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**REPORT FROM THE COMMISSION  
TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT  
ON THE BORROWING AND LENDING ACTIVITIES OF THE COMMUNITY IN  
2002**

## TABLE OF CONTENTS

INTRODUCTION.....	3
1. BORROWING ACTIVITIES IN 2002.....	4
1.1. Community issues.....	4
1.2. Trends in borrowing.....	4
2. LENDING IN NON-MEMBER COUNTRIES.....	5
2.1. Overview.....	5
2.2. The Community's macrofinancial assistance.....	6
2.3. EIB lending in 2002 in Central and Eastern Europe, the Mediterranean, Asia & Latin America and Republic of South Africa.....	8
2.3.1. EIB Objectives and Priorities.....	8
2.3.2. Lending Activity.....	11
2.3.3. Risk-sharing.....	16
2.3.4. Cooperation with other institutions.....	18
2.4. Signatories of the Lomé Convention-Lending Activity.....	26
3. BUDGETARY IMPACT OF LENDING.....	27
3.1. Budget guarantees.....	27
3.2. Interest subsidies.....	28
3.3. Venture capital.....	28
4. STATISTICAL ANNEX.....	29

## INTRODUCTION

1. The Council decisions establishing the various Community lending instruments require the Commission to inform the Council and Parliament each year of the use made of these instruments.

As the appropriations allocated by the Council to the New Community Instrument (NCI) have been used up and the ECSC Treaty expired in 2002, the Commission understands that it is no longer necessary to inform the Council and Parliament of Community lending activities under these instruments within the Community. This report contains only information concerning the repayment of loans (see the section on borrowings).

2. As for lending activities outside the Community, the decisions adopted in 1997 and 2000<sup>1</sup> require the Commission to inform the Council and Parliament on an annual basis of the situation regarding EIB loans guaranteed by the Community budget in Central and Eastern Europe, in the Mediterranean countries, in Latin America and Asia and in South Africa. These same obligations were extended in 1998 to the EIB's loans to the former Yugoslav Republic of Macedonia (Decision 98/348/EC) and Bosnia and Herzegovina (Decision 98/729/EC), in 1999 to the loans to Turkey (Decision 99/786/EC), in 2000 to the loans to Croatia (Decision 2000/688/EC) and Turkey-SAP (Decision 2000/788/EC) and in 2001 to the loans to the Baltic regions of Russia (Decision 2001/777/EC) and to the Federal Republic of Yugoslavia (Decision 2001/778/EC).

In order to meet this requirement, this report describes these operations for each of the areas concerned. To complete the picture of lending activities, it also gives a brief summary of the macrofinancial assistance provided by the Community to the countries of Central and Eastern Europe and of the interest subsidies and guarantees associated with Community loans.

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

## **1. BORROWING ACTIVITIES IN 2002**

### **1.1. Community issues**

In order to finance the lending activities decided by the Council, the Commission is empowered to borrow funds on the capital market. However, given that the NCI ceilings have been fully used up and the ECSC Treaty expired in 2002, no funds were raised on the basis of these instruments in 2002. The only borrowing for macrofinancial assistance last year was for a western Balkan country. There was only one borrowing under the EURATOM loans instrument to finance a loan to Bulgaria.

### **1.2. Trends in borrowing**

Despite the above-mentioned factors, borrowings by the European institutions (see Table 4-1 in annex) increased in 2002 by 17,2% to € 38,1 billion, against € 32,5 billion the previous year.

Taking into account repayments, cancellations and exchange-rate fluctuations, the total amount of borrowings outstanding as at 31 December 2002 was € 183,3 billion, 2,3% up on 2001 (see Table 4-2 in annex).

The breakdown of borrowings by currencies (see Table 4-3 in annex) shows a decrease of Euro borrowings in 2002 to 59% compared to 67,3% in 2001 of all issues, while issues in other Community currencies fell from 21,7% to 17,7%. The decrease in all Community currencies as a whole was in favour of non-Community currencies, which increased from 11% to 23,3 % of the total. Issues in US dollars were up from 7,6% to 21,7% on strong market demand and supported by very low interest rates and a falling currency.

Low interest rates and economic and financial uncertainties led borrowers to continue to favour variable-rate loans. Such loans accounted for 85,5% in 2002 against just under 80% in 2001.

With regard to the **special case of the NCI** there were no new borrowings in 2002. The corresponding situation for outstanding borrowings is set out by currency in Table 4-4 in the statistical annex.

## 2. LENDING IN NON-MEMBER COUNTRIES<sup>2</sup>

### 2.1. Overview

Financial support for non-member countries that have concluded cooperation agreements with the Community takes a variety of forms depending on the geographical areas concerned and the objectives pursued. It generally takes the form of bilateral loans (macrofinancial support or balance-of-payments support), where the Union helps to re-establish a country's macroeconomic balance. In other cases it may be ordinary loans in the form either of direct financing for individual projects or of global loans to banks, which then allocate funds to smaller-scale local projects.

In the first case, the Commission administers the financial operations under the Council directives. In the second case, it is chiefly the EIB, which manages the loans on its usual terms, mostly with the guarantee of the Commission budget.

The Euratom loans instrument is available for financings to Member States and certain non-Member States (Armenia, Bulgaria, Czech Republic, Hungary, Lithuania, Romania, Russia, Slovakia, Slovenia and Ukraine are eligible).

The areas for which the Community conducts activities are listed in Table 2.1.

	EC		EIB (2)		TOTAL
	Euratom (1)	Macro-financial assistance (1)	Budget and EDF resources (3)	Own resources	
<b>Balkans</b>		12		425	437
<b>PECO</b>	40 <sup>(4)</sup>			500	540
<b>Mediterranean basin</b>				1.401	1.401
<b>Latin America and Asia</b>				174	174
<b>South Africa</b>				50	50
<b>ACP-OCT countries</b>			175	123	298
<b>Total</b>	<b>40</b>	<b>12</b>	<b>175</b>	<b>2.673</b>	<b>2.900</b>

(1) Disbursements

(2) Signatures

(3) Granted and administered by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF).

