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Financial Protocol between the European Economic Community and Turkey

Brussels, 12 May 1977

[The Protocol entered into force on 1 May 1979]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
November 1979*

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**FINANCIAL PROTOCOL
BETWEEN THE EUROPEAN ECONOMIC COMMUNITY
AND TURKEY**

His Majesty The King of the Belgians, Her Majesty The Queen of Denmark, The President of the Federal Republic of Germany, The President of the French Republic, The President of Ireland, The President of the Italian Republic, His Royal Highness The Grand Duke of Luxembourg, Her Majesty The Queen of the Netherlands, Her Majesty The Queen of the United Kingdom of Great Britain and Northern Ireland, and, The Council of the European Communities, of the one part,

The President of the Republic of Turkey, of the other part,

Conscious of the need to promote the accelerated development of the Turkish economy with a view to facilitating the pursuit of the objectives of the Agreement establishing an Association between the European Economic Community and Turkey⁽¹⁾,

Have designated as their plenipotentiaries:

His Majesty The King of the Belgians:

Joseph Van der Meulen,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

Her Majesty The Queen of Denmark:

Niels Ersbøll,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

The President of the Federal Republic of Germany:

Helmut Sigrist,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

The President of the French Republic:

Luc de La Barre de Nanteuil,
Ambassador of France,
Permanent Representative to the European Communities;

⁽¹⁾ For texts in Dutch, French, German and Italian see Official Journal of the European Communities No. 217 p.3702 of 1 December 1964; available through Agency Section, Her Majesty's Stationery Office, PO Box 569, London SE1 9NY—Tel. 01-928 6977, ext. 410. For text in English see Official Journal of the European Communities No. C 113, p.2 of 24 December 1973.

The President of Ireland :

Brendan Dillon,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

The President of the Italian Republic :

Eugenio Plaja,
Ambassador of Italy,
Permanent Representative to the European Communities;

His Royal Highness The Grand Duke of Luxembourg :

Jean Dondelinger,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

Her Majesty The Queen of the Netherlands :

J. H. Lubbers,
Ambassador Extraordinary and Plenipotentiary,
Permanent Representative to the European Communities;

Her Majesty The Queen of the United Kingdom of Great Britain and Northern Ireland :

David Owen,
Secretary of State for Foreign and Commonwealth Affairs;

The Council of the European Communities :

David Owen
President in office of the Council of the European Communities,
Secretary of State for Foreign and Commonwealth Affairs;

Roland de Kergorlay,
Assistant-Director-General of the Directorate-General for External Relations of the Commission of the European Communities;

The President of the Republic of Turkey :

Ihsan Sabri Caglayangil,
Minister for Foreign Affairs;

Who, having exchanged their Full Powers, found in good and due form,

Have agreed as follows :

ARTICLE 1

Within the framework of the Association between the European Economic Community and Turkey⁽¹⁾, the Community shall participate on the terms set out in this Protocol in measures designed to promote, by efforts additional to those made by Turkey itself, the development of Turkey.

ARTICLE 2

1. For the purposes specified in Article 1, and for a period expiring on 31 October 1981, an aggregate amount of 310 million European units of account (EUA) may be committed as follows:

- (a) 90 million EUA in the form of loans from the European Investment Bank, hereinafter called the "Bank", granted from its own resources;
- (b) 220 million EUA in the form of loans on special terms granted by the Bank acting on instructions from the Community.

2. Capital projects shall be eligible for financing which have been submitted to the Bank by the Turkish State or, with the latter's agreement, by an authority or by public or private undertakings having their seat or a place of business in Turkey which:

- (a) help to increase the productivity of the Turkish economy and, in particular, aim to provide Turkey with a better economic infrastructure, higher agricultural output, and modern, efficiently-run undertakings in the industrial and service sectors whether they are publicly or privately managed;
- (b) further the realization of the objectives of the Association Agreement;
- (c) are part of the Turkish Development Plan in force.

3. With respect to the choice of capital projects within the framework of the above provisions:

- (a) only individual projects may be financed;
- (b) as a general rule, capital projects which are to be carried out on Turkish territory may, in principle, be financed in all the sectors of the economy;
- (c) special consideration shall be given to projects which could serve to improve Turkey's balance of payments.

4. Examination of the eligibility of projects and the granting of loans shall be undertaken in accordance with the detailed rules, conditions and procedures laid down by the Bank's Statute.

ARTICLE 3

1. The amounts to be committed each year shall be distributed as evenly as possible throughout the period of application of this Protocol. During the initial period of application, however, a proportionately higher amount may, within reasonable limits, be committed.

2. Any funds not committed may, by the end of the period referred to in Article 2(1), be used, until exhausted. In that case, the funds shall be used in accordance with the same arrangements as provided for in this Protocol.

ARTICLE 4

1. The loans may be granted through the intermediary of the State or appropriate Turkish bodies, on condition that they onlend the amounts to the recipients on terms decided, by agreement with the Bank, on the basis of the economic and financial characteristics of the projects for which they are intended.

