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Economic trends

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*In this number :
Reports on the borrowing
and lending activities
of the Community in 1995*

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 activities³, called for the activities of the ECSC and the EIB to be included. The present annual report covers 1995; it is the sixteenth 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.

The European Union's financial activities in 1995 were mainly devoted to completing the implementation of the innovative instruments decided at preceding European Summits and to developing the more conventional instruments, despite the sluggish pace of activity on the international financial markets. As a result, EIB lending has increased substantially, in particular as part of the European growth initiative aimed at accelerating the financing of the trans-European networks. As for the outside world, the European Union's activities were extended when the EIB implemented the new Council Decisions concerning Albania, Turkey and the peace process in Gaza and the West Bank. In addition, in the context of the process of democratic normalization in the world, the Union, by means of EIB loans, was present for the first time in Haiti and in South Africa.

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- 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).

The utilization of these instruments has had an effect on the activity of the facilities established in 1994, in particular the European Investment Fund (EIF) and the budget Guarantee Fund for external actions. In view of the expansion of these activities, the Council began to consider⁴ the nature of the risks incurred (commercial or political) and the best way of apportioning them. This is why the November 1995 Council asked the Commission, together with the EIB, to submit a report on the possibility of part of the risk being shared between the Bank and the Community budget.

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 1995.

A. THE COMMISSION'S ANNUAL REPORT TO THE COUNCIL AND TO THE EUROPEAN PARLIAMENT ON THE BORROWING AND LENDING ACTIVITIES OF THE COMMUNITY IN 1995

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 are intended for financing loans for Member States in balance-of-payments difficulties (ceiling of ECU 14 billion), for research and financing in connection with nuclear power stations (current Euratom ceiling of ECU 4 billion), for encouraging investment in the Community under the NCI (current ceiling of ECU 6.8 billion) and, under the ECSC Treaty, for promoting productive capacity or conversion projects in the coal and steel industries.

On the basis of the **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 issues (see Table 1). Also, the enlargement of the Community to fifteen at the beginning of 1995 required technical adjustments to the Statute and an increase in the Bank's capital, which consolidate its position as the Union's principal financial instrument.

⁴ Statement annexed to Council Decision 93/696/EC: OJ No L 321 of 23 December 1993 93/696/EC: OJ No L 321 of 23 December 1993.

	1988	1989	1990	1991	1992	1993	1994	1995
	(ECU billion)							
1. Community	9.6	10.5	12.5	16.9	15.7	20.1	15.2	13.2
of which:								
1.1. ECSC	0.9	0.9	1.1	1.4	1.5	0.9	0.6	0.4
1.2. EC ^(a)	0.9	0.5	0.4	1.7	1.2	5.0	0.3	0.4
1.3. Euratom	0.1	-	-	-	-	-	0.1	-
1.4. EIB	7.7	9.0	11.0	13.7	13.0	14.2	14.2	12.4
2. OECD countries^(b)	151.2	193.1	141.5	208.3	212.7	337.0	309.7	283.8
3. Community share (1 as % of 2)	6.3	5.4	8.8	8.1	7.4	6.0	4.9	4.7
4. International issues by selected currencies								
4.1. US \$ ^(b)	63.0	106.6	55.0	65.9	79.5	126.1	125.6	110.4
4.2. YEN ^(b)	13.4	14.2	17.9	29.1	26.0	37.9	56.6	49.3
4.3. ECU	9.5	11.4	14.1	26.0	17.1	6.1	6.4	5.4
4.4. US \$ as % of 2	41.7	55.2	38.9	31.6	37.4	37.4	40.6	38.9
4.5. Yen as % of 2	8.9	7.4	12.7	14.0	12.2	11.2	18.3	17.4
4.6. ECU as % of 2	6.3	5.9	10.0	12.5	8.0	1.8	2.1	1.9

^(a) NCI + balance of payments.
^(b) Calculations based on the yearly average exchange rate of the ecu.
Source: EC and OECD.

1.2. The volume of **borrowing** in the market by these Community institutions in 1995 totalled ECU 13.2 billion, a fall of 13.2% over the previous year (Table 1). The decline is slightly smaller for funds borrowed by the EIB (down 12.7%). As regards issues made by the Commission (allocated borrowings), the fall is in keeping with the guidelines laid down by the Council for disengaging the Commission from certain activities – mainly the activities of the ECSC and implicitly those of the NCI and Euratom – in favour of the EIB.

The fall in EIB borrowings is not attributable to the pace of activity, as will be seen below, but above all to the market situation and in particular the reduction of inflation and the fall in interest rates. Lower interest rates have encouraged the Bank's clients to repay certain loans in advance to a larger extent than the institution itself has done in relation to its own borrowings. The result was an increase in liquidity and hence less need to borrow in order to finance the demand for loans, which is still increasing.

This situation was less marked in the OECD countries, where inflation did not slow down so sharply, which is why the slowdown in borrowing issues for the area as a whole was more moderate (down 8.3%). Overall, however, the European Institutions' share of borrowing in the OECD area declined slightly, falling from 4.9% in 1994 to 4.7% in 1995. Taking account of redemptions and cancellations, the amount of borrowing outstanding at 31 December 1995 was ECU 102.9 billion, compared with ECU 100.2 billion in 1994 (see Table 2 in Annex).

In 1995, the uncertainties which appeared on the foreign exchange markets between the currencies traditionally

used for transactions (dollar, yen, ecu) weakened the demand for borrowings in those currencies. Conversely, the proportion of borrowings denominated in stable Community currencies, particularly the German mark and the Italian lira, increased; demand for the lira was supported by the large volume of lending by the EIB in Italy and the fact that it is considered to be undervalued.

The bulk of Community borrowing in 1995 was contracted at fixed rates; however, the persistent downward trend of interest rates gave a strong stimulus to variable-rate issues. For the EIB, the proportion of such issues reached 40% of the total.

2. LENDING WITHIN THE COMMUNITY

2.1. Economic activity in the Community on average increased steadily (2.7%) in 1995, although it tended to weaken in the second half-year. The recovery was mainly led by the strong export performance of the European economies and by the acceleration of investment. Real investment in the Community, as measured by gross fixed capital formation (GFCF), rose by 4.5%.

In spite of the economic recovery, the declining profile of activity during the year did not permit the hoped-for reduction in unemployment, in accordance with the wishes expressed by the European Council meeting in Corfu and Essen. In these circumstances, the need to pursue the proposed structural reforms and to implement the strategy set out in the Commission's White Paper on growth, competitiveness and employment seems increasingly urgent.