(4) Bulgaria

<sup>2</sup> There were no lending activities to Member States for the ECSC and for EURATOM in 2002

## **2.2. The Community's macrofinancial assistance**

Macrofinancial assistance in the form of loans is, by its very nature, exceptional and forms part of the efforts of the international community to provide, in conjunction with the Bretton Woods institutions, balance-of-payments support to certain countries grappling with transitional difficulties. The Community's assistance focuses on neighbouring regions, such as Central and Eastern Europe, the Western Balkans, the NISs of Europe, Central Asia and the Caucasus and the countries of the southern Mediterranean. Disbursements are themselves linked to the beneficiary countries' meeting objectives in terms of macroeconomic stabilisation and structural reforms. In these circumstances, the number of operations effected each year is limited, and it is difficult to make valid comparisons for the assistance given from one year to the next. However, as the candidate countries make significant progress toward macroeconomic adjustment, macrofinancial assistance in this region has been progressively phased out. In contrast, the Western Balkans region has increasingly benefitted over the past years from Community macrofinancial assistance, which also includes a significant grant component.

In the Western Balkans, the Council approved in 2002 macro-financial assistance in the form of a loan totalling € 55 million to Serbia and Montenegro, accompanied by a grant of up to € 75 million. It also decided a loan of up to € 20 million and a grant of up to € 40 million for Bosnia Herzegovina.

Regarding the NIS, the accent was put on reformating undisbursed amounts of previous macro-financial assistance operations. First, the 1998 Decision of the Council granting a loan of up to € 150 million to Ukraine, of which only € 58 million was disbursed, has been replaced by a new € 110 million loan package decided in July 2002 while the € 92 million undisbursed part of the previous loan was cancelled. The new loan includes more favourable terms, both in terms of maturity (15 years instead of 7) and in terms of grace period (10 years instead of 7). In the same vein, the € 15 million balance of payments loan decided in 2000 for Moldova was cancelled and replaced by a grant of the same amount approved by the Council in December 2002.

Only one loan disbursement for an amount of € 12 million took place in early 2002 in favour of FYROM on the basis of procedures initiated in 2001.

Assistance in the form of outright grants totalling € 141 million was also paid out in 2002, of which € 11 million went to Armenia, € 115 million to Serbia and Montenegro and € 15 million to Kosovo.

<b>Table 2.2</b>		<b>Loan disbursements for macrofinancial assistance to non-member countries 1996-2002</b>							
								€ million	
	1996	1997	1998	1999	2000	2001	2002	Total	
Bulgaria	40		250	40	60			390	
Romania		70			100			170	
<b>Subtotal "Enlargement" countries</b>	<b>40</b>	<b>70</b>	<b>250</b>	<b>40</b>	<b>160</b>	<b>0</b>	<b>0</b>	<b>560</b>	
Bosnia-Herzegovina (2)				10		10		20	
FYROM (3)		25	15			10	12	62	
Serbia and Montenegro (4)						225		225	
<b>Subtotal Other CEECs - Western Balkan (1)</b>	<b>0</b>	<b>25</b>	<b>15</b>	<b>10</b>	<b>0</b>	<b>245</b>	<b>12</b>	<b>307</b>	
Armenia (5)			28					28	
Georgia (5)			110					110	
Moldova	15							15	
Tajikistan (6)						60		60	
Ukraine	100	100		58				258	
<b>Subtotal NIS</b>	<b>115</b>	<b>100</b>	<b>138</b>	<b>58</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>471</b>	
<b>Grand Total</b>	<b>155</b>	<b>195</b>	<b>403</b>	<b>108</b>	<b>160</b>	<b>305</b>	<b>12</b>	<b>1.338</b>	

(1) A grant of € 20 million was disbursed to Albania in 1996. Grants of € 35 million and € 7 million were disbursed to Kosovo and Montenegro respectively in 2000

(2) Disbursement of the loan was accompanied by disbursements of grants of € 15 million in 1999 and € 10 million in 2000. A further grant of € 15 million was paid in 2001.

(3) Grants totalling € 20 million were disbursed in 2000 under a new operation, followed by a further grant of € 10 million in 2001.

(4) Disbursements accompanied by grants totaling € 35 million in addition to the € 35 million for Kosovo and the € 13 million for Montenegro granted in 2000 in the form of budgetary support. A further grant of € 15 million was disbursed in 2001 to Kosovo.

(5) Exceptional financial assistance. These loan disbursements to Armenia and Georgia were supplemented by the disbursement of grants totalling respectively, € 8 million and € 10 million in 1998 and € 4 million and € 9 million in 1999. A further grant of € 6 million was made to Georgia in 2001.

(6) This loan was accompanied by the disbursement of grants totalling € 14 million.

### 2.3. EIB lending in 2002 in Central and Eastern Europe, the Mediterranean, Asia & Latin America and Republic of South Africa<sup>3</sup>

Section 2.3 constitutes the annual report for 2002 to be submitted to the European Parliament and the Council in accordance with Article 2 of Council Decision 2000/24/EC.

#### 2.3.1. EIB Objectives and Priorities

In **Central and Eastern Europe**, the Bank has been increasingly active in the Accession countries, helping them to progress with their preparations for accession and European integration (the Bank also assists the other applicant countries).<sup>4</sup> In addition, the Bank has developed a significant level of activity in the countries of the Western Balkans by supporting investment projects in Albania, Croatia, the Republic of Serbia and Montenegro and Bosnia-Herzegovina.

The EIB gives priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on Trans-European Networks (TENs) on the basis of the road and rail corridors defined by the Pan-European Conference of Transport Ministers as development priorities for the medium term.

Furthermore, the Bank has progressively widened the range of its activities in preparing for enlargement. Environmental issues related to EIB projects, as well as environmental projects per se, are given priority in the framework of the gradual adaptation of the legislation of the countries concerned to that of the EU. The EIB also supports SMEs and other industrial initiatives, either directly or through its global loan instrument, in particular when involving EU partners.

In the **Mediterranean region**, the Bank's lending under mandate takes place mainly within the framework of the Euro-Mediterranean Partnership, in support of the economic development of the countries concerned. EIB lending supports individual investment projects and, through the global loan mechanism, smaller projects and SMEs, while at the same time strengthening the financial sector in the various countries. The Bank also lends under the TERRA Programme (Turkey Earthquake Reconstruction and Rehabilitation Action (Council decision 99/786/EC)) and under the Turkey Special Action Programme (Council decision 2000/788/EC).

