PROTOCOL 38

ON THE FINANCIAL MECHANISM

Article 1
1. The Financial Mechanism shall provide financial assistance to the development and structural adjustment of the regions referred to in Article 4, on the one hand, in the form of interest rebates on loans and, on the other hand, in the form of direct grants.

2. The Financial Mechanism shall be financed by the EFTA States. The latter shall extend a mandate to the European Investment Bank, which shall execute this mandate according to the following Articles. The EFTA States shall establish a Financial Mechanism Committee which shall take the decisions required by Articles 2 and 3 as far as interest rebates and grants are concerned.

Article 2
1. The interest rebates provided for in Article 1 shall be available in connection with loans granted by the European Investment Bank and denominated, as far as possible, in ECU.

2. The interest rebate on such loans shall be fixed at two \(^{1}\) percentage points, per annum, by reference to European Investment Bank interest rates and shall be available for ten years in respect of any one loan.

3. There shall be a period of grace of two years before repayment, in equal tranches, of capital commences.

4. The interest rebates shall be subject to approval by the EFTA Financial Mechanism Committee and to the opinion of the EC Commission.

5. \(^{2}\) The total volume of loans, which shall be eligible for the interest rebates provided for in Article 1 shall be ECU 1500 million, to be committed in equal tranches over a period of five years from 1 July 1993. If the EEA Agreement enters into force after that date, the period shall be five years from the entry into force.

Article 3
1. \(^{3}\) The total amount of grants provided for in Article 1 shall be ECU 500 million, to be committed in equal tranches over a period of five years from 1 July 1993. If the EEA Agreement enters into force after that date, the period shall be five years from the entry into force.

2. These grants shall be disbursed by the European Investment Bank on the basis of the proposals from the beneficiary EC Member States and after seeking the opinion of the EC Commission and having the approval of the EFTA Financial Mechanism Committee, which shall be informed throughout the process.

\(^{1}\) Former word “three” replaced by “two” by the Adjusting Protocol.

\(^{2}\) Paragraph 5, introduced by the Adjusting Protocol, replaces former paragraph 5.

\(^{3}\) Paragraph 1, introduced by the Adjusting Protocol, replaces former paragraph 1.
Article 4

1. The financial assistance provided for in Article 1 shall be limited to projects carried out by public authorities and public or private undertakings in Greece, the island of Ireland, Portugal and in those regions of Spain listed in the Appendix. The share of each region in the overall level of financial assistance shall be determined by the Community, which shall inform the EFTA States.

2. Priority shall be given to projects which place particular emphasis on the environment (including urban development), on transport (including transport infrastructure) or on education and training. Among projects submitted by private undertakings, special consideration shall be given to small and medium-sized enterprises.

3. The maximum grant element for any project supported by the Financial Mechanism shall be fixed at a level which is not inconsistent with EC policies in this regard.

Article 5

The EFTA States shall make such arrangements with the European Investment Bank and the EC Commission as may be mutually deemed appropriate to ensure the good functioning of the Financial Mechanism. The costs related to the administration of the Financial Mechanism shall be decided in this context.

Article 6

The European Investment Bank shall be entitled to attend, as an observer, meetings of the EEA Joint Committee when matters in relation to the Financial Mechanism which concern the European Investment Bank are on the agenda.

Article 7

Further provisions for the implementation of the Financial Mechanism may be decided upon by the EEA Joint Committee as necessary.
APPENDIX TO PROTOCOL 38

List of eligible Spanish regions

Andalucia
Asturias
Castilla y León
Castilla-La Mancha
Ceuta-Melilla
Valencia
Extremadura
Galicia
Islas Canarias
Murcia