



COMMISSION OF THE EUROPEAN COMMUNITIES

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**THE COMMISSION'S ANNUAL REPORT
TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT
ON THE BORROWING AND LENDING ACTIVITIES
OF THE COMMUNITY IN 1996**

and

**THE COMMISSION'S REPORT
TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT
ON THE RATE OF UTILIZATION
OF THE NEW COMMUNITY INSTRUMENT (NCI)
(half-year from 1 July to 31 December 1996)**

#1591(a)

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INTRODUCTION

A. Annual report

This annual report is drawn up in accordance with the Council Decisions establishing the New Community Instrument (NCI)¹ and lending instruments for Euratom research and finance.² In addition, Parliament, in its Resolution on improving political monitoring of the Community's borrowing and lending activities,³ called for the activities of the ECSC and the EIB to be included. The present annual report covers 1996; it is the seventeenth report published by the Commission and is intended to comply with the obligation imposed on it by the Council and Parliament to provide the fullest information possible on all these activities.

In financial terms, 1996 was marked by a very substantial upturn in activity, which was triggered by a modest recovery in real growth (real GDP up 1,6%) and a very clear improvement in the fundamentals (low inflation, sound public finances, falling interest rates, buoyant world trade). The improvement in the economic environment stimulated financial investment and issues of long-term securities, particularly during the second half-year. Conversely, the lending instrument registered a downturn for the whole of the OECD area (Table 1).

For reasons specific to them, the Community lending instruments followed similar trends in 1996. However, EIB lending recorded a significant increase within the Union (up 12,6%), with activity focusing on support for assisted regions, financing for trans-European networks and projects in the new Member States. In contrast, following the exceptional results of 1995, activity outside the Union slowed as the result of an unfavourable political climate in certain countries and the expiry of the mandate conferred on the Bank by the Community in Latin America and Asia, renewal negotiations having taken longer than anticipated.

Since the EIB's mandate for the above area expired sooner than for the other regions, the Commission proposed an interim programme to the Council in January 1996 which the Council approved in December 1996 for an amount of ECU 275 million.

Taking the view that it was more equitable to renew these mandates simultaneously and to make their expiry dates tally with the period covered by the financial prospects

¹ Article 6 of Decision 78/870/EEC (OJ No L 298 of 25 October 1978);
Article 7 of Decision 81/19/EEC (OJ No L 37 of 10 February 1981);
Article 7 of Decision 81/1013/EEC (OJ No L 367 of 23 December 1981);
Article 6 of Decision 82/169/EEC (OJ No L 78 of 24 March 1982);
Article 7 of Decision 83/200/EEC (OJ No L 112 of 28 April 1983);
Article 9 of Decision 87/182/EEC (OJ No L 71 of 14 March 1987).

² Article 4 of Decision 77/270/Euratom (OJ No L 88 of 6 April 1977).

³ Doc. PE/67134 of 5 March 1981 (OJ No C 287 of 9 November 1981).

Taking the view that it was more equitable to renew these mandates simultaneously and to make their expiry dates tally with the period covered by the financial prospects establishing the budgetary reserve, the Commission proposed to the Council that the EIB's mandate in all third countries for 1997-2000 be renewed, on a comprehensive basis, for three years. On that basis, the Council decided at the beginning of 1997 to guarantee from the Community budget for 70% of loans signed, on principal and interest, within the limit of ECU 7 105 million. The mandate breaks down as follows (Table 8 in the Annex):

- CEEC	ECU 3 520 million
- Mediterranean basin	ECU 2 310 million
- Third countries of Latin America and Asia	ECU 900 million
- South Africa	ECU 375 million

B. Half-yearly report

With a view to ensuring that borrowings designed to promote investment within the Community are continuously monitored, the 1983 and 1987 Decisions concerning the NCI also provide for the Commission to present Parliament and the Council with a **six-monthly report** about the rate of utilization of the NCI borrowing tranches. Part B of this document therefore provides an account of NCI activities over the period from 1 July to 31 December 1996.

**A. THE COMMISSION'S ANNUAL REPORT
TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT ON THE
BORROWING AND LENDING ACTIVITIES OF THE COMMUNITY IN 1996**

1. COMMUNITY BORROWING

- 1.1. In order to attain the objectives of the Treaty covering the territory of the Community, the Commission has been empowered to borrow funds on the capital market. These borrowings must finance the construction of, and improvements to, nuclear power stations (current Euratom ceiling of ECU 4 billion), investment in the Community under the NCI (current ceiling of ECU 6,8 billion) and, under the ECSC Treaty, promote productive capacity or conversion projects in the coal and steel industries and, where appropriate, loans for Member States with balance-of-payments difficulties (ceiling of ECU 14 billion). The amounts still available are indicated in the paragraphs corresponding to each instrument.

On the basis of agreements concluded with non-Community countries, the Commission is empowered to borrow to finance programmes of financial assistance for the countries of Central and Eastern Europe, for the African, Caribbean and Pacific (ACP) countries and for measures adopted pursuant to the Mediterranean protocols.

Within and outside the Union, the European Investment Bank (EIB) has been closely involved in the financing of common policies and priorities, to the point where its borrowings account for most Community issues (Table 1).

- 1.2. The volume of borrowing in the market by the Community institutions in 1996 totalled ECU 18 billion, an increase of 36,4% on the previous year (Table 1). Although smaller than the increase recorded by bonds issued by OECD-area countries on international markets, the Community figure is not far short of it. It basically resulted from issues made by the EIB to finance activities falling within its remit. The issues made by the Commission (allocated borrowings) continued to follow the guidelines laid down by the Council for disengaging the Commission from certain activities in favour of the EIB.

Overall, the share of Community issues remained virtually stable in relation to that of bonds issued in the OECD area. Eurobonds recorded substantial gains, increasing by more than 64% on a year-on-year basis.

The more optimistic climate on financial markets, falling interest rates and the prospect of a modest recovery in economic activity tended to discourage variable-rate issues, whose relative share declined again.

Table 1									
Capital borrowed on the international markets		(ECU billion)							
	1989	1990	1991	1992	1993	1994	1995	1996	
1. European Institutions	10,5	12,5	16,9	15,7	20,1	15,2	13,2	18,0	
of which:									
1.1 ECSC	0,9	1,1	1,4	1,5	0,9	0,6	0,4	0,3	
1.2 EC (a)	0,5	0,4	1,7	1,2	5,0	0,3	0,4	0,1	
1.3 Euratom	—	—	—	—	—	0,1	—	—	
1.4 EIB	9,0	11,0	13,7	13,0	14,2	14,2	12,4	17,6	
2. OECD countries (b)									
(by instrument)									
2.1 Bond Issues	232,2	180,5	240,2	257,1	410,8	360,3	357,3	559,6	
of which: Eurobonds	193,2	141,4	200,5	212,7	337,0	309,7	283,9	465,9	
2.2 Loans	117,5	103,3	99,9	96,0	123,7	202,7	285,9	274,0	
3. Bond issues by the European Institutions as a % of OECD	3,9	6,1	5,7	5,1	3,5	3,9	3,5	3,2	
(a)	NCI + balance of payments,								
(b)	Calculations based on yearly average exchange rate of the ecu, Source: OECD & EU								

2. LENDING WITHIN THE COMMUNITY

2.1. In most Community countries the fundamentals improved and economic activity slowed in 1996 (real GDP up by 1,6%, against 2,5% in 1995). Although exports continued to perform well (up 3,3% in real terms), investment in general, and particularly in the building industry and public works, was affected by the close monitoring of public deficits.

