

COMMISSION OF THE EUROPEAN COMMUNITIES

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COM(77) 538 final

Brussels, 31 October 1977

Proposal for a
COUNCIL REGULATION

on the exchange rates to be applied for the
purposes of the agricultural structures policy

(submitted to the Council by the Commission)

EXPLANATORY MEMORANDUM

1. In connection with the implementation of common measures financed by the EAGGF Guidance Section, the amounts specified in units of account in the agricultural instruments have to be converted at the representative rates fixed by the Council pursuant to Article 2 (2) of Regulation No 129. As the annexed table shows, these rates for converting agricultural units of account into national currencies have been altered on several occasions in recent years, often concurrently with the decisions on agricultural prices for the purpose of preserving the unity of markets and reducing the compensatory amounts.

2. Although motivated by the requirements of the prices policy, the changes in the conversion rates also apply to the structures policy and pursuant to the rules in force (articles 4 and 6 of Regulation (EEC) No 1134/68) Community aid must be converted into national currencies at the representative rates which obtained on the date when the conditions for granting the aid are fulfilled.

This means that the conversion rate to be used to calculate the amount of aid in national currency is determined by the representative rate operative at the time aid is granted. It is the time when the beneficiary acquires an "enforceable right", the granting of which he can request once all the conditions for payment are fulfilled.

When payment of aid by the Member State is spread out over several years and when particular conditions are not laid down for the payment of the different instalments, these instalments are determined on the basis of the representative rate operative at the time aid is granted.

3. Although it is recognized that the representative rates also need to be brought into line with economic reality for the purposes of the structures policy, the fact remains that the dates on which adjustments to these rates are made and their frequency are determined on the basis of the requirements of the prices policy and are not particularly well suited to the requirements of the structures policy. The consequences of repeated adjustments to the rates within one calendar year and on arbitrary dates are as follows:

- during one calendar year different amounts of aid are granted for the same measure, which constitutes unjustified discrimination between recipients;
- the task of the national authorities responsible for the administration of aid and the determination of eligible expenditure is made more difficult; this goes against the wishes expressed on many occasions for a simplification of the procedures currently in force;
- and, consequently, the task of supervision by the Commission becomes more difficult.

On the other hand recipients of aid, the payment of which is spread out over several years, must be protected against a reduction in the real value of the aid due to a devaluation of the representative rate for a national currency occurring between the time when aid is granted and the time when the instalments are payable.

4. To avoid the drawbacks resulting from frequent changes in the conversion rates, while bearing in mind that the success of the measures introduced with a view to improving agricultural structures depends on the level of the aid provided for in the agricultural instruments being maintained at its real value in the event of payment being spread out over several years, it is proposed that:

- (1) for the purposes of the structures policy the representative rates should be brought into line with economic reality once a year. Since the accounting year for eligible expenditure under the EAGGF Guidance Section coincides with the calendar year, the date of entry into force of the new representative rates should be 1 January of the following year;

- (2) where payment of the aid is spread over a number of years - either because it is payable in several instalments, or because it is payable for a number of years - the equivalent in national currency of the amount due and the amount of expenditure eligible for assistance from the Fund should be determined, in the event of devaluation of the representative rate for a national currency on the basis of the representative rate in force on 1 January of the year during which the instalment in question is payable.

**COUNCIL REGULATION ON THE EXCHANGE RATES
TO BE APPLIED FOR THE PURPOSES OF THE AGRICULTURAL STRUCTURES POLICY**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas, Articles 4 and 6 of Council Regulation (EEC) No 1134/68 of 30 July 1968 laying down rules for the implementation of Regulation (EEC) No 653/68 on conditions for alterations to the value of the unit of account used for the common agricultural policy (1), provide that the amounts fixed in units of account in the agricultural instruments are to be converted at the representative rate obtaining on the date when the conditions for granting the aid are fulfilled; whereas this provision consequently applies to aids fixed in units of account in the instruments concerning the improvement of agricultural structures;

