

COMMISSION OF THE EUROPEAN COMMUNITIES

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DRAFT

INTERNAL AGREEMENT ON THE FINANCING AND ADMINISTRATION OF COMMUNITY AID

(Submitted to the Council by the Commission)

COM (79) 524 final

Communication of the Commission to the Council

Subject: draft Internal Financial Agreement

Following the invitation which it issued to the Commission at the 18 September 1979 session, the Council is invited to find herewith the draft Internal Agreement on the Financing and Administration of Community aid under the future EEC/ACP Convention.

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Draft

INTERNAL AGREEMENT ON THE FINANCING
AND ADMINISTRATION OF COMMUNITY AID

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING
WITHIN THE COUNCIL.

Having regard to the Treaty establishing the European Economic Community
(hereinafter called the "Treaty"),

Whereas the ACP-EEC Convention of _____, (hereinafter called
the "Convention") set the aggregate amount of Community aid to the
ACP States at 5 227 million units of account;

Whereas the representatives of the Governments of the Member States,
meeting within the Council, agreed on _____ to set at
110 million units of account the amount of aid to be borne by the
European Development Fund for the benefit of the overseas countries and
territories having special relations with France, the Netherlands and the
United Kingdom (hereinafter called the "countries and territories");
whereas provision is also made for loans to the amount of 15 million units
of account to be granted by the European Investment Bank (hereinafter
called the "Bank") from its own resources in the countries and territories;

Whereas the unit of account used in application of this Agreement is
that laid down in the Council Decision of 21 April 1975 on the
definition and conversion of the European unit of account used for
expressing the amounts of aid mentioned in Article 42 of the ACP-EEC
Convention of Lomé; whereas steps should be taken to allow for the
possibility, by Council decision, of replacing the said unit of account
by the ECU;

Whereas, in order to implement the Convention and the Decision concerning
the countries and territories (hereinafter called the "Decision"), a fifth
European Development Fund should be established and the details of the
Fund's appropriation should be determined together with the Member States'
contributions to it;

Whereas the rules for the management of financial cooperation should be determined, the procedure for programming, examining and approving aid should be decided and the detailed rules for supervising the use of the aid should be defined;

Whereas a Committee of Representatives of the Governments of the Member States should be set up under the auspices of the Commission and a similar committee should be set up under the auspices of the Bank;

Whereas the work done by the Commission and the Bank to apply the Convention and the corresponding provisions of the Decision should be harmonized; whereas it is therefore desirable that, as far as possible, the composition of the Committees set up under the auspices of the Commission and of the Bank should be identical;

Whereas the Council adopted on 16 July 1974 a Resolution on the harmonization and coordination of Member States' cooperation policies;

After consulting the Commission of the European Communities,

HAVE AGREED AS FOLLOWS:

CHAPTER 1

Article 1

1. The Member States hereby set up a European Development Fund (1980) hereinafter called the "Fund").

2. (a) The Fund shall consist of 4 652 million European units of account, (hereinafter called "EUA"), to be financed by the Member States as follows:

Belgium	274.468 million EUA
Denmark	116.30 million EUA
Germany	1 316.516 million EUA
France	1 190.912 million EUA
Ireland	27.912 million EUA
Italy	534.98 million EUA
Luxembourg	9.304 million EUA
Netherlands	344.248 million EUA
United Kingdom	837.36 million EUA.

(b) This schedule may be amended by Council Decision reached unanimously, in the event of the accession of a new Member State to the Community.

3. The amount stated in paragraph 2 shall be allocated as follows:

(a) 4 542 million EUA for the ACP States, comprising:

- 2 928 million EUA in the form of grants
- 504 million EUA in the form of special loans
- 280 million EUA in the form of risk capital
- 550 million EUA in the form of transfers pursuant to Title II, Chapter I of the Convention;
- 280 million EUA in the form of the special financing facility pursuant to Title III, Chapter I of the Convention;

(b) 98 million EUA for the countries and territories, comprising:

59 million EUA in the form of grants
31 million EUA in the form of special loans
8 million EUA in the form of risk capital;

(c) 12 million EUA in the form of transfers for the countries and territories, pursuant to those provisions of the Decision which concern the export earnings stabilization system.

4. Where a country or territory which has become independent accedes to the Convention, the amounts indicated in paragraph 3(b) shall be reduced and those indicated in paragraph 3(a) correspondingly increased by a decision of the Council acting unanimously on a proposal from the Commission.

