COMMISSION OF THE EUROPEAN COMMUNITIES

COM(91) 125 final

Brussels, 9 April 1991

Proposal for a

COUNCIL DECISION

on provision of financial assistance for Israel and the Palestinian population of the Occupied Territories

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Following the Commission communication on additional financial aid for countries in the Middle East and the Mediterranean affected by the Gulf War of 28 February (COM(91) 61 final), the Council has endorsed the principle of two schemes to provide financial aid for Israel and the Palestinian population of the Occupied Territories, which are suffering in different degrees the adverse effects of hostilities in the Gulf.

   In the case of Israel, economic activity in general is suffering. In the Occupied Territories, the arrival of returning workers and a significant reduction in remittances from the Gulf states simply aggravate an already seriously deteriorated economic situation.

2. The aid will comprise a Community loan of a sum equivalent to ECU 180 million financed on the capital markets and non-reimbursable aid of up to ECU 87.5 million from the Community budget (1991). Before the relevant appropriations can be entered in the 1991 budget by means of a supplementary and amending budget, the ceiling for heading No 4 ("Other policies") in the financial perspective for 1991 must be raised. The Commission has duly made the necessary proposals. This action should help alleviate the adverse effects of the Gulf war on the populations of Israel and the Occupied Territories.

3. It has been agreed that these funds be used to provide Israel with financial aid in the form of a loan to support the country's balance of payments. The loan is to be topped up with an interest-rate subsidy of ECU 27.6 million, financed from the Community budget. Financial aid for the Occupied Territories would take the form of an ECU 60 million grant from the budget to help to improve economic and social conditions and to integrate Palestinians returning from Kuwait (by providing jobs, housing, hospitals, etc.).

4. Arrangements should be made to enable this financial aid to be used in ways suited to the specific problems of Israel and the Occupied Territories. In the case of Israel, the operation will be carried out before the end of 1991; in the case of the Occupied Territories, institutional constraints may require implementation over a two-year period.

PROPOSAL FOR A COUNCIL DECISION
on financial aid for Israel and
the Palestinian population of the Occupied Territories

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 Community has decided to mount an operation to give financial aid to Israel and the Palestinian population of the territories on the West Bank of the River Jordan and the Gaza Strip occupied by Israel (hereinafter referred to as the "Occupied Territories") in order to help alleviate the adverse consequences of the war in the Gulf;

Whereas the economic and financial capacity of Israel and of the Occupied Territories is such that financial aid to Israel should take the form of a subsidized loan to provide medium-term support for its balance of payments while that for the Occupied Territories could take the form of grants;

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

Whereas the amount of Community financial resources needed to pay for the interest-rate subsidy and grant components of this operation has to be estimated; whereas the appropriations actually available will be established during the budgetary procedure in accordance with the financial perspectives annexed to the Interinstitutional Agreement of 29 June 1988[1];

Whereas the breakdown of funds as between Israel and the Palestinian population of the Occupied Territories is based on an evaluation of their respective requirements in the light of the scale of the social and economic effects of the war, the sections of the population affected and a comparison of living standards;

Whereas the loan to Israel will have to be financed by Community borrowing on the capital markets; whereas this loan must be administered by the Commission;

Whereas implementation of this operation is designed to contribute to the achievement of Community objectives;

Whereas the Treaty does not provide, for the adoption of this Decision, for powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

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1 OJ No L 185, 15.7.1988, p.33.

Article 1

The Community shall provide financial aid of up to an estimated total of ECU 247.5 million for Israel and the Palestinian population of the Occupied Territories.

Article 2

1. The financial aid for Israel to support its balance of payments shall be made available in the form of a medium-term loan of a principal equivalent to ECU 160 million for a maximum period of seven years.

2. The loan will be accompanied by an interest-rate subsidy to be financed from the general budget of the Community.

   The estimated cost to the Community of financing the subsidy in 1991 is ECU 27.5 million.

   The budgetary authority shall establish the available appropriations.

3. The loan and the related subsidy shall be accorded on the terms and conditions set out in Article 3.

Article 3

1. To make the loan referred to in Article 2(1) the Commission is hereby empowered to borrow, on behalf of the Community, the necessary resources on the capital markets after consultation of the Monetary Committee.

2. The loan shall be made available to Israel in a single instalment. It will be paid to the National Bank of Israel.

3. The Commission shall establish the arrangements for payment of the interest-rate subsidy referred to in Article 2(2) and take the necessary implementing measures.

4. The borrowing and lending operations referred to in paragraph 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, exchange or interest-rate risks or any other commercial risk.

5. The Commission shall take the necessary steps, if Israel so wishes, for inclusion in the conditions and possible application of an early repayment clause.

6. At the request of Israel, and where circumstances permit an improvement in the interest rate on the loan, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial terms. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 4, and shall not have the effect of extending the average duration of the borrowings concerned or of increasing the amount of capital, expressed at the current exchange rate, outstanding at the date of the refinancing or restructuring.

