

COMMISSION OF THE EUROPEAN COMMUNITIES

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SIX-MONTHLY REPORT FROM THE COMMISSION TO THE COUNCIL AND EUROPEAN PARLIAMENT

on the rate of utilization of the tranches of
the New Community Instrument (NCI)

1.1.1989 - 30.06.1989

I. INTRODUCTION :

This report has been drawn up by the Commission in accordance with Article 6 of the Council Decision of 19 April 1983 empowering the Commission to contract loans under the New Community Instrument (NCI)⁽¹⁾, which stipulates that "the Commission shall inform the Council and the European Parliament every six months of the rate of utilization of the tranches". This six-monthly reporting period is also laid down in Article 8 of the Decision of 9 March 1987⁽²⁾. The present report covers the period 1.1.1989 to 30.06.1989.

The Council had authorized by the end of the period the following global amounts for ordinary NCI operations :

NCI I : 1 000 million ECU in borrowing⁽³⁾
NCI II : 1 000 million ECU in borrowing⁽⁴⁾
NCI III : 3 000 million ECU in borrowing⁽¹⁾
NCI IV : 750 million ECU in lending⁽²⁾

For NCI I, II and III these global authorizations take effect in line with implementing Decisions by the Council, which enable the activation of successive tranches of borrowing. There were three tranches of NCI I (500 million ECU, 400 million ECU and 100 million ECU); a single 1 000 million ECU tranche for NCI II; and two tranches of NCI III (1 500 million ECU, and 1 400 million ECU). Effective authorizations for borrowing under NCI III therefore currently total 2 900 million ECU, with a margin of 100 million ECU held in reserve.

For NCI IV, the global authorization took effect automatically without the need for an implementing Decision.

(1) Decision 83/200/EEC : OJ No L 112, 28.04.1983.

(2) Decision 87/182/EEC : OJ No L 71, 14.03.1987.

(3) Decision 78/870/EEC : OJ No L 298, 25.10.1978.

(4) Decision 82/169/EEC : OJ No L 78, 24.03.1982.

In addition to the ordinary operations, which are its chief activity, the NCI also contributes to operations which provide exceptional aid for the Italian and Greek areas affected by earthquakes in 1980 and 1981.

The Council Decisions relating to such aid for reconstruction do not set precise amounts for NCI activity, but limit the combined assistance, financed from the resources of both the European Investment Bank and the NCI, to :

- 1 000 million ECU in borrowing and lending for Italy⁽¹⁾;
- 80 million ECU in borrowing and lending for Greece⁽²⁾.

II. SITUATION AT 30.06.1989 :

The different legal bases for the ceilings applicable to the successive NCI authorizations determine the exact method of assessing the value of each loan signed in relation to the appropriate ceiling :

- For NCI I, II and III the ceilings are expressed in terms of borrowing and the loans signed are therefore converted into "borrowing equivalent", estimated on the basis of the currencies borrowed (which are slightly more than the currency amounts which are on-lent because of the costs incurred).
- For the reconstruction operations after the earthquakes in 1980 and 1981, the legislation in force assumes that the amounts borrowed and lent are identical. It is therefore the currencies actually disbursed for each loan which are taken into consideration.
- For NCI IV the ceiling is established in terms of loans, and it is therefore the "statistical" amount which is used; this is calculated directly from the contractual amount of each loan.

(1) Decision 81/19/EEC : OJ N° L 37, 10.02.1981.

(2) Decision 81/1013/EEC : OJ N° L 367, 23.12.1981.

Having regard to these special considerations, the situation at 30.06.1989 with respect to operations authorized was as follows :

(million ECU)

	NCI I	NCI II	NCI III	NCI IV	Earthquake reconstruction	
					Italy (of wh. NCI)	Greece (of wh. NCI)
Ceilings	1 000	1 000	2 900	750	1 000	80
Amounts granted	1 000	997	2 853	656	963 (611)	80 (80)
Balance	-	3	37	94	37	-

NCI I and II are closed, except for a small outstanding balance from NCI II which will be absorbed at the same time as NCI III is used up.

The amount granted under NCI III comprises 2 851 million ECU already disbursed, and 12 million ECU still to be paid out on loans already signed : this leaves a "borrowing equivalent" of 37 million ECU, for the granting of new loans.

NCI IV, which came into force in March 1987, has been taken up rapidly, with 87% of the authorized amount already granted at the end of the period (see Annex 1).

The special reconstruction operations after the earthquakes of 1980 and 1981, already completed in the case of Greece by a single NCI operation, are also coming to an end in Italy. With 96% of the total authorized for the latter country already granted, 64% of the assistance for Italy has been financed by the NCI and 36% by the EIB.

