

# COMMISSION OF THE EUROPEAN COMMUNITIES

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

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

**1.7.1990 - 31.12.1990**

## I. INTRODUCTION

This report has been drawn up by the Commission in accordance with Article 6 of the Council Decision of 19 April 1983 empowering the Commission to contract loans under the New Community Instrument (NCI)<sup>(1)</sup>, which stipulates that "the Commission shall inform the Council and the European Parliament every six months of the rate of utilization of the tranches". This six-monthly reporting period is also laid down in Article 8 of the Decision of 9 March 1987<sup>(2)</sup>. The present report covers the period 1.7.1990 to 31.12.1990.

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

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

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

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

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

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

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

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

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

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

- 1 000 million ECU in borrowing and lending for Italy<sup>(5)</sup>;
- 80 million ECU in borrowing and lending for Greece<sup>(6)</sup>.

## II. SITUATION AT 31.12.1990

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

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

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(5) Decision 81/19/EEC : OJ No L 37, 10.02.1981.

(6) Decision 81/1013/EEC: OJ No L 367, 23.12.1981.

Having regard to these special considerations, the situation at 31.12.1990 with respect to operations authorized was as follows :

(million ECU)

	NCI I	NCI II	NCI III	NCI IV	Earthquake reconstruction	
					Italy (of which NCI)	Greece (of which NCI)
Ceilings	1 000	1 000	2 900	750	1 000	80
Amounts granted	1 000	997	2 867	658	962 (611)	80(80)
Balance	-	3	33	92	38	-

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

The amount granted under NCI III comprises 2 865 million ECU already disbursed, and 2 million ECU still to be paid out on loans already signed: this leaves a "borrowing equivalent" of 33 million ECU, for the granting of new loans.

Under NCI IV, which came into force in March 1987, 88% of the authorised amount had been granted at the end of the period (see Annex 1).

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

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

### III. ANALYSES BY COUNTRY AND BY SECTOR

Such analyses can be carried out with regard to loans signed, expressed in terms of "statistical" amounts<sup>(7)</sup>. The following table shows the overall situation at 31.12.1990.

LOANS SIGNED : SITUATION AT 31.12.1990 <sup>(8)</sup>  
(Million ECU)

COUNTRY	NCI I	NCI II	NCI III	NCI IV	NCI RECON- STRUCTION	TOTAL	%
BELGIUM	-	-	-	23,58	-	23,58	0,38
DENMARK	66,75	100,59	302,97	63,22	-	533,54	8,61
GREECE	-	114,92	111,22	-	80,00	306,14	4,94
SPAIN	-	-	69,21	92,78	-	161,98	2,61
FRANCE	70,02	124,97	938,71	76,62	-	1 210,33	19,53
IRELAND	238,98	116,59	68,44	-	-	424,01	6,84
ITALY	479,94	473,41	1 228,54	285,73	608,77	3 076,40	49,65
NETHERLANDS	-	-	3,22	-	-	3,22	0,05
PORTUGAL	-	-	29,93	9,91	-	39,84	0,64
UNITED KINGDOM	134,85	67,05	109,33	105,72	-	416,96	6,73
<b>TOTAL</b>	<b>990,54</b>	<b>997,54</b>	<b>2 861,58</b>	<b>657,56</b>	<b>688,77</b>	<b>6 195,99</b>	<b>100,0</b>
<b>Sector<sup>(9)</sup></b>	<b>Productive sector</b>		<b>Infrastructure</b>		<b>Energy</b>		
NCI I-III	52,79%		26,46%		20,74%		
NCI IV	100,00%						

The breakdown of loans signed shows that the largest share of the activity is in Italy (even if reconstruction operations are excluded), with France in second position. Whereas the proportion of operations in Italy has proved to be relatively constant (between 40 and 50%) through successive tranches of NCI, France's share has tended to rise, reaching 33% for NCI III, before falling back under NCI IV.

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

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

(9) Because of the special nature of NCI reconstruction operations, no sectoral breakdown is given here.

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

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

#### **IV. CONCLUSIONS**

NCI I, II and III, and the reconstruction operations after the earthquakes of 1980 and 1981, are vitually completed, while 88% of NCI IV has already been used up.

## NCI IV LOANS

CEILING : 750 MILLION ECU<sup>(1)</sup>  
(Situation as at 31.12.1990)

Ref.	Project description(2)	Date of contract	Million ECU	Breakdown by country, in million ECU <sup>(3)</sup>						
				B	DK	E	F	I	P	UK
I. LOANS SIGNED										
64/87	FIH (Small Business) PG-VI/A	15.09.87	31,80							
64/87	FIH (Small Business) PG-VI/B	24.05.88	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	16.09.88	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° DE SANTANDER - PYME	24.07.87	20,19			20,19				
121/87	B° 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° DE VIZCAYA - PYME A	17.12.87	9,37			9,37				
206/87	B° DE VIZCAYA - PYME B	30.11.88	8,60			8,60				
207/87	B° ESPANOL DE CREDITO - PYME A	18.12.87	12,04			12,04				
207/87	B° ESPANOL DE CREDITO - PYME B	18.11.88	10,94			10,94				

Ref.	Project description(2)	Date of contract	Million ECU	Breakdown by country, in million ECU(3)									
				B	DK	E	F	I	P	UK			
231/87	CREDIT NATIONAL - PMI III	05.02.88	20,00										
64/88	INVESTORS IN INDUSTRY - GROUPED LOAN V	28.12.88	30,54				20,00						30,54
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	45,81							45,81			
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.	29.11.88	56,62				56,62						
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										29,38
119/90	KREDIETBANK N.V. -GL	20.12.90	20,04	20,04									
119/90	KREDIETBANK N.V. -GL	20.12.90	3,54	3,54									
I. TOTAL I			657,56	23,58	63,22	92,78	76,62	285,73	9,91			105,72	
II. LOANS APPROVED, AWAITING SIGNATURE			28,25										
BALANCE			64,19										
CEILING			750,00										

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

(2) See list of abbreviations in Annex 3.

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



**NCI BORROWING, BY CURRENCY****A. - DEBT OUTSTANDING AT 31.12.1990 (1)**

Currency (million)		Equivalent in MECU(2)
ECU	920,00	920,0
BFR	3 000,00	71,1
DM	1 357,01	664,6
FF	2 100,00	302,2
HFL	1 473,71	639,7
LFR	2 940,00	69,7
LIT	100 000,00	64,9
PTA	25 000,00	191,4
UKL	129,80	183,4
CAD	80,00	50,6
SFR	553,00	317,5
USD	1 209,70	887,3
YEN	29 351,00	158,7
		4 521,1

**B. - NEW OPERATIONS: 1.7.1990 - 31.12.1990**

				Equivalent in MECU(2)
Date of issue	Duration (years)	Coupon (%)	Currency (million)	Fresh Re- capital financings (1)
28.09.90	5	9,21	US\$ 5	- 3,67

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

(2) Exchange rates as at 31.12.1990.

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

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