II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DIRECTIVE

of 17 December 1974

granting medium-term financial assistance to the Italian Republic

(74/637/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 108 (2) thereof;

Having regard to the recommendation submitted by the Commission, following consultation of the Monetary Committee;

Whereas Council Decision No 71/143/EEC [1] of 22 March 1971 setting up machinery for medium-term financial assistance, lays down that up to the ceilings specified in that Decision, Member States should make available medium-term credits in the form of mutual assistance to a Member State in difficulties or seriously threatened with difficulties as regards its balance of payments, with the Council determining the economic policy undertakings the recipient Member State is required to give;

Whereas intensive consultations have been held in the Monetary Committee to discuss the economic situation of the Italian Republic; whereas these consultations have shown that this Member State is facing real balance of payments difficulties which, if they continue, could jeopardize the proper functioning of the common market; whereas, in view of the present economic situation of the Italian Republic and the state of its foreign exchange reserves, medium-term financial assistance is a particularly suitable method for countering these difficulties;

Whereas, pursuant to Article 3 of Decision No 71/143/EEC, it is necessary to determine the economic policy undertakings to be given by the recipient Member State, to comprise both immediate stabilization measures relating especially to credit policy and public expenditure, and also medium-term measures; whereas the nature of such measures has been discussed in detail in the Monetary Committee;

Whereas the main objective of these measures must be to enable the Italian Republic to achieve, in 1975, a surplus of at least US $ 1 000 million on its trade balance, leaving aside net imports of petroleum products;

Whereas the United Kingdom has declared that its present and foreseeable balance of payments difficulties prevent it from contributing towards financing the assistance to the Italian Republic; whereas the United Kingdom has declared that it is nevertheless ready to continue renewable credits in favour of the *Banca d'Italia* of the same amount as those which it granted within the system of short-term monetary support,

HAS ADOPTED THIS DIRECTIVE:

Article 1

In accordance with Decision No 71/143/EEC, the Italian Republic shall be given medium-term financial assistance on the terms set out below.

[1] OJ No L 73, 27. 3. 1971, p. 15.

Article 2

The amount of the financial assistance shall be 1 159·20 million units of account.

Member States' contributions to this assistance shall be as follows :

	million units of account
Germany	403·3
France	403·3
Belgium/Luxembourg	134·4
Netherlands	134·4
Denmark	60·4
Ireland	23·4

Article 3

The full amount of the assistance shall be made available to the Italian Republic on 18 December 1974.

The loan shall be repaid in 1978 in four quarterly payments, the first falling due on 18 March 1978.

The Italian Republic may repay all or part of the loan in advance, giving three months' notice.

Article 4

The amount shall be made available to the Italian Republic in United States dollars at the rate of $ 1·20635 per unit of account, applicable for the entire duration of the assistance.

The loan shall be granted at an interest rate of 7·5625 %. The interest shall be payable every six months in arrears.

Article 5

The assistance shall be granted subject to the conditions set out in Articles 6 and 7 relating to the economic and monetary policy measures to be taken by the Italian Republic.

Article 6

1. The increase in total lending must be kept below Lit 22 400 000 million in the 12 months to 31 March 1975. For the period from 1 April 1975 to 31 March 1976, this increase must not exceed Lit 24 700 000 million.

By total lending is meant the financing of treasury deficits (excluding financial assistance to financial intermediaries), loans granted by *aziende di credito* (banks) and specialized financial institutions and bonds issued by undertakings and public authorities other than the treasury.

2. The rate of increase in central government expenditure must not exceed 16 % in the 1975 calendar year. In addition, the central government shall take steps to ensure that other public authorities and the social security institutions limit the growth of their expenditure in 1975 to a similar extent.

3. The deficit on treasury transactions must not exceed Lit 8 000 000 million in 1975. By treasury transactions are meant those listed in Annex.

Article 7

1. The discrepancy between central government current expenditure and revenue must be gradually eliminated over the next five years by measures to be taken immediately by the Italian authorities.

To this end :

— the expenditure and number of semi-public bodies shall be restricted ;

— direct taxation shall be increased and the campaign against tax evasion stepped up ;

— special efforts shall be made to improve administrative organization and to prevent the transfer of powers from central government to regional authorities from leading to duplication of tasks.

2. Over the next five years, monetary financing of treasury requirements must be gradually and substantially reduced.

3. In public capital spending, priority shall be given to the development of public transport and increased use of national energy resources.

4. Saving shall be made in the consumption of petroleum products for domestic use.

5. The competent authorities shall take the necessary steps, where appropriate using available Community instruments, in particular the Social Fund, to improve the operation of relocation services and the vocational training of workers.

6. Special efforts shall be made to promote foreign investment in Italy, particularly in the Mezzogiorno.

7. Detailed plans for implementing the measures provided for in this Aricle shall be communicated to the Commission by 30 June 1975.

Article 8

Acting on a recommendation from the Commission, the Council shall, by 1 December 1975, adapt for the following year the conditions laid down in Article 6.

Article 9

The Commission, in collaboration with the Monetary Committee, shall regularly check that the economic policy conditions laid down in Articles 6 and 7 are being respected. For this purpose, the Italian authorities shall communicate to the Commission all the necessary information.

As regards the measures provided for in Article 6, intermediate objectives shall be jointly agreed during the year by the Italian authorities and the Commission.

Article 10

This Directive is addressed to the Member States.

Done at Brussels, 17 December 1974.

For the Council

The President

M. DURAFOUR

ANNEX

Treasury transactions referred to in Article 6

1. Budgetary receipts
2. Budgetary expenditure
3. Budgetary deficit (1 — 2)
4. Extra-budgetary operations :
   — as appear in the balance sheet of the treasury
   — others
5. Overall treasury cash deficit (3 + 4)
6. Operations of the *Cassa Depositi e Prestiti* (CDP) and autonomous public undertakings :
   — main outgoings of the CDP
   — net financing requirement of autonomous public undertakings
7. Borrowing requirement (5 + 6)