Good inflation figures in virtually all countries and a sharp fall in interest rates had not given rise to a sufficient labour market recovery for unemployment to be reduced by the end of 1996. However, investment by SMEs started to pick up.

2.2. In this context, reflecting the commitment to creating a macro-economic climate favourable to EMU, the EIB granted loans in the European Union to the tune of ECU 20,95 billion as against ECU 18,6 billion in 1995, an increase of 12,6% (Table 2). The funding helped to create an investment volume estimated at ECU 60 billion, or some 5% of the gross fixed capital formation (GFCF) achieved in the Union. A significant volume of lending took place in Austria, Sweden and Finland, with the amount virtually double that of 1995, the first year of their accession. However, the most appreciable increase in loans was seen in the Netherlands, Italy, Greece, France and Germany.

The financing of investment contributing to regional development and to the strengthening of economic cohesion remained one of the Bank's main concerns in 1996 (Table 5 in the Annex) and accounts for more than two-thirds of total loans. These loans were concentrated in areas qualifying for support under the Structural Funds, especially in the "cohesion" countries, Germany's eastern regions and southern

Italy, where financing returned to 1994 levels. Since the reform of the Funds in 1989, loans for regional development have totalled ECU 85 billion, helping to finance investment estimated at ECU 249 billion.

Several years ago the EIB adapted its loan conditions to the specific requirements of establishing coherent networks, essential for intra-Community trade. The Bank thus became directly involved in financing **trans-European networks** and more especially in the **priority projects** identified by the Essen European Council. Under this heading, it had approved loan commitments of ECU 10,7 billion by the end of 1996. The Bank has made approximately ECU 30 billion available within the Union since 1993 for the establishment of trans-European networks in transport, energy transfers and telecommunications. The facilities offered by the special TENs window have been applied whenever possible.

	1993		1994		1995		1996	
	ECU million	%	ECU million	%	ECU million	%	ECU million	%
Belgium	372	1,9	615	3,1	665	3,1	657	2,8
Denmark	876	4,5	850	4,3	825	3,9	688	3,0
Germany	2 097	10,7	2 408	12,1	2 715	12,7	3 022	13,0
Greece	511	2,8	535	2,7	525	2,5	721	3,1
Spain	4 005	20,4	3 012	15,1	2 818	13,2	2 553	11,0
France	2 206	11,2	2 477	12,4	2 207	10,3	2 509	10,8
Ireland	388	2,0	291	1,5	327	1,5	189	0,8
Italy	3 362	17,1	3 100	15,6	3 435	16,0	4 121	17,7
Luxembourg	-	0,0	5	0,0	79	0,4	-	0,0
Netherlands	380	1,9	400	2,0	319	1,5	766	3,3
Austria	-	0,0	90	0,4	242	1,1	490	2,1
Portugal	1 489	7,6	1 110	5,6	1 232	5,8	1 294	5,6
Finland	-	0,0	60	0,3	179	0,8	302	1,3
Sweden	-	0,0	15	0,1	273	1,3	846	3,6
United Kingdom	1 929	9,8	2 455	12,3	2 244	10,5	2 386	10,3
Other (Article 18)	111	0,6	281	1,3	519	2,4	402	1,7
Community total	17 724	90,4	17 682	88,7	18 604	86,9	20 946	90,1
ACP-OCT ; RSA	226	1,2	462	2,3	475	2,2	452	1,9
Mediterranean	681	3,5	607	3,0	1 038	4,8	681	2,9
CEEC	882	4,5	957	4,8	1 005	4,7	1 116	4,8
Latin America, Asia	99	0,5	220	1,1	288	1,3	45	0,2
Non-Community total	1 887	9,8	2 246	11,3	2 806	13,1	2 294	9,9
TOTAL LOANS SIGNED	19 611	100,0	19 928	100,0	21 410	100,0	23 240	100,0

Financing for **infrastructure in the communications sector** amounted to ECU 6 506 million, holding steady in relation to the previous year. Financing for the transport sector totalled ECU 4 500 million, most of which was directed toward road and railway infrastructure (ECU 4 200 million). Financing was made available for the new Athens international airport. Lending rose sharply in the telecommunications field, returning to the level of previous years following last year's fall.

The Bank, which assesses the **environmental impact** of all the projects it finances and is careful to ensure that they comply with the relevant Community standards, granted loans worth ECU 5 875 million for that objective in 1996, thus maintaining

funding at the average level of previous years (30% of all financing). ECU 4 209 million was earmarked for programmes concerning air and water quality and waste processing. Urban renewal schemes accounted for ECU 1 666 million. Financing for energy objectives increased substantially in 1996 to ECU 4 031 million. Financing was stepped up for a wide range of projects involving the use of natural gas (power stations, transport, distribution and storage).

1996 was also marked by a clear pick-up in individual loans for industrial projects. Advances on global loans for SMEs held steady at a high level after the sharp increase recorded the previous year. Overall, lending for industrial objectives amounted to ECU 3 776 million, of which ECU 1 182 million consisted of individual loans and ECU 2 594 million advances on global loans for more than 11 000 SMEs.

By the end of 1995 the ECU 1 billion allocated to the facility for employment-creating SMEs had been advanced in full, enabling the creation of some 45 000 new jobs. By the end of 1996 2 451 SMEs confirmed that about 28 000 jobs had been created and sustained for six months.

- 2.3. As part of arrangements for ECSC borrowing/lending activities decided on by the Commission in June 1994 (OJ No 175 of 28 June 1994) with a view to the expiry of the ECSC Treaty on 23 July 2002, amounts paid out under new loans within the Community declined sharply in relation to the previous year (Table 3).

Table 3					
ECSC loans in 1996				(ECU thousand)	
	Article 54	Article 56	Article 95	Housing	Total
Belgium	-	5 951	-	1 074	7 025
Danmark	-	-	-	113	113
Germany	-	23 009	-	9 663	32 672
Greece	-	-	-	154	154
Spain	12 183	16 721	-	3 589	32 493
France	-	11 548	-	1 800	13 348
Ireland	-	-	-	20	20
Italy	30 466	58 924	-	1 937	91 327
Luxembourg	34 911	-	-	309	35 220
Netherlands	-	-	-	183	183
Austria	-	578	-	-	578
Portugal	-	-	-	208	208
United Kingdom	-	50 398	-	357	50 755
Non-EU	-	-	15 563	-	15 563
Total	77 560	167 129	15 583	19 407	279 659

- 2.4. As regards NCI activities, repayments have continued and loans have been repaid virtually in full in some countries. No new lending operations have been undertaken since 1991 (Table 4).