TABLE 2 : Structure of EIB lending (loan contracts signed) – Geographical distribution

	1987		1993		1994		1995	
	ECU million	%						
B	37.1	0.5	371.6	2.1	615.3	3.5	665.0	3.6
DK	315.3	4.2	875.5	4.9	849.7	4.8	825.0	4.4
D	276.5	3.7	2 096.6	11.8	2 407.9	13.6	2715.0	14.6
EL	164.8	2.2	511.1	2.9	534.7	3.0	525.0	2.8
E	707.4	9.5	4 005.1	22.6	3 011.5	17.0	2818.0	15.1
F	1 006.5	13.5	2 205.5	12.4	2 477.4	14.0	2207.0	11.9
IRL	178.6	2.4	388.2	2.2	291.1	1.6	327.0	1.8
I	3 112.2	41.8	3 362.0	19.0	3 099.5	17.5	3435.0	18.5
L	1.6	0.0	–	0.0	5.1	0.0	79	0.4
NL	18.0	0.2	379.7	2.1	399.5	2.3	319.0	1.7
P	389.9	5.2	1 488.8	8.4	1 109.7	6.3	1232.0	6.6
UK	1 133.7	15.2	1 929.1	10.9	2 454.7	13.9	2244	12.1
A	–	–	–	–	89.5	0.5	242	1.3
FIN	–	–	–	–	60.2	0.3	179	1.0
S	–	–	–	–	15.3	0.1	273	1.5
Other (Article 18)	108.7	1.5	111.0	0.6	260.8	1.5	519	2.8
EUR	7 450.3	100.0	17 724.2	100.0	17 681.9	100.0	18604.0	100.0

2.2. In this context, **EIB support for the Community's internal objectives** was stepped up. In 1995 loans signed for projects in the Community totalled ECU 18.6 billion, compared with ECU 17.7 billion in 1994, an increase of 5.2%. Projects were financed in all the fifteen Member States, helping to create an investment volume estimated at ECU 53 billion, or some 4% of the GFCF achieved in the Union. A significant volume of lending took place in Austria, Sweden and Finland in the first year of their accession. The most appreciable increase in loans was seen in Germany, Ireland, Portugal, Italy and Luxembourg (Table 2).

In 1994, the EIB adapted its loan conditions to the specific requirements of establishing coherent and efficient networks, essential for intra-Community trade. The Bank thus became directly involved in financing the **trans-European networks** and more especially in the priority projects identified by the Essen European Council. Under this heading, it approved loan commitments of ECU 7.6 billion at the end of 1995.

The financing of investment contributing to **regional development** and to the strengthening of economic and social cohesion in 1995 remained the Bank's most important sector of activity, representing over two-thirds of lending. These loans were concentrated in the areas qualifying for support under the Structural Funds, especially in the "cohesion" countries and in Germany's eastern regions. Since the reform of the Funds in 1989, loans have totalled ECU 71 billion, helping to finance investment estimated at ECU 212 billion (see Table 5 in Annex).

Last year financing for **infrastructure in the communications sector** increased appreciably, totalling ECU 6.6 billion compared with ECU 5.7 billion in 1994. Financing for the transport sector totalled ECU 5.5 billion, most of which was directed toward road and railway infrastructure (ECU 4.7 billion). Major works were also carried out on airport (Bordeaux, Dublin, Frankfurt) and port infrastructure schemes. However, lending for telecommunications fell, after having risen sharply for several years.

The Bank, which is careful to ensure that all the projects it finances comply with Community standards concerning the **environment** and the environmental impact, went a step further in 1995 by granting loans worth ECU 6 billion for this objective, i.e. over one-third of all funding. This increase is due to the application of national and Community standards, and to the development of specific programmes concerning air and water quality, the discharge of effluent into the atmosphere, and the better management of domestic or industrial waste.

1995 was also marked by a pick-up in individual loans for **industrial projects** and in global loans for **SMEs**. Since July 1995 the eligibility criteria for loans have been extended to new types of investment in the services and distribution sector, and to the advance financing of research and development. Overall, lending in this area

totalled ECU 3.5 billion, double what was signed in 1994, a year when activity was particularly low. This increase partly reflects the popularity of the interest subsidy facility, which was offered to employment-creating SMEs by the Copenhagen Summit. The facility had been intended to run until 31 July 1995, but was extended until December to enable the new Member States to take advantage of the arrangements. At the end of 1995, the amount of ECU 1 billion was totally committed; some 4 400 European firms benefited, enabling some 45 000 jobs to be created.

2.3. Looking ahead to the expiry of the **ECSC Treaty** in 2002, the Commission in its Decision of 28 June 1994 redefined the conditions of ECSC borrowing and lending policy. On this basis, loans signed in the Community totalled ECU 360.4 million in 1995, a decrease of 46.5% on 1994 (see Table 3).

This decrease was caused by both the unpropitious economic conditions in the ECSC areas and the policy of the progressive disengagement of the ECSC instrument in accordance with the guidelines laid down.

TABLE 3 : ECSC loans in 1995

	Article 54	Article 56	Housing	Total
I	28 627.1	60 565.3	—	89 192.4
F	—	12 523.7	2 382.5	14 906.2
EL	—	—	—	—
P	—	10 178.0	—	10 178.0
NL	—	—	—	—
D	39 809.5	56 990.0	7 956.6	104 756.1
UK	—	98 512.0	1 766.9	100 279.5
E	17 781.4	4 744.6	438.7	229 964.7
B	—	7 257.5	1 495.1	8 752.6
L	—	9 380.3	—	9 380.3
IRL	—	—	47.5	47.5
DK	—	—	—	—
Total	86 218.0	260 152.0	14 087.3	360 457.3

2.4. As regards **NCI activities**, it should be noted that no new lending operations have been undertaken since 1991 (Table 4).

2.5. The facility providing **medium-term financial assistance** for Member States' balances of payments was activated in recent years in favour of Greece and Italy. Italy obtained a loan of ECU 8 billion to be disbursed in four tranches (Council Decision 93/67/EEC of 18 January 1993). The Council Decision provided that the third and fourth tranches could be paid not earlier than 1 February 1994 and 1 February 1995. The Italian Government did not request these two tranches, the provision of which no longer seems necessary.

In these circumstances and taking into account the commitments already entered into in favour of Greece, the total amount of loans outstanding under this facility remained at ECU 5 billion at 31 December 1995, the authorized ceiling being ECU 14 billion to be financed where necessary through the capital market.