5. In this case, the country concerned will continue to be eligible for the funds provided for in paragraph 3(c), subject to the management rules laid down in Title II of the Convention.

Article 2

To the amount laid down in Article 1(2) shall be added up to 700 million EUA in the form of loans granted by the Bank from its own resources under the conditions laid down by it in accordance with its statute.

These loans shall be allocated as follows:

- (a) up to the amount of 685 million EUA, for financing operations to be carried out in the ACP States;
- (b) up to the amount of 15 million EUA¹, for financing operations to be carried out in the countries and territories.

Article 3

The EUA used for applying this Agreement shall be that defined in the Council Decision of 21 April 1975 on the definition and conversion of the European unit of account used for expressing the amounts of aid mentioned in Article 42 of the ACP-EEC Convention of Lomé. This definition may be amended by Council Decision.

Article 4

An amount of up to 175 million EUA shall be set aside from the grant aid specified in Article 1(3)(a) and (b) for financing the interest rate subsidies referred to in Article 104 of the Convention and in the corresponding provisions of the Decision. Any part of this amount not committed by the end of the period during which loans are granted by the Bank shall again become available as grant aid.

The Council may decide, on a proposal from the Commission drawn up in agreement with the Bank, to raise this ceiling.

¹ Figure to be confirmed.

Article 5

With the exception of loans granted by the Bank from its own resources, all financial operations undertaken for the benefit of the ACP States or the countries and territories shall be carried out in accordance with the conditions laid down in this Agreement and shall be charged to the Fund.

Article 6

1. Within one month of the entry into force of the Convention, and subsequently before 1 September of each year, the Commission shall draw up estimates of the commitments to be entered into during the budget year, taking into account the Bank's forecasts in respect of the operations which it manages, and shall communicate these estimates to the Council.

2. In the same manner, the Commission shall establish and communicate to the Council the total amount of the payments to be made in the budget year in question. On the basis of this amount and taking into account cash requirements, including those arising from expenditure incurred in implementing Title I, Chapter I of the Convention and the corresponding provisions of the Decision and expenditure incurred in implementing Title III, Chapter I of the Convention, the Commission shall draw up a schedule of calls for contributions determining the dates on which payment is due; the detailed rules for payment of such contributions by the Member States shall be determined by the Financial Regulation referred to in Article 28. This schedule shall be submitted by the Commission to the Council, which shall decide thereon by the qualified majority laid down in Article 17(4).

If the contributions are insufficient to meet the actual requirements of the Fund in the budget year in question, the Commission shall submit proposals for supplementary payments to the Council, which shall decide thereon as soon as possible by the qualified majority laid down in Article 17(4).

3. Until used by the Commission for financing projects, programmes or transfers adopted under the conditions laid down in Articles 10 to 21, 26 and 27, the funds obtained from the calls for contributions referred to in paragraph 2 shall remain deposited in special accounts opened by each Member State with its Treasury or with such bodies as it may designate, in accordance with the detailed rules laid down by the Financial Regulation referred to in Article 28.

Article 7

1. Any remaining balance of the Fund shall be used up in accordance with the same rules as those laid down in the Convention, the Decision and this Agreement.

2. Upon expiry of this Agreement, Member States shall still be obliged to pay, as provided in Article 6, that portion of their contributions not yet called for.

Article 8

1. The Member States undertake to act as guarantor for the Bank, waiving any right to object and in proportion to their contributions to its capital, in respect of all financial commitments arising for its borrowers out of the loan contracts concluded by the Bank with its own resources in implementation both of Article 95 of the Convention and the corresponding provisions of the Decision, and where appropriate, Article 59 of the Convention.

2. This guarantee shall be restricted to 75% of the total amount of the credits opened by the Bank under all the loan contracts. It shall be applied to cover all risks.

(3. Notwithstanding the above paragraphs the Community may, with regard to financial commitments under Article 59 of the Convention, act as guarantor for the Bank, in specific cases and at the latter's request, in respect of the total amount of the credits opened by the Bank under the corresponding loan contracts.)¹

4. The undertakings arising from paragraphs 1 and 2 shall be the subject of guarantee contracts between each Member State and the Bank.

(5. The undertakings of the Community arising from paragraph 3 shall be the subject of guarantee contracts between the Community, represented by the Commission, and the Bank.)¹

Article 9

1. Payments made to the Bank in respect of special loans granted to the ACP States and the countries and territories since 1 June 1964, as well as the proceeds and income from risk capital operations undertaken since 1 February 1971 for the benefit of those States, countries and territories, shall be credited to the Member States in proportion to their contributions to the Fund from which the sums are derived, unless the Council decides unanimously, on a proposal from the Commission, to place them in reserve or allocate them to other operations.