Table 4							
NCI loans at 31 December 1996				(ECU million)			
Financial agreements	NCI	Reconstr.	Reconstr.	NCI II	NCI III	NCI IV	TOTAL
		ITALIE	GRECE				
Global loans (*)	--	--	--	406,8	2 138,0	668,8	3 213,5
Productive sector (**)	5,4	--	--	10,6	--	--	15,9
Infrastructure	538,5	598,7	80,0	279,4	465,3	--	1 961,9
Energy	448,7	--	--	300,8	258,3	--	1 005,8
Total contracts signed, net (**)	990,5	598,7	80,0	997,5	2 861,5	668,8	6 197,1
EIB loans (own resources)	--	351,6	--	--	--	--	351,6
Authorized ceilings	1 000,0	1 000,0	80,0	1 000,0	3 000,0	750,0	6 830,0
Balance	9,5	49,7	0,0	2,5	138,4	81,2	267,5

(*) Industry and agriculture
(**) Contracts signed less cancellations

2.5. No financing applications for nuclear projects within the Community under the ECU 1,1 billion **Euratom** ceiling have been made in recent years. However, a number of projects outside the Community are currently being examined (see 3.5).

2.6. The facility providing medium-term financial assistance for **Member States' balances of payments** was not activated last year. Taking account of amounts disbursed in the past to Greece (ECU 1 billion - first tranche of the 1991 loan of ECU 2,2 billion) and to Italy (ECU 4 billion - first two tranches of the 1993 loan of ECU 8 billion) and repayments effected in 1996, the total amount of loans outstanding under this facility amounted to ECU 4 billion at 31 December 1996. The available margin to be financed by Community loans on the capital market therefore amounted to ECU 10 billion.

3. LENDING OUTSIDE THE COMMUNITY

Lending activities with countries having concluded cooperation agreements with the Community tailed off following a period of continuous expansion in recent years.

3.1. Macroeconomic assistance in the form of **balance-of-payments and structural-adjustment support** loans for third countries amounted to ECU 155 million in 1996 (Table 5). Disbursements made for this purpose and corresponding to loans previously approved amounted to ECU 140 million, of which ECU 40 million was allocated to CEEC (Bulgaria) and ECU 100 million to the CIS (Ukraine). In addition to this, new loans approved in 1996 included the disbursement of ECU 15 million to Moldova.

3.2. No new disbursements were made in 1996 under the Council Decision of December 1991 relating to the commercial credit facility of ECU 1 250 million in favour of the new independent states of the former USSR (CIS).

Since no new operations were decided on in 1996, the total amount of credits granted under the facility remained at the same level as in 1995, i.e. ECU 1 133 million (Table 8 in the Annex).

- 3.3. **EIB financing outside the Union** amounted to ECU 2 294 million in 1996, about 18% down on the previous year (Table 2). ECU 2 190 million of this amount was financed from the Bank's own resources, with the remaining ECU 104 million funded from operations using risk capital drawn from Community or Member States' budgetary funds (Table 5).

Lending activities were partly influenced by the process of renewing the mandates for Latin America and Asia (ALA), which took longer than anticipated, and by the unfavourable political climate in some regions.

The loan total increased in the CEEC and in South Africa but fell in the African, Caribbean and Pacific (ACP) countries and the Overseas Countries and Territories (OCT), in the Mediterranean and in Latin America and Asia (ALA).

- 3.3.1. In the ACP countries and the OCT, the EIB provided assistance amounting to ECU 396 million (against ECU 430 million in 1995), of which ECU 99 million was in the form of risk capital from the resources of the European Development Fund (EDF).

Two-thirds of financing (ECU 256 million) went to basic infrastructure necessary for the economic development of the countries concerned. Industry received finance totalling ECU 42 million in the form of individual loans and ECU 98 million in the form of global loans concluded with local financial institutions for the financing of small businesses.

- 3.3.2. Lending in the countries on the Mediterranean seaboard totalled ECU 681 million in 1996, of which ECU 5 million was drawn from own resources. ECU 562 million of the loans was financed under non-protocol horizontal financial cooperation for communications and environmental protection projects. Loans under the current bilateral protocols totalled ECU 119 million.

The breakdown per sector shows the importance of projects designed to control domestic pollution (waste-water collection and treatment facilities) and industrial pollution (decontamination project for a petrochemicals plant in Algeria and provision of desulphurization equipment in a power station in Turkey). In total, ECU 380 million, or 56% of financing for the year, went directly to environmental protection.

Loans totalling ECU 53 million were granted to Gaza for improvements to water distribution networks and the construction of a port.

- 3.3.3. In the CEEC, lending to ten countries totalled ECU 1 116 million in 1996 (ECU 1 005 million in 1995). Virtually all of these loans (97%) were provided under the Decision of the Board of Governors of May 1994 for a programme of ECU 3 billion with a Community budget guarantee. In addition, ECU 30 million was advanced to Slovenia under the protocol which entered into force in 1993. The bulk of these loans, with the exception of ECU 50 million in global loans, supported the

development of basic infrastructure, essentially communications. Several of them contributed to projects forming part of priority transport corridors.

3.3.4. Under the authorization given by the Board of Governors in February 1993 to finance investment in **Latin America and Asia**, a transaction was signed in Argentina (ECU 45 million) to improve road infrastructure.

3.3.5. The Bank continued to provide financing to **South Africa** in 1996 with a loan of ECU 56 million for the extension of the electricity distribution network.

Table 5					
Financing outside the Community in 1996				(ECU million)	
	ECSC	Balance-of-payments support (1)	E I B		Total
			EC and EDF budget resources (2)	Own resources (3)	
ACP-OCT	-	-	99	297	396
Mediterranean basin	-	-	5	676	681
CEEC	16	40	-	1 116	1 172
CIS	-	115	-	-	115
Latin America, Asia	-	-	-	45	45
South Africa	-	-	-	56	56
Total	16	155	104	2 190	2 465
(1) Disbursements.					
(2) Granted and maintained by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF)					
(3) Signed loans.					

3.4. Outside the Community, a single **ECSC loan** of ECU 15,5 million was granted in 1996. The beneficiary was a steel company undergoing restructuring.

3.5. The Council's decision of 21 March 1994 made **Euratom loans** available to **CEEC and CIS countries** with a view to improving the safety and efficiency of their nuclear power stations. The available amount is about ECU 1,1 billion, taking the current global ceiling fixed by the Council into account.

Several projects are being appraised in Ukraine, Bulgaria, Russia and Lithuania, but given the political and technical complexity of projects of this type, no decision to provide funds was taken in 1996.

3.6. The Community and EIB are both shareholders and close partners of the **EBRD**: they each hold 3% of the Bank's capital, work in close cooperation and match their resources.

According to the **EBRD's** annual report for 1996, the Board approved 119 new projects in the CEEC and the former Soviet Union (against 134 in 1995), for a total amount of ECU 2,8 billion, or about 10% more than in 1995 on the basis of reevaluated figures. Signed commitments amounted to ECU 2,2 billion in 1996.

