

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 1862 final

Brussels, 25 September 1990

Proposal for a

COUNCIL REGULATION (EEC)

**on financial aid for
the countries most directly affected by the Gulf crisis**

(presented by the Commission)

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Explanatory memorandum

1. The Council agreed on 7 September that financial aid should be given to the countries most directly affected by the Gulf crisis, namely Egypt, Jordan and Turkey.

In its communication to the Council of 12 September, the Commission estimated the cumulative impact of the crisis on these three countries' balance of payments at some US\$ 9 billion in the period August 1990-December 1991.

The proposed Community contribution is part of a multilateral effort to try to offset the injury suffered as much as possible.

2. For its part, the Community should lay down detailed arrangements to ensure that this financial aid is implemented efficiently.
3. The funds should be provided in the form of grants or loans as balance of payments support. Some of the financial aid could be used to cover budgetary expenditure incurred as a result of the crisis, notably for the integration of repatriated workers in the economies of the countries concerned, which entails job creation.

Otherwise the aid will be used to compensate losses of foreign exchange earnings caused by the embargo.

4. Since there is urgent need to alleviate the effects of the crisis, it is proposed to provide grants to the two countries with the most pressing requirements as an immediate measure. A BIS bridging loan could help speed up payment of the grants.

Apart from such immediate relief, it is essential that financial aid be provided in close coordination with multilateral efforts to encourage implementation of vital structural adjustment reforms. The terms on which the aid is given should be consistent with the any reforms or measures proposed by international financial institutions. A Community contribution to an IMF/World Bank multilateral fund, should one be set up, would be one way of ensuring consistency. If such a fund is not created, an alternative solution would be to give direct aid to the countries concerned but still in liaison with other donors and the international financial institutions. Whatever formula is chosen, the Commission will represent the Community in consultations with other donors and multilateral agencies to establish procedures for both grants and loans.

5. The breakdown of funds among the three countries most affected will have to be based on an analysis of the injury suffered, also taking account of the contributions of all donors. The Commission will promptly make proposals on this subject in the light of international consultations on the matter.
6. Most of the aid for Turkey will be in the form of subsidized loans, the cost of which will be charged to the budgetary funds available for the three countries.

Egypt and Jordan should receive non-reimbursable aid in view of their economic situation.

7. Implementation of the aid will naturally be subject to strict compliance with the embargo by each of these countries.

Proposal for
Council Regulation

No

on financial aid for
the countries most directly affected by the Gulf crisis

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 Opinion of the European Parliament,

Whereas the Community and its Member States have decided to mount an
operation to give financial aid to the countries most directly affected by
the Gulf crisis;

Whereas the Community must have the means to undertake the said operation;

Whereas the amount of Community financial resources that will be needed to
carry out this operation in 1991 has to be estimated,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall provide financial aid for Egypt, Jordan and Turkey.

Article 2

1. The amount of financial resources necessary for the implementation of
the operation to be carried out under this Regulation is estimated at
ECU 500 million in non-reimbursable aid and ECU 250 million in medium-
term loans for the period ending 31 December 1991.
2. The Commission is hereby authorized to borrow ECU 250 million on the
capital market in order to make the medium-term loans referred to in
paragraph 1.

3. Loans to the recipient countries will be made with a capitalized interest-rate subsidy to be determined in accordance with the procedure laid down in Article 6(3).

Article 3

Non-reimbursable aid shall be used to cover, in addition to the interest-rate subsidies, the cost of importing capital goods and spare parts and local budgetary expenditure incurred by the beneficiary countries as a result of the Gulf crisis.

The general guidelines governing this aid and its breakdown among the beneficiary countries shall be adopted in accordance with the procedure laid down in Article 6(2). The decisions on grants and loans shall be taken in accordance with the procedure laid down in Article 6(3).

Article 4

The subsidized loans shall be administered by the Commission in full consultation with the Monetary Committee in a manner compatible with any agreement concluded between these countries and international financial institutions. The detailed terms of the loans will be established at a later date by Regulation.

Article 5

The Commission shall ensure the proper use of the funds by the beneficiary countries, which shall be required to provide a programme specifying the use that will be made of the funds prior to any disbursement, and a report on the actual use made of the aid afterwards. The Commission shall ensure that the financial aid is coordinated with that of international financial institutions and other donor countries.

Article 6

1. The Commission shall be assisted by the Committee set up under Article 6(1) of Council Regulation (EEC) No 3973/86.
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith.

In that event:

The Commission shall defer application of the measures which it has decided for a period not exceeding three months from the date of communication.

The Council, acting by a qualified majority, may take a different decision within the time limit referred to in the previous subparagraph.

3. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

Article 7

The Commission shall draw up a report on the implementation of the aid operations carried out under this Regulation by 28 February 1992. The report shall be sent to Parliament and the Council.

Article 8

This Regulation shall enter into force on the day 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