	139	5	5
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122	122	122	9	7
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300	285	285	12	5
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7 105	6 142	6 142	2 578	2 421
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150	150	150	112	107
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100	100	100	55	71
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600	600	600	526	515
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19 460	18 910	18 784	11 058	11 390
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100	85	85	77	74
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500	230	230	3	76
Mandate 2007-2013	2006/1016/EC(12)	19.12.06	65%	01.08.07/29.08.07 (13)	25 800	8 611	11 928	1 188	3 041
TOTAL					67 702	47 018	50 209	17 317	19 223

(1) Including EUR 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 EUR 5 497 million, of which EUR 141.5 million is covered by a 100% guarantee for Portugal.

(4) Poland, Hungary.

(5) Czech Republic and Slovak Republic, Bulgaria, Romania.

(6) Poland, Hungary, Czech Republic and Slovak Republic, Bulgaria, Romania, Baltic States and Albania.

(7) Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.

(8) South-eastern Neighbours, Mediterranean countries, Latin America and Asia, Republic of South Africa, Special action Turkey, as amended (2005/47/EC).

(9) A special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension.

(10) A special lending action for certain types of projects in Russia, Belarus, Republic of Moldova and Ukraine.

(11) Restated and amended in 2005.

(12) Pre-Accession countries, Neighbourhood and Partnership countries, Asia and Latin America, Republic of South Africa.

(13) The amount decided of EUR 27 800 million is broken down into a basic ceiling of a fixed maximum amount of EUR 25 800 million and an optional mandate of EUR 2 000 million (use to be decided in the context of ongoing mid-term review).

1.3. Evolution of risk

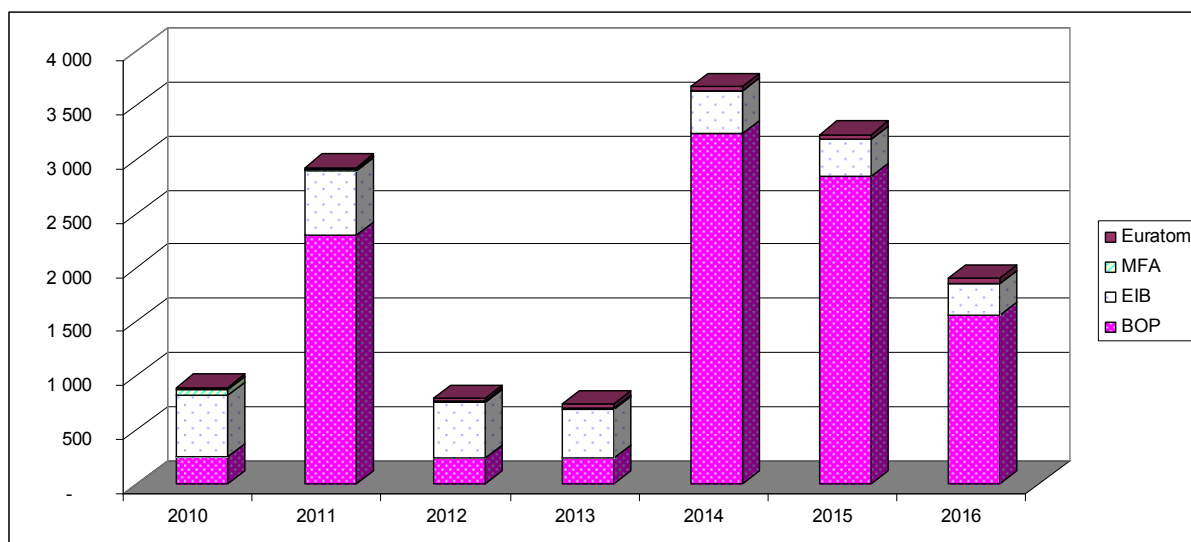
1.3.1. Situation of loans to non euro area Member States

The risk towards Member States for the loans disbursed under Euratom, MFA and EIB guaranteed financing should decrease in future due their amortization. These loans were signed before the accession of these countries to the EU.

However, the total risk towards Member States is increasing since 2008 following the activation of the Balance-of-Payment³ facility (BoP). BoP loan disbursements are planned up to 2012. Hungary will reimburse in 2011 its first tranche of EUR 2 billion disbursed in December 2008 (included in Graph A1).

Two other tranches of EUR 1 billion for Latvia and EUR 2 billion for Hungary, disbursed in 2009 will be reimbursed in 2014. Three additional tranches totalling EUR 4.2 billion disbursed during the second semester 2009 will be reimbursed in 2015 and 2016.

Graph A1: Total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under operations (MFA, BoP, Euratom and EIB) disbursed at 31.12.2009⁴ with the Member States (EUR million).



³ Council Regulation (EC) No 431/2009 of 18 May 2009 (OJ L 128, 27.5.2009, p.1-2).

⁴ As of 31 December 2009, the 2010 annual risk for Member States was EUR 890 million.

1.3.2. Situations of loans to third countries

At 31 December 2009, a total of EUR 3 988 million remained to be disbursed by the EIB under the EUR 20 060 million EIB external lending mandate for 2000– 2007:

Table A5: Disbursement forecast for EIB loans on general mandate 2000 - 2007

	Ceiling	Loans made available (minus cancellations) at 31.12.2009***	to be disbursed
Mediterranean	6 520	6 325	1 306
South-Eastern Neighbours**	10 235	7 338	1 860
Asia, Latin America	2 480	2 135	91
South Africa	825	824	108
Member States*		2 763	624
	20 060	19 384	3 988

* EUR 2,763 million for Member States are not included (Bulgaria, Hungary, Lithuania, Romania, Slovakia, Slovenia).

