

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 776 final

Strasbourg, 19th November 1980

COMMISSION COMMUNICATION TO THE COUNCIL  
ON THE NEGOTIATIONS FOR AN AGREEMENT IN THE FORM OF AN EXCHANGE  
OF LETTERS BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND THE  
PORTUGHESE REPUBLIC CONCERNING THE IMPLEMENTATION  
OF PRE-ACCESSION AID FOR PORTUGAL

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COM(80) 776 final



COMMISSION COMMUNICATION TO THE COUNCIL

1. The Commission hereby transmits the draft Agreement in the form of an exchange of letters between the European Economic Community and the Portuguese Republic concerning the implementation of pre-accession aid for Portugal so that it may be possible to bring it into force on 1 January 1981.

The delegations of the Community and the Portuguese Republic agreed on the text at the negotiating meeting held in Brussels on 17 November.

2. The Commission recommends to the Council that it approve the results of the negotiations and initiate procedures for the signature and conclusion of the Agreement; with that end in mind, it hereby transmits a proposal for a regulation concluding the Agreement.

The Agreement should be signed as soon as possible so that it can enter into force on 1 January 1981.

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PROPOSAL FOR  
COUNCIL REGULATION (EEC) N° /

of

on the conclusion of the Agreement in the form of an exchange of Letters  
between the European Economic Community and the Portuguese Republic  
concerning the implementation of pre-accession aid for Portugal

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THE COUNCIL OF THE EUROPEAN COMMUNITIES

having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof,

having regard to the proposal from the Commission,

having regard to the Opinion of the European Parliament,

whereas the Agreement in the form of an exchange of Letters between the  
European Economic Community and the Portuguese Republic concerning the  
implementation of pre-accession aid for Portugal should be concluded,

HAS ADOPTED THIS REGULATION:

Article 1

The Agreement in the form of an exchange of Letters between the  
European Economic Community and the Portuguese Republic concerning the  
implementation of pre-accession aid for Portugal is hereby approved on  
behalf of the Community.

The text of the Agreement is annexed to this Regulation.

Article 2

The President of the Council shall carry out the notification  
procedure provided for in Article 20 of the Agreement (1).

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(1) The date of entry into force of the Agreement will be published  
in the Official Journal of the European Communities by the  
General Secretariat of the Council.

Article 3

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Communities.

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

Done at Brussels,

For the Council,  
The President

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DRAFT AGREEMENT  
IN THE FORM AN EXCHANGE OF LETTERS BETWEEN THE  
EUROPEAN ECONOMIC COMMUNITY AND THE PORTUGUESE REPUBLIC  
CONCERNING THE IMPLEMENTATION OF PRE-ACCESSION AID  
FOR PORTUGAL

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Letter N° 1

Sir,

On 7 October 1980 the European Economic Community decided to agree to the Portuguese Republic's request for financial aid in order to undertake, with a view to Portugal's accession, measures of common interest to prepare and facilitate the harmonious integration of the Portuguese economy into the Community economy.

At the negotiations held in Brussels on 17 November 1980 the delegations of the Community and Portuguese Republic agreed on the terms and detailed arrangements for implementing this aid, which are annexed to this letter.

I should be obliged if you would acknowledge receipt of this letter and its annexes and confirm that your Government is in agreement with their contents.

Please accept, Sir, the assurance of my highest consideration.

On behalf of the Council of the  
European Communities

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Letter N° 2

Sir,

I have the honour to acknowledge receipt of your letter of today's date, which reads as follows:

"On 7 October 1980 the European Economic Community decided to agree to the Portuguese Republic's request for financial aid in order to undertake, with a view to Portugal's accession, measures of common interest to prepare and facilitate the harmonious integration of the Portuguese economy into the Community economy.

At the negotiations held in Brussels on 17 November 1980 the delegations of the Community and Portuguese Republic agreed on the terms and detailed arrangements for implementing this aid, which are annexed to this letter.

I should be obliged if you would acknowledge receipt of this letter and its annexes and confirm that your Government is in agreement with their contents".

I have the honour to confirm that my Government is in agreement with the contents of your letter.

Please accept, Sir, the assurance of my highest consideration.

For the Government  
of the Portuguese Republic



Article 1

The Community shall exceptionally participate, on the terms specified hereafter, in the financing of specific operations undertaken by the Portuguese Government in order to facilitate the harmonious integration of the Portuguese economy into the Community after accession.

Article 2

1. For the purposes specified in Article 1 and for a period beginning on 1 January 1981 and expiring on the date of entry into force of Portugal's Treaty of Accession to the European Communities, a total amount of 275 million European units of account (EUA) may be committed as follows:

- (a) 150 million EUA in the form of loans from the European Investment Bank, hereinafter referred to as the "Bank", granted from its own resources;
- (b) 125 million EAU in the form of grant aid.

No new financial commitment of these sums may be made as from the date of Portugal's accession to the European Communities.

2. Of the loans referred to in paragraph 1 (a), a maximum amount of 125 million EUA shall attract interest rate subsidies of 3 % per annum, it being understood that the cost to the Community of financing such subsidies must not exceed 25 million European units of account.

Article 3

1. The amount laid down in Article 2(1)(a) shall be used for financing, or contributing towards the financing, of capital projects which, with the objective inter alia of encouraging regional development in Portugal, help to increase productivity and strengthen the Portuguese economy, and to promote in particular the improvement of the country's industrial structures, the modernization of its agriculture and fisheries and the development of infrastructure.
  