The borrowing operations carried out for all these activities of the NCI are shown, analysed by the currencies used, in Annex 2.

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III. ANALYSES BY COUNTRY AND BY SECTOR :

Such analyses can be carried out with regard to loans signed, expressed in terms of "statistical" amounts⁽¹⁾. The following table shows the overall situation at 30.06.1989.

LOANS SIGNED : SITUATION AT 30.06.1989 (2)

(million ECU)

COUNTRY/SECTOR	NCI I	NCI II	NCI III	NCI IV	NCI ⁽³⁾ RECONSTRUCTION	TOTAL	%
DENMARK	66.7	100.5	302.9	63.2	-	533.3	8.6
GREECE	-	114.9	111.3	-	80.0	306.2	4.9
SPAIN	-	-	69.2	113.8	-	183.0	2.9
FRANCE	70.0	125.0	938.9	106.6	-	1 240.5	20.0
IRELAND	239.0	116.5	68.4	-	-	423.9	6.8
ITALY	480.0	473.5	1 232.3	286.4	619.8	3 092.0	49.8
PORTUGAL	-	-	29.9	9.9	-	39.8	0.6
UNITED KINGDOM	139.2	67.0	109.3	76.3	-	391.8	6.3
TOTAL	994.9	997.4	2 862.2	656.2	699.8	6 210.5	100.0
of which :							
Productive sector	0.5%	38.2%	72.5%	100.0%			
Infrastructure	54.2%	31.7%	16.0%	-			
Energy	45.3%	30.2%	11.5%	-			

(1) Contractual amounts (usually expressed in the national currency of the recipient), converted into ECU at the exchange rate in force on the last working day of the quarter preceding the signing of the loan.

(2) Taking account of cancellations and a number of minor adjustments between the various sectors.

(3) Because of the special nature of these operations, no sectoral breakdown is given here.

The breakdown of loans signed shows that the largest share of the activity is in Italy (even if reconstruction operations are excluded), with France in the second position. Whereas the proportion of operations in Italy has proved to be relatively constant (between 40 and 50 %) through successive tranches of NCI, France's share has tended to rise, reaching 33 % for NCI III, before falling back under NCI IV. For the latter authorization, Spain now has the second largest share, at 17 %. As regards the allocation of NCI funds within countries, it is noteworthy that around 20% of the total goes to assisted areas.

Taking together all NCI loans signed for ordinary operations, there is an increasing shift in activity towards the productive sector, in accordance with the priorities laid down for NCI III to assist small and medium-sized enterprises. In contrast, there has been a fall in the proportion of loans signed for the energy and infrastructure sectors.

These tendencies have culminated with the implementation of NCI IV, the purpose of which is exclusively to finance the investment projects of small and medium-sized enterprises in industry and other productive sectors, in particular, with a view to the application of new technologies and innovation and improving the rational use of energy. To this end, NCI IV has certain special features which distinguish it from the previous initiatives, such as the options of converting a loan into equity capital, of using it to finance the acquisition of intangible assets and of deferring interest payments.

IV. CONCLUSIONS

NCI I, II and III, and the reconstruction operations after the earthquakes of 1980 and 1981, are virtually completed, while 87 % of NCI IV has already been used up.

If the continuity of the NCI as an instrument of Community policy is to be assured, it is therefore urgent to establish a legal basis to permit new operations after the closure of NCI IV. The system of specific authorizations which has become traditional, has led to an accumulation of debt, counterbalanced by corresponding assets, of over 5 000 million ECU at the present time, as shown below.

DEVELOPMENT OF NCI DEBT (in million ECU, at exchange rates of 31 December each year)			
	New borrowing	less repayments	Debt outstanding at end-year
1979	177	-	177
1980	308	-	491
1981	339	-	894
1982	767	-	1,741
1983	1,382	2	3,269
1984	967	19	4,432
1985	844	67	4,960
1986	541	160	5,202
1987	400	234	5,229
1988	338	316	5,370
1989 (30/6)	51	148	5,268
exchange adjustments	+ 78	- 22	-
1979-1989 (30/6)	6,192	924	5,268

At this level, the flow of capital repayments on the earliest operations is now sufficient to permit viable new operations without increasing any further the total amount of debt outstanding. The system has, in this sense, now reached maturity, and the Commission has accordingly proposed a new Council decision to stabilize the outstanding debt by converting the NCI into a renewable action of fixed size (1).

(1) COM (88) 661, 30.11.1988; COM (89) 440, 12.9.1989.