Under the terms of the Euro-Mediterranean Partnership, EIB own resources lending is complemented by interest subsidies (for loans in the environmental sector) and by risk capital from EU budgetary sources, managed by the Bank.

In addition to its lending under Mandate and at the request of the Council, the Bank has launched a programme of lending from its own resources, without budgetary guarantee, under its Mediterranean Partnership Facility. A first project was approved during 2002.

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<sup>3</sup> Legal base: Council decisions 97/256/EC, 98/348/EC, 98/729/EC, 99/786/EC, 2000/24/EC, 2000/688/EC, 2000/788/EC, 2001/777/EC and 2001/778/EC

<sup>4</sup> In addition to its activities under mandate in the framework of the Council Decisions, the Bank has renewed its substantial Pre-Accession Facility for lending from its own resources without budgetary guarantee, to help the countries that have applied for EU membership.



In **Asia and Latin America**, the Bank finances projects that are of interest to both the Community and the countries concerned – cofinancing with EU promoters, transfer of technology, cooperation in the fields of energy and environmental protection. Details of the mutual interest of the projects concerned are included in Table 2.3.6.

In the **Republic of South Africa**, the Bank's objective is to contribute to the successful implementation of the country's reconstruction and development programme.

In this framework, the summary of the activity developed by the EIB since 1998 is as follows:

<b>Table 2.3.1</b>		<b>Signatures on Own Resources in non EU countries</b> (excluding any signatures from Pre-Accession facilities)						<b>€ million</b>
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>1<sup>st</sup> half 2002</b>	<b>2<sup>nd</sup> half 2002</b>	<b>Total 1998-2002</b>	
<b>CEEC (1997-2000)</b>	997	906	77	0	0	0	1.980	
<b>CEEC (2000-2007)</b>	0	0	1.347	633	545	380	2.905	
<b>ARYM</b>	70	60	0	20	0	0	150	
<b>Bosnia-Herzegovina</b>	0	0	60	40	0	0	100	
<b>MED (Partenariat 1997-2000)</b>	677	719	0	0	0	0	1.396	
<b>MED (Partenariat 2000-2007)</b>	0	0	700	1.205	305	966	3.177	
<b>MED (protocols 3-4)</b>	153	26	120	115	0	0	414	
<b>Turkey Terra</b>	0	0	375	75	0	0	450	
<b>Turkey – Special Action</b>	0	0	0	0	90	40	130	
<b>ALA (1996-1997)</b>	70	0	0	0	0	0	70	
<b>ALA (1997-2000)</b>	292	310	136	0	0	0	738	
<b>ALA (2000-2007)</b>	0	0	397	543	55	119	1.114	
<b>RSA (1997-2000)</b>	135	150	90	0	0	0	375	
<b>RSA (2000-2007)</b>	0	0	50	152	0	50	252	
<b>ACP (1990-1995)</b>	44	0	0	0	0	0	44	
<b>ACP (1996-2000)</b>	245	183	179	188	0	123	918	
<b>PTOM (1996-2000)</b>	0	14	7	0	0	0	21	
<b>TOTAL</b>	<b>2.683</b>	<b>2.368</b>	<b>3.444</b>	<b>3.065</b>	<b>995</b>	<b>1.678</b>	<b>14.233</b>	

### 2.3.2. Lending Activity

In 2002, the Bank signed 11 loan contracts in **Central and Eastern Europe** in the framework of the Council Decisions for an aggregate amount of € 500 million in 3 countries. The majority (77%) went to Romania, with 17% to Bulgaria and the remainder to Slovakia.

- Bank activity continues to support the economic development of the countries concerned, principally by financing strategic infrastructure. Out of a total of € 500 million, 59% or € 295 million, was directed towards the communications sector, including road construction and canal bank protection in Romania and modernisation of port infrastructure in the Danube delta in Bulgaria.
- € 55 million(11%) was lent for improvement of water management infrastructure in Romania and € 30 million (6%) went towards environment protection in Slovakia.
- In the energy sector, € 60 million (12% of total financing) was allocated to the upgrading of power transmission and distribution networks in Bulgaria.
- Finally, global loans totalling € 60 million (12 % of total financing) were made in support of SMEs in Bulgaria and Romania.

<b>Table 2.3.2</b>							
<b>Breakdown by country and sector of EIB lending in 2002 in the Central and Eastern European countries</b>							
Monetary amounts in € million							
Country	Number of loans	Total loan signatures	Energy/ Environment	Communi- cations	Water Manage- ment& Miscellaneous	Industry & Services	Gobal and Investment loans
<b>Bulgaria</b>	3	87	60	17			10
		100%	69%	19%			12%
<b>Slovak Rep.</b>	1	30	30				
		100%	100%				
<b>Romania</b>	7	383		278	55		50
		100%		73%	14%		13%
<b>Total</b>	<b>11</b>	<b>500</b>	<b>90</b>	<b>295</b>	<b>55</b>		<b>60</b>
		<b>100%</b>	<b>18%</b>	<b>59%</b>	<b>11%</b>		<b>12%</b>

In 2002, the Bank signed 8 loan contracts in the **Balkans** in the framework of the Council Decisions for an aggregate amount of € 425 million in 3 countries. The majority (64%) went to the Republic of Serbia and Montenegro, with 31% to Croatia and the remainder to Bosnia Herzegovina.

- Bank activity was directed principally towards the communications sector, including road and railway construction in Serbia and Montenegro and Croatia. This sector absorbed € 310 million (73%) of total lending.
- The energy/industry sectors accounted for € 95 million (22% of total financing), which was allocated to the modernisation of power transmission infrastructure in Serbia and Montenegro and a cement factory in Bosnia Herzegovina.
- Finally, a global loan of € 20 million (5 % of total financing) was made in support of SMEs in Serbia and Montenegro.