TABLE 4 : NCI loans at 31 December 1995

	(ECU million)						
Financial agreements	NCI I	Reconstr. Italy	Reconstr. Greece	NCI II	NCI III	NCI IV	TOTAL
Global loans (*)	-	-	-	406.8	2 138.0	668.8	3 227.4
Productive sector (*)	5.4	-	-	10.6	-	-	15.9
Infrastructure	538.5	598.7	80.0	279.4	465.3	-	1 961.9
Energy	446.7	-	-	300.8	258.3	-	1 005.8
Total contracts signed, net (**)	990.5	598.7	80.0	997.5	2 861.6	668.8	6 197.2
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	2.5	138.4	81.2	267.5

(*) Industry and agriculture.

(**) Contracts signed less cancellations.

3. LENDING OUTSIDE THE COMMUNITY

This activity involves those countries with which the Community has concluded cooperation agreements. A substantial volume of resources is being provided in forms appropriate to the specific circumstances of the countries in question (Table 5).

3.1. In the context of the support for the adjustment and reform programmes of third countries, the Community continued to provide macroeconomic assistance in the form of **balance-of-payments and structural adjustment support** loans to complement the IMF programmes. In the case of the central and east European countries, Community support has been provided within the G-24 framework.

In 1995 disbursements made **for this purpose** and corresponding to loans **previously approved** amounted to ECU 285 million. They break down into ECU 100 million for the Mediterranean countries (Algeria); ECU 80 million for the CEEC (Lithuania: ECU 25m, Romania: ECU 55m); and ECU 105 million for the CIS (Moldavia: ECU 20m, Ukraine: ECU 85m). In addition to this, **new loans** of a maximum of ECU 255m were approved in 1995 (Belarus: ECU 55m; Ukraine: ECU 200m), and ECU 30 million of this sum was actually disbursed in 1995 to Belarus.

3.2. Under the Council Decision of December 1991 relating to the **commercial credit facility** of ECU 1250 million in favour of the new independent states of the former USSR (CIS), the actual payments made in 1995, corresponding to loans **signed earlier**, amounted to ECU 95.0 million (Azerbaijan: ECU 36.2m; Uzbekistan: ECU 58.7m).

Since no new operation was decided in 1995, the total amount of credits granted under the facility remained at the same level as in 1994, i.e. ECU 1 133 million.

3.3. EIB financing outside the Community is also made available as part of the Community's cooperation policy with third countries. Such financing rose sharply in 1995, up 24.9% on the previous year, and totalling ECU 2 806 million; ECU 2 558 million was financing from the Bank's own resources, and ECU 248 million came from operations using risk capital drawn from Community or Member States' budgetary funds (Table 5).

The substantial increase in these loans is due both to the stepping-up of activities outside the Union and their extension to new geographical areas. The stepping-up of lending activities was very marked in the Mediterranean and in Latin America and Asia (ALA), while it stabilized in central Europe and in the African, Caribbean and Pacific countries. Loans were also granted for the first time to South Africa, Haiti and Palestine.

TABLE 5 : Financing outside the Community in 1995

	E I B			Total
	Financial support for countries (1)	EC and EDF budgetary resources (2)	Own resources	
ACP-OCT	-	225.0	250.0	475.0
Mediterranean basin	100.0	23.0	1 105.0	1 138.0
CEEC	80.0	-	1 005.0	1 085.0
CIS	230.0 ⁽³⁾	-	-	230
Latin America, Asia	-	-	288.0	288.0
Total	410.0	248.0	2 558.0	3 216.0

(1) Disbursements.

(2) Signed and managed by the EIB out of the budgetary resources of the EC or the European Development Fund (EDF)

(3) Balance-of-payments loans and commercial credits.

In the **African, Caribbean and Pacific** (ACP) countries and the **Overseas Countries and Territories** (OCT), the EIB provided assistance amounting to ECU 430 million (against ECU 462 million in 1993), of which ECU 225 million was in the form of risk capital from the resources of the European Development Fund (EDF).

In sectoral terms, two-thirds of financing (ECU 291m) went to basic infrastructure (roads, public works, ports and airports). Energy production and transportation and the exploitation of hydrocarbons received finance totalling ECU 108 million. Works to supply drinking water and sewerage works received ECU 105m, while lending for communications infrastructure totalled ECU 78 million.

In Africa, the first global loans, based on a separate protocol, and totalling ECU 45 million, were made in the Republic of South Africa.

Lending in the countries **on the Mediterranean seaboard** totalled ECU 1 038 million in 1995, of which ECU 23 million were drawn from own resources. Over two-thirds of the loans (ECU 718 m) are financed under non-protocol horizontal financial cooperation for regional cooperation and environmental protection projects; loans under the current bilateral protocols totalled ECU 320 million. Operations encompassed eleven countries and centred on improving transport infrastructure, water resource management, sewerage and irrigation, and the generation and transportation of energy. A line of ECU 125m in global loans was also used for small investments carried out by local authorities and private sector firms.

Under the European Union's initiative to support the Middle East peace process, the EIB in October 1995 signed the "framework support agreement" between the Bank and the Palestinian Authority. Global loans totalling ECU 26 million (of which ECU 6 million came from risk capital) were signed at the end of 1995 for the financing of new investment in industry, the agri-food-stuffs sector, tourism and services in Gaza and on the West Bank. Support for the peace process should be seen in a wider regional context characterized in 1995 by loans in Jordan, for the reconstruction of the Lebanon and for investment involving Israeli and Egyptian operators.

Lending of ECU 15 million to Malta and ECU 10 million to Cyprus is intended to enable compliance with the Community Directives on the discharge of waste water and the extension of urban sewerage installations.

In the **central and east European** countries (CEEC), lending amounted to ECU 1 005 million in 1995 (ECU 957 million in 1994). Ten countries received loans, including Albania for the first time. Most of these loans (97%) were provided under the Decision of the Board of Governors of May 1994 for a programme of ECU 3 bil-

lion with a Community budget guarantee. In addition, ECU 32 million were advanced to Slovenia under the protocol which entered into force in 1993.

Several of these loans contributed to projects which are the direct adjuncts to trans-European networks. The productive sector also received global loans totalling ECU 315 million in six countries.

Lastly, eight countries in **Latin America and Asia**, signatories to cooperation agreements with the European Union, received loans totalling ECU 288 million. These operations were mounted under the authorization given by the Board of Governors in February 1993 to finance capital investment of mutual interest to the country concerned and the Union or involving European partners, up to a ceiling amount of ECU 750 million over a period of three years. By end-1995 financing under this heading had amounted to ECU 607 million.

3.4. On 5 March 1990 the Community decided to make **ECSC loans** available for financing industrial investment projects in Poland and Hungary up to a ceiling of ECU 200 million. Since 1991 that decision has also applied to the Czech and Slovak Federal republics, Bulgaria and Romania.

No new loan has been concluded since the ECU 42 million loan, signed in 1994 and disbursed in 1995, to finance investment in a steel plant in Poland.