Equity holdings as a proportion of the Bank's entire activities fell from 24% in 1995 to 19% in 1996, i.e. ECU 526 million.

4. THE EUROPEAN INVESTMENT FUND

In 1996, the EIF was able to complete the major preparatory work carried out since its creation in June 1994 and thus record a sharp rise in the number of operations signed. Twenty-two operations were signed during the year involving a total amount of ECU 833 million, which takes the overall volume of operations signed since its creation to ECU 1 464 million. The proportion of this amount taken up by infrastructure projects linked to the Trans-European Networks (TEN) programme is 78%, with the remaining 22% of commitments going to support small and medium-sized enterprises.

The infrastructure projects which received Fund guarantees were in the transport and energy sectors. Guarantees granted to SME projects concentrated on support for the start-up phase of the "Growth and environment" pilot programme. This is an initiative of the European Parliament for which the Commission budget is financing the cost of loan guarantees for SMEs which carry out projects of potential benefit to the environment. Of the thirteen operations approved under this programme (to the tune of ECU 392 million), six (totalling ECU 162 million) have been negotiated and signed with financial intermediaries in five Member States.

As provided for in its Statutes, the EIF was authorized in 1996 to become involved in equity participations. An amount of ECU 75 million was earmarked for this purpose up to the end of 1998. A series of operations were identified and examined in 1996, and the first contracts were scheduled to be signed at the start of 1997.

At the end of 1996, the Fund's assets stood at ECU 1 786 million, or 89,3% of the authorized capital of ECU 2 billion. This has been subscribed by 78 shareholders made up of 76 financial institutions, the European Union (represented by the Commission) and the EIB.

5. BUDGETARY IMPACT OF LENDING

The Community's general budget is affected by lending activities where loans are accompanied by interest subsidies and/or budget guarantees.

5.1. Interest subsidies

Interest subsidies are granted by the Community in the following fields (see Table 7 in Annex):

- a) the industrial conversion of coal and steel areas (Article 56 of the ECSC Treaty),
- b) the reconstruction of the disaster-hit areas of Italy, Greece and Portugal (Autonomous Region of Madeira), and

c) in the context of the "SME facility".

No industrial loans at reduced rates for investment projects designed to promote consumption of Community coal (Article 54, second paragraph) have been made. With regard to subsidies for conversion loans in coal and steel areas (Article 56), interest subsidies amounted to ECU 36,8 million in 1996 against ECU 11,5 million in 1995 and ECU 51,1 million in 1994.

The Council Decision on reconstruction following the earthquake on Madeira in 1993 lays down that interest subsidies on EIB loans are to be paid directly by the Commission to the Autonomous Region of Madeira and no longer via the EIB, as had been the case for the earthquakes in Greece and Italy.

The Copenhagen European Council of June 1993 increased by ECU 3 billion the temporary facility agreed in Edinburgh for major infrastructure projects. Of that amount, ECU 1 billion is earmarked for measures to strengthen the competitiveness of European small and medium-sized enterprises and is combined with interest subsidies linked to job creation. The subsidy amounts to ECU 3 000 per additional job created (equivalent on average to a 2% interest-rate reduction). The Council Decision of 19 April 1994 allowed the EIB to start signing global lending agreements with financial intermediaries in all Member States in the second half of 1994. The allocation of loans ended on 15 December 1995, the entire budget of ECU 1 billion having been used up.

By the end of 1996, 48% of this facility had been spent: a total of ECU 480 million had been allocated to 2 536 firms. It is thought that the entire budget could be disbursed in 1997, with some 4 500 firms benefiting. Budgetary payments for this facility amounted to ECU 2,8 million in 1995 and ECU 17,5 million in 1996. Interest subsidies are also provided in connection with EIB loans outside the Community (see Table 8 in Annex).

5.2. Budget guarantees

5.2.1. Coverage

All the outstanding borrowing contracted by the Community to finance loans managed by the Commission (Euratom, NCI, balance of payments) is guaranteed by the general budget.

In this connection, the Community budget was involved in an ECU 15 million "balance-of-payments loan" to Moldova in 1996.

The Bank's loans from own resources granted to non-Community countries in pursuit of the Community's policy of providing financial assistance for development are covered by a guarantee agreement. The guarantees are provided by Member States for loans in ACP countries and the OCT and by the Community for Mediterranean, Central and east European (CEEC) countries, the countries in Latin America and Asia with which the European Union has concluded cooperation agreements and South Africa.

Details of the Community budget guarantees provided in this connection are as follows:

a) **EIB loans to Mediterranean countries:** These loans are covered by a global Community guarantee for 75% of the amount of loans signed. At the end of 1996, outstanding loans totalled ECU 2 357 million, of which ECU 265 million was accounted for by loans in Spain, Greece and Portugal (pre-accession) and ECU 2 092 million by loans in non-member Mediterranean countries.

b) **EIB loans to the CEEC:** Loans contracted are fully covered by the Community guarantee. At 31 December 1996, the EIB had advanced ECU 1 628 million to these countries out of a total allocation of ECU 1,7 billion under the CEEC I Agreement. The total amount outstanding for loans at the end of 1996 was ECU 971 million.

At the end of 1993, the Community renewed its guarantee to cover EIB lending to the CEEC, including the Baltic States and Albania, up to a ceiling of ECU 3 billion over the subsequent three years (CEEC II Agreement). At 31 December 1996 the EIB had advanced ECU 2 980 million from this allocation. At the same date, the amount of the guarantee outstanding was only ECU 335 million.

c) **EIB loans to third countries in Latin America and Asia:** Loans granted to those countries with which the Community has concluded cooperation agreements are fully guaranteed by the Community budget. This programme was adopted in February 1993 and relates to a global amount of ECU 750 million over a period of three years, with a ceiling of ECU 250 million a year. At the end of 1996, loans signed stood at ECU 647 million, while disbursements, the amount of which is covered by the budget guarantee, stood at ECU 204 million. On 12 December 1996, the Council authorized an interim guarantee for one year restricted to an overall loan ceiling of ECU 275 million, expiring in June 1997. This decision enabled the link to be made between the initial mandate conferred on the Bank in this region and the global multi-annual mandate for all third countries approved by the Council at the start of 1997.

d) **EIB loans to South Africa:** In June 1995, the Community provided its guarantee for loans to be granted by the EIB in South Africa over the subsequent two years, up to a maximum amount of ECU 300 million. These loans are fully guaranteed by the Community budget. At 31 December 1996, the EIB had advanced ECU 101 million while, on the same date, the outstanding guarantee relating to principal and interest was only ECU 32 million (Table 6).

5.2.2 Outstanding guarantees at 31 December 1996

At the end of 1996, outstanding guarantees provided by the Community budget, which, as indicated, relate to the amount of loans disbursed, details of which are given in Table 6, stood at some ECU 12 billion, more than 53% of which was for countries outside the Community. Compared with 1995, total outstanding guarantees were down by ECU 1 238 million. However, the proportion of commitments to non-Community countries has increased steadily from 37,5% in 1992 to 53% at present.