Any commission due to the Bank for managing the loans and operations referred to in the first subparagraph shall be deducted in advance from these sums.

¹Proposal of the Bank; the Commission considers that these two paragraphs should be taken up in a Council declaration.

2. The amount of the grants from the Fund, as fixed in Article 1(3)(a) and (b), shall be supplemented by any other revenue accruing to the Fund.

CHAPTER II

Article 10

1. Subject to Articles 17 to 21 and without prejudice to the Bank's responsibilities for the administration of certain forms of aid, the Fund shall be administered by the Commission in accordance with the rules laid down by the Financial Regulation referred to in Article 28.

2. Subject to Articles 22 to 24, risk capital and interest rate subsidies financed from the Fund's resources shall be administered by the Bank on behalf of the Community in accordance with its statute and the rules laid down by the Financial Regulation referred to in Article 28.

Article 11

The Commission shall be responsible for implementing the aid policy defined by the Council and the general guidelines for financial and technical cooperation defined by the ACP-EEC Council of Ministers pursuant to Article 119 of the Convention.

Article 12

1. The Commission and the Bank shall periodically provide each other with appropriate information on the requests made to them for finance and on preliminary contracts made with them by the relevant bodies of the ACP States, the countries and territories, or other recipients of aid as provided for in Article 94 of the Convention and in the corresponding provisions of the Decision, before their requests were submitted.

2. The Commission and the Bank shall keep each other informed of the progress made in appraising requests for finance.

Article 13¹

1. The Commission shall appraise projects which, pursuant to Article 101 of the Convention and the corresponding provisions of the Decision, could be financed by grants or special loans from the Fund's resources.

The Commission shall also appraise requests for transfers submitted pursuant to Title II, Chapter I of the Convention and the corresponding provisions of the Decision, together with projects and programmes eligible for the special financing facility pursuant to Title III, Chapter I of the Convention.

To this end, it shall satisfy itself that the conditions for bringing into operation the export earnings stabilization system and the special financing facility for minerals have been met.

2. The Bank shall appraise projects which, pursuant to its statute, Article 101 of the Convention and the corresponding provisions of the Decision, could be financed by loans from its own resources, with or without interest rate subsidies, or by risk capital.

3. Projects which come under the industrial, agri-industrial, mining or tourism sectors, and energy production schemes linked to a project in those sectors, shall be submitted to the Bank, which shall examine whether they are eligible for one of the forms of aid it administers.

4. Where, in the course of appraisal of a project or programme by the Commission or by the Bank, it is found that such project or programme could not be financed by one of the forms of aid administered by the institution in question, the latter will, having informed the potential recipient, transmit the request to the other institution.

¹See declaration annexed.

Article 14

1. Without prejudice to special instructions which the Bank receives from the Community in respect of the recovery of principal and interest relating to special loans, the Commission shall undertake, on behalf of the Community, the financial execution of operations carried out with the Fund's resources in the form of grants, special loans, transfers or special financing facility; it shall make payments in accordance with the Financial Regulation referred to in Article 28.

2. The Bank shall undertake, on behalf of the Community, the financial execution of operations carried out with the Fund's resources in the form of risk capital. In such cases, the Bank shall act on behalf and at the risk of the Community. Any resulting rights, particularly rights as creditor or owner, shall be vested in the Community.

3. The Bank shall undertake the financial execution of operations carried out in the form of loans from its own resources combined with interest rate subsidies from the Fund's resources.

Article 15

1. By way of application of Article 109 of the Convention, programming missions shall be undertaken under the general responsibility of the Commission with the participation of the Bank.

2. For the purpose of their preparation, and at the same time to achieve, on the occasion of the missions, coherence between the Community aid and the aid given by each Member State to the ACP States,

(a) the Commission shall provide the Member States with information obtained from the ACP States 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 those objectives. The Commission shall prepare such information in liaison with the Bank, as regards the matters which concern the latter.

(b) The Member States shall inform the Commission concerning the direction to be taken for their future and for any granted or intended project or programme financing.

(c) Each Member State and the Commission shall periodically bring such information up to date.