<b>Table 2.3.</b>					
<b>(bis)</b>					
<b>Breakdown by country and sector of EIB lending in 2002 in the Balkans</b>					
<b>Monetary amounts in € million</b>					
<b>Country</b>	<b>Number of loans</b>	<b>Total loan signatures</b>	<b>Energy/Industry</b>	<b>Communications</b>	<b>Global loans</b>
<b>Croatia</b>	3	130		130	
		100%		100%	
<b>Serbia and Montenegro</b>	4	270	70	180	20
		100%	26%	67%	7%
<b>Bosnia Herzegovina</b>	1	25	25		
		100%	100%		
<b>Total</b>	<b>8</b>	<b>425</b>	<b>95</b>	<b>310</b>	<b>20</b>
		<b>100%</b>	<b>22%</b>	<b>73%</b>	<b>5%</b>

In the **Mediterranean region**, loans amounting to € 1 401 million were signed for 17 operations in 7 countries in 2002.

Loans for projects in Turkey accounted for some 29% of overall lending, while Tunisia, Algeria, and Egypt together absorbed a further 50%.

- Some 43% of total financing (€ 605 million) was allocated to the Communications sector. Projects covered road development in Algeria, Tunisia and Turkey, underground rail development in Egypt and extension of a port in Lebanon as well as reconstruction of damaged infrastructure following floods in Algeria.
- In the Energy sector, € 510 million (37% of total financing) went towards upgrading the power transmission and supply networks in Egypt, Morocco and Tunisia as well as gas storage in Turkey.
- Water Management projects in Morocco and Turkey accounted for 4% of total financing in the region (€ 60 million).
- Construction and extension of cement factories in Algeria and Tunisia as well as hospital construction in Syria represented 16% of total financing (€ 226 million) for the Industry and Services sector.

<b>Table 2.3.(bis)</b>						
<b>Breakdown by country and sector of EIB lending in 2002 in the Mediterranean countries</b>						
<b>Monetary amounts in € million</b>						
<b>Country</b>	<b>Number of loans</b>	<b>Total loan signatures</b>	<b>Energy</b>	<b>Communi-cations</b>	<b>Water Management &amp; Miscellaneous</b>	<b>Industry &amp; Services</b>
<b>Turkey</b>	4	405	90	225	40	50
		100%	22%	56%	9%	13%
<b>Tunisia</b>	3	290	150	120		20
		100%	52%	41%		7%
<b>Algeria</b>	4	221		165		56
		100%		75%		25%
<b>Egypt</b>	2	200	150	50		
		100%	75%	25%		
<b>Morocco</b>	2	140	120		20	
		100%	86%		14%	
<b>Syria</b>	1	100				100
		100%				100%
<b>Lebanon</b>	1	45		45		
		100%		100%		
<b>Total</b>	<b>17</b>	<b>1.401</b>	<b>510</b>	<b>605</b>	<b>60</b>	<b>226</b>
		<b>100%</b>	<b>37%</b>	<b>43%</b>	<b>4%</b>	<b>16%</b>

The Bank signed 3 loans for an amount of € 145 million in 3 countries of **Asia and Latin America**. In addition a loan of € 30m went to Regional Central America.

- A loan in favour of the Energy sector in Brazil accounted for 31% of total financing (€ 55 million), while a loan of € 50 million (29%) was directed towards the Communications sector in Indonesia.
- Global loans to Sri Lanka and the Central American Region represented the remaining 40% of lending (€ 70 million).

<b>Table 2.3. (bis)</b>						
<b>Breakdown by country and sector of EIB lending in 2002 in the ALA Countries</b>						
<b>Monetary amounts in € million</b>						
<b>Country</b>	<b>Number of loans</b>	<b>Total loan signatures</b>	<b>Energy</b>	<b>Communications</b>	<b>Industries&amp; Services</b>	<b>Global loans</b>
<b>Brazil</b>	1	55 100%	55 100%			
<b>Regional Central America</b>	1	30 100%				30 100%
<b>Indonesia</b>	1	50 100%		50 100%		
<b>Sri Lanka</b>	1	40 100%				40 100%
<b>Total</b>	<b>4</b>	<b>175</b> <b>100%</b>	<b>55</b> <b>31%</b>	<b>50</b> <b>29%</b>		<b>70</b> <b>40%</b>

In 2002, the Bank signed one loan contract in the **Republic of South Africa** for an amount of € 50 million for a **global loan** to finance small and medium scale ventures.

### 2.3.3. Risk Sharing

Council Decision 2000/24/EC<sup>5</sup>, as amended, provides Community guarantee global coverage for 65% of the overall amount of loans signed. Under the risk-sharing arrangements, EIB loans with non-sovereign project guarantees are covered only for political risk by the Community guarantee, whereas loans with sovereign project guarantees are covered for all risks by the Community guarantee. The Bank would call the Community guarantee for an individual loan only if the project guarantee for that loan failed to reimburse the Bank, in the case of a non-sovereign project guarantee for political reasons only, but for any reason in the case of a sovereign project guarantee. Such a call would be for the full loan amount outstanding.

#### 1<sup>st</sup> Mandate: (Council Decision covering period 31.1.1997 to 31.01.2000)

No further loans were signed under the 1<sup>st</sup> Mandate in 2002 so the levels of risk-sharing achieved under the 1<sup>st</sup> Mandate have not changed. In terms of lending compared to the total ceiling, these levels were 81% for ALA, 26% for CEEC and 3% for the Mediterranean.

#### 2<sup>nd</sup> Mandate: (Council Decision covering period 1.02.2000 to 31.01.2007)

The cumulative total for risk-sharing projects since the start of lending activity in the framework of the Council Decisions relative to the period starting 1.02.2000, was € 1.453 million at the end of 2002, i.e. 7,5% of the overall lending ceiling and 19,2% of lending to date.

In **Central and Eastern Europe and the Balkans**, EIB lending based on risk sharing reached a total of € 456 million, or 5% of the lending ceiling for those countries and 15,7% of lending in the region to date.

In the **Mediterranean** region, 3 loans were signed under the risk-sharing arrangement in 2002, bringing the total to around 1.6% of the mandate ceiling and 3,3% of total amounts signed. As expected, projects are often signed with governments or public bodies (in accordance with the programming procedures inherent in the **Euro-Mediterranean Partnership**), and thus the risk-sharing total for the Mediterranean countries still remains relatively low.

In **Asia and Latin America (ALA)**, risk sharing in respect of EIB lending reached a total of € 891 million representing 36% of the mandate ceiling and 80% of lending in the region to date.

