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## Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 81/77) for a regulation on the application of the provisions of Protocol No. 1 to the Cooperation Agreements concluded with Algeria, Morocco and Tunisia

Rapporteur: Mr Alain TERRENOIRE

PE 48.948/fin.



By letter of 27 April 1977 the President of the Council of the European Communities requested the European Parliament, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the application of the provisions of Protocol No. 1 to the Cooperation Agreement concluded with Algeria, Morocco and Tunisia (Doc. 81/77).

On 9 May 1977 the President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on External Economic Relations and the Committee on Development and Cooperation for their opinions.

On 7 June 1977 the Committee on Budgets appointed Mr TERRENOIRE rapporteur.

It considered this proposal at its meeting of 23 June 1977.

At the same meeting the committee unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Terrenoire, rapporteur; Mr van Aerssen, Mr Albertini, Lord Bruce of Donington, Mr Dalyell, Mr Früh, Mr Hamilton, Mr Martens, Mr Notenboom, Mr Radoux, Mr Schreiber, Mr Shaw and Mr Würtz.

The opinions of the Committee on External Economic Relations and the Committee on Development and Cooperation are attached.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on the application of the provisions of Protocol No. 1 to the Cooperation Agreements concluded with Algeria, Morocco and Tunisia

The European Parliament,

- having regard to the Cooperation Agreements concluded with Algeria, Morocco and Tunisia (Doc. 306/76) and its resolution on these agreements<sup>1</sup>,
  - having regard to the proposal from the Commission<sup>2</sup>,
  - having been consulted by the Council (Doc. 81/77),
  - having regard to the report of the Committee on Budgets and the opinions of the Committee on External Economic Relations and the Committee on Development and Cooperation (Doc. 199/77),
1. Considers that budgetized aid granted by the Community under cooperation agreements should be administered under the responsibility of the Commission, even if the European Investment Bank is made responsible for administering special loans;
  2. Calls on the Commission to report regularly to it and to the Committee on Budgets on the administration of the budgetized aid carried out by the Bank;
  3. Questions the expediency of giving an ad hoc committee, as part of the decision-making process proposed by the Commission, the power of suspensive veto and recalls that the Commission is responsible for decisions concerning implementation of the budget;
  4. Stresses the importance of the provisions for implementation of the financial protocol to the Agreements between the EEC and the Maghreb<sup>b</sup> countries which, as far as the general principles are concerned, could serve as a model in laying down the provisions of other protocols concluded by the Community;
  5. Requests the Commission to endorse the following amendments, pursuant to Art. 149, second paragraph, of the EEC Treaty.

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<sup>1</sup>OJ No. C 259, 4.11.1976, p.15

<sup>2</sup>OJ No. C 99, 22.4.1977, p.2

Proposal for a Council regulation on the application of the provisions of Protocol No. 1 to the Cooperation Agreements concluded with Algeria, Morocco and Tunisia

Preamble, recitals and Article 1 unchanged

Article 2

1. The appropriations for the financing of aid not covered from the Bank's own resources shall be administered by the Commission, in accordance with the financial regulation of 25 April 1973 applicable to the general budget of the Communities.

2. The Commission shall itself administer the special loans for rural development and social infrastructure, and the grants for technical assistance programmes or schemes in whatever sector.

A general mandate will be given to the Bank by the Commission in the name of the Community, to administer the interest rate subsidies for loans from its own resources, the special loans and the risk capital operations in the industrial, energy, mining, tourism and economic infrastructure sectors.

3. Operations covered by the mandate established pursuant to paragraph 2 shall be undertaken by the Bank on behalf and at the risk of the Community. The Bank shall act in accordance with the procedures laid down by its statute, subject to Articles 9 and 10 of this Regulation.

Article 2

1. The appropriations for the financing of aid not covered from the Bank's own resources shall be administered by the Commission, pursuant to Article 205 of the EEC Treaty and in accordance with the financial regulation of 25 April 1973 applicable to the general budget of the Communities.

unchanged

unchanged

unchanged

<sup>1</sup>For full text see OJ No. C 99, 22.4.1977, p. 2

The special conditions of the mandate, and in particular the provisions concerning movements of funds and the remuneration for executing the mandate, shall be the subject of an agreement between the Commission and the Bank.

unchanged

4. The limit to the sums which may be committed by the Bank in any year in executing the mandate shall be fixed annually. This limit may be reviewed during the year in question.

deleted

Article 3 unchanged

Article 4

Article 4

The Commission shall provide the Member States with information obtained from Algeria, Morocco and Tunisia as regards the content and prospects of their development plans, the objectives they have set themselves and projects already identified which are likely to attain these objectives.

