





Basic information	
<p>1999/0080(CNS)</p> <p>CNS - Consultation procedure Decision</p>	Procedure completed
<p>EIB loans to PECO's, Western Balkans, Mediterranean countries, Latin America, Asia and South Africa: EC guarantee</p> <p>Repealed by 2006/0139(CNS) Amended by 2000/0122(CNS) Amended by 2000/0197(CNS) Amended by 2001/0143(CNS) Amended by 2003/0232(CNS) Amended by 2005/0195(CNS)</p> <p>Subject</p> <p>6.30.04 Loans to third-countries, Guarantee Fund</p>	








Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	BUDG Budgets		RÜHLE Heide (V/ALE)	08/09/1999
	Committee for opinion		Rapporteur for opinion	Appointed
	CONT Budgetary Control		BLAK Freddy (PSE)	27/07/1999
	ITRE Industry, External Trade, Research, Energy			
Council of the European Union	Council configuration		Meetings	Date
	Economic and Financial Affairs ECOFIN		2196	1999-07-12
	Economic and Financial Affairs ECOFIN		2205	1999-10-08
	Economic and Financial Affairs ECOFIN		2212	1999-11-08

Key events			
Date	Event	Reference	Summary
26/04/1999	Legislative proposal published	COM(1999)0142 	Summary
12/07/1999	Debate in Council		
23/07/1999	Committee referral announced in Parliament		

08/10/1999	Debate in Council		
08/11/1999	Debate in Council		
08/11/1999	Vote in committee		Summary
08/11/1999	Committee report tabled for plenary, 1st reading/single reading	A5-0051/1999	
18/11/1999	Debate in Parliament		
19/11/1999	Decision by Parliament	T5-0123/1999	Summary
22/12/1999	Act adopted by Council after consultation of Parliament		
22/12/1999	End of procedure in Parliament		
13/01/2000	Final act published in Official Journal		

Technical information	
Procedure reference	1999/0080(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Repealed by 2006/0139(CNS) Amended by 2000/0122(CNS) Amended by 2000/0197(CNS) Amended by 2001/0143(CNS) Amended by 2003/0232(CNS) Amended by 2005/0195(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 308
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/4/11076

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0051/1999 OJ C 189 07.07.2000, p. 0005	08/11/1999	
Text adopted by Parliament, 1st reading/single reading		T5-0123/1999 OJ C 189 07.07.2000, p. 0249-0267	19/11/1999	Summary
European Commission				
Document type	Reference	Date	Summary	
Legislative proposal	 COM(1999)0142 OJ C 145 26.05.1999, p. 0010	26/04/1999	Summary	
Follow-up document	 COM(2002)0685	03/12/2002	Summary	

Follow-up document	SEC(2004)1073 	03/09/2004	Summary
Follow-up document	COM(2005)0385 	23/08/2005	Summary
Follow-up document	SEC(2005)1053 	23/08/2005	
Follow-up document	COM(2006)0323 	22/06/2006	Summary
Document attached to the procedure	SEC(2006)0789 	22/06/2006	
Document attached to the procedure	SEC(2006)0790 	22/06/2006	
Follow-up document	COM(2006)0597 	17/10/2006	Summary

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act
Decision 2000/0024 OJ L 009 13.01.2000, p. 0024 Summary

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

1999/0080(CNS) - 22/12/1999 - Final act

PURPOSE : To grant a Community guarantee to the EIB against losses under loans for projects in third countries. **COMMUNITY MEASURE :** Council Decision 2000/24/EC granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa). **CONTENT :** The Community will grant the EIB a global guarantee, restricted to 65% of the aggregate amount of the credits opened, plus all related sums. The overall ceiling of the credits is set at 18 410 million euro, broken down between the respective regions. The guarantee covers a period of 7 years beginning on 1 February 2000 for all regions except South Africa, which begins in 1 July 2000. The guarantee ends for all regions on 31 January 2007. The guarantee is extended automatically for 6 months if the loans have not reached their overall amounts specified in the decision by that date. The Commission may propose amendments by 31 January 2004 or six months before entry into force of any new accession treaties. The EIB will cover the commercial risk on 30% of its lending, and this percentage will be enlarged when possible. The Commission is obliged to submit each year an assessment of the operation of the scheme, and whether it fulfils the Community's relevant external policy objectives. **ENTRY INTO FORCE:** 13/01/2000.