To date, no risk-sharing loans have been signed in the **Republic of South Africa (RSA)**.

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<sup>5</sup> Council Decision 2000/24/EC invites the Bank “to aim to cover the commercial risk on 30% of its lending under this Decision from non-sovereign guarantees as far as possible on an individual regional mandate basis. This percentage shall be expanded upon whenever possible insofar as the market permits”. During 2002, the Bank continued to work towards the risk-sharing objective with, however, the target increased to 30% instead of 25% as under the first mandate.



Risk-sharing at 31.12.2002 is shown in the tables below - separately for each mandate (risk-sharing percentage unchanged since end-2001 for the 1<sup>st</sup> Mandate).

<b>Table 2.3.3</b>						
<b>Risk-sharing 1<sup>st</sup> Mandate</b>						
<b>Monetary amounts in € million</b>						
	<b>Mandate Ceilings 1<sup>st</sup> Mandate</b>	<b>Total amounts of loans signed at 31.12.2002</b>	<b>No. of loans signed with risk-sharing</b>	<b>Amount of loans signed with risk-sharing</b>	<b>Percentage of risk-sharing achieved (relative to mandate ceiling)</b>	<b>Percentage of risk-sharing achieved (relative to loan signature)</b>
<b>CEEC</b>	3.520	3.446	21	896	26%	26%
<b>Mediterranean</b>	2.310	2.310	5	71	3%	3%
<b>ALA</b>	900	900	17	730	81%	81%
<b>RSA</b>	375	374.6	0	0	0%	0%
<b>ARYM</b>	150	150	0	0	0%	0%
<b>TOTAL</b>	<b>7.255</b>	<b>7.180</b>	<b>43</b>	<b>1.697</b>	<b>24%</b>	<b>24%</b>

<b>Table 2.3.3 (bis)</b>						
<b>Risk-sharing 2<sup>nd</sup> Mandate</b>						
<b>Monetary amounts in € million</b>						
	<b>Mandate Ceilings 2nd Mandate</b>	<b>Total amounts of loans signed at 31.12.2002</b>	<b>No. of loans signed with risk-sharing</b>	<b>Amount of loans signed with risk-sharing</b>	<b>Percentage of risk-sharing achieved to-date (relative to mandate ceiling)</b>	<b>Percentage of risk-sharing achieved to-date (relative to loan signatures)</b>
<b>CEEC &amp; Balkans</b>	9.280	2.905	15	456	5%	16%
<b>Mediterranean</b>	6.425	3.177	4	106	2%	3%
<b>ALA</b>	2.480	1.113	19	891	36%	80%
<b>RSA</b>	825	252	0	0	0%	0%
<b>Turkey SAP</b>	450	130	0	0	0%	0%
<b>TOTAL</b>	<b>19.460</b>	<b>7.577</b>	<b>38</b>	<b>1.453</b>	<b>7,5%</b>	<b>19,2%</b>

The regional tables at the end of section 2.3 (Tables 2.3.8 to 2.3.11) identify the risk-sharing loans.

### 2.3.4. Cooperation with Other Institutions

In the countries that are **candidates for EU membership**, the Bank's activities are conducted within the framework of the EU programme to help the candidate countries to prepare for accession, in particular by financing investment aimed at integrating their infrastructure with that of the EU and by assisting SMEs. Whenever possible, projects are cofinanced with other institutions. The Bank's activities thus form part of a concerted approach that is pursued in close cooperation with the Commission and, as appropriate, with the international financial institutions working in the countries concerned.

The Bank cooperates closely with the PHARE/ISPA Programme, with which it has developed a productive relationship, much appreciated by the beneficiary countries. In addition to frequent PHARE assistance during the pre-investment phase to ensure that the necessary studies and technical assistance are implemented in support of EIB projects, the Bank also cooperates with PHARE in cofinancing infrastructure projects.

The contributions of PHARE/ISPA and the IFIs to projects financed by the EIB in 2002 are shown in the table below. Additional projects were cofinanced in the framework of the Bank's Pre-Accession Facility, which is outside the scope of this report.

For **South-Eastern Europe**, the Bank participates with the Commission in an Infrastructure Steering Group which prepares projects.

Country	Project	Cost	EIB	PHARE/ ISPA*	Multi- lateral institutions	Other <sup>6</sup>
<b>Romania</b>	Reinforcement and upgrading of 745 km of national roads	480,0	240,9	25,0	0	215,0
	Upgrading of water supply and sewage networks in five municipalities	253,1	55,0	163,1	0	35,0
<b>Bulgaria</b>	Rehabilitation of electricity distribution sector	153,0	60,0		41,0	52,0
<b>Slovak Republic</b>	Construction and/or rehabilitation of water supply and sewage infrastructure	120,0	30,0	60,0		30,0
<b>Total</b>		<b>1.006,1</b>	<b>385,0</b>	<b>248,1</b>	<b>41,0</b>	<b>332,0</b>

<sup>6</sup> Including funds of states, promoters and commercial banks.

Table 2.3.4 (bis)

## Cofinancing in 2002 in the Balkan Countries

€ million

Country	Project	Cost	EIB	Multilateral institutions	Bilateral institutions	Other <sup>6</sup>
<b>Serbia and Montenegro</b>	Rehabilitation of 860 km of roads and motorways	190,0	95,0	75,0	1,5	18,5
	Rehabilitation of principal railway axes.	170,0	85,0	60,8	7,5	16,7
	Rehabilitation and modernisation of electricity infrastructure	140,0	70,0	53,0		17,0
<b>Croatia</b>	Construction of two stretches of motorway	177,0	60,0	60,0		57,0
	Rehabilitation of motorways	112,0	50,0	47,0		15,0
	Modernisation of air traffic control	46,9	20,0	20,0		6,9
<b>Bosnia-Herzegovina</b>	Modernisation of a cement factory and construction of a new production line	75,0	25,0	25,0		25,0
<b>Total</b>		<b>910,9</b>	<b>405,0</b>	<b>340,8</b>	<b>9,0</b>	<b>156,1</b>

In the **Mediterranean** region, the Bank's operations are conducted within the framework of EU policy and form part of a concerted approach that is pursued in close cooperation with the Commission and, as appropriate, with other IFIs, including through cofinancing operations. The contributions of these institutions to projects financed by EIB are shown in the table below.