The Commission shall provide the Member States each year with information obtained from Algeria, Morocco and Tunisia as regards the content and prospects of their development plans, the objectives they have set themselves and projects already identified which are likely to attain these objectives.

The Commission shall compile this information in collaboration with the Bank.

unchanged

Member States shall at the same time inform the Commission of any bilateral aid they have granted or intend to grant.

unchanged

Furthermore, the Commission shall forward to the Committee referred to in Article 6 all available information on any other bilateral or multilateral aid granted or envisaged for Algeria, Morocco or Tunisia.

unchanged

To this end, and in order to keep Member States informed, the Commission shall obtain all relevant information on aid to the States concerned which Member States, international institutions and other aid donors have granted or intent to grant.

unchanged

Article 5

The position to be taken by the Community with a view to defining aid guidelines within the Cooperation Council shall be adopted by the Council on a proposal from the Commission drawn up in close cooperation with the Bank. In the event of disagreement, the Bank shall state its position in the Council.

Article 5

The position of the Community within the Cooperation Council shall be adopted by the Council on a proposal from the Commission drawn up in close cooperation with the Bank. In the event of disagreement, the Bank shall state its position in the Council.

Article 6

1. A Committee (hereinafter called the 'Article 6 Committee'), consisting of representatives of the Member States, shall be set up under the auspices of the Commission.

Article 6

1. unchanged

The Article 6 Committee shall be chaired by a representative of the Commission; its secretariat shall be provided by the Commission.

unchanged

A representative of the Bank shall take part in its work.

unchanged

2. The Council, acting unanimously, shall adopt the rules of procedure of the Article 6 Committee<sup>1</sup>.

2. The Council, acting unanimously, shall adopt the Rules of Procedure of the Article 5 Committee.  
(footnote deleted)

<sup>1</sup>The rules of procedure would make provision for the Committee to be consulted by written procedure.

deleted



3. Within the Article 6 Committee, the votes of the Member States shall be weighted in accordance with Article 148(2) of the Treaty.

3. unchanged

The Article 6 Committee shall act by a majority of 41 votes.

unchanged

Article 7 unchanged

Article 8

Article 8

The draft financing proposals referred to in Article 7, together with the opinion of the Article 6 Committee, shall be submitted to the Commission for its decision.

unchanged

If the Commission decides to differ from the opinion expressed by the Committee, or if the Committee has not delivered a favourable opinion, it shall either withdraw the financing proposal or, at the earliest opportunity, refer the proposal to the Council which shall decide on it by a qualified majority.

If the Commission does not accept the opinion expressed by the Committee, or if the latter has not delivered a favourable opinion, the Commission shall either withdraw the financing proposed or, at the earliest opportunity, refer the proposal to the Council, which shall decide on it by a qualified majority.

Article 9

Article 9

1. The draft financing proposals drawn up by the Bank, in implementation of the general mandate referred to in Article 2(2), shall be submitted for an opinion to a Committee consisting of representatives of the Member States, hereinafter called the 'Article 9 Committee'.

unchanged

The Article 9 Committee shall be chaired by the representative of the Member State currently assuming the Presidency of the Board of Governors of the Bank; its secretariat shall be provided by the Bank.

unchanged

A representative of the Commission shall take part in its work. He shall express the Commission's opinion on the financing proposals submitted by the Bank.

unchanged

The assessment by the Committee and the Commission shall cover the conformity of the projects with Community development aid policy, with the objectives of financial and technical cooperation laid down by the Agreements and with the general guidelines adopted by the Cooperation Councils.

unchanged

In addition, this Committee shall be informed by the Bank of any loans without interest rate subsidies that it intends to grant.

unchanged

2. The Council, acting unanimously, shall adopt the Rules of Procedure of the Article 9 Committee.<sup>1</sup>

2. The Council, acting unanimously, shall adopt the Rules of Procedure of the Article 9 Committee (footnote deleted)

3. Within the Article 9 Committee, the votes of the Member States shall be weighted in accordance with Article 148 (2) of the Treaty.

unchanged

4. The Article 9 Committee shall act by a majority of 41 votes.

unchanged

Article 10 unchanged

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<sup>1</sup>The rules of procedure would make provision for the Committee to be consulted by written procedure.

deleted

Article 11

1. The Commission shall ascertain how the Community aid administered by it is used by Algeria, Morocco and Tunisia or by any other recipients.

