II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 17 May 1977

adapting Council Decision 76/324/EEC fixing the economic policy conditions to be observed by the Italian Republic

(77/359/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 397/75 of 17 February 1975 concerning Community loans [1], and in particular Article 3 thereof,

Having regard to Council Decision 76/324/EEC of 15 March 1976 fixing the economic policy conditions to be observed by the Italian Republic [2], and in particular Article 2 (2) thereof,

Having regard to the proposal submitted by the Commission which has for this purpose consulted the Monetary Committee,

Whereas Decision 76/324/EEC fixed the economic policy conditions to be observed by the Italian Republic during 1976;

Whereas it is appropriate to fix the conditions to be observed for the subsequent years of duration of the loan granted to the Italian Republic by Decision 76/322/EEC [3];

Whereas the development of the economic situation in Italy must permit the attainment, during 1977, of the objective of eliminating the current balance of payments deficit and of moderating the increase in consumer prices to a year on year rate of 16 % in December 1977; whereas for this purpose it is appropriate to fix the economic policy conditions to be observed in 1977;

Whereas it is possible, subject to any changes made in accordance with the development of the Italian economic situation, to fix at this stage the general economic policy conditions to be observed in 1978 which permit the attainment during the said year of a current balance of payments surplus of about Lit 1 000 000 million and a reduction in the rate of consumer price increases bringing these to a rate not exceeding 8 % at the end of 1978;

Whereas the Italian authorities have declared that they will not, unilaterally, take any measure of a commercial or financial nature to restrict imports or subsidize exports;

Whereas the conditions thus fixed will also apply to the granting, to the Italian Republic, of the Community loan which the Council authorized the Commission to negotiate on 18 April 1977,

HAS ADOPTED THIS DECISION:

Article 1

The following economic policy conditions shall be observed by the Italian Republic during the 1977 calendar year:

(1) OJ No L 46, 20. 2. 1975, p. 1.
(2) OJ No L 77, 24. 3. 1976, p. 16.
(3) OJ No L 77, 24. 3. 1976, p. 12.

(a) total central government cash expenditure must be limited to Lit 55 350 000 million ;

(b) the overall deficit of the public sector (treasury, local authorities, social security, ENEL) must not exceed Lit 16 450 000 million, that is 9·7 % of gross domestic product at current prices, according to the present forecast, Lit 13 100 000 million of which for the transactions of treasury and local authorities as a whole and Lit 9 800 000 million for the transactions of the treasury alone (as defined in Article 6 (3) of Directive 74/637/EEC [1]) ;

(c) the financing of the deficit on treasury transactions by the monetary authorities must be limited to Lit 4 000 000 million ;

(d) the growth in total lending, as defined in Article 6 (1) of Directive 74/637/EEC, must not exceed Lit 30 600 000 million ;

(e) public service charges and administered prices must be organized without effects on the sliding salary scale, in such a way as to ensure that the public sector deficit does not exceed the amount set out in paragraph (b).

Article 2

Before 30 June 1977, intermediate objectives for 1977 shall be established by agreement between the Italian authorities and the Commission in relation to the measures laid down in Article 1, except for that set out in Article 1 (e).

Article 3

1. The following economic policy conditions shall be observed by the Italian Republic during the 1978 calendar year, subject to any changes made in accordance with the development of the Italian economic situation :

(a) the growth in total government expenditure on an appropriations basis over 1977 must be limited to 7 %, while avoiding, as far as possible, a reduction in public investment ;

(b) the overall deficit of the public sector (treasury, local authorities, social security, ENEL) must not exceed Lit 14 450 000 million, that is 7·6 % of gross domestic product at current prices.

2. The other conditions shall be fixed on a proposal by the Commission before the end of 1977.

Article 4

This Decision shall adapt Decision 76/324/EEC.

Article 5

This Decision is addressed to the Italian Republic.

Done at Brussels, 17 May 1977.

For the Council

The President

J. SILKIN

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[1] OJ No L 341, 20. 12. 1974, p. 51.