<b>Table 2.3.5 Cofinancing in 2002 in the Mediterranean countries</b>						
<b>€ million</b>						
<b>Country</b>	<b>Project</b>	<b>Cost</b>	<b>EIB</b>	<b>Multilateral institutions</b>	<b>Bilateral institutions</b>	<b>Other<sup>6</sup></b>
<b>Turkey</b>	Upgrading and doubling of some 500km of roads along two priority corridors	927,0	225,0	315,0		387,0
	Improvement of water and sewage services in medium-sized towns	96,0	40,0	51,0		5,0
<i>Subtotal</i>		<i>1.023,0</i>	<i>265,0</i>	<i>366,0</i>		<i>392,0</i>
<b>Tunisia</b>	Construction of a toll motorway	310,0	120,0		110,0	80,0
<b>Egypt</b>	Construction of a natural gas fired combined cycle power plant	530,7	150,0		189,0	191,7
	Extension of the Cairo metro-line	133,4	50,0		28,9	54,5
<b>Morocco</b>	Increase in the electricity interconnection capacity between Morocco and two of its neighbours (Spain and Algeria)	362,2	120,0	82,0	50,0	110,2
<b>Algeria</b>	Construction and operation of a cement plant	263,7	45,6	35,5	0	182,6
<b>Syria</b>	Construction and equipping of regional hospitals	333,0	100,0		24,0	209,0
<b>Total</b>		<b>2.956,0</b>	<b>850,6</b>	<b>48,5</b>	<b>401,9</b>	<b>1.220,0</b>

In **Asia and Latin America**, the Bank continues to finance projects that are of interest to both the Community and the country concerned and to the EU. The mutual interest of the loans signed in 2002 is described in the table below. Although, the Bank cooperates with other IFIs in Asia and Latin America whenever possible

<b>Country</b>	<b>Project</b>	<b>Mutual interest</b>
<b>Brazil</b>	Expansion and modernisation of electricity network	The borrower is a company owned and operated by an EU company. The project will extend and improve infrastructure in a very poor area.
<b>Indonesia</b>	Expansion of mobile communications network	The borrower is a wholly owned subsidiary of a European bank. In addition, the project will involve the transfer of European know-how and technology in the telecom sector.
<b>Sri-Lanka</b>	Financing of small and medium-scale ventures	The project is of mutual interest in that (i) one of the shareholders is an EU development finance institution and (ii) the allocations will be targeted to investments undertaken by EU companies or including other forms of EU interest.
<b>Regional Central America</b>	Financing of small and medium-scale ventures	The project is of mutual interest in that the allocations will be targeted to investments undertaken by subsidiaries of EU companies or EU-Central American joint-ventures or including other type of EU interest.

<b>Table 2.3.7 Loans signed in 2002 in Central and Eastern Europe</b>			
<b>Country</b>	<b>Description</b>	<b>Loan (€ million)</b>	<b>Risk sharing</b>
<b>Romania</b>	Reinforcement and upgrading of 745 km of national roads	240,0	No
	Upgrading of water supply and sewage networks in five municipalities	55,0	No
	Improvement of navigation conditions in the Danube delta	38,0	No
	Financing of small and medium-scale ventures and contribution to modernisation of Bank (3 loans)	50,0	Yes
<b>Total</b>		<b>383,0</b>	
<b>Bulgaria</b>	Reconstruction and modernisation of port infrastructure and equipment	17,0	No
	Rehabilitation of electricity distribution sector	60,0	No
	Financing for small and medium-scale ventures	10,0	Yes
<b>Total</b>		<b>87,0</b>	
<b>Slovak Rep.</b>	Construction and/or rehabilitation of water supply and sewage infrastructure	<b>30,0</b>	No
<b>Grand Total</b>		<b>500,0</b>	

<b>Table 2.3.7(bis)</b>		<b>Loans signed in 2002 in Balkans</b>	
<b>Country</b>	<b>Description</b>	<b>Loan (€ million)</b>	<b>Risk sharing</b>
<b>Serbia and Montenegro</b>	Rehabilitation of 860 km of roads and motorways	95,0	No
	Rehabilitation of principal railway axes	85,0	No
	Rehabilitation and modernisation of electricity infrastructure	70,0	No
	Financing of small and medium-scale ventures	20,0	No
<b>Total</b>		<b>270,0</b>	
<b>Croatia</b>	Construction of two stretches of motorway	60,0	No
	Rehabilitation of motorways	50,0	No
	Modernisation of air traffic control	20,0	No
<b>Total</b>		<b>130,0</b>	
<b>Bosnia- Herzegovina</b>	Modernisation of a cement factory and construction of a new production line	25,0	Yes
<b>Grand Total</b>		<b>425,0</b>	

<b>Country</b>	<b>Description</b>	<b>Loan (€ million)</b>	<b>Risk sharing</b>
<b>Turkey</b>	Upgrading and doubling of some 500km of roads along two priority corridors	225,0	No
	Conversion of gas storage installations	90,0	No
	Supply of IT teaching technology for primary schools	50,0	No
	Improvement of water and sewage services in medium-sized towns	40,0	No
<b>Total</b>		<b>405,0</b>	
<b>Tunisia</b>	Electricity transport	150,0	No
	Construction of a toll motorway	120,0	No
	Modernisation of a cement factory and extension of production capacity	20,0	Yes
<b>Total</b>		<b>290,0</b>	
<b>Algeria</b>	Construction of a motorway section	70,0	No
	Construction and operation of a new cement factory (2 loans)	55,8	Yes
	Improvement of the roadway network in the Algiers neighbourhood	50,0	No
	Reconstruction following flood damage	45,0	No
<b>Total</b>		<b>220,8</b>	
<b>Egypt</b>	Construction of a natural gas fired combined cycle power plant	150,0	No
	Extension of the Cairo metro-line	50,0	No
<b>Total</b>		<b>200,0</b>	
<b>Morocco</b>	Increase in the electricity interconnection capacity between Morocco and two of its neighbours (Spain and Algeria)	120,0	No
	Environment protection	20,0	No
<b>Total</b>		<b>140,0</b>	
<b>Syria</b>	Construction and equipping of regional hospitals	<b>100,0</b>	No
<b>Lebanon</b>	Extension of port infrastructure	<b>45,0</b>	No
<b>Grand Total</b>		<b>1.400,8</b>	



