

**Proposal for a Council regulation on the granting
of aid by the European Agricultural Guidance and Guarantee Fund**

(Submitted by the Commission to the Council on 5 March 1963)

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SECRETARIAT OF THE COMMISSION OF
THE EUROPEAN ECONOMIC COMMUNITY

**Proposal for a Council regulation on the granting
of aid by the European Agricultural Guidance and Guarantee Fund**

(Submitted by the Commission to the Council on 5 March 1963)

*The Council of the European Economic
Community,*

*Having regard to the Treaty establishing
the European Economic Community, and
in particular Article 43 thereof;*

*Having regard to Council Regulation
No. 25 on financing of the common agri-
cultural policy, and in particular Article 3,
(1), b), c) and d) thereof;*

*Having regard to the proposal of the Com-
mission;*

Having regard to the opinion of the European Parliament;

Whereas in order to bring the European Agricultural Guidance and Guarantee Fund into operation it is necessary to establish the conditions under which it will make payments and under which applications for refunds or subsidies must be submitted;

Whereas Community rules applicable to all the common organizations of markets must be established as far as possible on the basis of standard definitions, general criteria and a common procedure;

Whereas it is intended that the present Regulation will apply to any markets to which the Council decides to extend the scope of Regulation No. 25;

Whereas intervention varies in form for the different common organizations of markets and the expenditure chargeable to the Fund in pursuance of Article 3 (1), b) and c) of Council Regulation No. 25 must therefore be determined for each common organization;

Whereas, by the enactments so far made under the common agricultural policy, intervention expenditure on the home market concerns for the time being only the cereals market;

Whereas, in view of the need to clarify the concepts serving as a basis for computing expenditure on refunds for exports to non-member countries, the present Regulation also covers expenditure coming under Article 3, (1) a) of Council Regulation No. 25;

Whereas the steps to be taken in order to fulfil the aims of Article 39 (1), a) of the Treaty, including structural alterations necessitated by the development of the Common Market, concern in particular the improvement of the structure of agricultural markets and the improvement of agricultural structures through the European Fund for Structural Improvements in Agriculture;

Whereas agriculture is an integral part of the general economy and this is also true at the regional level; and whereas consequently the solution to certain agricultural problems can be found in regional development, more especially through supplementary measures taken outside the field of agricultural policy; and whereas for such measures to be co-ordinated they must be incorporated in a regional economic development programme; and whereas the Fund in granting aid must therefore accord priority to projects forming part of such regional economic development programmes, as a

result of which the measures as a whole will become more effective;

Whereas in order to improve the structure of the agricultural markets and to develop it along Common Market lines, provision must be made so that expenditure eligible under Article 3 (1), d) of Council Regulation No. 25 may concern any farm product listed in Annex II of the Treaty;

Whereas arrangements are needed to overcome the uncertainty arising from the impossibility of knowing before the end of a season what sum is available to defray expenditure chargeable to the Fund under Article 3 (1), d) of Council Regulation No. 25, since this sum is determined by the expenditure chargeable under Article 3 (1), a) b) and c) of the said Regulation;

Whereas a definition of the concept "net imports" contained in Article 7 of Council Regulation No. 25 is needed in order to compute the second part of the Member States' contributions;

Whereas the Fund cannot function without close co-operation between the Member States and the Commission, and whereas satisfactory co-operation can be ensured through the machinery of a Committee of the European Agricultural Guidance and Guarantee Fund,

Has adopted the following regulation :

PART 1

Compensation for refunds on exports to non-member countries and for intervention on the home market

Sphere of operation

Article 1

1. Under the conditions and within the limits fixed by the present Regulation, the European Agricultural Guidance and Guarantee Fund, hereinafter called "the Fund", shall compensate the Member States for expenditure incurred in making refunds on exports to non-member countries and in intervening on the home market, such compensation being on a scale rising in accordance with Article 5 of Council Regulation No. 25 on financing of the common agricultural policy, hereinafter called "Council Regulation No. 25".