N C I IV LOANS

CEILING : 750 MILLION ECU (1)
(Situation as at 30.06.1989)

Ref.	Project description (2)	Date of contract	Loans signed		Breakdown by country, in million ECU (3)												
			Currency (million)	Million ECU (3)	DK	E	F	I	P	UK							
	I. LOANS SIGNED																
64/87	FIH (Small Business) PG-IV/A	15.09.87	DKR 250	31.8	31.8												
64/87	FIH (Small Business) PG-IV/B	24.05.88	DKR 250	31.4	31.4												
68/87	ENL - FMI V/A	12.10.87	LIT 28 000	18.7					18.7								
68/87	ENL - FMI V/B	12.10.87	LIT 12 000	8.0					8.0								
69/87	IMI - FMI V/A	31.07.87	LIT 56 000	37.3					37.3								
69/87	IMI - FMI V/B	31.07.87	LIT 24 000	16.0					16.0								
70/87	MEDIOCR. CENTR. - FMI IV/A	15.09.87	LIT 9 296	6.2					6.2								
70/87	MEDIOCR. CENTR. - FMI IV/B	10.12.87	LIT 8 821	5.9					5.9								
70/87	MEDIOCR. CENTR. - FMI IV/C	03.02.88	LIT 7 324	4.8					4.8								
70/87	MEDIOCR. CENTR. - FMI IV/D	16.03.88	LIT 4 975	3.3					3.3								
70/87	MEDIOCR. CENTR. - FMI IV/E	23.06.88	LIT 29 204	19.0					19.0								
71/87	INERBANCA - FMI IV/A	07.10.87	LIT 14 000	9.3					9.3								
71/87	INERBANCA - FMI IV/B	07.10.87	LIT 6 000	4.0					4.0								
73/87	BPI - PG V	22.07.87	ESC 1 610	9.9						9.9							
105/87	CENIROBANCA - FMI IV/A	11.12.87	LIT 14 000	9.3					9.3								
105/87	CENIROBANCA - FMI IV/B	11.12.87	LIT 6 000	4.0					4.0								
106/87	SAN PAOLO Agroindustria II	05.11.87	LIT 20 000	13.3					13.3								
107/87	CREDIOP - FMI I/A	18.12.87	LIT 7 000	4.7					4.7								
107/87	CREDIOP - FMI I/B	18.12.87	LIT 3 000	2.0					2.0								
108/87	BANCO DI NAPOLI - FMI A	18.12.87	LIT 7 000	4.7					4.7								
108/87	BANCO DI NAPOLI - FMI B	18.12.87	LIT 3 000	2.0					2.0								
110/87	B° DE SANTANDER - PME	24.07.87	PIA 3 000	20.9						20.9							
121/87	B° DE BILBAO - PME	23.07.87	PIA 5 000	34.8						34.8							
148/87	EFIBANCA - FMI IV/A	17.12.87	LIT 7 000	4.7					4.7								
148/87	EFIBANCA - FMI IV/B	17.12.87	LIT 3 000	2.0					2.0								
148/87	EFIBANCA - FMI IV/C	24.06.88	LIT 7 000	4.5					4.5								
148/87	EFIBANCA - FMI IV/D	24.06.88	LIT 3 000	1.9					1.9								