<b>Table 2.3.9 Loans signed in 2002 in Asia and Latin America</b>			
<b>Country</b>	<b>Description</b>	<b>Loan (€ million)</b>	<b>Risk sharing</b>
<b>Brazil</b>	Expansion and modernisation of electricity network	54,6	Yes
<b>Indonesia</b>	Expansion of mobile communications network	49,6	Yes
<b>Sri Lanka</b>	Financing of small and medium-scale ventures	40,0	No
<b>Regional Central America</b>	Financing of small and medium-scale ventures	30,0	No
<b>Grand Total</b>		<b>174,2</b>	

<b>Table 2.3.10 Loans signed in 2002 in the Republic of South Africa</b>			
<b>Country</b>	<b>Description</b>	<b>Loan (€ million)</b>	<b>Risk sharing</b>
<b>RSA</b>	Financing for small and medium-scale ventures	<b>50,0</b>	No

## 2.4. Signatories of the Lomé Convention-Lending Activity

Total EIB lending in the ACP/OCT amounted to € 297.65 million in 2002, of which € 123 million from the Bank's own resources and € 174.65 million from risk capital. The regional and sectoral breakdown of this lending is as follows

<b>Table 2.4.1 Breakdown by region and sector of EIB lending in 2002 in the ACP/OCT</b>								
€ million								
	<b>Total</b>	<b>Own Resources*</b>	<b>Risk Capital</b>	<b>Energy</b>	<b>Communi-cations</b>	<b>Water Management &amp; Agriculture</b>	<b>Industry &amp; Services</b>	<b>Global Loans</b>
<b>ACP/OCT</b>	<b>298</b>	123	175	37	87	38	30	106
<b>Africa</b>	<b>213</b>	83	130	37	87	23	30	36
<b>Southern</b>	<b>50</b>	30	20	12		20	18	
<b>West</b>	<b>48</b>	20	28		20	3	4	21
<b>Central &amp; Equatorial</b>	<b>42</b>	0	42		34		8	
<b>East</b>	<b>40</b>	0	40	25				15
<b>Regional</b>	<b>33</b>	33			33			
<b>Caribbean/ Pacific</b>	<b>85</b>	40	45			15		70
<b>OCT</b>	<b>0</b>	0	0					

\*all subsidised

### 3. BUDGETARY IMPACT OF LENDING

Lending activities have an impact on the Community budget when they are accompanied by Community guarantees, interest subsidies or special conditions comparable to risk-bearing operations for the lender.

#### 3.1. Budget guarantees

On 22 December 1999 the Council decided on a general renewal of the Community guarantee for EIB loans outside the EU for a period of seven years (Council Decision 2000/24/EC; OJ L 9 of 13 January 2000). This decision was amended twice in 2000 (2000/688/EC and 2000/788/EC).

On 6 November 2001 the Council decided to extend this scheme to EIB loans concluded in Yugoslavia by including this country in the group of central and eastern European countries (Council Decision 2001/778/EC).

The new ceilings for each area are as follows (in €)

Turkey:	450 million
Central and Eastern Europe:	9.280 million
Mediterranean countries:	6.425 million
Latin America and Asia:	2.480 million
Republic of South Africa:	825 million

The overall ceiling for the guarantee is therefore € 19.460 million, and the Commission budget covers 65% of that amount (compared with 70% under the previous mandate). The new decision calls on the EIB to seek other sources of (commercial) guarantee from its financial intermediaries where possible and sets a target rate of 30% of the ceiling (as opposed to 25% under the previous mandate).

This guarantee programme will expire on 31 January 2007; it may automatically be extended by six months if the loan ceiling has not been reached.

The Commission budget covers furthermore 65 % of a maximum amount of € 600 million to Turkey (TERRA) for which no risk-sharing was asked.

During the third year of the new mandate the EIB signed loan agreements for a total of € 2.550 million, bringing the total amount in the new mandate to € 7.577 million corresponding to 38,9% of the ceiling, with risk-sharing already equivalent to 19,2% of the loans signed.

On November 6, 2001 the Council decided to granting a 100% Community guarantee to the European Investment Bank against losses under lending operations for environmental projects in the Baltic regions of Russia for a total amount of € 100 million (Council Decision 2001/777/EC).

The detailed situation relating to guarantees is set out in the six-monthly report by the Commission on guarantees covered by the general budget.

### 3.2. Interest subsidies

Interest subsidies were granted under a number of Community programmes both inside and outside the Union. At the Council's request, the Commission drew up an overall assessment report on this subject (see COM(2000) 524 of 6 September 2000). Most of these programmes have been completed and no longer have any impact on budgetary expenditure. The table below lists the programmes which are still under way and the amount of interest subsidy paid during the year under review.

Financial year	EC-subsidies		EIB-subsidies			
	Natural disasters	Trans-European Networks	EDF	MEDA	BOSNIA	FYROM
1995	6,1	25,0	28,1	15,2		
1996	4,3	18,0	28,6	22,4		
1997	4,0	37,0	56,9	48,2		
1998	2,8	20,0	24,5	30,3		2,7
1999	2,2	71,0	27,1	29,2		4,0
2000	1,7	54,0	18,7	17,4		1,1
2001	1,3	15,0	14,5	26,6		2,3
2002	0,9	14,3	19,9	19,1	1,0	2,5

### 3.3. Venture capital

Under the agreements with the Mediterranean countries and the Lomé Convention, concessionary loans are concluded by the EIB involving special conditions regarding duration or debt consolidation, which enable them to be treated as capital investments. The operations carried out in the Mediterranean region are financed by the general budget, and in the ACP by the EDF budget. A breakdown of the operations is given in Table 2.4.1:

#### 4. STATISTICAL ANNEX

<b>Table 4.1</b>		<b>Trends in borrowing and lending in the Community</b>										
		<b>€ million</b>										
		<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>I. Borrowing</b>												
<b>ECSC</b>		1.474	908	644	386	298	474	-	-	-	-	-
<b>European Community (1)</b>		1.209	4.969	245	410	155	195	403	108	160	305	12
<b>Euratom</b>		-	-	49	-	-	-	-	-	-	40	40
<b>NCI</b>		-	-	70	66	-	-	-	-	-	-	-
<b>Total Commission</b>		2.683	5.877	1.008	862	453	669	403	108	160	345	52
<b>EIB (2)</b>		12.974	14.224	14.148	12.395	17.553	23.026	30.098	28.355	29.038	32.172	38.016
<b>Total Community</b>		<b>15.657</b>	<b>20.101</b>	<b>15.156</b>	<b>13.257</b>	<b>18.006</b>	<b>23.695</b>	<b>30.501</b>	<b>28.463</b>	<b>29.198</b>	<b>32.517</b>	<b>38.068</b>
<b>II. Lending</b>												
<b>ECSC</b>		1.486	918	674	409	280	541	21	-	-	-	-
<b>Balance of payments (1)</b>		1.209	4.969	245	410	155	195	403	108	160	305	12
<b>Euratom</b>		-	-	49	-	-	-	-	-	-	40	40
<b>NCI</b>		9	30	-	-	-	-	-	-	-	-	-
<b>Total Commission</b>		2.704	5.917	968	813	435	736	424	108	160	345	52
<b>EIB (3)</b>		16.066	17.724	17.682	18.604	20.946	22.958	25.116	27.765	30.644	31.184	33.443
<b>Total Community</b>		<b>18.770</b>	<b>23.641</b>	<b>18.650</b>	<b>19.417</b>	<b>21.381</b>	<b>23.694</b>	<b>25.540</b>	<b>27.873</b>	<b>30.804</b>	<b>31.529</b>	<b>33.495</b>

Note: The differences between total borrowing and lending by the Commission are due to borrowing operations undertaken for refinancing purposes and to changes in the balance of loans not assigned by the end of the year. The differences between borrowing and lending by the EIB are due to the fact that EIB lending operations are financed both from borrowings and from the Bank's own resources.

- (1) Mechanism for providing financial support for Member States, financial assistance for non-member countries and other forms of assistance.
- (2) Total resources raised.
- (3) Loans signed from own resources, no account being taken of the guarantees provided by the EIB to promoters or operations financed out of NCI resources.

<b>Table 4.2 Community borrowings outstanding at the end of each period (1)</b>							
<b>€ million</b>							
	<b>EIB (2)</b>	<b>ECSC</b>	<b>NCI</b>	<b>Euratom</b>	<b>Sub-total</b>	<b>European Community</b>	<b>Total borrowing</b>
<b>1982</b>	16.570	6.178	1.747	1.272	25.767	591	26.358
<b>1983</b>	20.749	6.539	3.269	1.680	32.237	4.610	36.847
<b>1984</b>	25.007	7.119	4.432	1.892	38.450	4.932	43.382
<b>1985</b>	26.736	7.034	4.960	2.013	40.743	3.236	43.979
<b>1986</b>	30.271	6.761	5.202	2.168	44.402	1.890	46.292
<b>1987</b>	31.957	6.689	5.229	2.500	46.375	2.997	49.372
<b>1988</b>	36.928	6.825	5.514	2.164	51.431	2.459	53.890
<b>1989</b>	42.330	6.738	5.122	1.945	56.135	2.075	58.210
<b>1990</b>	48.459	6.673	4.542	1.687	61.361	(3) 2.045	63.406
<b>1991</b>	58.893	7.139	3.817	1.563	71.412	3.516	74.928
<b>1992</b>	67.784	7.327	3.326	1.338	79.775	4.026	83.801
<b>1993</b>	78.661	7.331	2.202	1.018	89.212	5.204	94.416
<b>1994</b>	83.673	6.548	1.570	779	92.570	7.697	100.267
<b>1995</b>	87.079	5.966	1.113	720	94.878	8.032	102.910
<b>1996</b>	96.649	4.677	748	572	102.646	6.666	109.312
<b>1997</b>	110.394	3.637	218	118	114.367	5.853	120.220
<b>1998</b>	123.767	2.806	168	28	126.769	4.166	130.935
<b>1999</b>	146.223	2.432	130	12	148.797	4.074	152.871
<b>2000</b>	159.860	2.039	90	-	161.989	1 566	163.555
<b>2001</b>	176.027	1.386	19	40	177.472	1.614	179.086
<b>2002</b>	181.167	713	18	80	181.978	1.361	183.339

(1) The conversion rates used are 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.

<b>Table 4.3 Community borrowings in 2002, by currency</b>					
<b>€ million</b>					
	<b>EIB</b>		<b>European Community (1)</b>	<b>Total borrowing</b>	<b>2002 %</b>
<b>EUR</b>	22.441	(2)	52	22.593	59,0
<b>DKK</b>	135		-	135	0,4
<b>GBP</b>	6.227		-	6.227	16,4
<b>SEK</b>	362		-	362	1,0
<b>Total pre-ins</b>	6.724		-	6.724	17,7
<b>Total EU</b>	<b>29.165</b>		<b>52</b>	<b>29.217</b>	<b>76,7</b>
<b>USD</b>	8.231		-	8.231	21,6
<b>HUF</b>	105		-	105	0,3
<b>JPY</b>	-		-	-	-
<b>NOK</b>	65		-	65	0,2
<b>CZK</b>	407		-	407	1,1
<b>ZAR</b>	30		-	30	0,1
<b>PLN</b>	13		-	13	0,0
<b>Sub-total</b>	<b>8.851</b>		-	<b>8.851</b>	<b>23,3</b>
<b>TOTAL</b>	<b>38.016</b>		<b>52</b>	<b>38.068</b>	<b>100,0</b>
Fixed-rate	5.525		-	5.525	14,5
Variable-rate	32.491		52	32.543	85,5

(1) Financial assistance to non-member countries and Euratom.

(2) From 1997 to 1998, issued in euros with payment in ecus.

<b>Table 4.4 NCI borrowings by currency: debt outstanding at 31.12.2002</b>		
<b>Currency</b>	<b>(million)</b>	<b>Equivalent in € million (1)</b>
GBP	11,5	17,7
<b>Total</b>		<b>17,7</b>

(1) Exchange rate as at 31.12.2002