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EUROPEAN  
COMMUNITIES



Treaty Series No. 31 (1979)

# Financial Protocol

between the European Economic  
Community and the Republic of Cyprus  
(with Final Act)

Brussels, 15 September, 1977

[The Protocol entered into force on 1 January 1979]

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

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**FINANCIAL PROTOCOL  
BETWEEN THE EUROPEAN ECONOMIC COMMUNITY  
AND THE REPUBLIC OF CYPRUS**

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, and*

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

Conscious of the need to promote the development of the Cypriot economy of the one part and with a view to facilitating the pursuit of the objectives of the Agreement establishing an association between the European Economic Community and the Republic of Cyprus of the other part<sup>(1)</sup>.

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:

Gunnar Riberholdt,

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;

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(1) European Communities No. 13 (1974), Cmnd. 5694.

The President of the French Republic:

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

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:

Sir Donald Maitland, G.C.M.G., O.B.E.,  
Ambassador Extraordinary and Plenipotentiary,  
Permanent Representative to the European Communities;

The Council of the European Communities:

Joseph van der Meulen,  
Ambassador Extraordinary and Plenipotentiary,  
Permanent Representative of Belgium,  
*Chairman of the Permanent Representatives Committee;*

Roland de Kergorlay,

Assistant Director-General in the Directorate-General for External Relations of the Commission of the European Communities;

The President of the Republic of Cyprus:

Titos Phanos,  
Ambassador Extraordinary and Plenipotentiary,  
Permanent Delegate to the European Economic Community,  
Head of the Mission of the Republic of Cyprus;

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

Have agreed as follows:

## ARTICLE 1

The Community shall participate, within the framework of financial and technical co-operation, in the financing of projects designed to contribute to the economic and social development of Cyprus.

## ARTICLE 2

1. For the purposes specified in Article 1, and for a period expiring five years after the entry into force of this Protocol, an aggregate amount of 30 million European units of account may be committed as follows:

- (a) 20 million European units of account in the form of loans from the European Investment Bank, hereinafter called the "Bank", granted from its own resources on the terms set out in its statute;
- (b) 4 million European units of account in the form of loans on special terms;
- (c) 6 million European units of account in the form of grants.

Provision may be made for contributions to risk capital formation, to be charged against the amount shown in (b).

2. The loans referred to in paragraph 1(a) shall generally be combined with interest rate subsidies of 2% maximum financed by means of the funds shown in paragraph 1(c).

## ARTICLE 3

1. The amount fixed in Article 2 shall be used for the financing or part-financing of projects such as:

- capital projects in the fields of production and infrastructure, aimed in particular at diversifying the economic structure of Cyprus and, especially, at promoting its industrialization and the modernization of its agriculture,
- technical co-operation as a preliminary or complement to capital projects and, as a corollary, technical co-operation schemes in the field of training.

2. Community aids shall be used to cover costs necessarily incurred in carrying out approved projects or schemes. They may not be used to cover current administrative, maintenance or operational expenditure.

## ARTICLE 4

1. Capital projects shall be eligible for financing either by loans from the Bank, combined with interest rate subsidies on the terms set out in Article 2, or by loans on special terms, or by a combination of these two means.

2. Technical co-operation shall normally be financed by grants.

## ARTICLE 5

1. The amounts to be committed each year for each of the various forms of aid 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 by the end of the fifth year following the entry into force of the Protocol shall be used, until exhausted, in accordance with the same arrangements as provided for in this Protocol.

## ARTICLE 6

1. 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 for which such loans are intended. The interest rate shall be that applied by the Bank at the time of signature of each loan contract, subject to the interest rate subsidy referred to in Article 2(2).

2. Loans on special terms shall be granted for 40 years with an amortization period of 10 years. The interest rate shall be fixed at 1%.