3.5. On 21 March the Council decided to authorize the Commission to contract **Euratom** borrowings the proceeds of which will be allocated in the form of loans to finance improvements in the efficiency and safety of nuclear power stations in some CEEC and CIS countries. Under the global ceiling fixed by the Council, an amount of some ECU 1.1 billion could be granted under this facility.

In 1995 the appraisal of projects was actively continued, but because of their technical, as well as political, complexity, no financing project has reached the final decision-making stage.

3.6. The Community and the EIB are both shareholders and close partners of the **EBRD**: they each hold 3% of the Bank's capital. They work in close cooperation and match their resources: the Commission provides technical assistance for projects undertaken by the EBRD, while the EIB and the EBRD are helping to finance a number of projects in central and eastern Europe.

According to the EBRD's annual report for 1995, the Board approved 134 new projects in the CEEC and the former Soviet Union (against 106 in 1994). Signed commitments amounted to ECU 2 billion (against ECU 1878m in 1994). In view of the increase in demand, equity holdings as a proportion of the Bank's entire activities rose from 21% to 24% during 1995, i.e. ECU 695 million.

4. THE EUROPEAN INVESTMENT FUND

The European Investment Fund (EIF), which has been operational since June 1994, expanded its activity of providing guarantees for the financing of projects forming part of trans-European networks (TEN) and those undertaken by small and medium-sized enterprises. The Fund now has 78 shareholders, consisting of 76 banks and financial institutions from the member countries of the Union together with the European Commission and the EIB. At the end of 1995 the subscribed capital stood at ECU 1 784 million, i.e. 89.2% of the authorized capital of ECU 2 billion.

Since it was set up 28 operations, corresponding to a volume of ECU 1441m, have been approved; operations signed total ECU 631.8 million. TEN projects accounted for 91% of the total, with the remainder being granted for SME projects.

The TEN projects signed in 1995 related to the transport, telecommunications and energy sectors. In December 1995 the Commission and the Fund signed an agreement on a pilot project entitled "Growth and Environment", under which a partial EIF guarantee will be provided for SME projects which have positive spin-offs for the environment. In this connection, the Fund has examined and offered guarantee contracts to a number of shareholder banks.

5. BUDGETARY IMPACT OF LENDING

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

5.1. Interest subsidies

Interest subsidies are granted in the Community in the following fields: (i) the industrial conversion of coal and steel areas (Article 56 of the ECSC Treaty); (ii) the reconstruction of the disaster-hit areas of Italy and Greece, where they are paid out via the EIB as borrowings are repaid; (iii) in the context of the "SME facility" (see Table 7 in Annex).

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 the granting of subsidies for conversion loans in coal and steel areas (Article 56), interest subsidies amounted to ECU 11.5 million in 1995 against ECU 114.3m in 1993 and ECU 51.1m in 1994.

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 are directed towards strengthening the competitiveness of small and medium-sized European enterprises and would carry interest subsidies linked to the creation of employment. The subsidy

amounts to ECU 3 000 per additional job created (equivalent on average to a 2% interest rebate). Following the adoption of the Council decision of 19 April 1994, the EIB started to sign global lending agreements with financial intermediaries in all Member States in the second half of 1994. The allocation of loans to beneficiaries was closed on 15 December 1995, the entire budget of ECU 1 billion having been allocated. The budgetary payments for this facility amounted to ECU 65.5 million in 1994 and to ECU 2.8 million in 1995, which demonstrates the speed with which loan applications were made, and consequently the interest aroused by this facility.

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.

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 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:

- (i) **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 1995 outstanding loans totalled ECU 2 167 million, of which ECU 385 million were accounted for by loans in Spain, Greece and Portugal (pre-accession) and ECU 1 782 million by loans in non-member Mediterranean countries.

- (ii) **EIB loans to the CEEC:** loans contracted are fully covered by the Community guarantee. At 31 December 1995, the EIB opened ECU 1 647 million in credit to these countries out of a total allocation of ECU 1.7 billion under the budget heading CEEC I. The total amount outstanding for loans at the end of 1995 totalled ECU 837 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 3 000 million over the following three years

(CEEC II). At 31 December 1995 the EIB opened credit worth ECU 1 894 million from this allocation. At the same date the amount of the guarantee outstanding was only ECU 96 million.

(iii) **EIB loans to other third countries:** loans granted to Latin American and Asian countries with which the Community has concluded cooperation agreements are fully covered by the Community guarantee. This programme was decided 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. In 1995 loans signed stood at ECU 607 million, while the guarantee outstanding at the end of the year amounted to ECU 149 million.

(iv) **EIB loans to South Africa:** in June 1995 the Community provided its guarantee for loans made by the EIB in South Africa over the following two years up to a maximum amount of ECU 300 million. These loans are fully guaranteed by the Community budget. At 31 December 1995 the EIB opened credit worth ECU 45 million but nothing has been disbursed.

(v) The Community decided in 1991 to provide a guarantee covering 98% of a **bank loan to the former USSR** up to a ceiling of ECU 500 million (ECU 406m in capital) for imports of agricultural and food products. In February 1992, this credit was allocated exclusively to Russia. The credit was repaid in full at the end of 1995.

5.2.2. Outstanding guarantees at 31 December 1995

At the end of 1995 the outstanding guarantees provided by the Community budget, the details of which are given in Table 6, exceeded ECU 13 billion, more than 44% of which were for countries outside the Community. Compared with 1994, total outstanding guarantees have decreased by ECU 655 million. However, the proportion of commitments in relation to non-Community countries has increased steadily from 37.5% in 1992 to 44% at present.

The annual risk covered by the general budget, which concerns the repayment of the debt (principal and interest), stood at ECU 2 855 million in 1995, of which ECU 1 682 million related to third countries.

At 31 December 1995 the Community's claims not as yet honoured by defaulting debtors stood at ECU 296.52 million, of which ECU 68.2 million are owed by some republics of the former Yugoslavia and ECU 228.3 million by the independent states of the former USSR, Tajikistan, Armenia, Georgia and Turkmenistan.

All the provisional drawings on the Commission's cash resources in respect of the guarantee have been regularized by the budget up to 1993 and by the budget Guarantee Fund since its establishment by Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994.