3. This article shall also apply as regards the countries and territories.

Article 16

1. Before programming missions are sent out, and on the basis of information provided by the Commission and the Member States, an exchange of views between the representatives of the Member States, the Commission and the Bank shall take place to ascertain the general framework for the Community's financial and technical cooperation with each ACP State :

2. Following the programming missions undertaken in the ACP States by the Commission and the Bank, the indicative programme of Community aid for each ACP State shall be forwarded to the Member States.

Should more than one Member State so request, the programmes shall be the subject of an exchange of views between the representatives of the Member States, the Commission and the Bank.

3. If need be, and at least once during the period covered by the Convention, the representatives of the Member States, the Commission and the Bank shall jointly examine the rate of implementation of the indicative programmes and any amendments to be made to the same at the request of the ACP State in question.

Article 17

1. A Committee (hereinafter called the "EDF Committee"), consisting of representatives of the Governments of the Member States, shall be set up under the auspices of the Commission.

The EDF Committee shall be chaired by a Commission representative, and its secretariat shall be provided by the Commission.

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

2. The Council, acting unanimously, shall adopt the rules of procedure of the EDF Committee.

3. Within the EDF Committee, the votes of the Member States shall be weighted as follows:

Belgium	6
Denmark	3
Germany	27
France	24
Ireland	2
Italy	12
Luxembourg	1
Netherlands	8
United Kingdom	17

4. The EDF Committee shall act by a qualified majority of 69 votes.

Article 18

1. The EDF Committee shall give its opinion on financing proposals for projects or programmes financed by grants, special loans or special financing facility resources, submitted to it by the Commission.

2. The financing proposals for projects shall explain the relevance of the projects to the development prospects of the country or countries concerned; where appropriate, they shall mention the use to which such countries have put previous Community aid.

They shall include in particular measures promoting, in accordance with Title VII, Chapter 7 of the Convention and the corresponding provisions of the Decision, participation by national firms of the ACP States and of the countries and territories in carrying out the projects.

3. If the EDF Committee requests substantial changes in the financing proposal or in the absence of a favourable opinion on the latter, the Commission shall consult the representatives of the ACP State or ACP States concerned. In the absence of a favourable opinion, the latter shall, at their request, be heard by the representatives of the Community, in accordance with Article 113 of the Convention.

4. In the cases mentioned in paragraph 3, the financing proposal, after review or extension, as the case may be, shall be submitted afresh to the EDF Committee at one of its subsequent meetings.

If the Committee still refuses to deliver a favourable opinion, the Commission shall consult afresh the representatives of the ACP State or ACP States concerned, in accordance with Article 113(4) of the Convention.

Article 19

1. The financing proposals, together with the opinion of the EDF Committee, shall be submitted to the Commission for its decision.

2. 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 according to the same voting procedure as the EDF Committee.

In the latter case the ACP State concerned may, as provided for in Article 113(5) of the Convention, transmit to the Council any additional information it considers necessary before the final decision is taken and may be heard by the President and members of the Council.

Article 20

The Commission shall regularly inform the EDF Committee of all requests for financing officially submitted to it by one or more ACP States irrespective of whether these are selected by its departments.

Article 21

The EDF Committee shall be kept informed of the results of work periodically done by the Commission on the evaluation of projects being carried out or completed, particularly in relation to the development objectives set.

Article 22

1. A Committee (hereinafter called the "Article 22 Committee"), consisting of representatives of the Governments of the Member States, shall be set up under the auspices of the Bank.

The Article 22 Committee shall be chaired by the representative of the Member State currently occupying the Presidency of the Board of Governors of the Bank; its secretariat shall be provided by the Bank.

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

2. The Council, acting unanimously, shall adopt the rules of procedure of the Article 22 Committee.
3. Within the Article 22 Committee, the votes of the Member States shall be weighted as provided in Article 17(3).
4. The Article 22 Committee shall act by a qualified majority of 69 votes.

Article 23

1. The Article 22 Committee shall deliver an opinion on requests for loans with interest rate subsidies and on proposals for financing by risk capital which are submitted to it by the Bank.

The Commission representative may, at meetings, submit the Commission's assessment of these proposals. This assessment shall state whether the projects conform with Community development aid policy, with the objectives of financial and technical cooperation laid down by the Convention and with the general guidelines adopted by the ACP-EEC Council of Ministers.

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

2. The document submitted to the Article 22 Committee by the Bank shall, in particular, explain the relevant of the project to the development prospects of the country or countries concerned and, where appropriate, indicate the situation as regards loans granted by the Community and holdings acquired by it.