2. Examination of the eligibility of the projects and the granting of loans shall be undertaken in accordance with the detailed rules, conditions and procedures laid down by the Bank's Statute.
  
3. The duration of the loans granted by the Bank from its own resources shall be established on the basis of the economic and financial characteristics of the projects for which the loans are intended, account also being taken of the conditions prevailing on the capital markets in which the Bank procures its resources. The interest rate shall be determined in accordance with the Bank's practice at the time of signature of each loan contract.  

However, loans intended for financing capital projects in the small and medium-sized enterprises or infrastructure sectors, included energy, or for developing agriculture and fisheries shall attract the 3 % per annum interest rate subsidy referred to in Article 2 (2). This definition of sectors may be amended by mutual agreement between the Community and Portugal.
  
4. The loans may be granted through the intermediary of the State or appropriate Portuguese bodies, on condition that they on-lend the amounts to the recipients on terms decided, by agreement with the Bank, in the light of the economic and financial characteristics of the projects for which they are intended.

Article 4

The amount laid down in Article 2(1)(b) shall be used as follows:

- (a) 25 million EUA for the financing of the interest rate subsidies referred to in Article 2(2) for loans accorded by the Bank from its own resources.
- (b) 100 million EUA for financing or contributing towards the financing of cooperation projects or programmes and of technical assistance operations.

Article 5

With regard to the selection of the cooperation projects or programmes referred to in Article 4(b) special attention will be given to projects or programmes aimed at encouraging in particular:

- (a) the restructuring, modernization and development of small and medium-sized enterprises;
- (b) improvement of production and marketing structures in agriculture and fisheries;
- (c) the creation of infrastructure aimed at facilitating more balanced development between regions;
- (d) the establishment of an integrated national vocational training policy based on a network of vocational training centres.

Article 6

In the selection of the technical assistance operations referred to in Article 4(b), particular attention will be given to operations preparatory or complementary to the projects or programmes referred to in Articles 3 and 5 and to more specific operations aimed at facilitating Portugal's adoption of the acquis communautaire.

Article 7

The Community's financial contribution, in the form of grant aid, to cooperation projects or programmes may not exceed 50 % of their total cost. For technical assistance operations, Community aid may cover the full cost.

Article 8

Community aid shall cover the expenditure necessary to execute approved projects, programmes (including expenditure on studies, the services of consulting engineers and technical assistance) or operations. It may not be used to cover administrative, maintenance or operating expenditure.

Article 9

The assistance provided by the Community for the execution of capital projects or cooperation projects or programmes may, with the agreement of Portugal, take the form of co-financing.

Article 10

The Portuguese State, or, with its agreement, public or private undertakings with their registered office or an establishment in Portugal, as well as individuals in the framework of cooperation projects or programmes and technical assistance operations, are eligible for Community aid.

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Article 11

1. The Portuguese State or, with its agreement, the other beneficiaries referred to in Article 10 shall submit to the Bank their requests for loans and to the Commission of the European Communities their requests for grant aid.
  
2. Examination of the eligibility of projects, programmes or operations shall be carried out by the Community with a view to preparing Portugal for accession and in the light of the mutual interests of the Community and Portugal.
  
3. The Community shall appraise requests for financing in conjunction with the Portuguese State and the beneficiaries and shall inform them of the decisions taken on such requests.

Article 12

The execution, management and maintenance of schemes which are the subject of financing under this Agreement shall be the responsibility of Portugal or of the other beneficiaries referred to in Article 10.

The Community shall ensure that financial aid which it has granted is expended in accordance with the agreed allocations and to the best economic advantage.

Article 13

All natural and legal persons of Portugal or of the Member States of the Community may participate on equal terms in tendering procedures and other procedures for the award of contracts eligible for financing.

Article 14

Portugal shall apply to contracts awarded for the execution of projects, programmes or operations financed under this Agreement, tax and customs arrangements at least as favourable as those applied in respect of other international organizations.

Article 15

Portugal shall take the necessary measures to ensure that interest and all other payments due to the Bank in respect of loans granted under this Agreement are exempted from any national or local taxes or levies.

Article 16

Where a loan is accorded to a beneficiary other than the Portuguese State, the provision of a guarantee by the latter may be required by the Bank as a condition for the grant of the loan.

Article 17

Throughout the duration of the loan accorded pursuant to this Agreement, Portugal shall undertake to make available to the borrowers or the guarantors of the loans the foreign currency necessary for the payment of interest, commission and other charges and for the repayment of capital.

Article 18

The Portuguese authorities shall give all the necessary aid and assistance to Community and Bank representatives for the purposes of implementing this Agreement.

Article 19

The implementation of the aid may be examined within the Joint Committee referred to in Article 32 of the Agreement between the European Economic Community and the Portuguese Republic.

Article 20

This Agreement shall enter into force on the first day of the month following the mutual notification by the Parties of the procedures necessary to this end.

COMMUNITY DECLARATION ON THE UNIT OF ACCOUNT  
REFERRED TO IN ARTICLE 2 OF ANNEX I

The unit of account used to express the amounts specified in Article 2 of Annex I is defined as the sum of the following amounts in the currencies of the Member States of the Community :

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109
Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

The value of the unit of account in any given currency is equal to the sum of the equivalent in that currency of the amounts of currency referred to the first paragraph. It is calculated by the Commission, using daily market exchanges rates.

The daily values of the unit of account in the various national currencies are available each day and are published periodically in the Official Journal of the European Communities.