2. Member States' administrative and staff expenditure shall not be chargeable to the Fund.

Refunds on exports
to non-member countries

Article 2

1. In each regulated market, the net exports of each Member State to non-member countries, which determine the sums payable by the Fund in respect of the export refunds provided for in Article 3 (1), *a)* of Council Regulation No. 25, shall be calculated by basic products, derived products being expressed in terms of basic products.

A basic product or products in each regulated market shall mean a product or products on which the import charge is calculated according to criteria directly applicable and not in relation to the charge on imports of another product.

However, the products mentioned in Article 1 *c)* of Council Regulation No. 19 on the gradual establishment of a common organization of the market in cereals, hereinafter called "Regulation No. 19", shall not be considered as basic products.

2. A list of the basic products and the conversion rates to be used for expressing derived products in terms of basic products shall be fixed according to the procedure referred to in Article 5.

Article 3

1. In order to obtain the refund rate, referred to in Article 3 (1), *a)* of Council Regulation No. 25, in the Member State whose average refund is the lowest, each Member State shall calculate once a year the average refund for each basic product.

2. The calculation shall be made for each basic product each season, derived products being excluded, by dividing the total of refunds granted by the quantities exported to non-member countries.

3. On submitting the refund application provided for in Article 9, each Member State shall advise the Commission, before 1 November, of the average rates of refund for each basic product and shall submit the supporting data used in their calculation.

Article 4

1. On the basis of the data supplied in pursuance of Article 3, the Commission shall make a comparison between the average annual refunds granted by the Member States.

In so doing it shall not take into account average refunds which :

a) are influenced by a price in a Member State arrived at by waiving the lower price-limit fixed for the Community;

b) refer to non-representative quantities of products exported to non-member countries.

2. The lowest average refund rate applicable in the Community for each basic product shall be determined according to the procedure referred to in Article 5.

Article 5

Where reference is made to this Article, the procedures applicable shall be those laid down in Article 26 of Council Regulation No. 19, Article 20 of Council Regulation No. 20 on the progressive establishment of a common organization of the market in pigmeat, Article 17 of Council Regulation No. 21 on the progressive establishment of a common organization of the market in eggs and Article 17 of Council Regulation No. 22 on the progressive establishment of a common organization of the market in poultrymeat. Any relevant procedure laid down in subsequent regulations on the progressive common organization of a market shall likewise be applicable.

Intervention
on the home market
under Article 3 (1), *b)*
of Council Regulation No. 25

Article 6

1. Sums spent on the home market whose aim and effect are identical to those of refunds on exports to non-member countries within the meaning of Article 3 (1), *b)* of Council Regulation No. 25 shall be understood to be expenditure arising under the second sub-paragraph of Article 7 (4) of Council Regulation No. 19, namely :

a) Losses sustained in the sale of rye or wheat other than durum at a price below the target prices for these cereals, provided that they have been rendered unfit for human consumption;

b) The denaturing premiums granted by the Member States for rye and wheat other than durum.

2. In determining the losses and the denaturing premiums the following shall be taken into account :

i) The cost of the denaturing operation fixed at a standard rate for the Community according to the procedure laid down in Article 26 of Council Regulation No. 19;

ii) 90 % of the difference in each Member State between the target price for rye or for wheat other than durum and the target price for barley.

**Intervention
on the home market
under Article 3 (1), c)
of Council Regulation No. 25**

Article 7

1. If, at the time of transition from one marketing season to another, the unsold stocks of home-grown cereals purchased by the Member States' intervention agencies in pursuance of Article 7 (3) of Council Regulation No. 19 have depreciated owing to a fall in prices, the losses sustained by these agencies shall be chargeable to the Fund under Article 3 (1), c) of Council Regulation No. 25.

2. The losses shall be calculated on the basis of the difference between the intervention price for the last month of the marketing season and the target price for the first month of the following marketing season.

3. The Fund shall accept no liability in respect of reserves held under international agreements independently of national and Community policies for agricultural markets.

**Applications
for reimbursement**

Article 8

Not more than three months after the end of each quarter the Member States shall transmit to the Commission a statement containing the following information :

a) As regards expenditure on refunds for exports to non-member countries, the quantities of produce exported (by weight) these quantities being expressed where appropriate in terms of basic products in accordance with Article 2, and the total amount of refunds granted for each basic product;

b) As regards expenditure for intervention on the home market, the quantities affected by interventions chargeable to the Fund, and the sums spent by class of product.

