

EUROPEAN PARLIAMENT

Working Documents

1976 - 1977

---

12 October 1976

DOCUMENT 307/76/ANNEX

OPINION

of the Committee on Budgets

on the/Cooperation Agreements signed between the  
European Economic Community and

- the Republic of Tunisia
- the Democratic and Popular Republic of Algeria
- the Kingdom of Morocco

(Doc. 306/76)

Draftsman: Mr A. Terrenoire

"

1.2.1

141. 2 (254)



On 2 June 1976 the Committee on Budgets appointed Mr Terrenoire draftsman.

At its meetings of 29 September and 8 October 1976 it considered the draft opinion and unanimously adopted it at its meeting of 8 October.

Present: Mr Lange, chairman and acting draftsman; Mr Aigner and Mr Maigaard, vice-chairmen; Mr Artzinger, Mr Bangemann, Lord Bessborough, Lord Bruce of Donington, Mr Caillavet, Mr Concas, Mr Dalyell, Mr Della Briotta (deputizing for Mr Radoux), Mr Fabbrini, Miss Flesch, Mr Fletcher, Mr Gerlach, Mr Hansen, Mr Notenboom and Mr Shaw.



1. The documents submitted for the opinion of the Committee on Budgets concern three draft Council regulations 'on the conclusion of the Cooperation Agreement' between the EEC and Algeria, Morocco and Tunisia respectively.

2. These Agreements were signed last April and, pursuant to Article 238 on Association Agreements, Parliament is required to deliver its opinion before the Council can conclude them formally. However it should be noted that certain provisions in these Agreements (especially those concerned with trade) were put into prior effect on 1 July 1976, following the Interim Agreements concluded between the EEC and the three Maghreb countries<sup>1</sup>.

#### THE COOPERATION AGREEMENTS

3. In the case of Morocco and Tunisia, these Agreements follow on from two earlier Association Agreements concluded in 1969 for a period of five years; the original Agreements were limited to trade concessions but provided for possible extension of Community aid. As for Algeria, the Cooperation Agreement replaces a somewhat vague system of trade agreements with each of the Member States, in many cases contrary to Community law.

4. The three new Agreements are virtually identical and comprehensive, since they provide for economic, technical, financial, trade and social cooperation; the concessions are unilateral and do not provide for any reciprocal preferences in favour of the Community. Finally, they are concluded for an indeterminable period, each party may terminate the Agreement at any time simply by notifying the other.

#### THE 'MEDITERRANEAN POLICY' AND ITS FINANCIAL IMPACT

5. The Agreements with the Maghreb countries follow on from a virtually identical Agreement already concluded with Malta<sup>2</sup>; they anticipate the negotiation and conclusion of other similar Agreements (at least as regards their financial provisions) with a whole series of countries as part of the Community's Mediterranean policy.

6. When the 'overall Mediterranean approach' was introduced, the Council drew up a survey of external financial commitments which this involved. Jointly with the EIB, it apparently set an official ceiling of approximately 800 m u.a. on bank loans, a ceiling which partly determined the amount of budgetary aid<sup>3</sup>.

<sup>1</sup>OJ No. L 141, 28.5.1976. The Interim Agreements being based on Article 113 of the Treaty (implementation of the common commercial policy), Parliament was not consulted

<sup>2</sup>OJ No. L 111, 28.4.1976

<sup>3</sup>For the distinction between EIB loans and budget aid see § 8 below

7. The following table shows how far the Council appears to have proceeded in its assessment of the financial impact of the Mediterranean policy. There are quite considerable amounts as ordinary loans, loans with interest-rate subsidies and grants. It should be noted that Parliament has not been informed so far of the cost of the non-financial provisions of these Agreements (lower customs duties, for instance, which reduces the Community's own resources) and that no proper estimate has been made.

OVERALL FINANCIAL IMPACT OF  
THE MEDITERRANEAN POLICY  
(in m EUA)

	EIB loans	Other loans and grants
Malta <sup>1</sup>	16	10
Maghreb <sup>1,2</sup>	167	172
Greece <sup>3</sup>	225	55
Turkey <sup>3</sup>	90	220
Portugal <sup>1</sup>	200	30
Mashrak <sup>4,3</sup>	165	135
Israel <sup>3</sup>	30	-
Yugoslavia <sup>1</sup>	50	-
Cyprus <sup>3</sup>	20	10
TOTAL	963	632
	====	====

<sup>1</sup> Negotiations completed

<sup>2</sup> Algeria, Morocco, Tunisia

<sup>3</sup> Estimated figure: agreement being negotiated

<sup>4</sup> Egypt, Syria, Jordan, Lebanon

THE FINANCIAL PROTOCOL IN THE COOPERATION AGREEMENTS

8. Each of these three Agreements includes a financial protocol identical in every detail to the specimen considered by the Committee on Budgets when drawing up its opinion on the Agreement with Malta<sup>1</sup>. The main provisions of these protocols are contained in Article 2 which specifies the aggregate amount of financial aid and its allocation according to two distinct procedures:

(1) EIB loans: granted from its own resources on the usual terms laid down by the bank,

<sup>1</sup> Doc. 16/76

(2) Budgetary aid in the form of

- Community loans on special terms for a period of 40 years, at an interest rate of 1%,
- non-refundable aid granted by the Community to subsidize interest rates on EIB loans and to finance technical cooperation measures.

9. The aggregate amount of this aid is 339 m u.a., allocated as follows

	Morocco	Algeria	Tunisia	
EIB	56	70	41	
Special loans	58	19	39	
Grants	16	25	15	
	<u>130</u>	<u>114</u>	<u>95</u>	= <u>339</u>

It should be noted that this aid is given in the European unit of account which is to supersede the budgetary unit of account on 1 January 1978.