3. Where the Article 22 Committee does not deliver a favourable opinion on a proposal concerning an ACP State or group of ACP States, the Bank shall consult the representatives of the said State or States and the procedure laid down in Article 113(3) and (4) of the Convention shall apply.

4. Where the Article 22 Committee delivers a favourable opinion in respect of a request for a loan with an interest rate subsidy, the request, together with the reasoned opinion of the Committee and, where appropriate, the assessment of the Commission representative, shall be submitted for a decision to the Board of Directors of the Bank, which shall act in accordance with the provisions of the Bank's statute.

In the absence of a favourable opinion from the Article 22 Committee, the Bank shall either withdraw the request or decide to uphold it. In the latter event, this request, together with the reasoned opinion of the Committee and, where appropriate, the assessment given by the Commission representative, shall be submitted for a decision to the Board of Directors of the Bank, which shall act in accordance with the provisions of the Bank's Statute.

5. Where, in respect of a proposal for financing by risk capital, the Article 22 Committee delivers a favourable opinion, the proposal shall be submitted for a decision to the Board of Directors of the Bank which shall act in accordance with the provisions of the Bank's statute.

In the absence of a favourable opinion from the Article 22 Committee, the Bank shall either withdraw the proposal or request that the Member State chairing the Article 22 Committee bring the matter before the Council as soon as possible.

In the latter case, the proposal shall be submitted to the Council together with the reasoned opinion of the Article 22 Committee and the assessment by the Commission representative.

The Council shall act in accordance with the same voting procedure as the Article 22 Committee.

If the Council decides to confirm the Article 22 Committee's position, the Bank shall withdraw its proposal.

If, however, the Council is in agreement with the Bank's proposal, the Bank shall implement the procedures under its statute.

Article 24

1. Subject to such adjustments as are necessary to take account of the nature of the operations financed and of the procedures laid down in the statute of the Bank, the latter shall regularly inform the Article 22 Committee of all requests for financing officially submitted to it, irrespective of whether these are selected by its departments.

2. The Article 22 Committee shall be kept informed of the results of work periodically done by the Bank on the assessment of projects being carried out or completed, particularly in relation to the development objectives set.

Article 25

1. The Commission and the Bank shall ascertain how the Community aid administered by each of them is used by the ACP States, the countries and territories or any other recipients.

2. They shall also ascertain, each for their own operations and 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 and the Bank shall examine the extent to which the objectives referred to in Articles 91 and 92 of the Convention and in the corresponding provisions of the Decision have been attained.

4. The Commission and the Bank shall inform the Council as and when required of its findings pursuant to paragraphs 1, 2 and 3.

The Council, acting by a qualified majority as laid down in Article 17(4), shall take the necessary measures.

CHAPTER III

Article 26

The amounts of the transfers referred to in Articles 39 and 40 respectively of Title II of the Convention and in the corresponding provisions of the Decision, and the contributions to the replenishment of resources mentioned in Article 42 of the Convention and in the corresponding provisions of the Decision, shall be expressed in units of account as laid down in Article 3.

Payments shall be made in the currency of one or more Member States chosen by the Commission after consultation of the ACP State or the relevant authorities of the countries and territories.

Article 27

Each year the Commission shall draw up a comprehensive report for the Member States on the operation of the system and the use made by the ACP States of the funds transferred.

The report shall indicate in particular the effect of the system on the economic development of the recipient countries and on the development of external trade.

This article shall also apply in respect of the countries and territories.

CHAPTER IV

Article 28

The provisions for implementing this Agreement shall be the subject of a Financial Regulation adopted, upon the entry into force of the Convention, by the Council acting by the qualified majority laid down in Article 18(4) on the basis of a Commission draft, after an opinion has been delivered by the Bank on the provisions concerning it and by the Court of Auditors provided for in Article 206 of the Treaty.

Article 29

1. At the close of each financial year, the Commission shall adopt the revenue and expenditure account and the balance sheet of the Fund.
2. Without prejudice to paragraph 4, the Court of Auditors provided for in Article 206 of the Treaty shall exercise also its powers in respect of the Fund's operations. The conditions under which the Court exercises its powers shall be laid down in the Financial Regulations referred to in Article 28.
3. The discharge for the financial management of the Fund shall be given to the Commission according to the procedure provided for in the fourth paragraph of Article 206 of the Treaty.

4. The operations financed from the resources of the Fund and managed by the Bank shall be subject to the control and discharge procedures laid down by the statute of the Bank for all its operations. Each year, the Bank shall send the Commission and the Council a report on the execution of operations financed from the resources of the Fund and managed by the Bank.