TABLE 6 : Capital outstanding on guaranteed operations
(at 31 Dec 1995)⁽¹⁾ (ECU million)

Operation	Amount ceiling	Amount	Amount
		outstanding at 31.12.'94	outstanding at 31.12.'95
<i>Member States</i>	26 330	7 844	7 263
A. Balance of payments	14 000	5 022	5 045
1. Greece I	-	-	-
2. Greece II	-	1 000	1 000
3. Italy	-	4 022	4 025
B. Other	-	2 822	2 218
4. Euratom ⁽²⁾	4 000	779	720
5. NCI (including earthquake reconstr.)	6 830	1 570	1 113
6. EIB Mediterranean (E.G.R.P)	1 500	473	385
<i>Non-Community countries</i>	17 782	5 926	5 851
A. Financial assistance	5 170	3 485	2 987
1. Hungary	1 050	790	440
2. Czech Republic	250	250	250
3. Slovak Republic	255	125	125
4. Bulgaria	400	360	360
5. Romania	580	455	510
6. Algeria	600	400	500
7. Israel	160	160	160
8. Baltic States	220	110	135
9. CIS	1 250	810	347
10. Moldavia	45	25	45
11. Ukraina	285	-	85
12. Belarus	75	-	30
B. Other	12 612	2 441	2 864
13. EIB Mediterranean	6 362	1 688	1 782
14. EIB CEEC I and II	4 700	574	933
15. EIB Latina America, Asia	750	46	149
16. South Africa	300	-	-
17. CIS guarantee	500	133	-
TOTAL	44 112	13 770	13 114

⁽¹⁾ Exchange rate as at 31/12/95.

⁽²⁾ Extension of Euratom loans to certain third countries (Council Decision of 21/03/94).

STATISTICAL ANNEX

TABLE 1 : Trend of borrowing and lending in the Community - (ECU rate at year-end)

	<i>(ECU million)</i>										
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
I. Borrowing											
ECSC	1 265	1 517	1 487	880	913	1 086	1 446	1 474	908	644	386
Balance of payments ⁽¹⁾	-	862	860	-	-	350	1 695	1 209	4 969	245	410
Euratom	344	488	853	93	-	-	-	-	-	49	-
NCI	860	541	611	945	522	76	49	-	-	70	66
Total Commission	2 469	3 408	3 811	1 918	1 435	1 512	3 190	2 683	5 877	1 008	862
EIB ⁽²⁾	5 699	6 786	5 593	7 666	9 034	10 996	13 672	12 974	14 224	14 148	12 395
Total EC	8 168	10 194	9 404	9 584	10 469	12 508	16 862	15 657	20 101	15 156	13 257
II. Lending											
ECSC	1 010	1 069	969	908	700	993	1 382	1 486	918	674	403
Balance of payments ⁽¹⁾	-	862	860	-	-	350	1 695	1 209	4 969	245	410
Euratom	211	443	314	-	-	-	-	-	-	49	-
NCI	884	393	425	357	78	24	39	9	30	-	-
Total Commission	2 105	2 767	2 568	1 265	778	1 367	3 116	2 454	5 917	968	813
EIB ⁽³⁾	5 641	6 678	6 967	8 844	11 507	12 605	14 438	16 066	17 724	17 682	18 604
Total EC	7 746	9 445	9 535	10 109	12 285	13 972	17 554	18 520	23 641	18 650	19 417

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 EIBng taken of the guarantees provided by the EIB to promoters (none in 1995) or of operations financed out of NCI resources.

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

	<i>(ECU million)</i>						
	ECSC	EIB	Euratom	NCI	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 ⁽³⁾	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	2 045 ⁽⁴⁾	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

(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, annulments and exchange-rate adjustments.

(3) As from 1989 including short term (new EIB approach).

(4) As from 1990 also includes balance of payments and financial assistance for non-member countries.

TABLE 3 : Community borrowings in 1995 by currency

	<i>(ECU million)</i>							
	EIB	Euratom	ECSC	NCI	Balance of Payments ⁽¹⁾	Total Borrowing	1995 per cent	1994 per cent
ECU	400	-	-	-	410	810	6.1	4.1
BFR	-	-	7	-	-	7	0.1	5.5
DKR	-	-	-	-	-	-	-	0.3
DM	2 397	-	182	-	-	2 579	19.5	14.1
ESC	1 004	-	10	-	-	1 014	7.6	3.9
FF	342	-	14	-	-	356	2.7	7.7
DRA	149	-	-	-	-	149	1.1	0.2

TABLE 3 (continued): Community borrowings in 1995 by currency

(ECU million)

	EIB	Euratom	ECSC	NCI	Balance of Payments ⁽¹⁾	Total Borrowing	1995 per cent	1994 per cent
HFL	145	-	-	-	-	145	1.1	4.4
IRL	135	-	-	-	-	135	1.0	1.2
LFR	193	-	9	-	-	202	1.5	1.3
LIT	3 343	-	46	-	-	3 389	25.6	17.0
OSC	-	-	-	-	-	-	-	0.4
PTA	1 574	-	20	-	-	1 594	12.0	6.5
SFM	18	-	-	-	-	18	0.1	-
SVK	77	-	-	-	-	77	0.6	-
UKL	996	-	98	-	-	1 094	8.3	12.3
Sub-total	10 773	-	386	-	410	11 569	87.3	78.8
SFR	323	-	-	66	-	389	2.9	5.6
USD	528	-	-	-	-	528	4.0	11.1
YEN	771	-	-	-	-	771	5.8	4.4
CAD	-	-	-	-	-	-	-	-
Sub-total	1 622	-	-	66	-	1 688	12.7	21.2
TOTAL	12 395	-	386	66	410	13 257	100.0	100.0

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

TABLE 4: Lending in the Community in 1994 and 1995, by sector and instrument

(ECU million)

	ECSC		EIB ⁽¹⁾		Euratom		NCI ⁽¹⁾		Total		% of Total	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
Productive sector	336.7	346.3	3 594.3	4 617.1	-	-	11.4	-	3 942.4	4 963.4	22.8	27.4
of which: allocations from global loans	210.0	221.8	1 796.6	2 954.9	-	-	11.4	-	2 018.0	3 176.7	11.7	17.5
Infrastructure	336.7	14.1	9 646.2	10 081.5	-	-	-	-	9 982.9	10 095.6	57.7	55.6
of which: allocations from global loans	-	-	897.5	1 299.0	-	-	-	-	897.5	1 299.0	5.2	7.2
Energy	-	-	3 383.9	3 083.1	-	-	-	-	3 383.9	3 083.1	19.5	17.0
of which: allocations from global loans	-	-	69.3	99.8	-	-	-	-	69.3	99.8	0.4	0.6
TOTAL	673.4	360.4	16 624.4	17 781.7	-	-	11.4	-	17 309.2	18 142.1	100.0	100.0

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

TABLE 5: Financing in the Community by the EIB in 1994 and 1995, by economic objective