3. The loans may be granted through the intermediary of the State or appropriate Cypriot public bodies, on condition that they onlend the amounts to the recipients on terms decided, by agreement with the Community, on the basis of the economic and financial characteristics of the projects.

## ARTICLE 7

Aid contributed by the Community for the execution of certain projects may, with the agreement of Cyprus, take the form of co-financing in which, in particular, credit and development bodies and institutions of Cyprus, of Member States or of third States or international finance organizations would take part.

## ARTICLE 8

The following shall be eligible for financial and technical co-operation:

(a) in general:

—the State of Cyprus;

(b) with the agreement of the State of Cyprus, for projects or measures approved by it:

—Cypriot official development agencies;

—private agencies working in Cyprus for economic and social development;

- undertakings, carrying on their activities in accordance with the methods of industrial and business management, which are set up as companies or firms under Cypriot law;
- groups of producers that are nationals of Cyprus, and exceptionally, where no such groups exist, the producers themselves;
- scholarship holders and trainees sent by Cyprus under the training schemes referred to in Article 3.

#### ARTICLE 9

1. On the entry into force of this Protocol, the Community and Cyprus shall establish by mutual agreement the specific objectives of financial and technical co-operation, by reference to the priorities set by Cyprus's development plan.

These objectives may be reviewed by mutual agreement to take account of changes in Cyprus's economic situation or in the objectives and priorities set by its development plan.

2. Within the framework established pursuant to paragraph 1, financial and technical co-operation shall apply to projects and measures drawn up by Cyprus or by other beneficiaries approved by that country.

#### ARTICLE 10

1. For each request for financial aid under this Protocol, a dossier shall be submitted to the Community by the beneficiary referred to in Article 8(a) or, with the agreement of Cyprus, by those referred to in Article 8(b).

2. The Community shall appraise the requests for financing in collaboration with the State of Cyprus and the beneficiaries, in accordance with the objectives set out in Article 9(1), and shall inform them of the decisions taken on such requests.

#### ARTICLE 11

The execution, management and maintenance of schemes that are the subject of financing under this Protocol shall be the responsibility of Cyprus or the other beneficiaries referred to in Article 8 of this Protocol.

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

#### ARTICLE 12

1. As regards projects and measures financed by the Community, participation in tendering procedures and other procedures for the award of contracts shall be open, on equal terms, to all natural or legal persons of Cyprus and of the Member States.

2. To promote participation by Cypriot undertakings in the performance of works contracts, an accelerated procedure for issuing invitations to tender involving shorter time-limits for the submission of tenders may be used after approval by the relevant Community body where the works in question, because of their scale, are mainly of interest to Cypriot undertakings.

This accelerated procedure may be used for invitations to tender estimated at less than 1,000,000 European units of account.

3. Where the relevant Community body considers it useful, participation by other countries in contracts financed by the Community may be authorized exceptionally on a case-by-case basis.

Participation by third countries may also be authorized on the same conditions, where the Community is financing schemes jointly with other sources of funds.

#### ARTICLE 13

Cyprus shall apply to contracts awarded for the execution of projects or measures financed by the Community fiscal and customs arrangements as favourable as those applied in respect of other international organizations.

#### ARTICLE 14

Where a loan is granted to a beneficiary other than the State of Cyprus, the provision of a guarantee by the latter or of other adequate guarantees may be required by the Community as a condition of the grant of the loan.

#### ARTICLE 15

Throughout the duration of the loans granted pursuant to this Protocol, Cyprus shall undertake to make available to debtors, beneficiaries or guarantors of such loans the foreign currency necessary for the payment of interest and commission and the repayment of principal.

#### ARTICLE 16

The results of financial and technical co-operation shall be examined annually by the Association Council.

#### ARTICLE 17

This Protocol shall form an integral part of the Agreement establishing an association between the European Economic Community and the Republic of Cyprus.

## ARTICLE 18

1. This Protocol shall be subject to ratification, acceptance or approval in accordance with the procedures in force in each of the signatory States and the European Economic Community. The acts necessary for this purpose shall be exchanged at Brussels.