2. It shall also ascertain, in close collaboration with the relevant authorities of the country or countries concerned, how projects financed with Community aid are used by the recipients.

3. When ascertaining how Community aid and projects are used, as provided for in paragraphs 1 and 2, the Commission shall examine jointly with the Bank the extent to which the objectives defined pursuant to Article 5 of the Agreements and Articles 9 and 16 of Protocol No.1 thereto have been attained.

4. The Commission shall inform the Council at least once a year of its findings pursuant to paragraphs 1, 2 and 3.

Article 11

1. The Commission shall ascertain how the Community aid is used by Algeria, Morocco and Tunisia or by any other recipients.

(3 words deleted)

unchanged

unchanged

4. The Commission shall inform the Council and the European Parliament, when requested and at least once a year, of its findings pursuant to paragraphs 1, 2 and 3.

Article 12 unchanged

## B

EXPLANATORY STATEMENT

1. The purpose of the proposed regulation is to establish the rules to be applied within the Community for the implementation of the financial protocols signed between the Community and the Maghreb countries (Algeria, Morocco and Tunisia)
2. More specifically, it seeks to establish the procedure for administering 'budgetized' aid, in other words aid financed from the Community budget, as distinct from aid in the form of direct loans from the EIB

Type and volume of aid

3. The following summary table shows the type and volume of budgetized aid, the total of which (172 m u.a.) slightly exceeds direct loans from the EIB (167 m u.a.):

	MOROCCO	ALGERIA	TUNISIA	TOTAL
Direct EIB loans	56	70	41	167
Budgetized aid:	74	44	54	172
- special loans	(58)	(19)	(39)	(116)
- grants	(16)	(25)	(15)	(56)
including interest rate subsidies	(6.7) (1)	(8.4) (1)	(4.9) (1)	(20) (1)
<b>TOTAL</b>	<u><u>130</u></u>	<u><u>114</u></u>	<u><u>95</u></u>	<u><u>339</u></u>
(1) Estimate				

Implementing provisions

4. The proposed regulation first of all establishes the principle that the Commission should administer budgetized aid, but then gives the Bank a 'general mandate' to administer part of this aid (Article 2).

The administration of aid is thus divided as follows:

<u>Commission</u>	<u>Bank</u>
- grants	- all interest rate subsidies
- certain special loans (agricultural and social sectors)	- all other special loans

The above table shows that the Bank would thus be responsible for administering the greater part of the appropriations involved.

5. After establishing a procedure for providing information on the various forms of aid and development plans relating to the three Maghreb countries (Article 4), the proposed regulation lays down the procedure for the adoption of financing decisions concerning development projects or programmes (Articles 7 to 10):

- each decision is subject to the approval of a Committee which possesses a right of suspensive veto and may refer these decisions to the Council, which has the last word;
- proposals are submitted to one of two committees, depending on whether the aid is administered by the Commission or the Bank; in the latter event, the consultation procedure is made more complicated by the fact that the Commission, and the Committee, may refer financing decisions to the Council.

6. The Commission is responsible for controlling the utilization of aid and projects financed with Community aid (Article 11).

#### Main objections

7. There are certain objections to the Commission's proposals and some amendment is therefore needed. The main objections concern the division of administrative responsibilities between the Commission and the Bank, and the committee mechanism.

8. It is logical that the interest rate subsidies should be administered by the Bank, as the subsidies in question are the Bank's sole responsibility. It is equally logical that the Commission should administer grants (apart from interest rate subsidies). On the other hand, it is desirable that, even in the case of special loans<sup>1</sup> administered by the Bank, the Commission should retain general responsibility vis-à-vis the budgetary authority since these loans are, after all, budgetized aid.

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<sup>1</sup> Loans granted for a period of 40 years at a rate of 1%.

After all, special loans represent development aid operations financed from a public budget which should be administered under the direction of the Commission itself, which is responsible to the budgetary authority - Parliament and Council - which decides on the appropriations.

Under these conditions the Committee on Budgets considers that emphasis should be placed on the fact that the Commission retains overall political responsibility for the administration of the budgetized aid even if the European Investment Bank administers a part of the special loans.

9. Since the European Investment Bank will be principally responsible for administering most of the special loans, which are also budgetized, the Committee on Budgets considers it essential for the Commission to submit to it regular reports, (e.g. twice a year) on the results of the Bank's administration of these aids.