The annual risk covered by the general budget, which concerns the repayment of the debt (principal and interest), stood at ECU 3 149 million in 1996, of which ECU 1 081 million related to third countries.

At 31 December 1996, amounts paid out by the Community and not yet repaid by defaulting debtors stood at ECU 330,7 million, of which ECU 84,4 million is owed by some of the republics of the former Yugoslavia and ECU 246,3 million by Tajikistan, Armenia and Georgia.

All provisional drawings on the Commission's cash resources in respect of the guarantee have been settled from the budget up to 1994 and, since its establishment by Council Regulation No 2728/94 of 31 October 1994, by the Guarantee Fund.

Table 6

Capital outstanding on guaranteed operations (at 31 Dec 1996)

(ECU million)

Operation	Amount outstanding	Amount outstanding at 31.12.95 (1)	Amount outstanding at 31.12.96 (2)
Member States	28 330	7 283	5 584
A. Balance of payments	14 000		
1. Greece		1 000	500
2. Italy		4 049	3 479
B. Other			
3. Euratom (3)	4 000	720	572
4. NCI	6 830	1 113	748
5. EIB Mediterranean (E, GR, P)	1 500	300	285
Non-Community countries	17 422	5 851	6 312
A. Financial assistance	5 035	2 887	2 678
1. Hungary	1 080	440	160
2. Former USSR	1 280	347	144
3. Czech Republic	250	280	200
4. Slovak Republic	125	125	125
5. Bulgaria	400	300	400
6. Romania	580	510	510
7. Estonia	40	20	20
8. Latvia	80	40	40
9. Lithuania	100	75	75
10. Israel	180	180	180
11. Algeria	600	500	500
12. Moldova	60	45	60
13. Ukraine	285	85	185
14. Belarus	55	30	30
B. Other	12 387	2 864	3 634
15. Mediterranean	6 362	1 782	2 092
16. CEEC I and II	4 700	933	1 306
17. Latin America, Asia	1 025	149	204
18. South Africa	300		32
TOTAL GENERAL	43 752	13 114	11 876

(1) Exchange rate as at 31.12.1995.

(2) Exchange rate as at 31.12.1996.

(3) Extension of Euratom loans to certain third countries (Council Decision of 21 March 1994).

STATISTICAL ANNEX

Table 1

Trend of borrowing and lending in the Community

(ECU million)

(ECU rate at year-end)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
I. Borrowing												
ECSC	1 285	1 517	1 487	880	913	1 086	1 446	1 474	888	844	386	296
Balance of payments (1)	-	862	860	-	-	350	1 685	1 209	4 888	245	410	155
Euratom	344	488	853	93	-	-	-	-	-	49	-	-
NCI	860	541	611	845	522	76	49	-	-	70	66	-
Total Commission	2 469	3 408	3 811	1 918	1 435	1 512	3 199	2 683	5 877	1 008	862	453
EIB (2)	5 698	6 786	6 593	7 068	8 034	10 896	13 672	12 974	14 224	14 148	12 395	17 553
Total EC	8 168	10 194	9 404	9 584	10 469	12 608	16 862	15 657	20 101	15 156	13 257	18 006
II. Lending												
ECSC	1 010	1 069	868	908	700	883	1 382	1 486	818	674	403	280
Balance of payments (1)	-	862	860	-	-	350	1 685	1 209	4 888	245	410	155
Euratom	211	443	314	-	-	-	-	-	-	49	-	-
NCI	884	383	425	357	78	24	39	9	30	-	-	-
Total Commission	2 105	2 767	2 588	1 265	778	1 367	3 116	2 704	5 817	888	813	435
EIB (3)	5 641	6 678	6 967	8 844	11 507	12 605	14 438	16 068	17 724	17 882	18 604	20 946
Total EC	7 746	9 445	9 535	10 109	12 285	13 972	17 554	18 770	23 641	18 650	19 417	21 381

Note: The differences between total borrowing and lending by the Commission are due to borrowing operations undertaken for refinancing purposes and to changes in the balance of loans not assigned by the end of the year.
The differences between borrowing and lending by the EIB are due to the fact that EIB lending operations are financed both from borrowings and from the Bank's own resources.

- (1) Mechanism for providing financial support for Member States and assistance for non-member countries.
- (2) Total resources raised.
- (3) Loans signed out of own resources, no account being taken of the guarantees provided by the EIB to promoters or of operations financed out of NCI resources.

Table 2

Community borrowings outstanding (at year-end) (1) (2)

(ECU million)

	ECSC	BEI (3)	Euratom	NIC	Sub-total	Balance-of-pay. borrowings	Total borrowing
1982	6 178	16 570	1 272	1 747	25 767	591	26 358
1983	6 539	20 749	1 680	3 269	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432	38 450	4 932	43 382
1985	7 034	26 736	2 013	4 960	40 743	3 236	43 979
1986	6 761	30 271	2 168	5 202	44 402	1 890	46 292
1987	6 689	31 957	2 500	5 229	46 375	2 997	49 372
1988	6 825	36 928	2 164	5 514	51 431	2 459	53 890
1989	6 738	42 330	1 945	5 122	56 135	2 075	58 210
1990	6 673	48 459	1 687	4 542	61 361	(4) 2 045	63 406
1991	7 139	58 893	1 563	3 817	71 412	3 516	74 928
1992	7 327	67 784	1 338	3 326	79 775	4 026	83 801
1993	7 331	78 661	1 018	2 202	89 212	5 204	94 416
1994	6 548	83 673	779	1 570	92 570	7 697	100 267
1995	5 966	87 079	720	1 113	94 878	8 032	102 910
1996	4 656	96 649	572	748	102 625	6 658	109 283

- (1) The conversion rates used were those obtained on 31 December of each year. As the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.
- (2) Original amount of borrowings, plus or minus repayments of the principal, cancellations, annuities and exchange-rate adjustments.
- (3) As from 1989 including short term.
- (4) As from 1990 also includes balance-of-payments and financial assistance for non-member countries.

Table 3		Community borrowings in 1996, by currency							(ECU million)	
	EIB	Euratom	ECSC	NCI	Balance-of-Payments(1)	Total Borrowing	1995 %	1996 %		
ECU	500	-	-	-	155	655	6,1	3,6		
BEF	19	-	6	-	-	25	0,1	0,1		
DKK	88	-	-	-	-	88	-	0,5		
DEM	5 285	-	64	-	-	5 349	19,5	29,7		
GRD	97	-	-	-	-	97	1,1	0,5		
ESP	2 035	-	29	-	-	2 064	12,0	11,5		
FRF	655	-	7	-	-	662	2,7	3,7		
IEP	102	-	-	-	-	102	1,0	0,6		
ITL	4 398	-	53	-	-	4 451	25,6	24,7		
LUF	65	-	35	-	-	100	1,5	0,6		
NLG	84	-	-	-	-	84	1,1	0,5		
PTE	358	-	-	-	-	358	7,6	2,0		
FIM	34	-	-	-	-	34	0,1	0,2		
SEK	191	-	-	-	-	191	0,6	1,1		
GBP	2 168	-	50	-	-	2 218	8,3	12,3		
Sub-total	16 079	-	244	-	155	16 478	87,3	91,5		
CHF	165	-	-	-	-	165	2,9	0,9		
JPY	580	-	-	-	-	580	5,8	3,2		
USD	698	-	54	-	-	752	4,0	4,2		
ZAR	33	-	-	-	-	33	-	0,2		
Sub-total	1 476	-	54	-	-	1 530	12,7	6,5		
TOTAL	17 555	-	298	-	155	18 008	100,0	100,0		

(1) Balance of payments and financial assistance for non-member countries.

