

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 587 final

Brussels, 5th November 1979

COMMISSION COMMUNICATION TO THE COUNCIL  
ON EXPEDITED IMPLEMENTATION OF THE FINANCIAL  
PROTOCOL BETWEEN THE COMMUNITY AND PORTUGAL

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Commission Communication to the Council  
on expedited implementation of the Financial Protocol  
between the Community and Portugal

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1. To date, the Community has undertaken two financial support operations to assist Portugal to cope with necessary restructuring and economic and social development: these operations were the emergency financial aid granted in 1975<sup>1</sup> to support Portugal's efforts to modernize its economic structures and the Financial Protocol<sup>2</sup> negotiated in 1976 to take over from the emergency aid in 1978.

2. The Financial Protocol with Portugal was concluded for a period of five years from its entry into force, even though for almost all the protocols with the Mediterranean countries that were negotiated at the same time (Maghreb) or subsequently (Mashreq, Israel) a less distant scheduled completion date was set, namely 31 October 1981. It was for that reason that Portugal requested during the negotiations on the Financial Protocol that it should receive as substantial as possible a proportion of the volume of financial aid during the early years of the Protocol's application. In an exchange of letters dated 17 September 1976, the Community Delegation had replied that an effort would be made to meet this request.

The delay in the ratification of these Financial Protocols by the Community meant that they entered into force one year later than planned, postponing the completion date in Portugal's case to 31 October 1983.

3. At the meeting of the EEC-Portugal Joint Committee on 23 January this year, the Portuguese Delegation reminded the Community of the objectives set for financial cooperation during the 1976 negotiations and requested that all the funds under the Protocol should be made available to Portugal before 31 October 1981 in the same way as for other countries with which the Community has concluded financial protocols.

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<sup>1</sup>EIB loan of 150 million EUA with a 3% interest rate subsidy (30 million EUA).

<sup>2</sup>EIB loan of 200 million EUA including 150 million EUA with a 3% interest rate (30 million EUA).

In support of its request, the Portuguese Delegation stressed the investment that was needed in order to make Portugal more prepared for accession and to facilitate the adaptation of its economic structures with a view to Portugal's integration into the Community.

4. Some of the delay in ratification referred to above has been made up by Portugal's rapid and comprehensive presentation of investment projects to the European Investment Bank. The EIB has already been able to sign contracts involving 81 million EUA, and projects worth 40 million EUA are scheduled for conclusion by the end of this year or early in 1980. As regards the balance of 79 million EUA, Portugal has already indicated six projects which the EIB will be able to subject to technical examination in the near future (see Annex I).

As regards the availability of funds for interest rate subsidies the Commission proposals already envisage making 30 million EUA available to the EIB during the years 1979/1980/1981. (\*)

5. At the technical and financial levels, there does not appear to be any particular obstacle to expedited implementation of the Financial Protocol with Portugal.

Insofar as the terms of the Protocol itself is concerned, Articles 2 and 3 provided for a period of application of five years from the date of entry into force (i.e. from 1 November 1978 to 31 October 1983) and stipulate that the amounts to be committed each year must be distributed as evenly as possible throughout the period of application of the Protocol. The Commission considers, however, that these provisions do not represent an obstacle to faster or slower implementation for technical reasons or for economic and political motives.

A number of factors have arisen since the signing of the Protocol with Portugal which argue in favour of its expedited implementation.

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(\*) In the first draft of the budget for 1980, the Commission had proposed the inscription of 12 MUA (instead of 6 MUA as retained for 1978 and 1979) in order that only 6 MUA would remain for the 1981 budget. The Council, however, at its first examination decided to inscribe only 9 MUA instead of 12 MUA

Firstly, there is the delay in the entry into force of the Protocol, which has accentuated the difference in the treatment given to Portugal compared with the Mediterranean countries. Secondly, account should be taken of Portugal's current economic situation, in which there is little propensity to invest and Community action is all the more necessary. Lastly, since 1977 relations with Portugal have had to be viewed in the context of its integration into the Community, which implies that joint preparations have to be carried out without delay.

6. The Commission therefore proposes to the Council that application of the Financial Protocol with Portugal be expedited. To that end, the European Investment Bank's management of investments under this Protocol should be carried out in such a way that the total sum is committed by 31 October 1981 at the latest. The Council should thus send a letter to this effect to the European Investment Bank. A draft of this letter will be found in Annex II to this Communication.

IMPLEMENTATION OF THE FINANCIAL PROTOCOL BETWEEN THE COMMUNITY AND PORTUGAL

<u>1. Loans signed</u>	<u>Million EUA</u>
Non-subsidized loan to the firm Cimentos de Portugal to increase production capacity at Souselas	10
Non-subsidized loan to the firm Quimigal for the production of materials used in the manufacture of reinforced plastic and polyurethane products at Barreiro	8
Non-subsidized loan to the firm Quimigal for the replacement of plant producing ammonia and nitric acid for the manufacture of fertilizers	17
Subsidized loan for electricity transmission (Setubal II)	20
Global subsidized loan for small and medium-sized industries and tourism projects	15
Subsidized loan for the improvement of the air safety installations at Madeira airport	11
	<hr/> 81
<u>2. Loans scheduled for signing</u>	
Non-subsidized loan (No 2) to increase cement production at Souselas	15
Loan for the improvement of the port of Aveiro	25
	<hr/> 40
<u>3. Projects under examination at the European Investment Bank</u>	
General Deposits Fund (credit for small and medium-sized enterprises and tourism)	
The Portuguese electricity company	
Madeira Airport	
Lisbon Airport	
Irrigation in Villafranca	
National Development Bank IV (credit for small and medium-sized enterprises and tourism)	
	<hr/> 79
	<hr/> Total 200 million

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letter from the Council to the European Investment Bank

The Financial Protocol with Portugal provides for the establishment of financial cooperation over a period of five years from its entry into force and stipulates that the amounts to be committed each year must be distributed as evenly as possible throughout the period of application.

I have the honour to inform you that in order to assist Portugal in its efforts to adapt its economy, particularly with a view to its accession to the Communities, the Council has agreed, on a recommendation from the Commission, to request the European Investment Bank to take the necessary steps to expedite implementation of the Financial Protocol so that all the funds can be committed before 31 October 1981.

FICHE FINANCIERE

- En juin 1976, lors de la rédaction de la proposition de la Commission au Conseil concernant le protocole financier avec le Portugal, aucune fiche financière n'a été établie (COM (76) 349 final du 30.6.1976)
  
- L'accélération proposée ci-avant ne comportera aucune modification budgétaire. En effet, en ce qui concerne les 30 Mio UC de bonification d'intérêts :
  - . 6 Mio UC ont été inscrits au budget de 1978 ;
  - . 6 Mio UC ont été inscrits au budget de 1979 ;
  - . 12 Mio UC ont été inscrits au budget de 1980.
  
- Comme déjà prévu dans les prévisions financières triennales de la Commission, il restera à inscrire 6 Mio UC au budget de 1981.