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Brussels, March 5, 1963

INFORMATION MEMO

The Commission has submitted three draft regulations to the Council:

1. Regulation concerning the conditions for grants from the European Agricultural Guidance and Guarantee Fund, based on Financial Regulation No. 25 and Article 43. The Fund has two distinct purposes:
  - a) Firstly, it will gradually assume liability for expenditure incurred in refunds on exports to third countries and in measures to regulate internal markets. The regulation lays down criteria governing the eligibility of the expenditure. These are either of general application (method of calculating refunds) or apply specifically to the cereals sector (as regards action on the market, the Fund will pay bonuses or cover losses resulting from the denaturing of wheat (other than durum) and rye and falls in the price of stocks held by the intervention authorities at the end of a marketing season). The regulation also deals with procedure for payment.

This part of the Fund acts once a year as an equalization fund for products subject to levies (at present cereals, pigmeat, eggs and poultry).

- b) The Fund's second purpose is to improve the structure of agricultural markets, making free grants which stop short of disturbing competitive conditions to an extent incompatible with the common interest. Such action may concern any agricultural product mentioned in Annex II of the Treaty but it must not take the place of financial aid from the national authorities.

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Public, semi-public or private schemes are only eligible for aid from the Fund:

- (i) if they are part of a Community programme for improving agricultural market structure (these programmes will be adopted at a later date by the Council, acting on Commission proposals);
- (ii) if they offer satisfactory assurance of a lasting improvement;
- (iii) if those receiving aid are prepared to bear at least 30 % of the total cost.

Preference will be given to projects that are part of a programme for regional economic development, that supplement a scheme financed by the European Structure Fund or that are an economic consequence of a common organization of the markets.

Community programmes may concern storage capacity, valorization of agricultural products (provision of abattoirs, dairies, canneries, etc.), improvement of distribution channels (auctions, central markets, etc.), the creation or improvement of information facilities on price quotation, adjustment of production quantities to market requirements (conversion of some lines of production, alteration of delivery period), encouragement to produce higher quality and stimulation of consumption.

The Regulation provides for the creation of a European Guidance and Guarantee Fund Advisory Committee, composed of representatives of the Member States which will be consulted on important matters connected with the Fund.

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2. Regulation on the European Fund for structural Improvements in  
Agriculture

pursuant to Article 43 of the EEC Treaty. In order to encourage selected schemes that are of importance to the Community and accord with the aims of the common agricultural policy, the Fund may assist public, semi-public and private projects designed to improve agricultural structure. The Fund can grant interest rate subsidies (up to 4 %) or extend the time for repayment (up to 30 years) or combine the two. The Fund will help individuals or bodies financially responsible for the scheme, who will pay interest at between 1 and 4 %.

To be eligible for aid from the Fund the schemes must be in the Community interest, improve agricultural structures for the benefit of the general economy, render or keep farms viable and offer an assurance of lasting improvement.

Priority will be given to schemes that answer one or more of the following criteria: that they form part of a regional economic development programme; that they make sufficient provision for occupational training and advisory services; and that they help to improve the social conditions of farm workers.

Since the purpose of the Fund is confined to stimulating and guiding the efforts of Member States to improve agricultural structures, its aid is only supplementary and is not intended to replace the financial aid normally forthcoming from the national authorities. On the other hand, the Fund can follow up the work

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of the European Investment Bank, the European Social Fund and the European Agricultural Guidance and Guarantee Fund. National authorities will still be responsible for capital subsidies and for underwriting interest and repayment. The Commission will consult the Standing Committee on Agricultural Structures - due to meet for the first time on 5 and 6 March - on all matters of general importance concerning the Fund.

3. Financial Regulation concerning the two Agricultural Funds

pursuant to Article 209 of the EEC Treaty. In January 1962 it was decided by the Council that the Agricultural Guidance and Guarantee Fund formed part of the Community's budget. The same is true, by analogy, of the Structures Fund. The regulation is on the same lines as that concerning the Social Fund. The Member States' financial contributions to the Guidance and Guarantee Fund will be calculated according to the special scale provided for in the financial regulation for agriculture (No. 25). About 3/4 of the Guarantee Fund will be earmarked for refunds and market intervention and 1/4 for structural changes, of which a quarter (1/16 of the total) will go to the Structures Fund. If this proves inadequate, the necessary additional credits for the Structures Fund will be provided for in the budget.

The Commission proposes that the Council adopt all three regulations at the same time, as the only way of making an effective start on financing the common agricultural policy.