** The ceiling includes Terra Turkey and Special Action Turkey.

*** Signatures up to 31.07.2008

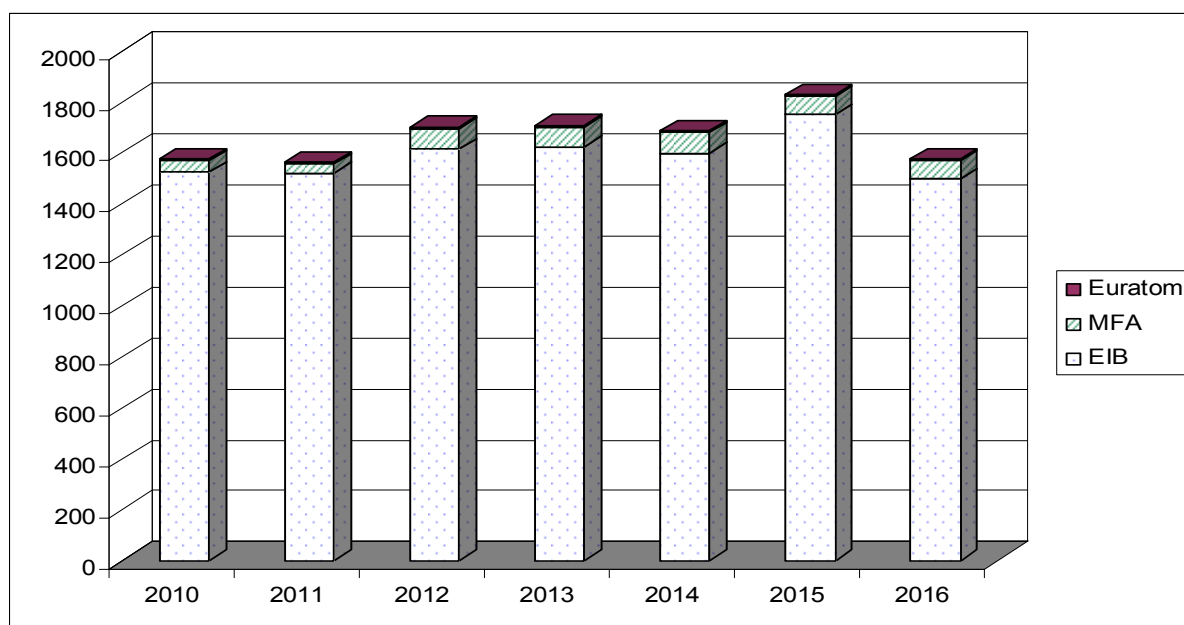
At the same date, an amount of EUR 8 884 million remained to be disbursed out of signatures made under the EIB external mandate for 2007-2013.

Table A6: Disbursement forecast for EIB loans on general mandate 2007 - 2013*

	Ceiling	Loans made available (minus cancellations) at 31.12.2009	to be disbursed
A. Pre-Accession Countries	8 700	5 262	4 184
B. Neighbourhood and partnership countries	12 400	4 262	3 117
C. Asia and Latin America	3 800	1 921	1 141
D. South Africa	900	483	443
	25 800	11 928	8 884

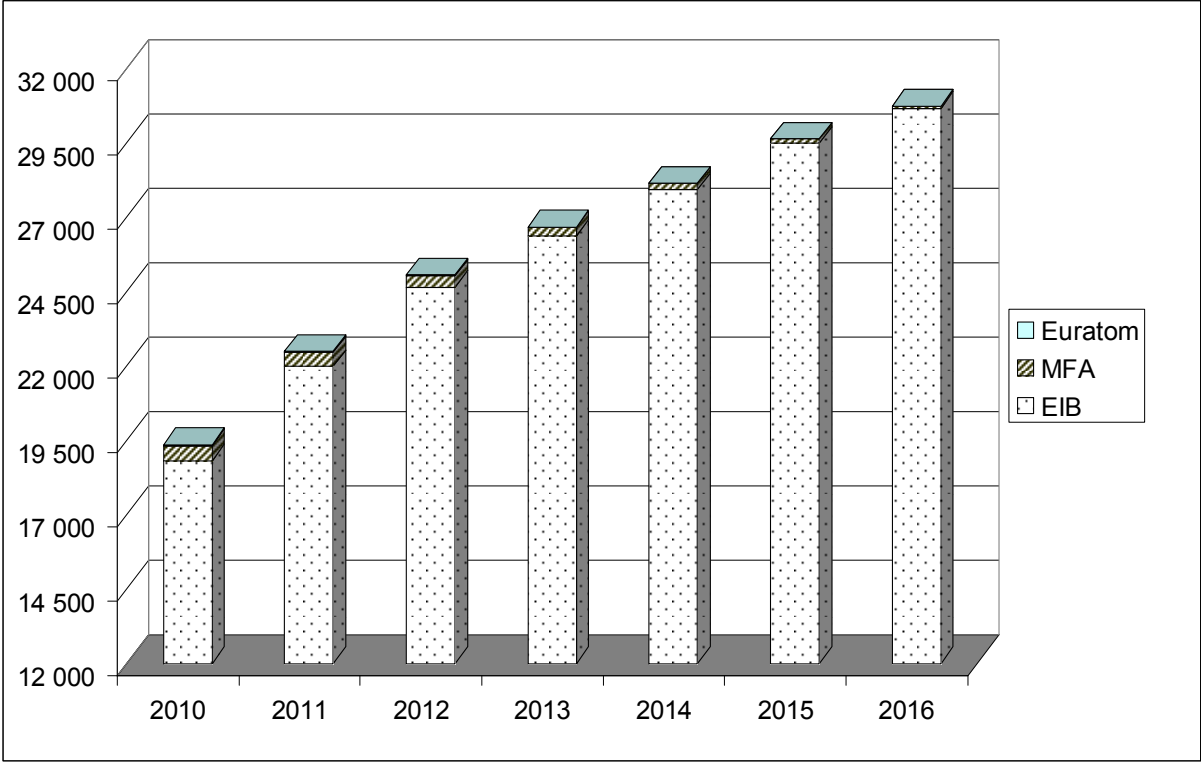
*the current mandate only covers the period until 31 October 2011.

Graph A2: Total Annual Risk borne by the Budget in EUR million based on the amounts (capital and interest) due under all operations (MFA, Euratom and EIB) disbursed at 31.12.2009 with third countries (EUR million).



Graph A3 presents the result of simulations of disbursement scenarios under the mandates preceding the current EIB external mandate, as well as under the current mandate, established for the period 1 February 2007—31 October 2011 by Decision No 633/2009/EC of the European Parliament and of the Council. The rhythm of disbursements has a strong impact on the amount of the provisioning of the Fund in future years.