Whereas the main purpose of the adjustments to the representative rates is to preserve the unity of the markets and to reduce the compensatory amounts; whereas the dates of entry into force of the new rates are not well suited to the requirements of the structures policy, particularly where repeated adjustments are made during a single calendar year;

Whereas the success of measures to improve agricultural structures is threatened by short-term adjustments to conversion rates which take effect on dates which are unrelated to these measures; whereas their success depends on

- the level of aid as provided for in the Community rules; and
- the maintenance of the aid at its real exchange value when under Community legislation payment of the aid is spread over several years;

(1) OJ No L 188, 1.8.1968, p.1.

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Whereas, in order to have the same basis of calculation for all aid granted during a calendar year, it is necessary to provide for a single change once a year in the representative rates to be applied under the agricultural structures policy; whereas for accounting and administrative reasons the representative rate valid on 1 January of the year in question should be applied;

Whereas where payment of aid is spread over several years, provision should be made for the annual instalments, in the event of devaluation of the representative rate for a national currency, to be determined on the basis of the representative rate obtaining on 1 January of the year during which the instalment becomes payable;

Whereas the measures provided for in this Regulation may need to be amended when the European Unit of Account is introduced into the Common Agricultural Policy,

HAS ADOPTED THIS REGULATION:

Article 1

The amounts of aid expressed in units of account in the agricultural instruments relating to the common agricultural structures policy, the Community financing of which is undertaken exclusively by the EAGGF Guidance Section, shall be converted into national currencies at the representative rates obtaining on 1 January of the year during which the decision to grant aid is taken.

Where under Community legislation payment of aid is spread over several years, the annual instalments shall, in the event of devaluation of the representative rate for a national currency, be established on the basis of the representative rate obtaining on 1 January of the year during which the instalment of the aid becomes payable.

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. It shall apply to decisions to grant aid taken on and after 1 January 1978 by Member States.

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

Done at Brussels,

For the Council

The President.

Rates to be used for the conversion of standard rate aid financed by the EAGGF-

ANNEX

Guidance Section (equivalent of 1 u.a.)

MEMBER STATE Period	GERMANY	FRANCE	ITALY	BELGIUM	NETHER- LANDS	LUXEMBOURG	UNITED KINGDOM	IRELAND	DENMARK
1972 -	3,66	5,55419	625	50	3,62	50	-	-	-
1973 -									
1.1.73 - 16.9.73	3,66	5,55419	625	50	3,62	50	0,462022	0,462022	7,57831
17.9.73 - 31.10.73	3,66	5,55419	625	50	3,44	50	0,462022	0,462022	7,57831
1.11.73 - 31.12.73	3,66	5,55419	650	50	3,44	50	0,462022	0,462022	7,57831
1974 -									
1.1.74 - 27.1.74	3,66	5,55419	678	50	3,44	50	0,462022	0,462022	7,57831
28.1.74 - 21.7.74	3,66	5,55419	712	50	3,44	50	0,462022	0,462022	7,57831
22.7.74 - 6.10.74	3,66	5,55419	801	50	3,44	50	0,462022	0,462022	7,57831
7.10.74 - 27.10.74	3,66	5,55419	801	50	3,44	50	0,498679	0,513215	7,57831
28.10.74 - 31.12.74	3,66	5,55419	833	50	3,44	50	0,498679	0,513215	7,57831
1975 -									
1.1.75 - 2.3.75	3,66	5,55419	833	50	3,44	50	0,498679	0,513215	7,57831
3.3.75 - 3.8.75	3,57873	5,63317	857	49,6401	3,41874	49,6401	0,509741	0,537198	7,57828
4.8.75 - 26.10.75	3,57873	5,63317	857	49,6401	3,41874	49,6401	0,536570	0,565473	7,57828
27.10.75 - 31.12.75	3,57873	5,63317	857	49,6401	3,41874	49,6401	0,569606	0,578322	7,57828
1976 -									
1.1.76 - 14.3.76	3,57873	5,63317	857	49,6401	3,41874	49,6401	0,569606	0,578322	7,57828
15.3.76 - 2.5.76	3,48084	5,63317	905	49,3486	3,40270	49,3486	0,569606	0,589438	7,57828
3.5.76 - 10.10.76	3,48084	5,63317	963	49,3486	3,40270	49,3486	0,569606	0,589438	7,57828
11.10.76 - 27.10.76	3,48084	5,63317	963	49,3486	3,40270	49,3486	0,569605	0,637845	7,57828
28.10.76 - 31.12.76	3,48084	5,63317	963	49,3486	3,40270	49,3486	0,569606	0,637845	7,89409