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

1999/0080(CNS) - 19/11/1999 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted its report drafted by Mrs. Heide RÜHLE (Greens/EFA, D) and approved the Commission's proposals subject to a number of amendments. These include: - ensuring transparency, accountability and conformity with the Community's objectives and policies of programmes and operations; - provisions for the improved evaluation of the effectiveness of EIB operations and the extent to which they contribute to the Community's objectives; - the EIB should be subject to legislation on public access to documents to be adopted by the European Parliament and the Council; - the Commission, in its annual report to the European Parliament and the Council, is to assess alternatives to lending operations through the EIB, such as interest rate subsidies; - regular consultation between the EIB and the Commission to ensure the coordination of priorities and activities in third countries and to measure progress towards the fulfilment of the Bank's objectives; - in respect of requests for transfers of appropriations from the guarantee reserve in order to provision the Guarantee FUnd, the Commission shall ensure that the budgetary authority is in possession of all the information it requires in order to reach a decision on the transfer request, including information on the loans which have given rise to the request and on the overall level of calls made on the Guarantee Fund or expected to be made in that budgetary year: - the Commission is to report to the Parliament and the Council on the application of this Decision by 31.01.2003, or six months before any accession treaties come into force, and make a proposal for amendment, if appropriate.

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

1999/0080(CNS) - 23/08/2005 - Follow-up document

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 Ukraine⁵.

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.

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

1999/0080(CNS) - 22/06/2006 - Follow-up document

This report has been prepared in accordance with Article 2 of Council Decision 2000/24/EC on granting a Community Guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean Countries, Latin America and the Republic of South Africa). Article 2 states that the Commission must report on the application of the Decision by 31 July 2006 at the latest.

The first part of the report concentrates on the achievements of the EIB under its existing mandate. The second part of the report focuses on what orientations the EIB's future activities will take. The report is accompanied by two staff working papers; one reviewing the regional outlook, the other providing a detailed assessment of the existing mandate. Further, alongside the presentation of this report the Commission is presenting a proposal for a Council Decision on a renewal of the EIB's external mandate. (Please refer to CNS/2006/0107).

To recall, the objective of Decision 2000/24/EC was to give the EIB a mandate to support Community policies by financing selected investment projects. The Bank was called upon to enhance coordination with the Community's other financial instruments and to consult regularly with the Commission to ensure the coordination of activities in the countries concerned. The bank was also invited to cover the commercial risk on 30% of its lending under risk-sharing arrangements from third-party guarantees or other security.

Achievements

As regards the existing external lending mandates the report notes that loan signatures, on 31 December 2005 (i.e. 85% of the duration of the lending mandate), accounted for 87% of the overall lending ceiling. Transport and Telecoms accounted for 35% of total lending, with over half of the loans going to the EU's Southern and Eastern Neighbours. Water projects and urban planning initiatives received 20% of total lending and the energy sector accounted for 19% of loans granted during the period under review.

In 2005, the EIB was the main player in both the Mediterranean and in the Western Balkan. The EIB, however, played a more marginal role in the Eastern Neighbour Countries, Asia and Latin America. In other achievements, figures show that the Bank, by the end of December 2005, had reached 16.7% of total risk sharing loans signed under the mandate.

According to the report, the EIB, when compared to other IFI's, operates its external lending mandates with fewer staff and is perceived by potential borrowers as a streamlined and efficient lending institution with a closely defined focus. Its expertise and comparative advantage lies in fields such as infrastructure, environmental projects and SME's, where it seeks to pass on its technical and economic know-how. As part of its project conditions the EIB covers important issues such as pricing, improving management style, the cessation of non-profitable activities, productivity targets and asset disposal. Such conditions form part of the finance contracts and are monitored throughout project implementation.

Future Activities

The Commission states that the proposed new mandate of the EIB would be to build upon the existing achievements of the Bank, whilst broadening the geographical and sectoral focus of activities in line with the new political priorities of the EU. In light of this, the Commission is proposing to increase the budget. At EUR 31.5 billion the new amount would represent, in real terms, a seven year increase of around 16% - or slightly more than 2% annually.

The report points out that while the current EIB mandate has a fragmented geographical coverage, the proposed new mandate will offer a global coverage, by supporting the three circles of EU external policies namely: Pre-accession; Neighbourhood and Partnership; and Development Co-operation and Economic Co-operation. The amounts devoted to the different regions will depend on the relative importance of such regions within the EU's external policy. The estimated allocation would be: Pre-accession +/- EUR 100 million; Neighbourhood and Partnership +/- EUR 40 million; and Development Co-operation and Economic Co-operation +/- EUR 2 million.

