

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 758 final

Brussels, 21 December 1978

## Proposal for a COUNCIL DECISION

concerning the conclusion by the European Economic Community of the agreement between the European Economic Community and the Member States, of the one part, and the International Development Association, of the other part

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(presented by the Commission to the Council)

CONCLUSION BY THE COMMUNITY

OF THE EEC-IDA AGREEMENT

Explanatory Memorandum

1. On 2 May 1978 an agreement concerning the management of the Community's contribution (385 million dollars) to the ICEC Special Action was signed between the European Economic Community and its Member States, on the one hand, and the International Development Association, on the other.
2. Title V, Article 1 of the Agreement stipulates that the Agreement is to be ratified by the Member States and the European Economic Community in accordance with their several procedures. It is also stipulated, in Title V, Article 2, that the Government of each Member State is to notify the Secretary-General when the procedures have been completed and that the Secretary-General is to send the notifications to the IDA, together with a notification concerning conclusion of the Agreement by the Community.
3. Eight of the Member States have, in accordance with these provisions, ratified the Agreement and notified the Secretary-General of the Council. Completion of the procedures by Italy is expected shortly.
4. This being the case, conclusion of the Agreement by the European Economic Community should be undertaken as soon as possible in order to enable the Secretary-General of the Council to fulfill the obligations imposed by the Agreement.
5. The Commission therefore proposes the attached Decision to the Council for adoption.

Proposal for a Council Decision

concerning the conclusion by the European Economic Community of the agreement between the European Economic Community and the Member States, of the one part, and the International Development Association, of the other part

THE COUNCIL OF THE EUROPEAN COMMUNITIES,  
Having regard to the Treaty establishing the European Economic Community;  
Having regard to the proposal from the Commission;  
Whereas the Community should conclude the agreement between the European Economic Community and the Member States, of the one part, and the International Development Association, of the other, which was signed in Brussels on 2 May 1978,

HAS DECIDED AS FOLLOWS:

Article 1

The agreement between the European Economic Community and the Member States, of the one part, and the International Development Association, of the other part, is hereby approved on behalf of the Community.

The text of the agreement is annexed to this Decision.

Article 2

Notification of approval of the agreement by the Community shall be effected as provided in Article 2 in Title V of the agreement<sup>1</sup>.

Article 3

This Decision shall be published in the Official Journal of the European Communities.

Done at

, 19\_\_.

For the Council  
The President

<sup>1</sup>The date on which the agreement is to enter into force will be published in the Official Journal of the European Communities.

## AGREEMENT

between the European Economic Community (EEC) and Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom, Member States of that Community (Member States), on the one hand, and the International Development Association (Association), on the other hand

WHEREAS :

- (a) The EEC has decided to contribute to the Special Action Programme decided at the Conference on International Economic Cooperation in order to help meet the immediate needs of individual low-income countries facing general problems of transfer of resources hampering their development ;
- (b) In order to implement the abovementioned decision the EEC has requested the Association to administer for them a special account (Special Action Account) in the aggregate amount of the equivalent of 385 million dollars, to be kept separate and apart from all other accounts and assets of the Association and to be used for credits (Special Action Credits) in amounts which will be additional, in respect of both programme and project lending, to the amount of the Association's planned programme for the period of commitment of the Special Action Account for each country eligible to receive them and otherwise on the basis set forth below ;
- (c) It is the objective of the EEC and the Member States, and the Association shall use its best efforts to assure, that the entire amount to be contributed by the Member States be committed within six months from the effective date of the Agreement and disbursed on credits as far as possible within two years from the effective date ;
- (d) The EEC and the Association have consulted regarding the proposed implementation and administration of this Agreement and the commitment of funds to assure a broad and balanced geographical distribution thereunder. To that end the Association has furnished the EEC with a table showing the manner in which it would propose to apply the criteria set forth in this Agreement ;

NOW THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS :

### ARTICLE I

#### Establishment and administration of the Special Action Account

##### *Section 1*

There is hereby established by the Association a special account entitled 'Special Action Account' constituted by the monies which the Member States shall contribute to the Special Action Account in accordance with the provisions of this Agreement which shall be held in trust and used by the Association, acting as administrator (the Association acting in that capacity is hereinafter referred to as the administrator) only for the purpose of, and in accordance with, the provisions of this Agreement. The Special Action Account shall be kept separate and apart from all other accounts and assets of the Association.

##### *Section 2*

Each Member State shall make a contribution to the Special Action Account in an amount in its own currency equivalent as of the date of signature of this Agreement to the United States dollar amount specified below opposite its name.