10. The Committee on Budgets has on several occasions rejected the mechanism which consists of giving to 'committees' a right of suspensive veto, and to the Council the final say on the procedure for implementing expenditure in respect of which appropriations are included in the budget<sup>1</sup>; it therefore questions the expediency of the role the Commission intends to assign to the ad hoc committee in the decision-making process it proposes. It believes for its part that it can allay these reservations since in any event the principle laid down in the Treaty must be observed, namely that decisions concerning implementation of the budget shall be the responsibility of the Commission.

#### Conclusions

11. Unfortunately, the Commission proposal forwarded to the European Parliament is completely devoid of explanations or justifications; this is, moreover, frequently the case in consultations on agreements concluded between the Community and third countries. In addition, the Committee on Budgets emphasizes the technical shortcomings of the proposal under consideration.

12. The Committee on Budgets proposes two essential amendments to the substance of the proposal, which would have a significant effect on the implementation of the regulation and concern:

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<sup>1</sup> Pursuant to Article 205, the Commission has sole responsibility for implementing the budget, and the Council's final say on the commitment of expenditure amounts to a diminution - or repudiation - of the European Parliament's budgetary powers in respect of the authorization of this expenditure (see opinion of the Committee on Budgets on Article 205 (PE 47.932/rev.)).

- despite the division of administrative responsibility between the Bank and the Commission, the latter should retain overall political responsibility for the administration of budgetary aid, since this is budgetized aid;
- the role of the committees and the Council in the mechanism for financing decisions should in no way detract from the responsibilities which the Treaty accords the Commission in regard to the implementation of the budget of the Communities.

13. Furthermore, the Committee on Budgets considers it essential, in the light of the fact that the Bank plays a greater role in administering part of the special loans which are themselves budgetized, that the Commission should report to it regularly on the outcome of the Bank's administration.

14. The Committee on Budgets also proposes several minor amendments to the text under consideration. Finally, it would point out that the implementing provisions of the financial protocol to the Agreements between the EEC and the Maghreb countries may well be taken, as regards their general principles, as a model in laying down the provisions of protocols signed with all the other Mediterranean countries.

Opinion of the Committee on External Economic Relations

Draftsman: Mr J.F. Pintat

At its meeting of 26 April 1977, the Committee on External Economic Relations appointed Mr Jean-Francois Pintat draftsman of an opinion.

At its meeting of 24 May 1977, the committee considered the draft opinion and adopted it unanimously.

Present : Mr Kaspereit, chairman; Mr Scott-Hopkins, Mr Schmidt and Mr Martinelli, vice-chairman; Mr Amadei, Lord Brimelow, Mrs Corrie, Mr Cousté, Mr De Clercq, Mr Galluzzi, Mr Mitchell (deputizing for Mr Thornley), Lord Murray of Gravesend (deputizing for Mr Bayerl), Mr Noè (deputizing for Mr de Koning), Mr Nyborg, Mr Pintat, Mr Price, Mr Pucci, Mr Radoux, Mr Spicer and Mr Vandewiele.



1. On 12 October 1976 the European Parliament approved, on the basis of a document drawn up by your draftsman, the substance of the cooperation agreements which the Community had signed in April 1976 after long negotiations with the Republic of Tunisia, the People's Democratic Republic of Algeria and the Kingdom of Morocco.

In the words of the resolution then adopted<sup>1</sup>, 'these Agreements bear witness to the Community's desire to establish a new pattern of relations between developed and developing states and to participate in the creation of a new world economic order corresponding more closely to the interests of the latter'.

2. We do not, of course, intend in this opinion to go back over the various provisions entered into in the agreements concluded with the Tunisian, Algerian and Moroccan Governments and we refer in this connection to our previous analysis (see Doc. 307/76).

Let us recall, however, that one of the sections of each of the three agreements concerns financial cooperation. The Community has committed itself to providing the three states with financial assistance - the details of which are laid down in the protocol concerning technical and financial cooperation - with a view to supporting their efforts towards industrialization and the resulting diversification of economic resources. It is therefore intended that specific objectives will be drawn up jointly in the light of the objectives and priorities laid down in the development plans of these countries. Guidelines for the use of these aids shall be decided by 'Cooperation Councils' set up between the EEC and each of the three countries.

3. The aid to be granted by the Community to the three Maghreb countries will amount to a total of 339 m u.a. for the period until 31 October 1981. The appropriations from the Community are made up, as shown by our report on the three agreements (paragraphs 18 and 19), of EIB loans, special loans and non-refundable aid, as follows:

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<sup>1</sup>See OJ No. C 259 of 4.11.76

(million u.a.)