The Commission is also proposing the introduction of a "Reserve Mandate" to cover unforeseen eventualities mainly triggered by natural disasters such a floods, fires, earthquakes, hurricanes/typhoons, tsunamis etc. but it would also cover post-conflict reconstruction. Concerning the guarantee coverage, the EIB will continue to extend the volume and the scope of its operations without Community guarantee wherever appropriate. For the period 2007-2013, financing in Croatia, Turkey and the Former Yugoslav Republic of Macedonia would increasingly take place under the Pre-Accession Facility made available by the EIB, which should be extended over time to the rest of the Western Balkans.

Lastly, provisions will also be put in place to extend the country coverage of the EIB's mandate namely Russia, the Ukraine, Moldova and Belarus, all of whom could become eligible as and when they comply with EU agreements. Other measures include linking up with related EU policies; co-operating with other IFI's in the various regions and the provision of reporting and accounting methods.

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

1999/0080(CNS) - 03/12/2002 - Follow-up document

The Commission has presented its report on the borrowing and lending activities of the Community in 2001. 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. In order to finance the lending activities decided on 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 in view of the moratorium on Euratom activities within the EU and the approaching expiry in 2002 of the ECSC Treaty, no funds were raised on the basis of these instruments in 2001. The only borrowings last year were for macrofinancial assistance to the western Balkan countries, loans to the African, Caribbean and Pacific (ACP) countries, measures adopted pursuant to the Mediterranean protocols (MEDA), and the EIB's activities inside and outside the Union in the areas mentioned above. Despite the above-mentioned factors, borrowings by the European institutions increased in 2001 by 11.3% to EUR 32.5 billion, against EUR 29.2 billion the previous year. 1) 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, there is less need for macrofinancial assistance. In contrast, the Balkan region is currently in receipt of considerable Community macrofinancial assistance, which also includes a significant grant component. In 2001 the Council approved macro-financial assistance in the form of a loan totalling EUR 225 million to the Federal Republic of Yugoslavia, accompanied by a grant of EUR 120 million. Furthermore, the macro-financial assistance in the form of grants to the former Yugoslav Republic of Macedonia was increased by EUR 18 million, and for Kosovo macro-financial assistance of up to EUR 30 million was approved in the form of budget support. With regard to disbursements, macro-financial assistance in the form of loans totalled EUR 305 million in 2001. It breaks down as follows for the Balkan countries: EUR 225 million for the Federal Republic of Yugoslavia, EUR 10 million for the FYROM and EUR 10 million for Bosnia-Herzegovina. As for the Newly Independent States, a loan of EUR 60 million was disbursed to Tajikistan. 2) Lending Activity : in 2001, the Bank signed 21 loan contracts in Central and Eastern Europe in the framework of the Council Decisions for an aggregate amount of EUR 693 million in 10 countries. Lending was reasonably spread throughout the region, with approximately 40% being taken up by Croatia and Bulgaria. - in the Mediterranean region, the Bank signed 15 loans in 6 countries in 2001 and, in addition, one loan for region-wide lending. Loans for projects in Turkey accounted for some 26% of overall lending, while Algeria, Morocco and Tunisia together absorbed a further 52%; - the Bank signed 11 loans for an overall amount of EUR 542 million in 7 countries of Asia and Latin America; - in 2001, the Bank signed three loan contracts in the Republic of South Africa for an aggregate amount of EUR 150 million; - total EIB lending in the ACP/OCT amounted to EUR 520 million, of which EUR 188 million from the Bank's own resources and EUR 332 million from risk capital.

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

1999/0080(CNS) - 26/04/1999 - Legislative proposal

PURPOSE: granting a Community guarantee to the EIB against losses under loans for projects in third countries. CONTENT: In accordance with the Council's guidelines concerning EIB loans, as well as the Agenda 2000 conclusions, the Commission proposes to: 1) invite the EIB to continue its lending operations out of its own resources in accordance with its criteria for investment projects in Central and Eastern Europe and Western Balkans, in the Mediterranean countries, in Latin American and Asian countries with which the Community has concluded cooperation agreements and in the Republic of South Africa. 2) grant a budget guarantee to the EIB for a period of three and a half years starting on 31.01.2000 (except for South Africa, where a period from 01.07.2000 until 31.07.2003 is suggested so as to align mandates) in respect of 60% of all the loans signed within a ceiling of 9,475 million euros, broken down as follows: - Central and Eastern Europe/Western Balkans: 4,725 million euros; - Mediterranean: 3,100 million euros; - Asia/Latin America: 1,225 million euros; - South Africa: 425 million euros. 3) at the end of the period of three and a half years, automatically extend the guarantee to cover the same overall amount until the end of the next Financial Perspective unless the Council were to decide otherwise on the basis of a proposal from the Commission. 4) invite the Bank to cover the commercial risk on 30% of the lending under the regional mandates defined by this proposal from non-sovereign guarantees to be expanded whenever possible.