Table 4		Lending in the Community in 1995 and 1996, by sector and instrument										(ECU million)	
	ECSC		EIB (1)		Euratom		NCI (1)		Total		% of total		
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	
Productive sector	346	248	4 617	4 477	-	-	-	-	4 963	4 725	27,4	23,5	
of which: allocations from global loans	222	178	2 955	2 630	-	-	-	-	3 177	2 808	17,5	14,0	
Infrastructure	14	20	10 082	10 388	-	-	-	-	10 096	10 408	55,6	51,8	
of which: allocations from global loans	-	-	1 299	1 535	-	-	-	-	1 299	1 535	7,2	7,6	
Energy	-	12	3 083	4 945	-	-	-	-	3 083	4 957	17,0	24,7	
of which: allocations from global loans	-	-	100	279	-	-	-	-	100	279	0,6	1,4	
TOTAL	360	280	17 782	19 810	-	-	-	-	18 142	20 080	100,0	100,0	

(1) Financing granted (individual loans and allocations from global loans)

Table 5

Financing in the Community by the EIB in 1995 and 1996,
by economic objective

	1995		1996	
	ECU million	%	ECU million	%
1. Regional development	12 143,5	100,0	13 805,0	100,0
1.1 By country				
Belgium	249,0	2,1	236,0	1,7
Denmark	304,0	2,5	397,0	2,9
Germany	1 786,3	14,7	2 297,0	16,6
Greece	335,7	2,8	730,0	5,3
Spain	2 697,0	22,2	2 352,0	17,0
France	1 440,1	11,9	1 615,0	11,7
Ireland	165,5	1,4	108,0	0,8
Italy	2 458,8	20,2	2 853,0	20,7
Luxembourg	79,3	0,7	-	0,0
Netherlands	24,0	0,2	17,0	0,1
Austria	63,8	0,5	254,0	1,8
Portugal	1 252,8	10,3	1 288,0	9,3
Finland	23,7	0,2	10,0	0,1
Sweden	4,7	0,0	317,0	2,3
United Kingdom	1 258,6	10,4	1 331,0	9,6
1.2 By major sector				
Energy	2 009,0	16,5	4 076,0	29,5
Communications	5 270,0	43,4	4 640,0	33,6
Environment and various	1 614,0	13,3	1 826,0	13,2
Industry, services, agriculture	3 252,0	26,8	3 263,0	23,6
2. Communications infrastructure	6 592,0	100,0	6 506,0	100,0
2.1 Transport	5 494,0	83,3	4 500,0	69,2
2.2 Telecommunications	1 098,0	16,7	2 006,0	30,8
2.3 Other	-	-	-	-
3. Environmental protection and improvement	6 044,0	100,0	5 875,0	100,0
3.1 Environment	3 972,0	65,7	4 209,0	71,6
3.2 Town planning	2 072,0	34,3	1 666,0	28,4
4. Energy	3 433,0	100,0	4 031,0	100,0
4.1 Indigenous resources	1 037,0	30,2	547,0	13,6
4.2 Import diversification	894,0	26,0	2 011,0	49,9
4.3 Efficient use of energy	1 502,0	43,8	1 473,0	36,5
5. Industrial competitiveness	3 450,0	-	3 776,0	-
of which: small and medium-sized enterprises (1)	2 881,0	Number 11 736	2 594,0	Number 11 034

(1) Including allocations from NCI global loans.

N.B. As some financing serves a number of purposes, the amounts shown under the different headings cannot be aggregated.

Table 6

Geographical breakdown of lending (1) in the Community in 1995 and 1996

(ECU million)							
1996							
	ECSC	EIB	Euratom	NCI	Balance of payments	Amount	%
<i>Belgium</i>	7,0	657,5	-	-	-	664,5	3,1
<i>Denmark</i>	0,1	688,0	-	-	-	688,1	3,2
<i>Germany</i>	32,7	3 021,6	-	-	-	3 054,3	14,4
<i>Greece</i>	0,2	721,1	-	-	-	721,3	3,4
<i>Spain</i>	32,5	2 552,6	-	-	-	2 585,1	12,2
<i>France</i>	13,3	2 509,2	-	-	-	2 522,5	11,9
<i>Ireland</i>	-	188,7	-	-	-	188,7	0,9
<i>Italy</i>	91,3	4 120,7	-	-	-	4 212,0	19,9
<i>Luxembourg</i>	35,2	-	-	-	-	35,2	0,2
<i>Netherlands</i>	0,2	765,7	-	-	-	765,9	3,6
<i>Austria</i>	0,6	489,9	-	-	-	490,5	2,3
<i>Portugal</i>	0,2	1 293,8	-	-	-	1 294,0	6,1
<i>Finland</i>	-	302,1	-	-	-	302,1	1,4
<i>Sweden</i>	-	846,5	-	-	-	846,5	4,0
<i>United Kingdom</i>	50,8	2 386,2	-	-	-	2 437,0	11,5
<i>Art. 18 (2)</i>	-	402,5	-	-	-	402,5	1,9
Total	264,1	20 946,1	-	-	-	21 210,2	100
1995							
	ECSC	EIB	Euratom	NCI	Balance of payments	Amount	%
<i>Belgium</i>	8,7	665,0	-	-	-	673,7	3,6
<i>Denmark</i>	-	825,0	-	-	-	825,0	4,4
<i>Germany</i>	104,8	2 715,0	-	-	-	2 819,8	14,9
<i>Greece</i>	-	525,0	-	-	-	525,0	2,8
<i>Spain</i>	22,9	2 818,0	-	-	-	2 840,9	15,0
<i>France</i>	14,9	2 207,0	-	-	-	2 221,9	11,7
<i>Ireland</i>	-	327,0	-	-	-	327,0	1,7
<i>Italy</i>	89,2	3 435,0	-	-	-	3 524,2	18,6
<i>Luxembourg</i>	9,4	79,0	-	-	-	88,4	0,5
<i>Netherlands</i>	-	319,0	-	-	-	319,0	1,7
<i>Austria</i>	-	242,0	-	-	-	242,0	1,3
<i>Portugal</i>	10,2	1 232,0	-	-	-	1 242,2	6,6
<i>Finland</i>	-	179,0	-	-	-	179,0	0,9
<i>Sweden</i>	-	273,0	-	-	-	273,0	1,4
<i>United Kingdom</i>	100,3	2 244,0	-	-	-	2 344,3	12,4
<i>Art. 18 (2)</i>	-	519,0	-	-	-	519,0	2,7
Total	360,4	18 604,0	-	-	-	18 964,4	100
(1)	Loans granted						
(2)	Community projects that cannot be located in a particular Member State (e.g. tele-communication cables and satellites, North Sea Oil).						