Graph A3: Estimated outstanding amount covered by the Fund from 2010 to 2016 (EUR million).



1.4. Payment under the Budget guarantees

1.4.1. Borrowing/lending operations

The EU borrows on the financial market and on-lends the proceeds (back-to-back) to Member States (balance of payments), third countries (macro-financial assistance) or utility companies (Euratom).

The loan repayments are scheduled to match the repayments of the borrowings due from the EU. If the recipient of the loan is in default, the Commission will first draw on its own cash resources to ensure a timely repayment of the EU borrowing on the contractual due date.

Should the amounts needed for the necessary cash coverage exceed, in a certain period or date, the available Commission's treasury balances, the Commission would, in accordance

with Article 12 of Council Regulation 1150/2000⁵, draw on additional cash resources from the Member States in order to fulfil its legal obligations towards its lenders.

In the case of BoP loans, where reimbursed amounts can be very high, the beneficiary Member States are requested to deposit the amounts due at the European Central Bank seven business days in advance of the contractual due date. This gives enough time for the Commission and Member States to provide for the cash advance to ensure timely repayment in case of default.

In a second step, the treasury situation will be regularised as follows:

Euratom and MFA loans:

- a) if the payment delay reaches three months after the due date, the Commission draws on the Fund to cover for the default and obtain the necessary funds to replenish its treasury.
- b) the Commission might also need to draw on the Budget, most likely by means of a transfer to provide the corresponding Budget line under article "01 04 01 European Community guarantees for lending operations" with the necessary appropriations needed to cover the default. This method is used when there are insufficient appropriations in the Fund or if the borrower is a Member State⁶ and the transfers are likely to require advance authorisation by the budgetary authority
- c) by the re-use of recovered funds, if any.

Balance of Payments (BoP) loans:

- a) by the re-use of funds from late payments
- b) the Commission may also need to propose a transfer or an Amending Budget to budget the cash advance under the corresponding budget line "01 04 01 01 European Community guarantee for Community loans raised for balance-of-payment-support".

1.4.2. Guarantees given to third parties

The EU provides a guarantee in respect of financing granted by the EIB under the external mandates. When the recipient of a guaranteed loan fails to make a payment on the due date, the EIB asks the Commission to pay the amounts owed by the defaulting entity in accordance with the relevant guarantee agreement. The guarantee call must be paid within three months of receiving the EIB's request, either from the Fund or directly from the Budget (should the resources of the Fund be insufficient). The EIB administers the loan with all the care required by good banking practice and is obliged to seek to recover the payments due after the guarantee has been activated.

⁵ Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p.1-12) implementing Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of European Communities' own resources (OJ L 163, 23.6.2007, p. 17-21).

⁶ Regarding the loans and loans guaranteed to accession countries, they were covered by the Guarantee Fund and remained outstanding after the date of accession. From that date, they ceased to be external actions of the Union and are therefore covered directly by the Budget.

Since the entry into force of the Regulation establishing the Guarantee Fund for external actions⁷, the provisions of the Agreement between the EU 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 authorise the Bank to withdraw the corresponding amounts from the 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, see 1.4.1 above.

1.4.3. Activation of Budget guarantees

If a borrower defaults on an EIB financing operation guaranteed by the Budget, the EU guarantee is called upon at the earliest three months after the date on which payment has fallen due. The EU will act within three months of receiving such a letter from the EIB calling for the guarantee to be activated, authorising the EIB to take the corresponding amounts from the Fund if the beneficiary is a non-Member State or to receive payment from the Budget if the beneficiary is a Member State (see 1.4.2 above).

For loans granted by the EU or Euratom, default interest is owed by loan beneficiaries for the time between the date on which cash resources are made available by the Budget and the date of repayment to the Budget. For EIB loans, default interest is calculated during the period between the due date of a defaulted loan instalment and the date of receipt of the cash resources by the EIB from the Commission. From the date of payment to the EIB, default interest is due to the Commission.

⁷ Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (codified version), the "Guarantee Fund Regulation" (OJ L 145, 10.6.2009, p.10).

2. COUNTRY-RISK EVALUATION

Third countries representing important risks to the Budget in 2010, notably through EU macro-financial assistance, Euratom loans or guaranteed EIB projects related financing, and either categorised as “severely indebted” according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation . The evaluation presented below comprises short analyses and tables of risk indicators.

Explanatory notes for country-risk indicators

Standard footnotes

- 1) Includes only EU and EIB loans (outstanding disbursements) to CEEC, NIS and MED.
- 2) The higher the ranking number, the lower the creditworthiness of the country.

Countries are rated on a scale of zero to 185; 185 represents the least risk of default. A given country may improve its rating and still fall in the ranking if the average global rating for all rated countries improves.

Abbreviations and English words used in tables

S&P	Standard and Poor's
CCFF	Compensatory and Contingency Financing Facility
EFF	Extended Fund Facility
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
SBA	Stand-By Arrangement
STF	Systemic Transformation Facility
est.	Estimates
m EUR	EUR million
bn USD	USD billion
n.a.	not available

2.1. Candidate countries

2.1.1. Turkey

The economic crisis hit Turkey markedly in 2008 and 2009. After having decelerated to 0.7% in 2008, real GDP growth fell by 4.7% y-o-y in the first half of 2009. Collapsing external demand led to a double-digit decline of exports while a lower availability of external financing and domestic credit depressed private consumption and investment. The recession bottomed out in the first quarter of 2009, and the economy is recovering more strongly than anticipated, in large part due to the fiscal stimulus. Overall, economic output is expected to decline by about 5% in real terms in 2010.

The trade and current deficits declined substantially in 2009 as imports shrunk by more than 25% in volume terms and the terms of trade improved on lower oil and commodity prices. Both the public and private sector continued to roll-over external debt at reasonable rates despite the decline in economic activity and tighter domestic lending conditions.

Gross FDI inflows fell from 2.4% of GDP in 2008 to about 1% of GDP 2009. Turkey's external debt declined by about 2% in nominal terms in 2009 and currently amounts to about 33% of GDP. Private external debt represents two thirds of the total debt and is also on a declining trend. International reserves fell by about 2% to EUR 78 billion but still cover about 5 months of imports. As a result of the improved risk-appetite for emerging markets in 2009, the domestic currency recovered some of the losses incurred previously against the USD and the EUR.