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

1999/0080(CNS) - 03/09/2004 - Follow-up document

This report meets the requirement imposed on the Commission to inform the Council and the European Parliament on an annual basis of the borrowing and lending activities of the Community. The report therefore describes these operations for each of the areas concerned. To complete the picture of lending activities in 2003, it also gives a brief summary of the macro-financial assistance provided by the Community to the countries of Central and Eastern Europe and of the interest subsidies and guarantees associated with Community loans. It also provides information on Euratom's lending activities.

- Borrowing activities in 2003: given that the New Community Instrument ceilings have been fully used up and the ECSC Treaty expired in 2002, no funds were raised under these instruments in 2003. The borrowing for macro-financial assistance in 2003 was raised to grant loans to Serbia and Montenegro, the former Yugoslav Republic of Macedonia (FYROM) and Romania. There was only one borrowing under the Euratom loans instrument to Bulgaria. Despite these factors, total borrowing by the European Communities and the European Investment Bank (EIB) increased in 2003 by 10.5% to EUR 42.1 billion, against EUR 38.1 billion the previous year, mainly due to an increase in borrowings by the EIB. The total amount of borrowing outstanding as at 31 December 2003 was EUR 196.4 billion, 7.1% up on 2002. The breakdown of borrowing by currency shows a decrease in the share of Euro borrowings in 2003 to 54.9% from 59.0% in 2002 of all issues, while issues in other Community currencies increased from 17.7% to 19.1%.

- The Community's macro-financial assistance in the form of loans: the Community's action, which is by its very nature exceptional, focuses on neighbouring regions, such as Central and Eastern Europe, the Western Balkans, the Caucasus and the countries of the southern Mediterranean. As the candidate countries have made significant progress towards macro-economic adjustment and 10 of these countries joined the European Union in 2004, macro-financial assistance is gradually being phased out. In contrast, the Western Balkans region has significantly benefited over recent years from Community macro-financial assistance, which also includes a significant grant component. In the Western Balkans, the Council approved in 2003 supplementary macro-financial assistance in the form of a loan of EUR 25 million to Serbia and Montenegro, accompanied by a grant of up to EUR 45 million. Loan disbursements for a total amount of EUR 118 million were completed in 2003 in favour of Serbia and Montenegro (EUR 40 million), the former Yugoslav Republic of Macedonia (EUR 28 million) and Romania (EUR 50 million). Assistance in the form of outright grants totalling EUR 85 million was also paid out in 2003, of which EUR 7 million went to Tajikistan, EUR 25 million to Bosnia and Herzegovina, EUR 35 million to Serbia and Montenegro and EUR 18 million to the former Yugoslav Republic of Macedonia.

- EIB lending in Central and Eastern Europe, the Mediterranean, Asia and Latin America and the Republic of South Africa: in Central and Eastern Europe, the Bank has again been active in the accession countries, helping them to progress with their preparations for accession and European integration. 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, Serbia and Montenegro and the former Yugoslav Republic of Macedonia. In 2003 the Bank made its first investments in the health and education sectors in pursuit of one of its major new objectives. The EIB gave priority to upgrading, modernising and developing the communications and energy sectors, with particular emphasis on Trans-European Networks (TENs). Environmental issues related to EIB projects, as well as environmental projects per se, were given priority during the gradual adaptation of the legislation of the countries concerned to that of the EU.

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 supported 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 addition to its lending under mandate, the Bank has continued with its programme of lending from its own resources, without budgetary guarantee, under its Facility for Euro-Mediterranean Investment and Partnership (FEMIP).

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.

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.

The report finally notes that the cumulative total for risk-sharing projects since the start of lending activity under the Council Decisions established since 1 February 2000 was EUR 2 068 million at the end of 2003, i.e. 10.6% of the overall lending ceiling for these countries and 19.1% of lending to date.

- Lending activity of the Signatories of the Lomé/Cotonou Conventions: total EIB lending in the ACP/OCT amounted to EUR 463.2 million in 2003, of which EUR 177.6 million was from the Bank's own resources and EUR 285.6 million from risk capital. This includes the first loans under the Cotonou Agreement which came into force on 1 April 2003.

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

1999/0080(CNS) - 17/10/2006 - Follow-up document

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.