1. Remarks on certain technical features of the Financial Protocol

10. When considering the financial protocol with Malta, the Committee on Budgets discussed four questions which recur in exactly the same terms for the Maghreb agreements; they may therefore be quoted here verbatim<sup>1</sup>.

(a) control of the use of appropriations : the second paragraph of Article 11 states that "the Community shall make sure that this financial aid is expended in accordance with the agreed allocations and to the best economic advantage". This control is likely to pose delicate problems of national sovereignty and it would be useful to know in more detail how the Commission intends to proceed.

(b) guarantee by the State of Malta : Article 14 states that "where a loan is accorded to a beneficiary other than the State (of Malta), the provision of a guarantee by the latter or of other guarantees considered adequate may be required by the Community as a condition of the grant of the loan". It would seem appropriate to provide for a similar guarantee to be required from the State (of Malta) in every case.

(c) annual review of financial cooperation : Article 16 states that "the results of financial and technical cooperation shall be examined annually by the Association Council (...)". It would be desirable - in the general framework of the European Parliament's responsibility for the control of Community expenditure - for it to be informed of the "results" of this financial cooperation.

<sup>1</sup> Doc. 16/76, p.16

(d) unit of accounts to be used: a declaration by the Community annexed to the protocol states that the unit of account used to express the amounts of Community aid will be the new unit at present applied by the EIB and the EDF. This unit of account (variable) differs from that used in the Community budget: this divergence may make it difficult for the amounts of aid to be entered in the budget and it would be useful if the Committee on Budgets could have additional information on this subject.'

11. These points were clarified orally by the Commission during the discussion of this opinion. The Committee on Budgets points out however that, because the European Parliament grants the discharge, it should be kept fully informed of the methods and results of the control of the use of Community funds.

## 2. Inclusion of aid in the budget

12. The most important problem raised when the Malta Agreement was being considered was the entry of non-EIB aid in the budget - i.e. special loans and grants. In its resolution on this first Agreement, Parliament came out clearly in favour of including non-EIB aid in the Community budget<sup>1</sup>, and took the same position in its resolution on the inter-institutional dialogue on certain budgetary matters<sup>2</sup>.

13. At the June part-session an oral question on the matter was put to the Council by Mr Cointat on behalf of the Committee on Budgets<sup>3</sup>.

---

<sup>1</sup>See § 6 of this resolution: 'Considers that the appropriations to finance special loans and non-refundable aid to the Republic of Malta must be specifically mentioned in an appropriate entry in the Community budget after their adoption by the budgetary authority under the general procedure for authorizing expenditure; reserves the right, should the Council object to their entry, to take recourse to the conciliation procedure'.  
OJ No. C 100, 3.5.1976

<sup>2</sup>See § 1 of this resolution: '(...) the budget must set out all Community revenue and expenditure (including loans and credits relating to financial cooperation with third countries)'. OJ No. C 125, 8.6.1976

<sup>3</sup>'In its resolution of 5 April 1976 the European Parliament called for the inclusion in the budget of appropriations for financial cooperation with Malta and reserved the right, should the Council object, to initiate the conciliation procedure; on 23 April 1976, the Council adopted a regulation on the financial protocol of the Association Agreement with Malta.

Does the adoption of this regulation mean that the Council has accepted the principle that the appropriations for this and other financial cooperation agreements should be entered in the budget since otherwise it should have informed Parliament so that the conciliation procedure could be opened?'  
(OJ No. 204, June 1976)

14. The Council replied that the conclusion of a financial protocol did not prejudice the question of budgetization which should be raised within the context of the inter-institutional dialogue on certain budgetary matters.

15. Within this context, the Council gave a totally dilatory reply to the question<sup>1</sup>.

#### A PROPOSAL FOR ACTION

16. At present it is clear that the Council cannot reach a decision on this question, whereas in the opinion of both the Commission and Parliament, budgetization is the only possible answer, from both the legal and political points of view.

17. Moreover, it is in the interest of the third countries concerned, as it would put an end to the current uncertainty about the method of financing of aid to them.

18. It is therefore Parliament's duty to put stronger pressure on the Council to give serious consideration to the advantages of budgetization. As a means of doing so, Parliament should, when consulted on the Maghreb Agreements, officially ask the Council to initiate the conciliation procedure on the matter of budgetization; it should not agree to deliver its opinion on the Agreements until the procedure has run its course, as provided for in the joint declaration of 4 March 1975<sup>2</sup>.

With the suspension of Parliament's opinion and consequently that of the Council regulation, the conciliation procedure should make it possible to settle a matter that assumes greater importance and urgency as the Community extends its network of financial protocols with third countries.

19. The conciliation procedure should deal only with the question of budgetization and should not call into question either the principle or amount of aid proposed; nor should it delay implementation of the agreements.

---

<sup>1</sup> 'Inclusion in the budget of financial cooperation appropriations and the EDF  
The Parliament is aware of the difficulties arising in this context.

In this connection I wish to recall the statement which I was privileged to make before your Committee on Budgets on 7 April last, according to which the Council would strive, by the 1978 financial year at the latest, to solve the particular political problem raised by the existence of a budgetary unit of account and a European unit of account, the latter reflecting more faithfully the present relationship between the values of Member States' currencies.' (Doc. 212/76)

<sup>2</sup> OJ No. C 89, 22.4.1975

## CONCLUSION

20. The Committee on Budgets fully approves the principle and amount of aid proposed for the Maghreb states. It hopes however that, in the interests of both parties to the agreements, the question of financing will be settled as quickly as possible and invites the committee responsible to propose that the European Parliament adopt the following attitude:

- official request to the Council to initiate and conclude the conciliation procedure as provided for in the joint declaration of 4 March 1975, before the Cooperation Agreements enter into force.