Country-risk indicators: <u>Turkey</u>		2007	2008	2009
Output and prices				
Real GDP growth rate	(%)	4.7	0.7	-4.7
Unemployment (end of period)	(% labour force)	10.6	11.0	14.0
Inflation rate (CPI) (Dec/Dec)	(% change)	8.4	10.1	6.5
General government balance				
	(% of GDP)	-1.0	-2.2	-6.7
Balance of payments				
Exports of goods and services	(m €)	105 598	119 607	102 519
Current account balance	(% of GDP)			
Net inflow of foreign direct investment	(m €)	14595	10723	4374
Official reserves, including gold (end of period)				
m EUR		72208	79235	78167
months' imports of goods and services		5.0	5.0	5.0
Exchange rate (end of period)	(TL per €)	1.72	1.90	2.20
External debt				
External debt (end of period)	(m €)	183 692	208 203	203 000
External debt/GDP	(%)	28.3	28.1	32.9
Debt service/exports of goods and services	(%)	33.7	29.0	35.6
Arrears (on both interest and principal)	(m €)	no	no	no
Debt relief agreements and rescheduling		no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2285	4848	5705
EU exposure/total EU exposure	(%) (1)	22.4	34.5	35.1
EU exposure/external debt	(%)	1.8	3.2	4.0
EU exposure/exports of goods and services	(%)	3.2	5.6	8.0
IMF arrangements				
Type		SBA	SBA	none
(Date)		(05/08)	(until 05/08)	
On track		yes	yes	
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BB-	BB-	BB-
Euromoney		03/07 09/07	03/08 09/08	03/09 09 /09
Position in the ranking	(2)	72 68	69 76	68 67
(number of countries)		(185) (185)	(185) (186)	(186) (186)

(1) (2) See explanatory notes

2.2. Potential candidate countries

2.2.1. Serbia

Severely strained by the impact of the global recession, Serbia's GDP shrank by 3% in real terms in 2009, down from 5.5% in 2008. Economic growth turned negative as domestic demand – which was the driving force of the economy over the past year – contracted very substantially. The trade deficit remained relatively high at slightly over 15% of GDP, against 20% in GDP in 2008. The balance of payments position improved thanks to a record inflow of remittances of EUR 2.6 billion as well as the agreement with foreign parent banks to maintain their exposure at the 2008 level and IMF funding. Given the repercussions of the global crisis on the economic situation and outlook, Serbia's economic stabilisation and recovery has been supported by an IMF Stand-By Arrangement since January 2009. The conclusions of the third review in February 2010 were positive and the third tranche of the loan of EUR 360 million was made available for release in May. The authorities decided to draw only half of the planned instalment, which brings total disbursements under the current programme at about EUR 1.3 billion. In line with the IMF conditions, the government has put in place a number of fiscal expenditure measures.

In 2009, Serbia's fiscal position deteriorated, with the general government deficit estimated to have increased to 4.2% of GDP from 2.5% in 2008 and public debt up at 31.3% of GDP from 25.6% in 2008. On the other hand, inflationary pressures eased somewhat during 2009. By December, CPI inflation declined to 6.6% year-on-year (8.6% in 2008), mainly due to weak aggregate demand following the freeze of public sector wages while the pass-through of the exchange rate depreciation (the dinar lost 25% of its nominal value against the euro between 2008–2009) has been limited.

Country-risk indicators : <u>Serbia</u>		2007	2008	2009	
Input and prices					
Real GDP growth rate	(%)	6.9	5.5	-3.0	
Unemployment (end of period)	(% labour force)	18.8	14.7	17.4	
Inflation rate (RPI) (Dec/Dec)	(% change)	11.0	8.6	6.6	
General government balance		(% of GDP)	-2.0	-2.5	-4.2
Balance of payments					
Exports of goods and services	(m €)	8 686	10 157	8 478	
Current account balance	(% of GDP)	-15.5	-17.1	-5.7	
Net inflow of foreign direct investment	(m €)	1 821	1 824	1 372	
Official reserves, including gold (end of period)					
m EUR		10 882	9 110	12 027.0	
months' imports of goods and services		6.3	7.7	9.6	
Exchange rate (end of period)	(CSD per €)	79.24	88.60	95.90	
External debt					
External debt (end of period)	(m €)	17 718	21 725	22 713	
External debt/GDP	(%)	60.2	63.6	72.3	
Debt service/exports of goods and services	(%)	no	42.8	57.7	
Arrears (on both interest and principal)	(m €)	1 763	2 161	no	
Debt relief agreements and rescheduling	(a)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	812	1194	1318	
EU exposure/total EU exposure	(%) (1)	8.0	8.5	8.1	
EU exposure/external debt	(%)	4.5	5.6	5.8	
EU exposure/exports of goods and services	(%)	12.6	16.1	15.5	
IMF arrangements					
Type		no	no		
(Date)				01 (05 rev.) 2009	
On track				yes	
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		none	none	none	
S&P long-term foreign currency rating (end of period)	(b)	BB-	BB- (negative)	BB- (stable)	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	87 87	88 126	122 149	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(a) In November 2001, the Paris Club creditors agreed on a highly concessional two-phased debt restructuring of 66% in NPV terms.

The first phase (51%) became effective in May 2002 when the IMF adopted the new three-year Extended Arrangement (EA); the second phase (15%) will become effective upon successful completion on the EA.

(b) Serbia B+, Montenegro BB.

(1) (2) See explanatory notes

2.3. Mediterranean partners

2.3.1. Jordan

Following a strong performance in 2008, GDP growth dipped to 2.4% in 2009. Exports fell 2% compared to 2008 while investment declined slightly driven by a decline in FDI from surrounding Arab states as oil earnings shrunk. The slowdown affected growth in a number of sectors, particularly construction, real estate, and export industries. Private consumption growth slowed to 2.5% in 2009, due in part to a slackening labour market and falling remittances. The government deficit expanded to 12% of GDP, both on account of a fall in tax revenue and an increase in capital spending. Despite the slowdown, official unemployment only rose slightly given the large number of migrant workers in the sectors most affected who are ineligible for benefits.