	1994		1993	
	ECU million	%	ECU million	%
I. Regional development	12 035.1	100.0	12 143.5	100
<i>I.1. By country</i>				
B	178.6	1.5	249.0	2.1
DK	506.9	4.2	304.0	2.5
D	1 801.6	15.0	1 786.3	14.7
EL	632.1	5.3	335.7	2.8
E	2 659.2	22.1	2 697.0	22.2
F	1 571.7	13.1	1 440.1	11.9
IRL	237.7	2.0	165.5	1.4
I	2 159.2	17.9	2 458.8	20.2
L	-	-	79.3	0.7
NL	17.7	0.1	24.0	0.2
P	1 127.1	9.4	1 252.8	10.3
UK	1 143.3	9.5	1 258.6	10.4
A	-	-	63.8	0.5
FIN	-	-	23.7	0.2
S	-	-	4.7	0.0
<i>I.2. By major sector</i>				
Energy	2 104.4	17.5	2 009.0	16.5
Transport	4 209.8	35.0	4 385.0	36.1
Telecommunications	1 925.2	16.0	885.0	7.3
Water, sewerage	766.2	6.4	1 229.0	10.1
Other infrastructure	404.0	3.4	385.0	3.2

TABLE 5 (continued): Financing in the Community by the EIB in 1994 and 1995, by economic objective

	1994		1995	
	ECU million	%	ECU million	%
Industry, agriculture	2 092.9	17.4	2 534.0	20.9
Services	532.6	4.4	718.0	5.9
2. Infrastructure of Community interest	5 698.3	100.0	6 592.0	100.0
2.1. Transport	3 543.2	63.9	5 494.0	83.3
2.2. Telecommunications	2 155.1	36.1	1 098.0	16.7
3. Environmental protection and improvement	4 866.0	100	6 044.0	100.0
3.1. Environment	3 152.1	64.8	3 972.0	65.7
3.2. Town planning	1 713.9	35.2	2 072.0	34.3
4. Energy	3 525.6	100.0	3 433.0	100.0
4.1. Indigenous resources	850.8	24.1	1 037.0	30.2
4.2. Import diversification	919.8	26.1	894.0	26.0
4.3. Efficient use of energy	1 755.0	49.8	1 502.0	43.8
5. Industrial competitiveness	2 705.9	-	3 450.0	-
of which : small and medium-sized enterprises ⁽¹⁾	1 693.4	6 776 ⁽²⁾	2 881.0	11 736 ⁽²⁾

⁽¹⁾ Including allocations on NCI global loans. ⁽²⁾ by number

N.B. As some loans serve a number of purposes simultaneously, the amounts shown under the different headings cannot be aggregated.

TABLE 6 : Geographical breakdown of lending ⁽¹⁾ in the Community in 1994 and 1995

(ECU million)

Year	ECSC	EIB	Euratom	NCI	Balance of payments	Amount	%
1994							
B	39.8	615.3	-	-	-	655.1	3.6
DK	82.1	849.7	-	-	-	931.8	5.1
D	143.4	2 407.9	-	-	-	2 551.3	13.9
EL	0.0	534.7	-	-	-	534.7	2.9
E	30.7	3 011.5	-	-	-	3 042.2	16.6
F	14.5	2 477.4	-	-	-	2 491.9	13.6
IRL	0.1	291.1	-	-	-	291.2	1.6
I	29.3	3 099.5	-	-	-	3 128.8	17.0
L	-	5.1	-	-	-	5.1	0.0
NL	-	399.5	-	-	-	399.5	2.2
P	-	1 109.7	-	-	-	1 109.7	6.0
UK	333.8	2 454.7	-	-	-	2 788.5	15.2
A	-	89.5	-	-	-	89.5	0.5
FIN	-	60.2	-	-	-	60.2	0.3
S	-	15.3	-	-	-	15.3	0.1
Art. 18 ⁽²⁾	-	260.8	-	-	-	260.8	1.4
Total	673.7	17 681.9	-	-	-	18 355.6	100.0
1995							
B	8.7	665.0	-	-	-	673.7	3.6
DK	-	825.0	-	-	-	825.0	4.4
D	104.8	2 715.0	-	-	-	2 819.8	14.9
EL	-	525.0	-	-	-	525.0	2.8
E	22.9	2 818.0	-	-	-	2 840.9	15.0
F	14.9	2 207.0	-	-	-	2 221.9	11.7
IRL	-	327.0	-	-	-	327.0	1.7
I	89.2	3 435.0	-	-	-	3 524.2	18.6
L	9.4	79.0	-	-	-	88.4	0.5
NL	-	319.0	-	-	-	319.0	1.7
P	10.2	1 232.0	-	-	-	1 242.2	6.6
UK	100.3	2 244.0	-	-	-	2 344.3	12.4
A	-	242.0	-	-	-	242.0	1.3
FIN	-	179.0	-	-	-	179.0	0.9
S	-	273.0	-	-	-	273.0	1.4
Art. 18 ⁽²⁾	-	519.0	-	-	-	519.0	2.7
Total	360.4	18 604.0	-	-	-	18 964.4	100.0

⁽¹⁾ Loans granted

⁽²⁾ Community projects that cannot be located in a particular Member State (e.g. telecommunication cables and satellites, North Sea oil).

TABLE 7 : Interest subsidies paid out in the Community by the various Community mechanisms. 1977-1995

(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	

⁽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.

TABLE 8 : Programmes of financial assistance outside the Community in force or under negotiation at 31 December 1995

(ECU million)

Agreement	Duration	Loans from EIB own res. ⁽¹⁾	Operations from budgetary res.		Macro-financial assistance ⁽³⁾			Total
			Risk capital operations ⁽²⁾	Non-repayable aid ⁽³⁾	Granted	Dis-bursed	ECSC loans	
ACP States-OCT								
26 955								
First Financial Protocol								
ACP	Fourth Lomé Convention	1996	1 200	825	9 975 ⁽⁴⁾			12 000
OCT	Council Decision	1996	25	25	115 ⁽⁴⁾			165
Second Financial Protocol								
ACP	Fourth Lomé Convention	2000	1 658	1 000	11 967 ⁽⁴⁾			14 625
OCT	Council Decision	2000	35	30	100 ⁽⁴⁾			165
South Africa	Council Decision	1997	300					300
Mediterr.countries⁽⁵⁾								
5 630								
Turkey	Not yet in force	2000	750					
Algeria	Fourth Financial Protocol	1996	280	18	52	600	500	950
Morocco	"	"	220	25	193			438
Tunisia	"	"	168	15	101			284
Egypt	"	"	310	16	242			568
Jordan	"	"	80	2	44			126
Lebanon	Fourth financial protocol	"	45	2	22			69
Syria	Third financial protocol	"	110	2	34			146
"	Fourth financial protocol	"	115	2	41			158
Israel	Fourth Financial Protocol	"	82			160	160	242
Gaza and Cisjordania ⁽⁶⁾	Council Decision	1998	250		250			500
Malta	Fourth Financial Protocol	1998	30	2	13			45
Cyprus	Fourth Financial Protocol	1998	50	2	22			74
"Non-protocol"horizontal financial cooperation	Council Decision	1996	1 800	25	205 ⁽⁷⁾			2 030
CEEC								
6 030								
Czech Republic						250	250	250
Slovak Republic						255	125	255
Bulgaria						400	360	400
Baltic States						220	135	220
Hungary						1 050	790	1 050
Romania						580	510	580