<i>Member State</i>	<i>Amount (US \$ million)</i>
Belgium	15.90
Denmark	11.28
Federal Republic of Germany	119.08
France	56.48
Ireland	1.04
Italy	34.92
Luxembourg	0.50
Netherlands	30.80
United Kingdom	115.00
	385.00

##### *Section 3*

Payment of each contribution shall be made as follows :

- (a) Payment shall be made in the form of cash or non-interest bearing notes of the Member State payable on demand in its currency and to the order of the Association, as administrator of the Special Action Account, and deposited in the depository of the Association in the country concerned.

(b) Payment shall be made in two instalments :

- (i) the first, consisting of at least 45 % of each contribution, shall be made within 30 days after the effective date of this Agreement, or such other date as may be agreed between the EEC and the administrator ;
- (ii) the second, consisting of the balance of the contribution, shall be made by 1 January 1979 or such other date as may be agreed between the EEC and the administrator taking account of the time necessary for parliamentary approval of the annual budgets.

(c) Any Member State which so wishes may make its payments more rapidly than as indicated above.

#### Section 4

The administrator shall draw on the cash or notes on an approximately *pro rata* basis in accordance with the Association's normal procedures in order to meet disbursements of Special Action Credits and to maintain a reasonable working balance in the Special Action Account.

## ARTICLE II

### Utilization of Special Action Account

#### Section 1

All amounts credited to the Special Action Account shall, in accordance with the EEC's requirements, be used by the administrator exclusively for the purpose of making Special Action Credits to low-income member countries of the Association with immediate needs, in particular among the least developed<sup>(1)</sup> and the most seriously affected<sup>(1)</sup> of the developing countries, whose prospects for development have been seriously curtailed by external factors and which are faced with general problems connected with the transfer of resources and which may, as a result thereof, be faced with debt service difficulties. In making such credits, the administrator shall, in accordance with the EEC's requirements, be guided by the following factors :

- (i) the relative poverty of the developing country concerned and its long-term growth potential ;
- (ii) the extent to which the country concerned depends on official development assistance for its external capital resources ;
- (iii) the extent to which international economic factors contributed to the current and prospective economic problems of the country ;
- (iv) developments in and prospects for the country's export earnings ;

<sup>(1)</sup> As those terms are defined from time to time by or pursuant to Resolutions of the United Nations General Assembly.

- (v) the capacity of the country to import goods essential to the development process ;
- (vi) the composition and the trend of the debt service obligations of the country and its capacity for any further borrowing upon non-concessional terms ; and
- (vii) the extent to which the problems of the countries concerned are likely to be met by contributions from other sources.

#### Section 2

Each Special Action Credit shall be made for the purpose of financing a clearly identifiable, quick-disbursing development programme or project (including a sector project) which, whether or not it is included in the Association's own lending programme, shall be appraised, approved and administered in accordance with the procedures and practices applicable to development credits made out of the Association's regular resources, taking account of the objective of additionality referred to in paragraph (b) of the preamble to this Agreement. The resources of the Special Action Account shall not be used in substitution for regular resources of the International Bank for Reconstruction and Development ('the Bank') or of the Association committed under a loan or credit for a programme or project which, at the effective date of this Agreement, shall have been approved by the executive directors of the Bank or the Association.

#### Section 3

Except as provided in Section 4, the terms of repayment of each Special Action Credit shall be the same as those generally applicable to development credits made by the Association, that is to say, it shall be repayable over 50 years and with a 10-year grace period. Special Action Credits shall not bear interest.

#### Section 4

Special Action Credits shall be made in one or more currencies of the Member States and shall be repayable in those currencies.

#### Section 5

Consistent with the normal procedures of the Association, the administrator is authorized to require each borrower under a Special Action Credit to pay to the Association a service charge at the rate of three fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum, payable in any currency acceptable to the Association,

on the principal amount of the Credit withdrawn and outstanding from time to time to compensate it for the services rendered hereunder. Amounts paid for this charge shall be paid directly to and retained by the Association.

#### *Section 6*

Each Special Action Credit shall be evidenced by a separate credit agreement between the borrowing country and the administrator, indicating in particular the origin of the resources.

#### *Section 7*

The proceeds of each Special Action Credit may be used for expenditures in the currency of the borrowing country or for goods produced in, or services supplied from, (i) any of the Member States; (ii) developing countries which are members of the Association and which could be recipients of a Special Action Credit, as determined by the administrator at the time of the agreement of the credit.