Inflation, which had been declining since the third quarter of 2008, went into negative territory in the second quarter of 2009 before gradually increasing. Annual average CPI for 2009 was 2.7% compared to 14.9% in 2008. Both trade and current account balances narrowed, mainly on account of lower commodity prices. The current account deficit fell from 11.9% of GDP in 2008 to 6% of GDP in 2009. Jordan's banking sector has not been seriously affected by the global crisis on account of limited exposure to international property and equity markets. As a precautionary measure, the government guaranteed all bank deposits until the end of 2009. There are early signs that growth in the economy will recover in 2010, as exports and investment have started to increase, while public finances are set to be tightened. GDP growth is predicted to accelerate slightly to 2.7% in 2010. The current account deficit is expected to remain at around 6% of GDP in 2010, supported by strong growth in the tourism sector. The fiscal stance is expected to be tightened as the government intends to reign in current expenditure with the deficit predicted to be 11% in 2010. Inflation is projected to rise to around 5%, on average, for 2010 mainly due to the reversal in international commodity prices.

Country-risk indicators : Jordan		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	6.6	5.6	3.1	
Unemployment (average)	(% labour force)	13.1	12.7	13.5	
Consumer price Inflation (average)	(% change)	5.7	9.4	6.7	
General government balance		(% of GDP)	-8.2	-9.9	-12.9
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	6.4	7.2	7	
Current account balance	(% of GDP)	-17.0	-11.9	-6.8	
Net inflow of foreign direct investment	(bn USD)	2.1	1.8	n.a.	
Official reserves, including gold (end of period)					
bn USD		7.9	8.9	10.2	
in months of next years imports of goods and services		8.5	9	10	
Exchange rate (end of period)	(JOD per USD)	0.7	0.7	0.7	
External debt					
External debt (end of period)	(bn USD)	7.4	5.2	5	
External debt/GDP	(%)	49.2	30.0	30.8	
Debt service/exports of goods and services	(%)	no	no	no	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
External debt (end of period)	(bn USD)	302	299	369	
EU exposure/total EU exposure	(%) (1)	3.0	2.1	2.3	
EU exposure/external debt	(%)	2.8	4.1	5.1	
EU exposure/exports of goods and services	(%)	6.9	5.8	7.6	
IMF arrangements					
Type		no	no	no	
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		Ba3	Baa3	Ba2	
S&P long-term foreign currency rating (end of period)		BB	BB	BB	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	75 74	74 75	73 69	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes

2.3.2. *Egypt*

Egypt was affected in 2009 by the global crisis via the external trade and services channels. In line with the sharp drop in world trade, exports of Egyptian goods slowed down; in addition, the decline in income from tourism and the Suez Canal negatively impacted the Egyptian economy. While economic growth was mainly fuelled by investment and exports in the years before 2009, private and government consumption were the main drivers in 2009.

Although gross government debt is still high at 73% of GDP, general government public finances have deteriorated only slightly despite the lower economic growth. Reforms in tax collection have improved tax revenues. Moreover, the general government debt was on a clear declining path when the crisis started. The government deficit in fiscal year 2009 was 6.9% and will be around 8% of GDP in 2010. High unemployment remains a serious concern. About 9% of the labour force is unemployed. The relatively fast population growth is one reason for persistent unemployment. Also, a surge in wages has hampered the creation of jobs. Job creation is essential for absorbing the continuing high annual inflow into the labour force and the pool of existing unemployed. Youth employment remains high.

After several years of surplus, the current account balance became negative in 2009. Revenues from tourism, private transfers, remittances and the Suez Canal no longer compensated for the trade deficit. Net FDI more than halved from 7.5% of GDP in 2008 to 3.5% in 2009. The negative current account and lower foreign direct investments pushed the balance of payments into deficit in 2009.

The currency regime is a managed float. The central bank pursues an inflation targeting regime. In support of the Egyptian pound, the central bank intervened occasionally in the foreign exchange market. Nonetheless, official foreign exchange reserves remained stable during the crisis, and are also expected to reach more than 15% of GDP in 2010.

Country-risk indicators: <u>Egypt</u>		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	7.1	7.2	4.7	
Unemployment (average)	(% labour force)	10.3	8.9	9.1	
Consumer price Inflation (average)	(% change)	11.0	11.7	16.2	
General government balance		(% of GDP)	-7.7	-7.8	-6.9
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	42	57	49	
Current account balance	(% of GDP)	1.7	0.5	-0.4	
Net inflow of foreign direct investment	(bn USD)	10.6	7.0	2.8	
Official reserves, including gold (end of period)					
bn USD		31.4	33.8	34.2	
in months of next years imports of goods and services		5.3	6.7	5.8	
Exchange rate (end of period, + is depreciation of LE)	(LE per EUR)	7.5	8.1	7.6	
External debt					
External debt (end of period)	(bn USD)	32.8	32.6	29.7	
External debt/GDP	(%)	22.8	20.1	17.0	
Debt service/exports of goods and services	(%)	6.4	5.6	6.8	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	1680	2141	2241	
EU exposure/total EU exposure (a)	(%) (1)	16.5	15.2	13.8	
EU exposure/external debt	(%)	8.3	8.8	5.2	
EU exposure/exports of goods and services	(%)	5.8	5.3	6.6	
IMF arrangements					
Type		no	no	no	
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	Ba1	
S&P long-term foreign currency rating (end of period)		BB+	BB+	BB+	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	71 69	68 68	70 70	
(number of countries)		(185) (185)	(185) (186)	186 186	

Footnotes

(1) (2) See explanatory notes

2.3.3. *Lebanon*

The Lebanese economy had a quite robust performance in 2009, in spite of the global financial crisis. Real GDP growth is estimated at 5.5% on average in 2009, from 8.5% in 2008. The financial sector proved remarkably resilient to the politically uncertain environment, with a government of national unity only formed towards the end of 2009. Trade volumes decelerated from the beginning of 2009 onwards, mirroring the slowdown in major trading partners, notably Arab countries and the countries in the EU, which account for around 50 and 17 percent of Lebanese exports respectively. Persistently high interest rate spreads to international benchmarks kept financing costs up.