7. All costs incurred by the Community in mounting and executing the operation provided for in this Decision shall be borne by Israel.

8. The Monetary Committee shall be kept informed of the progress of the operations referred to in paragraphs 5 and 6.

Article 4

1. The financial aid for the Palestinian population of the Occupied Territories shall take the form of grants, the estimated cost of which to the Community is ECU 60 million in 1991. The budgetary authority shall establish the appropriations available.

   The aid shall cover expenditure aimed at alleviating the social and economic problems facing the Palestinians following the Gulf conflict, such as health, education and housing, and also the technical assistance necessary to implement the operation.

   It will be accorded in instalments on the basis of general guidelines adopted in accordance with the procedure laid down in Article 5.

2. The Commission shall ensure that such funds, paid to provide the aid referred to in paragraph 1, are used in accordance with the objectives set out in this Decision by the beneficiaries, which shall be required to submit a programme specifying the use to be made of the funds, and afterwards a report on the actual use made thereof.

Article 5

1. The Commission shall be assisted by a Committee composed of representatives of the Member States and chaired by a representative of the Commission.

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.

3. Measures adopted by the Commission shall be of immediate effect. 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 on for a period of two 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 preceding subparagraph.

Article 6

The Commission shall present to the European Parliament and the Council by 30 June 1992 an initial report on the implementation of the aid operation carried out under this Regulation. A final report shall also be presented as soon as the operation is completed.

Done at Brussels, 1991

For the Council
The President

FICHE FINANCIERE

VOLET 1 : IMPLICATIONS FINANCIERES

1. Intitulé de l'action :

Assistance financière en faveur d'Israël et des populations palestiniennes desTerritoires Occupés.

2. Ligne budgétaire concernée :

A déterminer dans le cadre d'un budget rectificatif et supplémentaire.

3. Base légale :

Article 235 du traité instituant la Communauté Européenne.

4. Description de l'action :

4.1. Objectifs spécifiques de l'action :
Les objectifs de cette action sont d'une part apporter un soutien à la balance des paiements d'Israël et d'autre part, pour ce qui est des populations palestiniennes des Territoires Occupés, de contribuer à améliorer la situation économique et sociale ainsi que d'intégrer les ressortissants rapatriés du Koweit.

4.2. Durée :
1991 - 1992

4.3. Populations visées par l'action :
L'ensemble de la population d'Israël et des populations palestiniennes des Territoires Occupés.

5. Classification de la dépense :

5.1. DNO

5.2. CD

6. Quelle est la nature de la dépense :

6.1. Subvention à 100% pour l'action en faveur des Territoires Occupés (60 millions d'écus)

6.2. Subvention pour co-financement avec d'autres sources du secteur public ou privé : néant

6.3. Bonification d'intérêt : 27,5 MECUS sur un prêt hors budget de 160 MECUS en faveur d'Israël

6.4. Autres : Garantie budgétaire relative au prêt en faveur d'Israël.

6.5. En cas de réussite économique de l'action, un remboursement partiel ou total de l'apport financier communautaire est-il prévu : non

6.6. L'action proposée implique-t-elle une modification du niveau des recettes : non

7. Incidence financière sur les crédits d'intervention :

7.1. Mode de calcul :
Les montants prévus tiennent compte des orientations politiques du Conseil.

7.2. Indiquez la part du mini-budget dans le coût total de l'action.
Explicitez le mode de calcul :
Sans objet.

7.3. Echéancier indicatif des C.E. et C.P. (en MECUS):

	1991	1992
C.E.	87,5	-
C.P.	57,5	30

8. Quelles sont les dispositions anti-fraudes prévues dans la proposition d'action :

Sans objet.

VOLET 2 : DEPENSES ADMINISTRATIVES

1. L'action proposée implique-t-elle une augmentation du nombre d'effectifs de la Commission : non

2. Montant des dépenses : Sans objet.

VOLET 3 : ELEMENTS D'ANALYSE COUT-EFFICACITE

1. Objectifs et cohérence avec la programmation financière :

1.1. Objectif(s) spécifiques(s) de l'action proposée.
Cfr. 4.1.

1.2. L'action est-elle prévue dans la programmation financière de la D.G. pour les années concernées ?
Oui.

1.3. Indiquez à quel objectif plus général défini dans la programmation financière de la D.G. correspond l'objectif de l'action proposée :
Stabilité politique de la région.

2. Justification de l'action :

a. Coût : 87,5 MECUS

b. Effets dérivés :
Contribuer à la stabilité politique de cette zone.

c. Effets multiplicateurs :
Image et visibilité politique de la Communauté dans une zone de turbulence.

3. Suivi et évaluation de l'action :

Les actions feront l'objet d'une évaluation ex-post.

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DOCUMENTS

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