Rates to be used for the conversion of standard rate aid financed by the EAGGF -

ANNEX I

Guidance Section (equivalent of l.u.a.)

MEMBER STATE	GERMANY	FRANCE	ITALY	BELGIUM	NETHER- LANDS	LUXEMBOURG	UNITED KINGDOM	IRELAND	DENMARK
Period									
1977									
1.1.77 - 16.1.77	3,48084	5,63317	963	49,3486	3,40270	49,3486	0,56906	0,637845	7,89409
17.1.77 - 30.4.77	3,48084	5,63317	963	49,3486	3,40270	49,3486	0,56906	0,693423	7,89409
1.5.77 - 15.9.77	3,41258	5,78051	1.030	49,3486	3,40270	49,3486	0,586638	0,739700	8,13822
16.9.77 -	3,41258	5,78051	1.030	49,3486	3,40270	49,3486	0,586638	0,739700	8,56656

FINANCIAL STATEMENT

DATE : 6.10.1977

1. BUDGET LINE CONCERNED : Title 8

2. ACTION : To establish the exchange rate to be applied for converting into national currencies the amounts of aid expressed in units of account in the agricultural instruments concerning the common policy on agricultural structures, the Community financing of which is undertaken exclusively by the EAGGF, Guidance Section.

3. LEGAL BASIS : Article 43 of the Treaty establishing the European Economic Community

4. OBJECTIVES : To ensure that recipients of aid are treated on an equal basis; to protect recipients against a reduction in the real value of the aid when payment is spread out over several years; to simplify the administration of expenditure in order to be able to manage and check it better.

5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (77)	FOLLOWING FINANCIAL YEAR (78)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)	NOT APPLICABLE	NIL	NIL
-CHARGED TO NATIONAL ADMINISTR.			
-CHARGED TO OTHER NATIONAL GROUPS			
5.1 RECEIPTS			
-OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
-NATIONAL			

	YEAR ...1978.....	YEAR ...1979.....	YEAR ...1980.....
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE	NIL	See under 5.2	See under 5.2
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS	NOT APPLICABLE		

5.2 METHOD OF CALCULATION As the entry into force of the proposed Regulation is envisaged with effect from 1978 expenditure under Title 8 of the Community Budget cannot be affected before 1979. The financial consequences of the proposal which will occur from 1979 are dependent on

1. the extent of the implementation of the measures concerned on the one hand in the Member States in which the representative rate of its currency devalues and on the other in those in which this rate revalues, and
2. the amount of the rate of devaluation or revaluation

As these factors are unknown at the present time the financial consequences cannot be determined.

6.0 FINANCING POSSIBLE WITH CREDITS INSCRIBED IN RELEVANT CHAPTER OF CURRENT BUDGET ? YES/~~NO~~

6.1 FINANCING POSSIBLE BY TRANSFER BETWEEN CHAPTERS OF CURRENT BUDGET ? YES/~~NO~~

6.2 NECESSITY FOR A SUPPLEMENTARY BUDGET ? ~~YES~~/NO

6.3 CREDITS TO BE WRITTEN INTO FUTURE BUDGETS ? YES/NO

COMMENTS :