But several other factors acted in support of the economy. Inflationary pressures abated sharply from the latter part of 2008. Consumer price inflation fell from more than 10% in 2008 to around 1% in 2009. In addition, despite a clear negative impact of the crisis on tradable industries (exports contracted by 18%) the Lebanese banking system has been quite resilient. Share prices also recovered from the trough in spring 2009, in line with global trends. The current account deficit broadly stabilised in 2009, at around 11% of GDP. The total external debt ratio declined only moderately in the last few years, to 187% of GDP in 2009.

The government budget balance (including grants) is expected to have broadly stabilised at around 10% of GDP in 2009. Total public expenditure increased by around 15%, of which is a large part is going to service the public debt. International support did help alleviate the pressure on public finances. This included the first tranche of grants and loans (EUR 15 and EUR25 million respectively) under the EU macro financial assistance (MFA) facility (payments were made in December 2008 and May 2009 and will be primarily used for debt reduction).

In 2010, real GDP growth is expected to slow down to slightly above 2%. The high cost of credit will weigh on private consumption and investment spending. Inflation would pick up moderately to 2.4 on average in 2010. Key fiscal ratios are not expected to improve markedly, whereas the deficit on the current account is projected to remain at around 10% of GDP.

Country-risk indicators: <u>Lebanon</u>		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	7.5	8.5	5.5	
Unemployment rate (average)	(% labour force)	n.a.	n.a.	n.a.	
Inflation rate (CPI, av)	(% change)	4.1	10.8	1.1	
General government overall balance		(% of GDP)	-10.8	-10.0	-10.5
Balance of payments					
Exports of goods and services	(m USD)	4077	5259	4838	
Current account balance	(% of GDP)	-7.1	-11.4	-11.3	
Net inflow of foreign direct investment	(m USD)	1.875	2.608	2.8	
Official reserves, including gold (end of period)	(gross useable)				
m USD		19.80	25.94	34.67	
months' imports of goods and services		4.9	7.7	9.7	
Exchange rate (av)	(£ per USD)	1508	1508	1508	
External debt					
External debt (end of period)	(m USD)	48 500	54 791	61 149	
External debt/GDP	(%)	194	187.0	187.0	
Debt service/exports of goods and services	(%)	41	33.6	no	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
External debt (end of period)	(bn USD)	354	508	539	
EU exposure/total EU exposure	(%) (1)	3.5	3.6	3.3	
EU exposure/external debt	(%)	0.5	0.7	0.6	
EU exposure/exports of goods and services	(%)	12.8	13.4	16.0	
IMF arrangements					
Type		no	EPCA II		
(Date)			adopted 3-11		
On track			yes (concluded June 2009)		
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		B3	B 3	B2	
S&P long-term foreign currency rating (end of period)		B-	B-	B-	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	111 116	127 134	102 80	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes

2.3.4. Tunisia

Despite the global financial and economic crisis, the performance of the Tunisian economy remained overall robust in 2009. Economic growth slowed down to 3.0% in 2009, from 4.6% in 2008 and is expected to accelerate to 3.7% in 2010. During the global recession the Tunisian economy suffered via the trade channel from the lower global demand, in particular from the drop in EU activity.

During the global crisis macroeconomic measures, both fiscal and monetary policies supported the economy. To offset the fall in private investment linked to the global crisis, national authorities put in place a stimulus package of 1.3% of GDP destined mainly for public investment in infrastructure, education, energy and health.

The expansionary fiscal policy and a fall in tax revenues meant that the fiscal deficit increased from -0.8% of GDP in 2008 to 6.3% in 2009. Public debt slightly increased, from 47% of GDP in 2008 to 53% in 2009. Expectations are that the deficit will narrow to 5.2% in 2010, while the debt stock will further increase to 56%. Tunisia's public finance position has become more vulnerable in view of the rising debt stock, and the relatively high foreign debt (more than 50% in 2010).

Consumer price inflation remained remarkably stable at 4%. The authorities remain committed to adopting a formal inflation targeting regime. The Tunisian dinar remains pegged to a basket of currencies with the euro having the largest share. The dinar depreciated 4% vis-à-vis the euro and 10% vis-à-vis the US dollar in 2009, which helped limit the decline in Tunisian exports. Nonetheless, due to lower exports the current account balance widened in 2009 and is expected to widen further in 2010 up to almost 7% of GDP. Gross reserves are expected to reach 30% of GDP in 2010.

Country-risk indicators : Tunisia		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	6.3	5.0	2.5	
Unemployment (average)	(% labour force)	14.1	14.0	14.3	
Consumer price inflation (average)	(% change)	3.1	5.1	3.8	
General government balance		(% of GDP)	-2.9	-1.2	-3.8
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	15.0	19.2	15.1	
Current account balance	(% of GDP)	-2.6	-4.2	-3	
Net inflow of foreign direct investment	(bn USD)	1.5	2.3	1.3	
Official reserves, including gold (end of period)					
bn USD		7.9	8.9	10.2	
in months of next years imports of goods and services		4.6	4.1	4.2	
Exchange rate (end of period)	(TD per USD)	1.27	1.31	1.35	
External debt					
External debt (end of period)	(bn USD)	20.4	20.7	19.9	
External debt/GDP	(%)	54.9	51.8	51.2	
Debt service/exports of goods and services	(%)	16.5	11.0	22.4	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	1 562	1 683	1900	
EU exposure/total EU exposure	(%) (1)	15.3	12.0	11.7	
EU exposure/external debt	(%)	11.3	11.3	13.8	
EU exposure/exports of goods and services	(%)	15.3	12.2	18.1	
IMF arrangements					
Type		no	no	no	
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		Baa2	Baa2	Baa2	
S&P long-term foreign currency rating (end of period)		BBB	BBB	BBB	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	62 64	62 64	53 52	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes

2.3.5. Morocco

Morocco showed strong resilience to the global crisis and attained investment grade status in 2009. GDP growth only moderated to 5.2% in 2009 from 6.2% in 2008, while it is expected to dip slightly in 2010, to 4.1% of GDP, partly restrained by higher import prices. The crisis mainly affected the external side of the economy in 2009, with a negative impact on exports, particularly phosphate-based products, tourism, remittances and inward investment. Exports fell by 10% compared to a year earlier. On the other hand, a wider slowdown was averted due in part to strong growth in the agricultural sector on account of a bumper harvest. Private consumption continued to grow at 8% in 2009 partially supported by an expansion in public finances as well as a decline in unemployment. Unemployment continued to fall to a record low level of 9%, but could rise again quickly as many new jobs were the result of seasonal hiring in the large agricultural sector, which accounts for about 15% of GDP and employs around 40% of the workforce.