Table 7

Interest subsidies paid out in the Community by the various
Community mechanisms 1977-96

(ECU million)

Year	Non-discounted systems (1)				Discounted systems (2)		
	ECSC Art.54 (restruct.)	ECSC Art.56 (convers.)	Employment in Portugal	Earthquake reconstr.	EMS	ERDF	SME facility
1977	1,3	2,7	-	-	-	-	-
1978	9,8	16,5	-	-	-	-	-
1979	10,4	8,0	-	-	200,0	12,1	-
1980	25,7	33,4	-	-	197,0	-	-
1981	7,6	6,3	-	-	193,2	-	-
1982	10,5	19,3	-	3,0	209,8	-	-
1983	4,0	7,1	-	14,4	200,0	-	-
1984	6,2	34,0	-	24,4	-	-	-
1985	3,6	74,9	-	28,4	-	-	-
1986	5,9	33,1	-	28,6	-	-	-
1987	2,4	35,6	4,0	28,6	-	-	-
1988	3,0	38,6	3,9	27,8	-	-	-
1989	2,6	42,5	-	26,6	-	-	-
1990	1,3	40,6	-	23,1	-	-	-
1991	1,0	48,6	-	20,1	-	-	-
1992	-	106,0	-	17,2	-	-	-
1993	-	114,3	-	-	-	-	-
1994	-	51,1	-	-	-	-	65,5
1995	-	11,5	-	-	-	-	2,8
1996	-	36,8	-	0,5 (3)	-	-	17,5

- (1) Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.
- (2) Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.
- (3) Interest subsidies of ECU 475 500 paid directly by the Commission to the Autonomous Region of Madera (Council Decision 95/250/EC of 29 June 1995).

Table 6								
Financial assistance outside the Community in force or under negotiation at 31.12.1996								
(ECU million)								
	Agreement	Operations from EIB resources		Operations from budget resources		Balance of payment assistance (4)		ECSC
		End of period	Commitment (1)	Risk capital operations (2)	Non-repayable aid (3)	Granted	Disbursed	
ACP States-OCT			1 893	1 830	12 102			
ACP	Second Financial Protocol							
	Fourth Lomé Convention	2000	1 658	1 000	11 967 (5)			
OCT	Council Decision	2000	35	30	135 (5)			
South Africa	Council Decision	1997	300					
	Council Decision (7)	2000	375					
Mediterranean countries(6)			3 140	204	3 460	760	680	
Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, Gaza and West Bank	Euro-Mediterranean partnership (7)	2000	2 310	200 (8)	3 425 (9)	600 (10)	500	
						160 (11)	160	
Turkey	Special financial cooperation not yet in force	2000	750					
Malta	Fourth Financial Protocol	1998	30	2	13			
Cyprus	Fourth Financial Protocol	1998	50	2	22			
CEEC	Council Decision (7)	2000	3 520		4 584 (13)	2 730	2 315	16
Czech Republic						250	250	
Slovak Republic						125	125	
Bulgaria						400	400	
Estonia						40	20	
Latvia						80	40	
Lithuania						100	75	
Hungary						1 050	790	
Romania						580	510	
Albania						105 (12)	105	
Slovenia	Financial protocol	1997	150		20 (14)			
CIS						1 650	1 408	
Former URSS						1 250 (15)	1 133	
Moldova						60	60	
Ukraine						285	185	
Belarus						55	30	
Latin American and Asian countries	Council Decision	1997	275					
	Council Decision (7)	2000	900					

(1) Loans attracting interest subsidies from the European Development Fund in the case of projects in the ACP States and the OCT and from the general budget of the European Communities in the case of projects in certain Mediterranean countries. The necessary amounts for the interest subsidies are charged to non-repayable aid.

(2) Granted and managed by the EIB.

(3) Granted and managed by the Commission.

(4) Cumulated amounts since 1990. These operations are granted and managed by the Commission.

(5) Including amounts intended for interest subsidies on EIB loans.

(6) The amounts available under the previous financial protocols may be used at the same time, whether that involves all of the sums earmarked or residual amounts.

(7) Part of the multi-annual overall mandate approved on 14 April 1997.

(8) Indicative amount charged to the non-repayable aid in the following column.

(9) Including amounts reserved for risk-capital operations and interest subsidies for EIB finance to environmental projects.

(10) Algeria

(11) Israel

(12) Non-repayable advances.

(13) PHARE Programme for the period 1996-99, managed by the Commission.

(14) Only for interest subsidies for EIB loans for transport projects of common interest.

(15) Co-financed credits.

**B. THE COMMISSION'S REPORT TO THE COUNCIL AND TO
THE EUROPEAN PARLIAMENT**

on the rate of utilization of the
New Community Instrument (NCI)
(half-year from 1 July to 31 December 1996)

1. Overall situation on 31 December 1996

Council Decisions 83/200/CEE (Article 6) and 87/182/CEE (Article 8) on the financing of the NCI require the Commission to draw up a six-monthly report on the rate of utilization of the tranches of NIC III and IV.

This report covers the period from 1 July to 31 December 1996.

The different legal bases determine the method of assessing the amount of loans signed in relation to the maximum authorized borrowing:

- a) for NCI III, the volume of loans is lower than that of borrowings in order to take account of the currencies borrowed and the associated costs and expenses;
- b) for NCI IV, the ceiling applies to the loans signed.

At the end of 1996, the situation regarding the use of the tranches for which a six-monthly report has to be drawn up was as follows:

Use of NCI: situation at 31.12.1996		(ECU million)	
	Ceiling	Amounts used	Balance
NCI III	3 000	2 862	138 (*)
NCI IV	750	669	81

(*) The special borrowing of ECU 100 million for European innovation projects has not yet been authorized by the Council.

The borrowing operations carried out in the six months under review with a view to financing NCI activities or refinancing previous activities are shown in Annex 2 B.

2. Breakdown of loans by country and sector

The table below provides an overall view of loans signed, converted into "borrowing equivalents", at 31 December 1996. The loans in the various currencies have been converted into ECUs at the exchange rate in force on the last working day of the quarter preceding the signing of the contract.

Distribution of loans signed by country at 31.12.1996					(ECU million)		
Country	NCI I	NCI II	NCI III	NCI IV	NCI Reconstr.	Total	%
Belgium	-	-	-	23,6	-	23,6	0,4
Denmark	66,8	100,6	303,0	63,2	-	533,5	8,6
Greece	-	114,9	111,2	-	80,0	306,1	4,9
Spain	-	-	69,2	118,2	-	187,4	3,0
France	70,0	125,0	938,7	72,3	-	1 206,0	19,5
Ireland	239,0	116,6	68,4	-	-	424,0	6,8
Italy	479,9	473,4	1 228,5	285,7	598,7	3 066,3	49,5
Netherlands	-	-	3,2	-	-	3,2	0,1
Portugal	-	-	29,9	9,9	-	39,8	0,6
UK	134,9	67,1	109,3	95,8	-	407,1	6,6
Total	990,5	997,5	2 861,6	668,8	678,7	6 197,1	100,0
SECTOR	Productive sector		Infrastructure	Energy			
NCI III	52,8 %		26,5 %	20,7 %			100,0%
NCI IV	100,0 %						100,0%

NCI IV is of interest because of its special features, such as the options of converting loans into risk capital, using loans to finance the purchase of intangible assets and deferring interest payments, etc.

