II

(Preparatory Acts)

COMMISSION

Proposal for a Council Decision on provision of financial assistance for Israel and the Palestinian population of the Occupied Territories

(91/C 111/04)

COM(91) 125 final

(Submitted by the Commission on 9 April 1991)

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:

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.

(1) OJ No L 185, 15. 7. 1988, p. 33.

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.