2. Loans granted by the Bank from its own resources shall be subject to terms as to duration established on the basis of the economic and financial characteristics of the projects. The interest rate shall be that applied by the Bank at the time of signature of each loan contract.

3. Loans on special terms shall be granted to the Turkish State for forty years with postponement of amortization of ten years and at an interest rate of 2.5 per annum.

The Turkish State shall ensure that repayments by beneficiaries which are not immediately needed by the State for the amortization of loans from the Bank are used to finance capital projects within the meaning of Article 2(2). It shall notify the Bank each year of the use of these amounts. This provision shall also apply to projects carried out under the earlier Financial Protocols.

4. Loans accorded by the Bank from its own resources shall be used primarily to finance projects showing a normal return; loans on special terms shall be used primarily to finance indirect or long-term return projects.

ARTICLE 5

The loans may be used to cover expenditure on imports or the domestic expenditure required for carrying out approved capital projects, including expenditure on planning, on the services of consulting engineers and on technical assistance.

ARTICLE 6

Aid from the Bank for the execution of projects may, with the agreement of Turkey, take the form of co-financing.

ARTICLE 7

Undertakings whose risk capital comes wholly or partly from countries of the Community shall have access to the finance provided for in this Protocol on the same conditions as undertakings with national capital.

ARTICLE 8

The execution, management and maintenance of schemes which are the subject of financing under this Protocol shall be the responsibility of Turkey or of the other beneficiaries referred to in Article 2(2).

The Bank shall ensure that its financial aid is expended in accordance with the agreed allocations and to the best economic advantage.

ARTICLE 9

1. All natural and legal persons of the Republic of Turkey or of Member States of the Community may participate on equal terms in tendering procedures and other procedures for the award of contracts financed by loans.

2. Turkey shall apply to contracts awarded for the execution of projects financed under this Protocol fiscal and customs arrangements at least as favourable as that applied in respect of other international organizations.

ARTICLE 10

Turkey shall take all necessary measures to ensure that interest and all other payments due to the Bank in respect of loans granted under this Protocol are exempted from any national or local tax or levy.

ARTICLE 11

Where a loan is accorded to a beneficiary other than the Turkish State, the provision of a guarantee by the latter may be required by the Bank as a condition of the grant of the loan.

ARTICLE 12

Throughout the duration of the loans granted pursuant to this Protocol, Turkey shall undertake to make available to debtors enjoying such loans and to the guarantors of the loans the foreign currency for the payment of interest, commission and other charges and for the repayment of capital.

ARTICLE 13

The results of financial co-operation may be examined within the Association Council set up by Article 6 of the Agreement establishing an Association between the European Economic Community and Turkey.

ARTICLE 14

The Contracting Parties will, one year before the expiry of this Protocol, consider which of its provisions relating to financial assistance might be adopted for a further period.

ARTICLE 15

This Protocol shall be annexed to the Agreement establishing an Association between the European Economic Community and Turkey.

ARTICLE 16

1. This Protocol shall be subject to ratification, acceptance or approval in accordance with the Contracting Parties' own procedures; the Contracting Parties shall notify each other that the procedures necessary to this end have been completed.

2. This Protocol shall enter into force⁽²⁾ on the first day of the second month following the date on which the notifications provided for in paragraph 1 have been given.

ARTICLE 17

This Protocol is drawn up in two copies in the Danish, Dutch, English, French, German, Italian and Turkish languages, each of these texts being equally authentic⁽³⁾.

In witness whereof, the undersigned Plenipotentiaries have affixed their signature below this Financial Protocol.

Done at Brussels on the twelfth day of May in the year one thousand nine hundred and seventytseven.

[Here follow the signatures]

⁽²⁾ The Protocol entered into force on 1 May 1979.

⁽³⁾ For texts in Danish, Dutch, French, German and Italian see Official Journal of the European Communities No. L67 of 17 March 1979, available through Agency Section, Her Majesty's Stationery Office, PO Box 569, London SE1 9NY—Tel. 01-928 6977, ext. 410.

ANNEX

DECLARATION OF THE EUROPEAN ECONOMIC COMMUNITY ON ARTICLE 2 OF THE FINANCIAL PROTOCOL

1. The European unit of account used to express the amounts specified in Article 2 of the Financial Protocol is defined as the sum of the following amounts in the currencies of the Member States of the Community:

German mark	...	...	...	0.828
Pound sterling	...	...	...	0.0885
French franc	...	...	...	1.15
Italian lira	...	...	...	109
Dutch guilder	...	...	...	0.286
Belgian franc	...	...	...	3.66
Luxembourg franc	...	...	...	0.14
Danish krone	...	...	...	0.217
Irish pound	...	...	...	0.00759

2. The value of the European unit of account in any given currency is equal to the sum of the equivalent in that currency of the amounts of currency referred to in paragraph 1. It is calculated by the Commission using daily market exchange rates.

The daily rates of exchange in the various national currencies are published in the Official Journal of the European Communities.