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(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 1736/79

of 3 August 1979

on interest subsidies for certain loans granted under the European monetary system

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 (1),

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Economic and Social Committee (3),

Whereas, on 18 December 1978, the Council adopted Regulation (EEC) No 3181/78 relating to the European monetary system (4);

Whereas, at its meeting of 4 and 5 December 1978, the European Council laid down that this system should include measures to strengthen the economies of the less prosperous Member States participating in it;

Whereas it is of prime importance in fulfilling this purpose that investment programmes and projects in infrastructure be carried out in these less prosperous Member States;

Whereas the loans by the European Investment Bank and those within the framework of Decision 78/870/EEC of 16 October 1978 empowering the Commission to contract loans for the purpose of promoting investment within the Community (5) are intended *inter alia* to finance investments in infrastructure; whereas the rates of interest applied to these loans depend on the terms of the corresponding borrowings;

Whereas selected projects and programmes, mainly in infrastructure, in the less prosperous Member States effectively and fully participating in the mechanisms of the European monetary system could be more easily carried out if Community loans carrying interest rate subsidies financed by the general budget of the European Communities were available;

Whereas the European Council requested the Community institutions and the European Investment Bank to grant for a five-year period loans of 1 000 million European units of account a year on special terms, to aid investments in these Member States, those loans made by the Community institutions being within the framework of Decision 78/870/EEC;

Whereas the Community should, during this five-year period, participate in this action by granting interest subsidies on these loans;

Whereas special arrangements are needed for Member States which do not effectively and fully participate in the mechanisms of the European monetary system;

Whereas the European Investment Bank has agreed to participate in implementing this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

Loans granted from its own resources by the European Investment Bank, hereinafter referred to as 'the Bank', and loans granted under Decision 78/870/EEC to aid investments in the less prosperous Member States may carry an interest subsidy financed by the budget of the European Communities, provided that these States effectively and fully participate in the mechanisms of the European monetary system.

(1) OJ No C 65, 9. 3. 1979, p. 3.
(2) OJ No C 127, 21. 5. 1979, p. 30.
(3) Opinion delivered on 23 May 1979 (not yet published in the Official Journal).
(4) OJ No L 379, 30. 12. 1978, p. 2.
(5) OJ No L 298, 25. 10. 1978, p. 9.

Article 2

The Council, acting by a qualified majority, shall decide on a proposal from the Commission which Member State or States shall be eligible for the subsidies described in Article 1.

Article 3

To ensure cohesive Community action and to facilitate the selection of projects, indicative programmes shall be drawn up by each Member State involved, in collaboration with the Commission. These indicative programmes shall be concerned particularly with the overall amount and the categories of investment aimed at. Investments in regions for which the Member States are required to submit regional development programmes shall be compatible with such programmes.

Article 4

Applications for the interest subsidies provided for in this Regulation shall be submitted for the opinion of the Member State on the territory of which the project is to be carried out.

Article 5

If the opinion of the Member State concerned is favourable, and subject to approval of the grant of a loan subsidized by the Bank in accordance with Article 6, the Commission shall decide whether or not projects are eligible in accordance with the following guidelines :

— the investment shall be consistent with the Community rules applicable in the relevant sectors,

— the loans shall be concentrated on the financing of infrastructure projects and programmes,

— the investment shall contribute to resolving the main structural problems affecting the State concerned and, in particular, to reducing regional imbalances and to improving the employment situation,

— the investment shall be compatible with the provisions of the Treaty governing competition. Direct or indirect distortion of the competitive position of specific industries within the Member States should be avoided.

Article 6

The subsidized loans covered by this Regulation shall be made and administered in accordance with the Bank's statute and, where appropriate, with Decision 78/870/EEC.

Article 7

The interest subsidy shall be 3 % per year.

The amount of the loans to be subsidized pursuant to this Regulation shall be 5 000 million European units of account for a period of five years, divided into annual instalments of 1 000 million European units of account.

For the same period, the amount to be entered in the budget to cover the discounted value of these subsidies shall be 1 000 million European units of account divided into annual instalments of 200 million European units of account.

Article 8

Any Member State which does not effectively and fully participate in the mechanisms of the European monetary system shall receive financial compensation financed from the budget, the amount of which is to be determined on the basis of expenditure on interest subsidies under this Regulation.

Article 9

The arrangements for applying this Regulation shall be adopted by the Commission, which may conclude an agreement with the Bank for this purpose.

Article 10

The Commission shall annually inform the Council and the European Parliament of operations carried out pursuant to this Regulation.

By not later than the end of 1980, the Commission shall submit to the Council and the European Parliament a report on the experience gained from application of this Regulation, accompanied, if necessary, by proposals for its revision.

Article 11

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities.*

It shall be applicable as from 1 January 1979.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 3 August 1979.

For the Council

The President

M. O'KENNEDY