	Algeria	Morocco	Tunisia	Total
EIB loans	70	56	41	167
Special loans	19	58	39	116
Non-refundable aid	25	16	15	56
Total	114	130	95	339

4. The proposal for a regulation now under consideration by the Committee on External Economic Relations lays down the rules to be applied within the Community for the implementation of the cooperation in question. It therefore comprises technical and administrative provisions concerning the administration of the aid not covered by the EIB's own resources, the procedure for laying down guidelines, for examining and approving aid and the detailed rules for supervising the use of that aid. The responsibility of the Committee on External Economic Relations for these measures thus seems marginal, whilst at the same time, despite the apparent technicality of the proposed measures, the political nature of certain options is self-evident.

5. It appears from the proposals submitted for our consideration that, in accordance with the provisions of the financial regulation of 25 April 1973 applicable to the general budget of the Communities, appropriations for the financing of aids not covered by the Bank's own resources are to be administered by the Commission. The Commission itself administers the special loans for rural development and social infrastructure and the non-refundable grants for technical assistance programmes.

However, the Bank is responsible, on the basis of a general mandate given to it by the Commission, for administering the interest rate subsidies for loans from its own resources, the special loans and the risk capital operations in the industrial, energy and other sectors (Article 2).

6. The proposal for a regulation provides that the Commission, with a view to keeping the various parties concerned informed of the context and scope of the aids granted or planned, will provide the Member States with information obtained from the three Maghreb states on the content and objectives of their development plans, etc., as well as any relevant information on aids granted by international organizations and other aid donors. In return, the Member States are to inform the Commission of any bilateral aid they have granted or intend to grant (Article 4).

The Council decides, on a proposal from the Commission drawn up in cooperation with the Bank (in the event of disagreement, the latter may state its position to the Council), the Community's position as regards the aid guidelines defined, as mentioned above, by the Cooperation Councils.

7. In accordance with the provisions of Article 6 of the proposal for a regulation, the Commission is assisted in its task by a committee comprising representatives of the Member States (called, without much originality, the 'Article 6 Committee') chaired by a representative of the Commission and with a representative of the Bank taking part in its work. This committee gives its opinion, acting by a majority of 41 votes (with weighting) on draft financing proposals for projects or programmes submitted to it by the Commission. The committee's assessment covers the conformity of the projects with the Community's development aid policy and with the objectives of financial and technical cooperation laid down in the agreements.

If the Commission decides to differ from the opinion expressed by the committee, or if the committee has not delivered a favourable opinion, it must either withdraw the financing proposal or refer it to the Council, which then reaches a final decision by a qualified majority.

8. In the case of financing proposals drawn up by the Bank, there is also a committee comprising representatives of the Member States, known as the 'Article 9 Committee'. This committee is chaired by the representative of the Member State currently holding the presidency of the Board of Governors of the Bank. A representative of the Commission takes part in the work of this committee which also acts by a weighted majority of 41 votes. It is likewise informed by the Bank of any loans without interest rate subsidies that it intends to grant. It gives its opinion on special loans and interest rate subsidies granted out of Community appropriations. In the event of a request for a loan with an interest rate subsidy, and providing that the 'Article 9 Committee' and the Commission give a favourable opinion, the request is submitted for a decision to the Board of Directors of the Bank.

9. In the absence of a favourable opinion from the committee or in the event of an unfavourable opinion from the Commission, the proposal lays down (Article 10 (2)) that the Bank shall withdraw the application or request that the Member State taking the chair of the Article 9 Committee bring the matter before the Council as soon as possible.

In the case of draft financing proposals by special loan or risk capital, on the other hand, the proposal lays down that, in the event of the absence of a favourable opinion from the Article 9 Committee or an unfavourable opinion from the Commission, the Bank shall withdraw the proposal or request that the Member State taking the chair of the Article 9 Committee bring the matter before the Council.

10. The details given above clearly show the technicality of the proposal for a regulation, which is intended to make the aids granted by the Community to each of the three Maghreb countries as effective as possible and to ensure that they conform with the objectives of the Cooperation Agreements signed with these three countries. The general guidelines for these grants are the responsibility of the Cooperation Councils established by the three agreements. They should be able to meet for the first time in June or July next.

As we have seen, this proposal for a regulation is intended solely to establish the rules to be applied within the Community for the implementation of the cooperation. Of these rules, the measures intended to ensure that the Member States or the Community authorities are better informed about the content of the development plans for the Maghreb states, about the bilateral and multilateral aid they receive, etc. (Article 4), or about the utilization of the Community grants by the beneficiaries (Article 11) are of obvious interest and call for no special comment by your draftsman.

