

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (75) 410 final

Brussels, 23 July 1975

Proposal for a
REGULATION
setting up a financial mechanism

(Submitted by the Commission to the Council)

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PROPOSAL FOR A REGULATION

setting up a financial mechanism

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas conditions incompatible with the proper functioning of the Community could arise from the economy of a Member State's being obliged, when in a special situation, to bear a disproportionate burden in the financing of the Community budget;

Whereas, in accordance with the guidelines laid down by the Heads of Government at Paris on 10 December 1974 and further developed by them in Dublin on 10 and 11 March 1975, such conditions should be prevented from arising during the process of convergence of the economies of the Member States by providing for a payment from the budget of the Communities to the Member State in question;

Whereas the Treaty does not provide specific powers for creating such a mechanism; whereas Article 235 must therefore be used for this purpose;

HAS ADOPTED THIS REGULATION:

Article 1

A financial mechanism is hereby set up, under the conditions set out below, consisting in payments from the budget of the Communities to Member States in a special economic situation whose economies bear a disproportionate burden in the financing of that budget.

Article 2

Upon application from a Member State, submitted not later than 30 June with a statement of reasons, the Commission shall assess the facts of the situation having established that all the following criteria would be met:

- (a) the per capita gross domestic product (GDP) in the Member State in question is less than 85% of the average per capita GDP in the Community;
- (b) the rate of growth of per capita GDP in real terms is less than 120% of the average rate in the Community;
- (c) the payments by the Member State to the Community for the current financial year, pursuant to the Decision of 21 April 1970 on the replacement of Financial Contributions from Member States by the Community's Own Resources,¹ exceed by more than ten per cent (10%) the amount which it would have to pay if the budget of the Communities was financed by the Member States by reference to the share of their GDP in the total GDP of the Member States in the same financial year.

The figures referred to in (a) and (b) shall be calculated, as moving averages, from the results for the previous three years.

The calculations provided for in this Article shall be made using current market exchange rates.

¹ OJ No L94, 28 April 1970, p.19.

Article 3

When the Commission has assessed the facts of the situation, it shall, if necessary, enter in an appropriate subdivision of the budget for the year following the year in which the Member State's application was made an appropriation to the amount of the provisional payment, calculated as follows:

- (a) the excess amount calculated as provided in Article 2(c) shall be divided into steps each equal to five per cent (5%) of the amount referred to in Article 2(c) in fine:
- (b) as a percentage of each step, the payment shall be graduated as follows:

<u>Step</u>	<u>Percentage payment</u>
from 0 to 5%	nil
from 5.0001% to 10%.....	50%
from 10.0001% to 15%	60%
from 15.0001% to 20%	70%
from 20.0001% to 25%	80%
from 25.0001% to 30%	90%
above 30%	100%

- (c) in no circumstances may the payment exceed either:
 - (i) the net transfers made by the Member State in question during the current financial year under Article 38 of the Financial Regulation of 25 April 1973,¹ not allowing for payments made to that State under this Regulation,
 - (ii) or: the total payments made by that State to the budget of the Communities for the current financial year in respect of VAT or pursuant to Article 4(2) and (3) of the Decision of 21 April 1970, whichever is the less.

¹ OJ No L 116, 1 May 1973, p.1.

Article 4

Where the current account of the balance of payments of the Member State in question, calculated from a moving average of the three years preceding the current financial year, at current market exchange rates, shows a surplus, the amounts to be referred to in respect of the current financial year for calculating the excess amount referred to in Article 2(c) for the purposes of implementing Article 3 shall be replaced respectively by:

- the payments made by the Member State to the Community in respect of VAT or pursuant to Article 4(2) and (3) of the Decision of 21 April 1970;
- the amount which that State would have had to pay on the basis of the proportion of its GDP in the total GDP of the Member State to finance the part of the budget not covered by the Own Resources referred to in Article 2 of the Decision of 21 April 1970.

Article 5

The payments, calculated at current market exchange rates, shall be converted into the budgetary unit of account in force.

Article 6

The total amount of the payments which may be granted in respect of a given financial year shall not exceed three per cent (3%) of the total expenditure chargeable to that financial year under Article 17 of Regulation No 2/71 of 2 January 1971 implementing the Decision of 21 April 1970¹, or two hundred and fifty million units of account, whichever is the greater.

¹ OJ No L 3, 5 January 1971, p.1.

Should the total payments calculated as laid down in this Regulation exceed the above limit, the payments shall be reduced proportionately.

Article 7

At the request of the Member State concerned, a 75% advance against the provisional payment shall be made at the beginning of the year following the year of the application.

After the account for revenue and expenditure has been drawn up, and once final figures for the data referred to in this Regulation are available, the Commission shall, on the basis of those figures, calculate the final amount of the payment and make any adjustments necessary.

Article 8

Where a Member State has received payments under this Regulation for three consecutive years, the Commission shall undertake a special examination of the situation of that State and shall take all suitable steps reflecting Community solidarity, on the basis of its assessment of the convergence of economic situations and policies.

Article 9

Gross domestic product for the purposes of this Regulation shall be defined by reference to the European System of Integrated Economic Accounts.

For the purposes of Article 4 the current account of the balance of payments shall be taken to cover goods, services and unrequired transfers as defined by the Statistical Office of the European Communities.

Article 10

This Regulation shall enter into force on 1 January 1976. It shall be applicable for a trial period of seven years. Not later than the end of the sixth year, the Commission shall report to the Council on the application of the financial mechanism and if necessary make appropriate proposals.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,