

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
concerning the intervention of the European Investment Bank in Madeira

Proposal for a
COUNCIL DECISION

relating to exceptional Community aid for the reconstruction of the
areas stricken by the cyclone that hit Madeira in October 1993

(presented by the Commission)

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

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Introduction.

Following the cyclone that hit Madeira on 28 and 29 October 1993, the Commission provided ECU 250,000 of exceptional humanitarian aid to the population most affected by the catastrophe.

On 11 January 1994, the Portuguese authorities addressed to the Commission a memorandum on the damage caused by the catastrophe to the infrastructures, housing and productive sectors and requested a special Community aid. The cost of projects directly related to the cyclone damage (infrastructures, commerce, industry, agriculture and fishing) are estimated by the authorities to amount to 6 361 127 thousand escudos [approx. ECU 31.7 million, June exchange rate].

Regarding the fishing sector, the Commission adopted on 8 April 1994 the granting of approximately ECU 800,000 as special indemnity to compensate for the damages suffered.

Having examined the Portuguese authorities request, the Commission considers that the most appropriate measure would be to subsidise loans made by the European Investment Bank on own resources with subsidies chargeable to the general budget.

The EIB agrees in principle to such an initiative in favour of Madeira, subject to the normal eligibility criteria.

The Commission is therefore proposing a means of responding to the request of the Portuguese authorities for additional loan facilities on favourable terms. Similar actions were undertaken after the earthquakes of 1980 in Italy and 1981 and 1986 in Greece.

Exceptional loans.

The necessary investment required to reconstruct the economic and social infrastructure of the areas devastated by the cyclone justifies that the economy of Madeira should benefit, with the help of the Community, of an important volume of supplementary financial resources.

The Commission considers that exceptional loans of up to a maximum of one half of the estimated outturn cost of eligible reconstruction operations on EIB resources accompanied by an interest subsidy to lighten the debt service would constitute a significant contribution to the repair of the damages occurred. The remainder is to be financed from domestic sources.

Interest subsidies.

The Commission proposes also to enlighten the debt service that Madeira would contract, by agreeing to charge interest subsidies to the general budget.

To this end, it is proposed to grant a subsidy at a rate of 3 percentage points per annum for a maximum period of 12 years. Further, regarding the reimbursement of the principal, it is proposed that credits granted in the framework of this action should have a grace period of 5 years.

The subsidy and grace period proposed are the same as those agreed in the framework of the reconstruction measures following the catastrophes that occurred in Italy and Greece.

Conclusion

The Commission proposes to the Council:

- to show the Community's solidarity by inviting the EIB to grant, out of its own resources, exceptional loans for a maximum of one half of the estimated outturn cost of eligible reconstruction operations in favour of Madeira.
- to decide on an interest subsidy at a rate of 3 percentage points per annum for up to 12 years chargeable to the Community budget and to adopt to this effect the decision proposed in annex.

Proposal for a
COUNCIL DECISION

relating to exceptional Community aid for the reconstruction of the areas stricken by the cyclone that hit Madeira in October 1993

THE COUNCIL OF THE EUROPEAN UNION,

Having regard of the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission, ⁽¹⁾

Having regard to the opinion from the European Parliament, ⁽²⁾

Whereas those living in certain areas of Madeira have been seriously affected by the cyclone of October 1993, with an ensuing need to help offset the effects of this disaster on their economic and social well-being;

Whereas steps should be taken to deal quickly and efficiently with this quite exceptional situation;

Whereas the European Investment Bank is able to grant loans out of its own resources to help achieve this objective;

Whereas an interest subsidy chargeable to the general budget of the European Communities should be provided on these loans;

Whereas similar measures were adopted following the natural catastrophes that occurred in Italy ⁽³⁾ and in Greece ⁽⁴⁾;

Whereas the Treaty has not provided, for the adoption of the measures in question, powers other than those provided for in article 235,

(1) OJ No. C

(2) OJ No. C

(3) OJ No. L 37, 20.1.1981

(4) OJ No. L 367, 14.12.1981; OJ no. L 309, 7.11.1988

HAS DECIDED AS FOLLOWS:

Article 1

The ultimate recipients of the loans, granted by the European Investment Bank out of its own resources, for investment projects carried out in the areas devastated by the cyclone of October 1993 in Madeira, shall be entitled to an interest subsidy chargeable to the general budget of the European Communities, up to the equivalent of a capital value of ECU 15.85 million in all.

On the basis of projects put forward by the authorities in Portugal, and approved by the Bank, the Commission shall grant this subsidy at a rate of three percentage points per annum for up to 12 years.

Article 2

This Decision shall take effect from

Done at Brussels,

For the Council

The President

FINANCIAL STATEMENT

1. TITLE OF THE OPERATION

Article B-5-203: Interest subsidies in favour of loans made to Madeira following the cyclone of October 1993.

2. BUDGET HEADING CONCERNED

Article B-5-203.

3. LEGAL BASIS

To be provided by the proposed decision, on the basis of Article 235 of the Treaty.

4. DESCRIPTION OF THE OPERATION

4.1 Objectives:

To grant a subsidy of 3 points of annual interest rate, for a maximum period of 12 years, to loans made by the European Investment Bank out of its own resources and not exceeding ECU 15.85 million in principal, in favour of investments made in the areas affected by the cyclone in October 1993 in Madeira.

4.2 Period covered by the operation:

Start: 1995-96.

End: twelve years after the disbursement of the last loan.

5. CLASSIFICATION OF EXPENDITURE

DNO; CD.

6. NATURE OF EXPENDITURE

Interest subsidies.

7. FINANCIAL IMPACT

7.1 Method of calculation:

Interest subsidies of 3% calculated half-yearly on the outstanding amount. It should be noted that regarding the reimbursement of the principal, credits granted in the framework of this action have a grace period of 5 years. Therefore, during the first five years the amount of the rebate remains constant. In all, interest subsidies would amount to approximately a maximum of ECU 4.4 million (the calculation is based on the 12-year ECU interest rate of April 1994).

7.2 Cost distribution by elements of the operation:

Not applicable.

7.3 Operational expenditure relating to studies, expert meetings, etc.

Not applicable.

7.4 Schedule:

For the first five years of operations the subsidy would amount to a maximum of ECU 475,500 per year.

Year	1995	1996	1997	1998	1999	2000	2000+
Subsidy ('000 ECU)	475.5	475.5	475.5	475.5	475.5	pm	pm

8. ANTI-FRAUD DISPOSITIONS FORESEEN (AND RESULTS OF THEIR IMPLEMENTATION)

Verification of subsidies and of the requested preliminary, feasibility and evaluation studies is made by the Commission services before payment, taking into account the contractual obligations, economic principles and sound financial management. Anti-fraud dispositions (control, reports, etc.) are included in all the agreements or contracts concluded between the Commission and the beneficiaries.

9. COST-EFFECTIVENESS ANALYSIS

9.1 i) Quantifiable objectives: See point 4.1 above.

ii) Population: Madeira.

9.2 Justification of operations:

To help the realisation of investment in the areas affected by the cyclone.

9.3 Follow-up and evaluation of the action:

Not applicable.

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DOCUMENTS

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