11. The problem thus remains - and it is central to the proposal for a regulation - of the allocation of respective responsibilities as regards the draft financing proposals for projects or action programmes involving grants not covered by the Bank's own resources.

The Commission, the European Investment Bank and the Member States are concerned in this allocation of responsibilities. We have seen that the Commission is the normal administrative body for these aids, but that it gives a general mandate to the Bank for the administration of interest rate subsidies for loans from its own resources and for special loans and the risk capital operations in the industrial, energy, mining and tourism sectors.

The committees established in Articles 6 and 9 are responsible for representing the opinions of the Member States as regards the choice of the various projects and must refer the decision to the Council (if the Commission or Bank do not decide to withdraw their request) when a qualified majority is not reached or when the Commission or the Bank wishes to depart from the committee's position.

12. The only major item of contention in the proposal for a regulation concerns the powers given to the Bank in the case of requests for loans with an interest rate subsidy in the absence of a favourable opinion from the Article 9 Committee or in the event of an unfavourable opinion from the Commission (situation described in Article 10 (2)).

Can it, in such a case, disregard the unfavourable opinion of one of these two bodies and still decide to maintain its request, the final decision being taken by the Bank's Board of Directors? This is, quite apparently, the Bank's position. In its proposal the Commission rejects any such claim and considers that if the Bank does not withdraw its request, the matter must be referred to the Council for final decision.

The problem is important, however, because the option adopted will probably set a precedent when it comes to administering the aid granted by the Community to other Mediterranean countries.

13. Your draftsman considers that the terms of reference of the Committee on External Economic Relations do not enable it to give a properly considered opinion in the matter. He points out that the view taken by the Bank has received the support of the Committee on Development and Cooperation (rapporteur: Mr FIORET, PE 48.855, paragraph 12). The arguments advanced by this committee, however, do not seem to him to be entirely convincing.

Your draftsman does not see any fundamental reason, in the light of the information at present at his disposal, for amending the text of the Commission's proposal to take account of the Bank's wishes. He thus considers it appropriate to recommend to the Committee on Budgets, as committee responsible, that it be adopted without amendment.

Opinion of the Committee on Development and Cooperation

Draftsman: Mr Fioret

On 28 April 1977 the Committee on Development and Cooperation appointed Mr Fioret draftsman of an opinion.

At its meeting of 20 June 1977 the committee considered the draft opinion and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Sandri, vice-chairman; Mr Fioret, draftsman; Mr Aigner, Mr Broeksz, Lord Castle, Mr Deschamps, Mr Dondelinger, Mr Glinne, Mrs Iotti, Mr Jakobsen, Mr Martinelli, Mr Price, Mr Radoux, Mr Schuijt, Mr Schwabe (deputizing for Sir Geoffrey de Freitas), Mrs Squarcialupi (deputizing for Mrs Goutmann), Mr Vernaschi and Mr Würtz.

1. The first Association Agreements with Morocco and Tunisia in 1969 were modest in scope. They merely took account of the promise of association which was given on conclusion of the EEC Treaty in 1957 in a Declaration of Intent in favour of 'countries of the Franc Area'. Both agreements provided for a limited preference system, but no financial aid. This system was unacceptable to Algeria because a solution could not be found to the wine problem. On 7, 8 and 17 January 1977, Tunisia, Morocco and Algeria completed negotiations with the EEC on new agreements. The agreement with Algeria is of special political relevance because that country plays an influential role as spokesman for the 'Third World' in the 'group of 77'.

2. The identically worded preambles to the new Agreements between the EEC and the three Maghreb States expresses the parties' firm intention 'to establish a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order'. This new model is to find expression in a combination of various instruments of development policy, brought within the compass of Treaty relations between equal partners and secured by satisfactory long-term prospects and a continuing dialogue. To this end, a Cooperation Council is provided for in each of the Agreements, assisted by a committee at plenipotentiary level and, where necessary, special committees. This is an institutional mechanism which goes further than the customary joint committees for implementing agreements.

3. In the opinion of our Committee, the Agreements constitute, by virtue of their comprehensive nature, a firm basis for strengthening relations between the treaty partners, and could thus contribute to improving economic and social conditions in the Maghreb States. The Agreements provide for the implementation of provisions and measures in the areas of economic, financial and technical cooperation, both in trade relations and the labour market. The treaties with the Maghreb States, which must also be considered in the context of the Lomé convention, take the form of cooperation agreements. This cooperation is dynamic in character, in that the agreements may be adapted to take account of the development of relations between the signatory States, and where necessary extended to encompass new sectors. The proposal to place special emphasis on regional cooperation and the implementation of integrated action programmes is particularly welcomed.