Article 9

1. Once in each year the Member States shall submit to the Commission before 1 November an application for reimbursement of the expenditure which they have incurred for the period from 1 July to 30 June in respect of refunds for exports to non-member countries and of intervention on the home market and which is chargeable to the Fund under Articles 1 to 7.

2. After consulting the Committee of the European Agricultural Guidance and Guarantee Fund, referred to in Articles 23 to 27 and hereinafter called the "Committee of the Fund", the Commission shall stipulate the particulars to be supplied by the Member States in making applications for refunds and the form in which they shall be submitted.

Article 10

The reimbursement of expenditure on refunds for exports to non-member countries and on intervention on the home market shall be effected once a year by the Commission after consultation with the Committee of the Fund.

PART 2

**Expenditure on improvement of the
structures of the agricultural markets**

Sphere of operation

Article 11

1. Under the conditions and within the limits laid down in the present Regulation, the Fund shall contribute, in accordance with Article 3 (1) d) of Council Regulation No. 25, to certain expenditure on improving the structure of agricultural markets.

2. The assistance of the Fund shall be in the form of non-repayable grants. It shall not be substituted for the financial aid granted by national authorities or entail a reduction of such aid, nor may it disturb competitive conditions to an extent incompatible with the common interest.

3. Expenditure chargeable to the Fund under Article 3 (1) *a*) of Council Regulation No. 25 may be in respect of any agricultural product listed in Annex II of the Treaty.

Article 12

1. Provision for the Fund's expenditure under Article 5 (2) of Council Regulation No. 25 shall be made, beginning with the budget for 1964, in the budget for the financial year following the season for which expenditure is chargeable to the Fund under Article 3 (1) *a*), *b*) and *c*) of the said Regulation.

2. Under the conditions and within the limits fixed by the Financial Regulation concerning the European Agricultural Guidance and Guarantee Fund and the European Fund for Structural Improvements in Agriculture, a part of the sums made available under Article 5 (2) of Council Regulation No. 25 shall be allocated to the European Fund for Structural Improvements in Agriculture.

Conditions for the grant of aid from the Fund

Article 13

1. In order to qualify for aid from the Fund, projects within the meaning of Article 16 must satisfy the following criteria :

a) They must form part of a Community programme for improving the structures of agricultural markets drawn up in accordance with Article 14;

b) They must offer adequate assurance that the improvement effected in the structures of agricultural markets will be lasting;

c) Public, semi-public or private bodies benefiting from the improvement effected must contribute at least 30 % of the total cost of the project.

2. Priority for aid from the Fund shall be accorded to any project which in addition fulfils one or more of the following conditions :

a) It forms part of a regional economic development programme;

b) It is supplementary to a project financed by the European Fund for Structural Improvements in Agriculture in so far as such project concerns the structural improvement of agricultural markets;

c) It represents an economic consequence of the common organization of markets.

Article 14

1. The Community programmes for improving the structures of agricultural markets, hereinafter called "Community programmes" shall be adopted by the Council, on proposals of the Commission, by unanimous vote during the second stage and by qualified majority thereafter.

2. Such Community programmes shall state :

a) The objective to be attained pursuant to Article 15;

b) The areas upon which the main effort will bear;

c) The percentage or percentages of aid which the Fund may grant for a given project.

3. Each Community programme may provide for different percentages of aid from the Fund against the total cost of the project; a higher percentage may be laid down for projects qualifying for priority treatment under Article 13 (2).

4. After consulting the Committee of the Fund, the Commission shall fix the detailed terms and conditions for the execution of each Community programme approved by the Council. These terms and conditions must also take into account the criteria laid down in Article 13 (1) *a*) and *b*).

Article 15

1. A Community programme may have one of the following objectives :

i) Adaptation and improvement of the marketing of agricultural products;

ii) Adaptation and orientation of production and development of outlets for agricultural products.