TABLE 8 (continued): Programmes of financial assistance outside the Community in force or under negotiation at 31 December 1995. (ECU million)

	Agreement	Duration	Loans from EIB owners ⁽¹⁾	Operations from budgetary res.		Macro-financial assistance ⁽³⁾		ECSC loans	Total
				Risk capital operations ⁽²⁾	Non-repayable aid ⁽³⁾	Granted	Disbursed		
Albania						105 ⁽⁹⁾	85		105
	Council decision	1996	3 000						3 000
Slovenia	Financial protocol	1997	150		20 ⁽⁸⁾				170
Former USSR						1 250 ⁽¹⁰⁾	1 133		1 635
Moldova						45	45		45
Ukraine						285	85		285
Belarus						55	30		55
Latin American and Asian countries	Council Decision	1996	750						750

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

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

(6) Loans from own resources will be attributed to 'non protocol' cooperation.

(7) West Bank and Gaza strip; loans from own resources are covered by the 'Non-protocol' horizontal financial cooperation.

(8) Including some ECU 100 million of interest subsidies for EIB loans in the environmental sector.

(9) Non-repayable assistance (straight grant).

(10) Commercial credits.

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

on the rate of utilization of the New Community Instrument (NCI) (half-year from 1 July 1995 to 31 December 1995)

1. Overall situation at 31 December 1995

Council Decisions 83/200/EEC (Article 6) and 87/182/EEC (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 NCI III and IV.

The present report covers the period from 1 July 1995 to 31 December 1995.

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

- i) 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;
- ii) for NCI IV, the ceiling applies to the loans signed.

At the end of 1995 the situation regarding the use of the tranches for which a six-monthly report has to be drawn up was as follows:

Distribution of loans signed by country at 31.12.1995							ECU million		
Country	NCI I	NCI II	NCI III	NCI IV	NCI Reconstr.	Total	%		
B	-	-	-	23.6	-	23.6	0.4		
DK	66.8	100.6	303.0	63.2	-	533.5	8.6		
EL	-	114.9	111.2	-	80.0	306.1	4.9		
E	-	-	69.2	118.2	-	187.4	3.0		
F	70.0	125.0	938.7	72.3	-	1 206.0	19.5		
IRL	239.0	116.6	68.4	-	-	424.0	6.8		
I	479.9	473.4	1 228.5	285.7	598.7	3 066.3	49.5		
NL	-	-	3.2	-	-	3.2	0.1		
P	-	-	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		Total	
NCI III	52.8 %			26.5 %		20.7%		100.0%	
NCI IV	100.0 %							100.0%	

Use of NCI: situation at 31.12.1995 (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 1995. 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.

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.

No loans transactions have been carried out since 1991.

STATISTICAL ANNEX

Annex 1

NCI IV LOANS										
CEILING: ECU 750 MILLION ⁽¹⁾ - (Situation at 31.12.1995)										
Ref.	Project description	Date of contract	ECU million ⁽²⁾	Breakdown by country ⁽²⁾						
				B	DK	E	F	I	P	UK
I. LOANS SIGNED										
64/87	FIH (Small Business) PG-VI/A	15.09.87	31.80		31.80					
64/87	FIH (Small Business) PG-VI/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 ^o DE SANT ANDER - PYME	24.07.87	20.19			20.19				
121/87	B ^o 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 ^o DE VIZCAYA - PYME A	17.12.87	9.37			9.37				
206/87	B ^o DE VIZCAYA - PYME B	30.11.88	8.60			8.60				
207/87	B ^o ESPANOL DE CREDITO - PYME A	18.12.87	12.04			12.04				
207/87	B ^o 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 COMML.	29.11.88	52.32				52.32			
237/88	IMI - PMI VI/A	19.12.88	9.06					9.06		
237/88	IMI - PMI VI/B	19.12.88	3.88					3.88		
237/88	IMI - PMI VI/C	06.02.89	13.72					13.72		
237/88	IMI - PMI VI/D	06.02.89	5.88					5.88		
175/89	BARCLAYS BANK III/A	30.11.89	29.38							
119/90	KREDIETBANK N.V. -GL	20.12.90	18.04	18.04						18.04
119/90	KREDIETBANK N.V. -GL	20.12.90	5.54	5.54						5.54
48/91	B ^o ESPANOL DE CREDITO PG PY	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			0.0							
BALANCE			81.18							
CEILING			750.00							

⁽¹⁾ JO Lⁿ. 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 31.12.1995 ⁽¹⁾

Currency	(million)	Equivalent in ECU million ⁽²⁾
ECU	90.0	90.0
BFR	-	-
DM	408.6	216.9
FF	2 100.0	326.1
HFL	387.5	183.8
LFR	1 000.0	25.8
LIT	-	-
PTA	-	-
UKL	12.0	14.2
CAD	-	-
SFR	100.0	66.1
USD	250.0	190.2
YEN	-	-
Total		1 113.1

B.-New operations: 1.07.1995- 31.12.1995

Equivalent in ECU million⁽³⁾

Date of issue	Duration (years)	Coupon (%)	Currency (million)	Fresh capital ⁽¹⁾	Refi- nancings
24/11/1995	2	3	FS 25	-	16.5
24/11/1995	3	3.5	FS 25	-	16.5
24/11/1995	5	4	FS 25	-	16.5
24/11/1995	4	3.75	FS 25	-	16.5

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

⁽²⁾ Exchange rates as at 31.12.1995

⁽³⁾ Exchange rates at signature.

Principal economic policy measures – June/July 1996

Community (EUR-15)

5.6 Commission adopts its Communication on the Confidence Pact for Employment.

22.6 Florence European Council stresses that the fight against unemployment remains the top priority for the Union and its Member States.

8.7 The Ecofin Council approved the Recommendations to be sent to the twelve Member States which are in a situation of excessive deficit.

8.7 Austrian convergence programme was favourably received by the Ecofin Council.

8.7 Ecofin Council adopted the 1996 Recommendation setting out the Broad Guidelines of the economic policies of the Member States and of the Community.

Belgium (B)

None.