2. This Protocol shall enter into force on the first day of the second month following that in which the exchange of acts referred to in paragraph 1 is carried out<sup>(2)</sup>.

## ARTICLE 19

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

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

Done at Brussels on the fifteenth day of September in the year one thousand nine hundred and seventy-seven.

[Here follow the signatures]

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<sup>(2)</sup> The Protocol entered into force on 1 January, 1979.

<sup>(3)</sup> For texts in Danish, Dutch, French, German and Italian see Official Journal of the European Communities No. L 332 of 29 November 1978; available through Agency Section; Her Majesty's Stationery Office, PO Box 569, London SE1 9NY—Tel. 01-928 6977, ext 410.



## FINAL ACT

The Plenipotentiaries of: 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 of The Council of the European Communities, of the one part, and of

The President of the Republic of Cyprus, of the other part, meeting at Brussels on fifteenth September nineteen hundred and seventy-seven for the signature of the Additional Protocol<sup>(4)</sup> to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus and of the Financial Protocol.

- I. have, on signing the Additional Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus, taken note of the Exchange of Letters on scientific and technological co-operation and the protection of the environment;
- II. have, on signing the Financial Protocol, taken note of the Declarations below:
  - Declaration by the European Economic Community on Article 2 of the Financial Protocol;
  - Declaration by the representative of the Federal Republic of Germany on the definition of German nationality;
  - Declaration by the representative of the Federal Republic of Germany on the application of the Financial Protocol to Berlin.

The above Exchange of Letters and the Declarations are annexed to this Final Act.

The Plenipotentiaries have agreed that this Exchange of Letters and these Declarations shall be subject, in the same manner as the Protocols, to any procedures that may be necessary to ensure their validity.

Done at Brussels this fifteenth day of September in the year one thousand nine hundred and seventy-seven.

[Here follow the signatures]

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<sup>(4)</sup> European Communities No 31 (1978), Cmnd. 7228.

**Exchange of Letters relating to  
scientific and technological co-operation  
and the protection of the environment**

No. 1

Brussels, 15 September 1977.

Sir,

Further to the wishes expressed by the Cypriot delegation at the negotiations which ended today in an Additional Protocol being concluded between the Community and Cyprus, I have the honour to inform you, on behalf of the Member States of the Community, that the latter are ready to examine on a case-by-case basis the possibility of Cyprus having access to the results of the research programmes carried out jointly by the Member States of the Community or by the Member States in collaboration with other third countries in the fields of science, technology and the protection of the environment.

I should be grateful if you would acknowledge receipt of this letter.

Please accept, Sir, the assurance of my highest consideration.

[Signature]

*Head of the delegation of the  
European Economic Community*

No. 2

Brussels, 15 September 1977.

Sir,

In your letter of today's date you inform me as follows:

[As in No. 1]

I have the honour to acknowledge receipt of your letter.

Please accept, Sir, the assurance of my highest consideration.

[Signature]

*Head of the delegation  
of the Republic of Cyprus*

**Declaration by 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 equivalent in that currency of the sum of the amounts of currency referred to in paragraph 1. It is calculated by the Commission using daily market exchange rates.

The daily values of the unit of account in the various national currencies are made available every day and are published periodically in the Official Journal of the European Communities.

**Declaration by the representative  
of the Federal Republic of Germany  
on the definition of German nationality**

Every German person, within the meaning of the basic constitutional law applying in the Federal Republic of Germany, is considered as a national of the Federal Republic of Germany.

**Declaration by the representative  
of the Federal Republic of Germany  
on the application of the Financial Protocol to Berlin**

The Financial Protocol shall also apply to Land Berlin provided that no statement to the contrary by the Government of the Federal Republic of Germany is addressed to the other Contracting Parties within three months of the entry into force of the Protocol.

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