4. Compared with the Lomé Convention, the Maghreb Agreements have the advantage that they were concluded for an indeterminate period. This provision should favour the implementation of medium and long-term development projects, and generally benefit the economic structure of the Maghreb States. Although the Lomé Convention and the Cooperation Agreements with the Maghreb States are based on the same political options, there are certain differences between the Agreements. It should first be observed that the treaties with the Maghreb States were not negotiated wholesale but individually with each country. The Maghreb States are situated on the other side of the Mediterranean and are therefore much closer geographically to Europe than the ACP countries; they are also economically stronger than the ACP countries, and certain of their products compete directly with those of EEC countries. The arrangements for imports of Maghreb products are therefore not so generous as in the Lomé Convention, which accords free access to the EEC market for 99.3% of ACP products.

The following differences may also be mentioned:

- there is no provision corresponding to the ACP sugar protocol;
- a provision analogous to the Stabex system does not exist;
- the non-discrimination clause is more comprehensive;
- technical and financial aid is more limited;
- the principle of free trade is laid down as an objective for the future (at present, however, the consequences are the same as for the ACP countries);
- provision is made for special clauses on equality of social status for migrant workers from the Maghreb States employed in the Community.

5. There is a certain consistency to the Cooperation Agreements with the Maghreb States in that exports from Tunisia, Morocco and Algeria are largely to go to the European continent. Thus, under the provision whereby the Agreements are to be kept under constant review, the Community should give careful consideration to the agricultural problems of those countries. For instance, Morocco, which is a major exporter of agricultural products, has already made it clear that it is not very happy about the proposed agricultural provisions because it had expected some kind of division of labour in this sector. This suggests, a significant approach to helping the developing countries; since their manufacturing industries export trade are still in their infancy, assisting agricultural exports to industrialized countries will remain for some time to come the only means of easing trade balances of developing countries.



6. The Cooperation Agreements signed with the Maghreb States cannot be considered in isolation but must be seen in the context of the higher political and economic objectives of Community development aid policy and foreign policy action programmes.

First of all, the Agreements mark a further step by the European Community towards the assumption of greater responsibility in the Mediterranean, as they achieved a decisive breakthrough in the overall conception of EEC Mediterranean policy. They provide a wide range of options for cooperation and lay the foundations of European participation in the industrialization of the Maghreb area. The new Cooperation Agreements must also be seen in relation to the task of forming an overall cooperation policy with the developing countries (Council Resolution of 16 July 1974 on the harmonization and coordination of Member States cooperation policies), in the context of the Euro-Arabian Dialogue, the Paris North-South Conference and the many associated issues, such as the creation of a new world economic order and new relations between industrialized and developing countries, particularly in the field of raw materials policy.

7. In a certain sense the new Agreements may be described as complementing the Lomé Convention, as both the Lomé Convention and the Cooperation Agreements with the Maghreb countries are founded on the same political objectives, i.e. the Community re-states its intention of providing active support for developing countries in overcoming their problems. Thus the Maghreb treaties are a further substantial component of the Community's general development policy. As the Commissioner responsible for development policy, Mr Cheysson, has stated, the Maghreb Agreement may be regarded as the touchstone of the Community's determination to implement the Lomé Convention. For if the Agreements did not work or even proved a failure, the only alternative left to the EEC would be the traditional form of development aid, provided by most other countries of the world, which has neither a reciprocal element nor any symbolic power.

8. The Community has committed itself to making available financial aid amounting to 339 million u.a. to the three States for a period of five years (31 October 1976 to 31 October 1981). The details are given in Protocol No. 1 on technical and financial cooperation. The total amount of aid for Algeria, Morocco and Tunisia is 114,130 and 95 million u.a. respectively. This aid comprises 116 million u.a. in the form of loans on special terms, 56 million u.a. in the form of grants and 167 million u.a. in the form of loans accorded by the European Investment Bank from its own resources. The detailed break-down is as follows:

Million u.a.

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	Algeria	Morocco	Tunisia	Total
EIB Loans	70	56	41	167
Loans on special terms	19	58	39	116
Grants	25	16	15	56
Total	114	130	95	339

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The total amount of 339 million u.a. is exactly 1/10 of the financial aid accorded to the ACP countries. With this financial and technical aid and the proposed trade arrangements, the Maghreb Agreements resemble the Lomé Convention and have at the same time set a pattern for the negotiations with the Arab States within the framework of the Mashrek discussions.