Article 30

1. The remaining balance of the Development Fund for the overseas countries and territories established by the Implementing Convention annexed to the Treaty shall continue to be administered as provided in that Implementing Convention and in accordance with the rules and regulations in force on 31 December 1962.

The remaining balance of the Fund set up by the Internal Agreement on the financing and administration of Community aid signed at Yaoundé on 20 July 1963 shall continue to be administered as provided in that Internal Agreement and in accordance with the rules and regulations in force on 31 May 1969.

The remaining balance of the Fund set up by the Internal Agreement on the financing and administration of Community aid signed at Yaoundé on 29 July 1969 shall continue to be administered as provided in that Internal Agreement and in accordance with the rules and regulations in force on 31 January 1975.

The remaining balance of the Fund set up by the Internal Agreement on the financing and administration of Community aid signed in Brussels on 11 July 1975 shall continue to be administered as provided in that Internal Agreement and in accordance with the rules and regulations in force on 1 March 1980.

2. In the event of successful completion of projects financed from the Funds referred to in paragraph 1 being jeopardized by a lack of resources due to the balance being exhausted, proposals for additional financing may be submitted by the Commission under the conditions laid down in Article 18.

Article 31

This Agreement shall be approved by each Member State in accordance with its own constitutional requirements. The Government of each Member State shall notify the Secretariat of the Council of the European Communities when the procedures required for its entry into force have been completed.

This Agreement is concluded for the same duration as the Convention. However, it shall remain in force for as long as is necessary for all the operations financed under the Convention to be fully executed.

Article 32

This Agreement, drawn up in a single original in the Danish, Dutch, English, French, German and Italian languages, each of these texts being equally authentic, shall be deposited in the archives of the Secretariat of the Council of the European Communities, which shall transmit a certified copy to each of the Governments of the Signatory States.

Draft Declaration of the Community

Article 13(3) of the Internal Financial Agreement

1. It is understood that the sectors of Bank intervention mentioned in Article 13(3) of the Internal Agreement are not limitative but constitute a guide-line which does not exclude the possibility of the Bank giving aid in the form of loans out of its own resources for infrastructure projects showing a commercial return in the ACP States when this form of financing seems appropriate, by reason of their level of development and economic and financial state.

2. Requests for financing by risk capital for projects in the transport and telecommunications sectors may, in exceptional circumstances, also be presented to the Bank in the case of industrial-type firms under autonomous management which are able to justify the use of this kind of aid (Article 105 of the Convention).

3. As regards aid for small and medium-size firms (Article 144 of the Convention) responsibility for drawing up such projects rests either with the Commission or the Bank according to the rules and criteria set out in the annexed table.

**POSSIBLE ALLOCATION OF RESPONSIBILITIES BETWEEN THE
COMMISSION AND THE EIB FOR THE FINANCING
OF SMALL AND MEDIUM-SIZED ENTERPRISES**

This allocation of responsibilities should be placed on a formal basis in texts which could possibly be negotiated in part with the ACP States; it should, in any case, appear at least in an internal protocol between the Commission and the Bank.

EUROPEAN INVESTMENT BANK

COMMISSION

I. Sectors

Small and medium-sized enterprises in industry, agricultural industry and tourism.

Small enterprises in the craft, agricultural and commercial sectors.

Lending bodies

II. Lending bodies or direct recipients

Banks and development financing institutions working in the EIB sectors specified under I. above and employing banking and commercial administrative methods.

Any body, either public or in the nature of a cooperative or mutual assistance society, aimed at developing the craft, commercial and agricultural sectors.

III. Methods and procedures

(Token entry) Direct acquisition of holdings by the Community in the capital of development banks.

EDF grant or loan on special terms to the lending body with the condition, where appropriate, that the latter pass on the financing in the form of a loan.

- Global loans, with interest rate subsidy, from the Bank's own resources.
- Global aid, in the form of risk capital (to finance loans or constitute the own resources of small and medium-sized enterprises).

The Bank's usual appraisal, decision-taking and monitoring procedures to be adapted to the particular cases and to the nature of the operations.

IV. Size of the lending operations

No prior limit on global loans or aid.

No limit for the direct recipient and, where lent to agricultural, craft and commercial sectors, loan may not exceed 20 000 EUA for the individual operation.

Minimum lending of 20 000 EUA (or more, of course) for enterprises in the EIB sectors specified under I. above.