No loan transactions have been carried out since 1991.

STATISTICAL ANNEX

NCI IV LOANS										
CEILING: ECU 750 MILLION (1) - (Situation at 31.12.1996)										
Ref.	Project description	Date of contract	ECU million (2)	Breakdown by country (2)						
				B	DK	B	F	I	P	UK
I. LOANS SIGNED										
64/87	FIH (Small Business) PG-V/A	15.09.87	31,80		31,80					
64/87	FIH (Small Business) PG-V/B	24.05.88	31,43		31,43					
68/87	BNL - PMI V/A	12.10.87	18,68					18,68		
68/87	BNL - PMI V/B	12.10.87	8,01					8,01		
69/87	IMI - PMI V/A	31.07.87	37,29					37,29		
69/87	IMI - PMI V/B	31.07.87	15,98					15,98		
70/87	MEDIOCR. CENTR. - PMI IV/A	15.09.87	6,19					6,19		
70/87	MEDIOCR. CENTR. - PMI IV/B	10.12.87	5,88					5,88		
70/87	MEDIOCR. CENTR. - PMI IV/C	03.02.88	4,81					4,81		
70/87	MEDIOCR. CENTR. - PMI IV/D	16.03.88	3,27					3,27		
70/87	MEDIOCR. CENTR. - PMI IV/E	23.06.88	18,98					18,98		
71/87	INTERBANCA - PMI IV/A	07.10.87	9,34					9,34		
71/87	INTERBANCA - PMI IV/B	07.10.87	4,00					4,00		
73/87	BPI - PG V	22.07.87	9,91						9,91	
105/87	CENTROBANCA - PMI IV/A	11.12.87	9,34					9,34		
105/87	CENTROBANCA - PMI IV/B	11.12.87	4,00					4,00		
106/87	SAN PAOLO Agroindustria II	05.11.87	13,34					13,34		
107/87	CREDIOP - PMI I/A	18.12.87	4,67					4,67		
107/87	CREDIOP - PMI I/B	18.12.87	2,00					2,00		
108/87	BANCO DI NAPOLI - PMI A	18.12.87	4,60					4,60		
108/87	BANCO DI NAPOLI - PMI B	18.12.87	1,97					1,97		
110/87	B ^e DE SANTANDER - PYME	24.07.87	20,19			20,19				
121/87	B ^e DE BILBAO - PYME	23.07.87	31,64			31,64				
148/87	EFIBANCA - PMI IV/A	17.12.87	4,67					4,67		
148/87	EFIBANCA - PMI IV/B	17.12.87	2,00					2,00		
148/87	EFIBANCA - PMI IV/C	24.06.88	4,55					4,55		
148/87	EFIBANCA - PMI IV/D	24.06.88	1,95					1,95		
206/87	B ^e DE VIZCAYA - PYMEA	17.12.87	9,37			9,37				
206/87	B ^e DE VIZCAYA - PYME B	30.11.88	8,60			8,60				
207/87	B ^e ESPANOL DE CREDITO - PYME A	18.12.87	12,04			12,04				
207/87	B ^e ESPANOL DE CREDITO - PYME B	18.11.88	10,94			10,94				
231/87	CREDIT NATIONAL - PMI III	05.02.88	20,00				20,00			
64/88	INVESTORS IN INDUSTRY - GROUPED LOAN V	28.12.88	20,90							20,90
101/88	EFIBANCA - PMI V/A	05.10.88	4,53					4,53		
101/88	EFIBANCA - PMI V/B	05.10.88	1,94					1,94		
101/88	EFIBANCA - PMI V/C	16.01.89	4,57					4,57		
101/88	EFIBANCA - PMI V/D	16.01.89	1,96					1,96		
103/88	MEDIOCR. LOMBARDO - PMI A	10.10.88	6,79					6,79		
103/88	MEDIOCR. LOMBARDO - PMI B	10.10.88	2,91					2,91		
103/88	MEDIOCR. LOMBARDO - PMI C	06.02.89	9,14					9,14		
103/88	MEDIOCR. LOMBARDO - PMI D	06.02.89	3,92					3,92		
109/88	BARCLAYS BANK II GL	21.12.88	45,55							45,55
128/88	CENTROBANCA - PMI V/A	19.12.88	13,23					13,23		
128/88	CENTROBANCA - PMI V/B	19.12.88	5,67					5,67		
135/88	CREDIOP - PMI II/A	09.12.88	4,53					4,53		
135/88	CREDIOP - PMI II/B	09.12.88	1,94					1,94		
185/88	BANCO DI SICILIA - PMI II/A	25.05.89	4,58					4,58		
185/88	BANCO DI SICILIA - PMI II/B	25.05.89	1,96					1,96		
199/88	CREDIT INDUSTRIEL ET COMM. I	29.11.88	52,32				52,32			
237/88	IMI - PMI V/A	19.12.88	9,06					9,06		
237/88	IMI - PMI V/B	19.12.88	3,88					3,88		
237/88	IMI - PMI V/C	06.02.89	13,72					13,72		
237/88	IMI - PMI V/D	06.02.89	5,88					5,88		
175/89	BARCLAYS BANK III/A	30.11.89	29,38							29,38
119/90	KREDIETBANK N.V. - GL	20.12.90	18,04	18,04						
119/90	KREDIETBANK N.V. - GL	20.12.90	5,54	5,54						
48/91	B ^e ESPANOL DE CREDITO PG FY	28.05.91	25,44			25,44				
TOTAL I			668,82	23,58	63,23	118,22	72,32	285,73	9,91	95,83
II. LOANS APPROVED, Awaiting signature			0,00							
BALANCE			81,18							
CEILING			750,00							
(1) JOL. 271 of 14.03.1987 (loans ceiling).										
(2) Conversion rates are those obtained on the last working day of the quarter preceding the signing of each loan.										

NCI BORROWING, BY CURRENCY**A.-Debt outstanding at 31.12.1996 (1)**

Currency	(million)	Equivalent in ECU million(2)
ECU	70,0	70,0
BEF	-	-
DEM	304,3	156,3
ESP	-	-
FRF	2 100,0	320,0
ITL	-	-
LUF	-	-
NLG	277,5	127,0
GBP	11,5	15,6
CAD	-	-
CHF	100,0	59,1
JPY	-	-
USD	-	-
Total		748,0

B.- New operations: 01.07.1996 - 31.12.1996

				Equivalent in MECU (3)	
Date of issue	Duration (years)	Coupon (%)	Currency (million)	Fresh capital (1)	Re-financings
-	-	-	-	-	-

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

(2) Exchange rates as at 31.12.1996.

(3) Exchange rates at signature.

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