#### *Section 8*

The principal repayments of Special Action Credits shall be made payable to the Special Action Account and the amount of the currency of a Member State so repaid shall as soon as practicable thereafter be returned by the administrator to such Member State. The Association shall not be liable for any shortfall in the repayment of Special Action Credits.

### ARTICLE III

#### **Reports, consultation**

##### *Section 1*

Until all Special Action Credits shall have been committed, the administrator shall keep the EEC informed of projects and programmes being prepared for consideration by the executive directors and those which have been approved by the executive directors. During the period of disbursement of Special Action Credits the administrator shall inform the EEC quarterly of the progress of the Special Action Credits and of the disbursements made thereunder. The administrator shall, as soon as practicable after the end of each fiscal year of the Association, furnish to the EEC a detailed statement of the Special Action Account, together with an opinion of the Association's own external auditors of such statement. After the Special Action Credits shall have been fully disbursed, the administrator shall as soon as practicable furnish to the EEC a detailed report on the projects and programmes financed from the Special Action Account.

##### *Section 2*

The administrator shall establish and maintain appropriate records and accounts to identify the contribu-

tions to the Special Action Account, the commitments to be financed out of the Account, and the receipts and disbursements of funds in the Account and repayments to the Member States.

##### *Section 3*

The EEC and the administrator shall fully cooperate with each other to achieve the purposes of these arrangements. To that end, until the Special Action Account is fully disbursed, the EEC (acting through the Commission of the European Communities) and the administrator shall, from time to time, exchange views on the status and condition of the Special Action Account, on the progress of the programmes or projects financed out of the Special Action Credits, and on all other matters relating to these arrangements.

### ARTICLE IV

#### **Termination, distribution**

##### *Section 1*

If this Agreement shall not have become effective by 31 December 1978, or such later date as may be agreed between the EEC and the Association, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

##### *Section 2*

If and when the entire principal amount of all Special Action Credits withdrawn by borrowers thereunder shall have been repaid and returned to the Member States in accordance with Section 8 of Article II of this Agreement, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

### ARTICLE V

#### **Final provisions**

##### *Section 1*

This Agreement shall be approved by each Member State and the EEC in accordance with the procedural requirements of each party.

##### *Section 2*

The Government of each Member State shall notify the General Secretariat of the Council of the European Communities when such procedural requirements applicable to it have been completed. The General Secretariat shall forward such notification, together with a notification that the EEC has duly approved this Agreement, to the Association.

*Section 3*

This Agreement shall become effective and enter into force on the first day of the month following receipt by the Association of such notifications.

*Section 4*

This Agreement is drawn up in duplicate, in the Danish, Dutch, English, French, German and Italian languages, all these texts being equally authentic.

Udfærdiget i Bruxelles, den anden maj nitten hundrede og otteoghalvfjerds.

Geschehen zu Brüssel am zweiten Mai neunzehnhundertachtundsiebzig.

Done at Brussels on the second day of May in the year one thousand nine hundred and seventy-eight.

Fait à Bruxelles, le deux mai mil neuf cent soixante-dix-huit.

Fatto a Bruxelles, addì due maggio millenovecentosettantotto.

Gedaan te Brussel, de tweede mei negentienhonderd achtenzeventig.

Pour le royaume de Belgique  
Voor het Koninkrijk België

*J. Van der Meulen*

For kongeriget Danmark

*P. Pedersen*

Für die Bundesrepublik Deutschland

*K. G. Müller*

Pour la République française

*J. Delors*

For Ireland

*Brenda D.illon*

Per la Repubblica italiana

*Luigi Einaudi*

Pour le grand-duché de Luxembourg

*J. G. J. J. J.*

Voor het Koninkrijk der Nederlanden

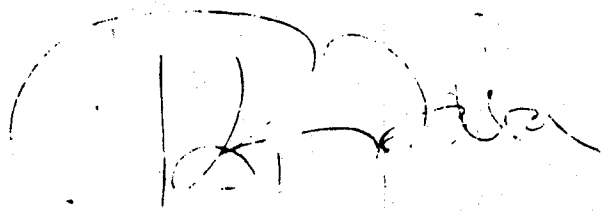
*J. M. J. J.*



For the United Kingdom of Great Britain and Northern Ireland

Jonald Maitland

For Rådet for De europæiske Fællesskaber  
Für den Rat der Europäischen Gemeinschaften  
For the Council of the European Communities  
Pour le Conseil des Communautés européennes  
Per il Consiglio delle Comunità europee  
Voor de Raad van de Europese Gemeenschappen

  
C. Cheyrou

For the International Development Association

W. H. H. H.