206/87	B° DE VIZCAYA - PME A	17.12.87	PTA	2 500	18.1	50.0	18.1							
206/87	B° DE VIZCAYA - PME B	30.11.88	PTA	1 500	10.9		10.9							
207/87	B° ESPANOL DE CREDITO - PME A	18.12.87	PTA	2 500	18.1		18.1							
207/88	B° ESPANOL DE CREDITO - PME B	18.11.88	PTA	1 500	10.9		10.9							
231/87	CREDIT NATIONAL - FMI III	05.02.88	ECU	50	50.0		50.0							
64/88	INVESTORS IN INDUSTRY - GROUPED LOAN V	28.12.88	UKL	20	30.5		30.5							
101/88	EFIBANCA - FMI V/A	05.10.88	LIT	7 000	4.5		4.5							
101/88	EFIBANCA - FMI V/B	05.10.88	LIT	3 000	1.9		1.9							
101/88	EFIBANCA - FMI V/C	16.01.89	LIT	7 000	4.6		4.6							
101/88	EFIBANCA - FMI V/D	16.01.89	LIT	3 000	2.0		2.0							
103/88	MEDIOCR. LOMBARDO - FMI A	10.10.88	LIT	10 500	6.8		6.8							
103/88	MEDIOCR. LOMBARDO - FMI B	10.10.88	LIT	4 500	2.9		2.9							
103/88	MEDIOCR. LOMBARDO - FMI C	06.02.89	LIT	14 000	9.1		9.1							
103/88	MEDIOCR. LOMBARDO - FMI D	06.02.89	LIT	6 000	3.9		3.9							
109/88	BARCLAYS BANK II GL	21.12.88	UKL	30	45.8		45.8							
128/88	CENTROBANCA - FMI V/A	19.12.88	LIT	21 000	13.6		13.6							
128/89	CENTROBANCA - FMI V/B	19.12.88	LIT	9 000	5.8		5.8							
135/88	CREDIOP - FMI II/A	09.12.88	LIT	7 000	4.5		4.5							
135/88	CREDIOP - FMI II/B	09.12.88	LIT	3 000	1.9		1.9							
185/88	BANCO DI SICILIA - FMI II/A	25.05.89	LIT	7 000	4.6		4.6							
185/88	BANCO DI SICILIA - FMI II/B	25.05.89	LIT	3 000	2.0		2.0							
199/88	CREDIT INDUSTRIEL ET COMM.	29.11.88	FF	400	56.6		56.6							
237/88	IMI - FMI VI/A	19.12.88	LIT	14 000	9.1		9.1							
237/88	IMI - FMI VI/B	19.12.88	LIT	6 000	3.9		3.9							
237/88	IMI - FMI VI/C	06.02.89	LIT	21 000	13.7		13.7							
237/88	IMI - FMI VI/D	06.02.89	LIT	9 000	5.9		5.9							
	TOTAL I				656.2		656.2	63.2	113.8	106.6	286.4	9.9	76.3	
II. <u>LOANS APPROVED AWAITING SIGNATURE</u>					93.8									
<u>BALANCE</u>					-									
<u>CEILING</u>					750.0									

(1) O.J. n° 271 of 14.03.1987 (loans ceiling).

(2) See list of abbreviations in Annex 3.

(3) Conversion rates are those obtaining on the last working day of the quarter preceding the signature of each loan.

NCI BORROWING, BY CURRENCY- DEBT OUTSTANDING AT 30.06.1989 ⁽¹⁾

Currency (million)	Original amounts	Repayments	Debt outstanding	Equivalent in MECU ⁽²⁾
ECU	1,095.00	126.50	968.50	968.5
BFR	10,500.00	1,875.00	8,625.00	197.9
DM	2,098.75	504.26	1,594.49	767.4
FF	2,100.00	-	2,100.00	295.8
HFL	2,152.00	353.76	1,798.24	766.6
LFR	2,600.00	-	2,600.00	59.7
LIT	100,000.00	-	100,000.00	65.3
PTA	10,000.00	-	10,000.00	75.3
UKL	247.00	56.10	190.90	294.3
CAD	80.00	-	80.00	57.2
SFR	692.00	30.00	662.00	376.0
USD	1,673.00	269.95	1,403.05	1,196.6
YEN	25,511.40	4,000.00	21,511.40	146.9
Total :				
- million				
ECU ⁽²⁾	6,191.6	924.1		5.267.5
- %	100.0	14.9		85.1

- NEW OPERATIONS 1.1.1989 - 30.06.1989

Date of issue	Duration (years)	Coupon (%)	Currency (million)	Equivalent in MECU ⁽²⁾	
				Fresh capital ⁽¹⁾	Refina- ncings
30.01.89	2	11.250	CAD 80	-	57.21
03.02.89	2	8.000	ECU 25	-	25.00
14.03.89	3	9.125	ECU 60	-	60.00
21.03.89	4	10.000	USD 140	-	119.39
11.05.89	6	7.250	HFL 120	51.15	-
				51.15	261.60

⁽¹⁾ Excluding refinancing operations, designed to reduce the cost of servicing existing debt initially contracted at higher interest rates.

⁽²⁾ Exchange rates as at 31.12.1988.

**SUMMARY OF ABBREVIATIONS USED IN THE LIST OF PROJECTS FOR THE
INVESTING ORGANISATIONS**

BNL	Banca Nazionale del Lavoro	I
BPI	Banco Portugès de Investimento	PO
CENTROBANCA	Banca Centrale di Credito Popolare SpA	I
CREDIOP	Consorzio di Credito per le Opere Pubbliche	I
EFIBANCA	Ente Finanziario Interbancario SpA	I
FIH	Finansieringsinstituttet for Industri og Haandvaerk A.S.	DK
IMI	Istituto Mobiliare Italiano	I
INTERBANCA	Banca per Finanziamenti a Medio e Lungo Termine SpA	I
MEDIOCREDITO CENTRALE	Istituto Centrale per il Credito a Mediotermine	I
SAN PAOLO	Istituto Bancario San Paolo di Torino	I

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