9. The present proposal for a regulation concerns the application of the provisions of Protocol No. 1 to the Cooperation Agreements with Algeria, Morocco and Tunisia. Its purpose is to lay down the rules which are necessary within the Community for the practical implementation of technical and financial cooperation. The proposal also sets out the allocation of responsibilities for the administration of the aid between the Commission and the European Investment Bank, which was agreed jointly with the Bank. The proposal lays down administrative provisions for technical and financial cooperation, the procedure for planning, reviewing and approving aid and details on monitoring the use to which it is put.

10. The Committee on Development and Cooperation, which has already rendered a favourable opinion<sup>1</sup> on the Cooperation Agreements with the Maghreb States, expresses its agreement with the procedure for the application of the Protocol on technical and financial cooperation. The main reason for its approval is that it has consistently advocated new forms of cooperation between industrialized and developing countries in past reports and resolutions. It takes the view that the developing countries must be integrated into the world economy as speedily as possible, as partners on an equal footing, and that the Community has its contributions to make, including financial assistance. As a consequence of this process, which must be pursued with circumspection and pragmatism, a new world economic order would emerge almost automatically.

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<sup>1</sup> PE 44 946 of 11 June 1976

Furthermore, our Committee has always opposed any radical change in the existing world economic order because such change would only result in appreciable balance of payments deficits and prove damaging to all concerned. Moreover, it should be mentioned that the three Maghreb countries are not merely states bordering on the Mediterranean but also Arab states, which is important in view of the forthcoming Euro-Arabian Dialogue, and they are furthermore major suppliers of raw materials (petroleum, phosphates). As the Community has long endeavoured to create opportunities for a balance between industrialization and developing countries, the application of the Protocol on financial and technical aid to the Maghreb States cannot be qualified as anything less than consistent.

11. Although the Committee is in principle in agreement with the proposed regulation, it does have certain reservations on the wording of Articles 9 and 10. It should also be pointed out that - as the Commission itself admits in its proposal - the European Investment Bank has not given its agreement on Article 10.

Article 9 provides for proposals for financial decisions drawn up by the Bank in implementation of the general mandate referred to in Article 2(2) to be submitted for an opinion to a Committee consisting of representatives of the Member States. The 'Article 9 Committee' is to be chaired by the representative of the Member States currently assuming the presidency of the Board of Governors of the Bank. A representative of the Commission takes part in the Committee's work and expresses the Commission opinion on the financing proposal submitted by the Bank. The assessment by the Committee and the Commission covers the conformity of the projects with Community development aid policy and with the objectives of financial and technical cooperation laid down by the Agreements. Where the 'Article 9 Committee' does not deliver a favourable opinion, or the Commission takes an unfavourable view<sup>31</sup>, the Bank's request or proposal is submitted to the Council together with the reasoned opinion of the 'Article 9 Committee' and the Commission. The Council may then take its decision by a qualified majority. The same provisions are to apply to the 'Article 6 Committee'.

\* The bank either withdraws the proposal or requests the Member State of which the chairman of the 'Article 9 Committee' is a national, to refer the matter to the Council at the earliest opportunity. If the Council is consulted pursuant to sub-paragraphs 2 and 3 because the 'Article 9 Committee' has not delivered a favourable opinion or the Commission has taken an unfavourable view.

12. Our Committee wishes to emphasize that in its view the same problem arises here as emerged in connection with the regulation on financial and technical aid for the non-associated countries which was discussed at length in the NOLAN report (Doc. 34/77). The question is whether the Commission proposal does not grant excessive implementing powers to the Council and the representatives of the Member States

This is not at all consonant with the balance provided for in the Treaties, which generally assign responsibility for implementation to the Commission once the Council has established guidelines. If the option is left open to the Council to take a decision on the acceptance of each individual project implementing a Community policy, from the budgetary point of view, this is tantamount to handing over administration of the budget, i.e. budgetary authorization. The Council would thus regain, at a later stage in the procedure, the budgetary powers which it had previously, (i.e. budget approval) transferred to the European Parliament. If the Commission gives up one of its rights, this automatically weakens another Community institution, in this case the European Parliament.

13. For these reasons the Committee on Development and Cooperation regards it as necessary to give the Commission of the European Communities the final say in the absence of agreement in the 'Article 9 and Article 6 Committees' on the implementing machinery or the selection of development projects to be implemented. It therefore requests the Committee responsible to include a passage to this effect in the resolution.