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

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Each year the European Commission is obliged, in accordance with the Council Decisions establishing the various lending instruments of the European Communities, to inform both the Council and the European Parliament, on how these instruments are being used. Similarly, the Commission is obliged to annually prepare a report on lending activities outside of the EU through EIB loans guaranteed by the EU budget to: i) the EU's South Eastern Neighbours; ii) the Mediterranean countries; iii) Latin America and Asia and iv) South Africa.

Not only does this Report describe the operations for each of the areas concerned 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. Additional information is provided on Euratom's lending activities.

Borrowing activities: total borrowing by the European Communities and by the EIB increased in 2006 by 6% to EUR 52.9 billion as compared to EUR 49.9 billion the previous year. Most of this increase can be attributed to EIB borrowing. The total amount of outstanding borrowing on 31 December 2005 was 15.5 % - higher than in 2004 and stood at EUR 250.1 billion.

The breakdown of borrowings by currency indicate a decrease in the share of EUR-denominated borrowings in 2005 to 37.5% from 44.9% in 2004 of all issues, while issues in other Community currencies increased from 13.0% to 23.0%. Non-Community currencies took a smaller share of borrowing, decreasing from 42.0% to 39.5% of the total. Issues in USD were down from 41.6% to 27.9%. In 2005, after swaps, 97.3% of the loans were on a variable-rate as compared to 100% in 2004.

Lending activities: in both the acceding and the accession States, namely Bulgaria, Romania, Croatia and Turkey (referred to as the EU's **South Eastern Neighbours**) the Bank has been very visible. It has continued to support investment initiatives in the Western Balkans; priority being given to the infrastructure, health, education and SME's.

Particular attention is given to upgrading, modernising and developing the communications and energy sectors, through the Trans-European Networks (TENs). Funding is based on the road and rail corridors as defined by the Pan-European Conference of Transport Ministers. Other priorities include environmental considerations.

EIB lending was also particularly active in North-Western Russia, Russia, the Ukraine, Moldova and Belarus. The Commission, the EIB and the European Bank for Reconstruction and Development have been working on a tripartite Memorandum of Understanding concerning the next Mandate covering 2007-2013.

In the **Mediterranean region**, the Bank's lending mandate takes place mainly through the Euro-Mediterranean Partnership. EIB lending supports both individual investment projects as well as smaller, SME's programmes. Another important element of lending focuses on strengthening the financial sector of the region as a whole. In order to complement the remaining amount under the existing mandate (EUR 248 million), an interim EIB facility will be launched in the course of 2006, which will allow the Bank to

pursue an appropriate level of operations in the Mediterranean countries before the entry into force of a future mandate.

In **Asia,** as well as in Latin America, the Bank finances projects that are of interest to both the Community and the countries concerned – i.e. technology transfer, energy co-operation and environmental protection programmes. Tsunami reconstruction efforts are also eligible for EIB support.

The Bank's objectives in the **Republic of South Africa** are to contribute to the successful implementation of the country's reconstruction efforts and to its development programmes. The EIB has provided management support to the EU Commission for its Risk Capital Facility.

Total EIB lending in the ACP/OCT countries amounted to EUR 537 million in 2005, of which EUR 151 million is derived from the Bank's own resources and EUR 386 million from risk capital.

In 2005 (the sixth year of the new mandate) the EIB signed loan agreements totalling EUR 3 618 million. This brings total lending under the new mandate to EUR 17 238 million or corresponding to 89% of the ceiling, with risk-sharing equivalent to 17% of the loans signed.