After registering a mild surplus in 2008, the general government balance turned negative in 2009 mainly on account of lower tax revenues from slowing economic activity and reductions to personal and corporate income tax, as well as an increase in capital expenditure. The government proceeded with an extensive social housing programme providing a boost to investment. On the other hand, these factors were partly compensated for a significant decline in spending on subsidies, due to the fall in international commodity prices and better targeting of food subsidies. The budget deficit was 2.1% of GDP for 2009, while this is expected to widen to 4.3% in 2010 on account of further reductions in taxation and increased spending on subsidies. Despite the fiscal expansion, the level of government debt fell slightly, to 55% of GDP, due to firm growth in the economy.

Since the end of 2008, the CPI has been gradually declining driven by a reversal in commodity prices. The CPI was around 1% on average for 2009 compared to 3.9% in 2008. The current exchange rate regime is tightly managed against a euro-dominated basket of currencies. The authorities have taken gradual steps to lessen currency controls with the prospect of introducing a fully floating currency in the future. The current account deficit narrowed in 2009 to -3.7% of GDP due to a marked improvement in the trade balance, influenced by lower oil and wheat prices. This follows a consistent deterioration of the current account since 2007 due to a widening trade deficit, linked to a narrow export base and weak competitiveness. The current account deficit is expected to widen in 2010 to -6.5% of GDP, as the acceleration in imports outpaces that in exports.

Country-risk indicators: Morocco		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	3.2	6.2	2.6	
Unemployment (average)	(% labour force)	9.8	9.5	9.1	
Wholesale price Inflation (average)	(% change)	2.0	3.8	2	
General government balance		(% of GDP)	0.2	0.4	-1.1
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	24.4	23.2	21.5	
Current account balance	(% of GDP)	-0.3	-6.6	-4.2	
Net inflow of foreign direct investment	(bn USD)	2.2	2	0.7	
Official reserves, including gold (end of period)					
bn USD		24.7	22.7	21.5	
in months of next years imports of goods and services		10.0	9	8.8	
Exchange rate	(MDH per USD)	7.7	8.1	7.85	
External debt					
External debt (end of period)	(bn USD)	20.5	20.8	21.1	
External debt/GDP	(%)	26.8	22.5	22.2	
Debt service/exports of goods and services	(%)	8.0	6.5	6.6	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	1275	1929	2224	
EU exposure/total EU exposure	(%) (1)	12.5	13.7	13.7	
EU exposure/external debt	(%)	N/A	N/A	N/A	
EU exposure/exports of goods and services	(%)	30.3	N/A	N/A	
IMF arrangements					
Type		no	no	no	
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		Ba1	Ba1	Ba1	
S&P long-term foreign currency rating (end of period)		BB+	BB+	BB+	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	65 65	66 63	63 54	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes

2.3.6. Syria

After achieving average real GDP growth above 5% over the last three years, despite a drought in the north-east of the country, growth dipped to 3.6% of GDP in 2009. This was mainly due to the impact of the global economic crisis which hit export demand and inward investment. Export earnings declined by around 25% in 2009 and are expected to only gradually recover in 2010 due to lower agricultural prices. Inward investment fell driven by a decline in FDI from the Gulf region. Remittances also fell as the employment market for Syrians working overseas deteriorated. The agricultural sector grew strongly in 2009 albeit from a low base produced by two years of contraction due to drought. This partially compensated for a decline in industrial output. Private consumption growth accelerated, however, in part due to an expansionary fiscal stance. The government deficit expanded to 5.7% of GDP mainly due to a sharp fall in tax revenue due to falling oil production. Fuel subsidies have been substantially reduced but remain a fiscal burden. The public debt stock remained low at 33.7% of GDP in 2009 and is expected to remain near that level in 2010.

Consumer price inflation declined in 2009 mainly on account of the drop in global demand and associated lower global commodity prices. In some months there was even deflation. On average, the CPI reached almost 3% in 2009. Inflation is however rising again strongly and is expected to average 6.5% in 2010. The exchange rate depreciated 8% vis-à-vis the US dollar and 13% vis-à-vis the euro in 2009. Trade and current account balances deteriorated, largely driven by the fall in the volume of crude oil exports and lower remittances. The only positive factor in the development of the current account was an increase in the balance of services due to continued growth of the tourism sector. The current account deficit is expected to narrow in 2010.

Country-risk indicators : Syria		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	5.7	4.3	2.9	
Unemployment (average)	(% labour force)	8.4	8.6	9.2	
Consumer price Inflation (retail, average)	(% change)	4.5	15.2	2.8	
General government balance		(% of GDP)	-3.1	-1.9	-7.0
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	13.6	17.0	11.8	
Current account balance	(% of GDP)	1.1	-1.4	-2.8	
Net inflow of foreign direct investment	(bn USD)	1.1	2.1	1.9	
Official reserves, including gold (end of period)					
bn USD		6.4	6.7	6.0	
in months of next years imports of goods and services		11.6	9.4	10.4	
Exchange rate (end of period)	(SYR£ per USD)	51.1	46.0	45.5	
External debt					
External debt (end of period)	(bn USD)	5.9	5.7	5.5	
External debt/GDP	(%)	14.5	10.5	10.4	
Debt service/exports of goods and services	(%)	1.2	0.8	0.9	
Arrears (on both interest and principal)	(m USD)	no	no	no	
Debt relief agreements and rescheduling	(m USD)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	378	536.1	762.8	
EU exposure/total EU exposure	(%) (1)	3.7	3.8	4.7	
EU exposure/external debt	(%)	9.4	13.1	20.0	
EU exposure/exports of goods and services	(%)	4.1	4.4	9.3	
IMF arrangements					
Type		no	no	no	
(Date)					
On track					
Indicators of market's perception of creditworthiness					
Moody's long-term foreign currency rating (end of period)		none	none	none	
S&P long-term foreign currency rating (end of period)		none	none	none	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking		124 122	116 115	163 149	
(number of countries)	(2)	(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes

2.4. Other countries

2.4.1. South Africa

South African real GDP contracted by 1.8% in 2009. This was accompanied by a sharp decline in employment in the private sector and a rising unemployment rate. Economic growth recovered from negative rates in the first half of 2009 to a small positive rate in the

third quarter that strengthened considerably in the last quarter. For 2010 a growth rate of 2¾ percent can be expected. Inflation came down to 7.1% in 2009 after and should remain within the 3-6% target band in the medium term, despite some base effects that are likely to affect adversely the inflation outcomes in the short term. Domestic consumption expenditure remains weak and there are no perceived risks to the inflation outlook from this source. The public-sector borrowing requirement was budgeted to amount to R288 billion in fiscal year 2009/10 and projected to rise slightly further in 2010/11. The countercyclical widening of the general government deficit in response to deterioration in the economic outlook contributed to the increased borrowing requirement.

Both import and export volumes rose at the end of 2009. At the same time, South Africa's terms of trade improved, which contributed to a modest increase in the trade surplus and a narrowing of the current account deficit to slightly below 3% of GDP. As before, the current account deficit was financed with ease, most prominently through inward portfolio investment flows, allowing for a further moderate accumulation of gross official foreign reserves (\$42 billion in March). The value of the rand rose strongly from March till October 2009.

Country-risk indicators: <u>South Africa</u>		2007	2008	2009
Output and prices				
Real GDP growth rate	(%)	5.1	3.1	-1.8
Unemployment (end of period)	(% labour force)	22.7	21.9	24.5
Inflation rate (CPI) (Dec/Dec)	(% change)	7.1	11.5	7.1
General government balance		(% of GDP)	0.8	-0.7
Balance of payments				
Exports of goods and services	in bn US \$	89.2	97.9	78
Exports of goods and services	(m €)	65074	66562	56094
Current account balance	(% of GDP)	-7.3	-7.1	-4.0
Net inflow of foreign direct investment	(m €)	1922	8578	2972
Official reserves, including gold (end of period)		\$33,0bn	\$34,1bn	\$39,7bn
m EUR		45234	50154	55203
months' imports of goods and services		3.7	4.6	4.6
Exchange rate (end of period)	(SAR per EUR)	10.04	12.08	11.71
External debt				
External debt (end of period)	(m €)	55532	48689	57722
External debt/GDP	(%)	26.6	25.9	27.3
Debt service/exports of goods and services	(%)	9.7	9.6	9.6
Arrears (on both interest and principal)	(m €)	no	no	no
Debt relief agreements and rescheduling		no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	666	636	743
EU exposure/total EU exposure	(%) (1)	6.5	4.5	4.6
EU exposure/external debt	(%)	1.2	1.3	1.3
EU exposure/exports of goods and services	(%)	1.1	0.9	1.4
IMF arrangements				
Type		no	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa1	Baa1	A3
S&P long-term foreign currency rating (end of period)		BBB+	BBB+	BBB+
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09
Position in the ranking	(2)	55 55	55 54	50 47
(number of countries)		(185) (185)	(185) (186)	(186) (186)

Footnotes

(1) (2) See explanatory notes

2.4.2. *Brazil*

Despite Brazil's initial resilience to the global crisis, its economy was significantly impacted in 2009 through weaker external demand, lower commodity prices and stressed financial markets. However, economic activity bottomed out quite rapidly and started recovering in at the end of 2009. In 2010, growth is expected to turn to pre-crisis levels. By contrast, the economic recovery will improve the public sector balance, as fiscal revenue will rise. Overall, the fiscal deficit is forecast to improve from -3.3% of GDP in 2009 to around -2.4% in 2010. Monetary policy will face the challenge to curb mounting inflationary pressures. On the financial markets scene, equity markets have substantially recovered, international markets have reopened for the Brazilian sovereign and corporates and financial conditions have significantly improved.

The recovery of global risk appetite has led to a surge in capital inflows, particularly portfolio inflows, while foreign direct investment, which had fallen more moderately during the crisis, also started recovering already in 2009. The Brazilian currency has also strongly recovered from sharp depreciations in 2008/2009. Finally, current low external debt, large international reserves (amounting to above USD 240bn) and well capitalised financial institutions should help the government to roll over the external debt due in 2010.

Country-risk: <u>Brazil</u>		2007	2008	2009	
Output and prices					
Real GDP growth rate	(%)	5.4	5.1	-0.2	
Unemployment (average)	(% labour force)	9.3	6.8	7.4	
Consumer price Inflation (average)	(% change)	4.5	5.9	4.3	
General government balance		(% of GDP)	-2.1	-1.9	-3.5
Balance of payments					
Exports of goods and services f.o.b.	(bn USD)	116800	140539	110072	
Current account balance	(en % du PIB)	0.3	-1.7	-1.5	
Net inflow of foreign direct investment	(m €)	25246	17468	18668	
Official reserves, including gold (end of period)					
bn USD		131127	137585	166787	
in months of imports of goods and services		14	13	22	
Exchange rate (end of period, + is depreciation of LE)	(reais per €)	2.6	3.3	2.5	
External debt					
External debt (end of period)	(m €)	177960	170094	142533	
External debt/GDP	(%)	14.1	12.1	12.6	
Debt service/exports of goods and services	(%)	32	19	28	
Arrears (on both interest and principal)	(m €)	no	no	no	
Debt relief agreements and rescheduling	(m €)	no	no	no	
Indicators of EU exposure					
EU exposure (capital and interest due)	(m EUR)	443	621	691	
EU exposure/total EU exposure	(%) (1)	4.4	4.4	4.3	
EU exposure/external debt	(%)	0.3	0.3	0.3	
EU exposure/exports of goods and services	(%)	0.4	0.4	0.9	
IMF arrangements					
Type		No	No		
(Date)				22/01/2010	
On track				2 years	
Indicators of markets' perception of 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+	BBB-	BBB-	
Euromoney		03/07 09/07	03/08 09/08	03/09 09/09	
Position in the ranking	(2)	67 66	63 60	51 48	
(number of countries)		(185) (185)	(185) (186)	(186) (186)	

Footnotes

(1) (2) See explanatory notes