

EIB loans to PECO, Western Balkans, Mediterranean countries, Latin America, Asia and South Africa: EC guarantee

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The Council decisions establishing the various lending instruments of the European Communities require the Commission to inform the Council and Parliament each year of the use made of these instruments. As for lending activities outside the Community, the Commission is required to inform the Council and Parliament on an annual basis of the situation regarding European Investment Bank (EIB) loans guaranteed by the Union budget in Central and Eastern Europe, in the Mediterranean countries, in Latin America and Asia and in South Africa.

In order to meet these information requirements, this report describes the operations for each of the areas concerned. To complete the picture of lending activities, it also gives a brief summary of the macro-financial assistance provided by the Community to third countries and of the interest subsidies and guarantees associated with Community loans. In addition, it provides information on Euratom's lending activities.

Borrowing activities :

One borrowing for macro-financial assistance in 2004 was raised to grant a loan to Bosnia and Herzegovina. There were two borrowings under the Euratom loans instrument to finance loans to a nuclear plant in Bulgaria.

Total borrowing by the European Communities and the EIB increased in 2004 by 18.8% to EUR 49.9 billion, against EUR 42.1 billion the previous year, mainly due to an increase in borrowing by the EIB. Taking into account repayments, cancellations and exchange-rate fluctuations, the total amount of borrowing outstanding at 31 December 2004 was EUR 216.6 billion, 10.3% up on 2003

The breakdown of borrowing by currency shows a decrease in the share of Euro borrowings in 2004 to 44.9% from 54.9% in 2003 of all issues, while issues in other Community currencies decreased from 19.1% to 13.0%. Non-Community currencies took a greater share of borrowing, increasing from 26.0% to 42.0% of the total. Issues in USD were up from 23.0% to 41.6% on strong market demand and supported by very low interest rates and a weakening of the USD/Euro exchange rate.

Lending activities :

In **Central and Eastern Europe**, the Bank has again been active in 2004 although the number of countries eligible for financing under the pre-Accession agreements diminished following enlargement on May 1st. After that date, the Bank continued activities in the remaining acceding and candidate States (Bulgaria, Romania, Croatia and Turkey) as well as continuing to support investments in the countries of the Western Balkans in various sectors (infrastructure, SMEs / micro-finance, etc.).

In 2004, the Bank continued operations under the Special Lending action for selected environmental projects in Baltic Sea basin of Russia while continuing to prepare for a new mandate covering operations in Russia and, for the first time, extended to Belarus, Moldova and Ukraine.

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.

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, in particular FDI (Foreign Direct Investment), either directly or through its global loan instrument, in particular when involving EU partners.

In the **Mediterranean region**, the Bank's lending under mandate is carried out by the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and 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.

In 2004, FEMIP was reinforced by the creation of a special envelope to allow for extended risk-sharing operations and a trust fund, modelled on the special cofinancing funds of other International Financial Institutions (IFIs). Lending continued under the Turkey Special Action Programme and the available funds have now been fully utilised.

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 and cooperation in the fields of energy and environmental protection.

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.

-Total EIB lending in the ACP/OCT amounted to EUR 440 million in 2004, of which EUR 62 million from the Bank's own resources and EUR 378 million from risk capital.

-During 2004 (the fifth year of the new mandate) the EIB signed loan agreements for a total of EUR 2,844 million, bringing total lending under the new mandate to EUR 13, 620 million corresponding to 70% of the ceiling, with risk-sharing equivalent to 20.8% of the loans signed.