Denmark (DK)

6.6 The Nationalbank lowers the repo rate by 10 basis points to 3.70%. The discount rate is left unchanged at 3.25%.

17.6 An agreement is reached over 1997 local government finances between counties and municipalities, on the one hand, and the Minister for Finance, on the other. The deal implies moderate tax increases and a DKR 5 billion reduction in general government net borrowing in 1997, most of which will be accounted for by one-off measures.

Germany (D)

6.7 The upper chamber of Parliament, the Bundesrat, approves the law liberalizing the working hours of shops. The new regulation allows shops to open from 06.00 to 20.00 on Mondays to Fridays and from 06.00 to 16.00 on Saturdays. Bakers may start selling half an hour earlier and remain open an additional three hours on Sundays. On the other hand, on so-called "long Thursdays" shops will be required to close half an hour earlier than currently, and "long Saturdays" will be abolished, except in the four weeks before Christmas.

Greece (GR)

5.6 The Bank of Greece announces four measures aimed at reducing liquidity and combating inflationary pressures: with effect from June 1996, primary reserve requirements are raised to 12%, the base on which reserve requirements are calculated is widened and the consumer share of credit-financed consumption is increased.

6.6 The Prime Minister announces an increase of DR 11 400 in low pensions from 1 July 1996 and their indexation to the CPI from 1 January 1997.

15.7 The Bank of Greece decides that default interest rates applied by commercial banks on past overdue loans cannot exceed the contractual interest rate by more than 2.50 points.

Spain (E)

4.6 The Bank of Spain cuts its key money rate by 25 basis points to 7.25% at the regular ten-day repurchase tender for central bank certificates.

8.6 The Spanish government approves a wide-ranging package of fiscal and deregulating measures aiming at boosting economic activity. The package includes income-tax measures aiming at reducing the tax burden and promoting the hiring of workers over 45, and liberalization measures in connection with urban land, telecommunications and professional associations.

5.7 The Spanish government approves an ambitious plan to fight tax and social security fraud. The plan, which aims also to uncover fraud, will be implemented over two years.

26.7 The government approves supplementary credits of PTA 721 170 million to fund previously unreported expenditure of preceding years and increases tax rates on tobacco and alcohol.

France (F)

6.6 The Bank of France cuts its intervention rate by 10 basis points to 3.60% from 3.70%. Its five-to-ten-day lending rate remains unchanged at 4.90%.

26.6 The minimum wage (SMIC) is increased by 0.5% from 1 July. The government decides on an extra 0.16% increase in addition to the 0.34% automatically due in respect of the inflation recorded over the past year. The increase, coming on top of the 2% rise decided in May, brings the overall increase in the minimum wage to 2.5% on a year-on-year basis.

27.6 Parliament adopts definitively the draft Organic Law relating to the social security financing laws, which sets out the procedures for implementing the constitutional revision of 19 February 1996 strengthening Parliament's role in the social field. The revision is the keystone of the social security reform set in train this year by the government.

4.7 The Bank of France cuts its intervention rate to 3.55% from 3.60%. The five-to-ten-day lending rate remains unchanged at 4.90%.

25.7 The government decides to reduce the "allocation de rentrée scolaire" for low-income families from FF 1 500 to FF 1 000.

Ireland (IRL)

None.

Italy (I)

19.6 The government introduces a package of additional fiscal measures worth LIT 16 trillion, or 0.8% of GDP. The mini-budget consists of expenditure cuts (two thirds) and of revenue-enhancing measures (one third). Expenditure cuts include lower transfers to enterprises, a freeze on previously decided expenditure measures, and cuts in ministerial budgets. Revenue-side measures include higher taxation for certain financial instruments, higher social contributions for enterprises and increased receipts from state lotteries.

27.6 The government submits the economic and financial planning document for the years 1997 to 1999 (DPEF: "Documento di Programmazione Economica e Finanziaria"). The DPEF spells out the macroeconomic assumptions and the official public finance and inflation targets for the following three years: in particular, it aims for a general government deficit of 5.4% of GDP in 1997 and 2.8% in 1998 and 1999, and for an inflation rate of 2.0% in 1998 and 1999.

16.7 The Italian parliament approves the government's economic and financial planning document for years 1997-99 (DEFP: "Documento di Programmazione Economica e Finanziaria"). The blueprint contains government targets for spending, growth and inflation for the next three years and a broad outline of the 1997 budget.

17.7 The Italian cabinet approves a bill to set up a regulatory agency for the telecommunications sector. The agency is necessary for the government's planned privatization of the state telecom holding STET. The bill also establishes antitrust regulations in the television sector.

24.7 The Bank of Italy reduces its discount rate by 75 basis points to 8.25% from the previous 9.0%. The brief bank statement issued after the decision specifies that the move has been made possible by the decline in inflation. The Bank says it is realistic to estimate an average annual rate below 4% this year. Monetary conditions should lead to a further fall in inflation to below 3% in the coming months and in 1997.

Luxembourg (L)

None.

Austria (A)

None.

Netherlands (NL)

12.7 The central bank increases its rate for special advances from 2.60% to 2.70% in order to reduce the differential between that rate and money market rates.

Portugal (P)

1.7 The new 12% intermediate VAT rate comes into force. It is applied to some food products (butter, cheese and yoghurts), gasoil and restaurant services (all previously taxed at the 17% rate).

Finland (SF)

4.6. The Parliament adopts the amended Currency Law. The amendments make it possible for the government to take the markka into the ERM.

14.6 The Bank of Finland cuts its tender rate, which is the benchmark for market interest rates, by 15 basis points to 3.60%.

5.7 The Bank of Finland cuts its tender rate, which is the benchmark for market interest rates, by 10 basis points to 3.50%.

Sweden (S)

4.6 The Swedish Central Bank lowers the repo rate by a further 20 basis points to 6.30%.

11.6 The Swedish government proposes new measures to combat unemployment. Since wage-formation, working-time and labour-market laws are still under discussion, the proposals are confined to increased educational opportunities, limited tax incentives and stricter implementation of the unemployment insurance scheme.

18.6 The Swedish Central Bank cuts the repo rate by a further 20 basis points to 6.10%.

20.6 The lending and deposit rates are cut by 75 basis points to 5.25% and 6.75%.

1.7 The central bank adjusts the discount rate downwards by 1 percentage point.

2.7 The central bank cuts the repo rate by a further 20 basis points to 5.90%.

16.7 The central bank cuts the repo rate by a further 20 basis points to 5.70%.

30.7 The central bank cuts the repo rate by a further 15 basis points to 5.55%.

United Kingdom (UK)

6.6 The Bank of England cuts its minimum lending rate by ¼% to 5.75% – one day after the regular monthly meeting between its Governor and the Chancellor of the Exchequer.

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