2. The adaptation and improvement of the marketing of agricultural products shall be concerned with :

a) Storage capacity, notably the construction or conversion of silos, warehouses, cellars, cold storage equipment, deep-freeze plant and other equipment for the storage and preservation of products;

b) The processing of agricultural products, particularly the construction or conversion of abattoirs, dairies, sugar factories, canning factories, flour-mills, oil-pressing plant, distilleries, wine-making plant or plant for the manufacture of fruit juices;

c) The improvement of distribution channels, particularly the establishment or im-

provement of wholesale auction centres, markets with storage facilities, markets with rail transport facilities, centres for packaging and handling products, and the development of market access facilities;

d) Dissemination of fuller information on factors determining price formation on agricultural markets, notably through the establishment or improvement of market survey centres or of information services for price quotations.

3. The adaptation and orientation of production and the development of outlets shall be concerned with:

a) The quantitative adaptation of production to outlets, in particular by changes in crops, limitation of output and changes in marketing seasons;

b) The promotion of higher-quality and more homogeneous production;

c) The improvement of outlets, in particular by the encouragement of consumption as mentioned in Article 41 (b) of the Treaty.

Article 16

1. Any aid from the Fund shall be concerned with that part of the project which aims at improving the structure of agricultural markets.

2. For the purposes of the present Regulation, a "project" shall signify any public, semi-public or private scheme wholly or in part intended to improve the structure of agricultural markets.

Procedure for the granting of aid from the Fund

Article 17

The Fund shall grant assistance to individuals or corporations on whom, wholly or in part, the financial burden of executing a project finally falls. Such assistance shall be rendered through the public, semi-public or private bodies responsible for authorizing expenditure on the project concerned.

Article 18

1. Applications for aid from the Fund shall be submitted to the Commission before 1 October of each year, beginning in 1963.

2. After consulting the Committee of the Fund, the Commission shall stipulate the particulars to be supplied in making applications and the form in which they shall be submitted.

3. Applications for assistance from the Fund shall be put forward by the Member State concerned or by the body responsible for authorizing expenditure on the project in question.

Article 19

1. The Commission shall verify that projects submitted satisfy the conditions laid down for the grant of aid from the Fund and in particular that they are in conformity with the Community programme.

2. Having due regard to the priorities set out in Article 13 (2) and to the financial means available, the Commission shall, after consulting the Committees of the Fund, decide as to the grant of assistance from the Fund and as to the terms and conditions thereof.

3. In the case of an application not submitted by a Member State, the Commission shall consult the Member State concerned before taking any decision committing the Fund to grant assistance.

4. The applicant and the Member State concerned shall be notified of the Commission's decision.

Article 20

1. Grants shall be made by single payment or, in the case of large-scale projects, by instalments.

2. The Commission shall decide, in consultation with the Committee of the Fund, as to the detailed application of the foregoing paragraph.

Article 21

1. The Commission shall exercise oversight of the fulfilment of the technical, financial or other conditions laid down for each project assisted by the Fund.

2. Where these conditions are not, or are no longer, fulfilled the Commission may suspend, reduce or withdraw the Fund's aid.

PART 3

Contributions to the Fund

Article 22

Net imports from non-member countries by each Member State, the figures for which are needed in calculating the second part of the Member States' contribution to the Fund pursuant to Article 7 (1) of Council Regulation No. 25, shall be calculated by value for all products in which the market is governed by the said Regulation.

Committee of the Fund

Article 23

1. There shall be set up a Committee of the European Agricultural Guidance and Guarantee Fund.
2. The Committee of the Fund shall assist the Commission in the administration of the Fund in accordance with Articles 24 to 27 of the present Regulation.

Article 24

The Committee of the Fund shall be composed of representatives of the Member States and of the Commission, each Member State being represented by not more than five officials.

The chairman shall be a representative of the Commission.

Article 25

The Committee of the Fund shall be consulted:

1. In all cases in which consultation is provided for, whether in the present Regulation or in any subsequent decisions of the Council or of the Commission concerning the financing of the common agricultural policy;

2. On appropriations to the Fund to be included each year in the estimates for the Commission's budget of expenditure for the subsequent budget year, and in any draft supplementary estimates;

3. On the drafts of the annual reports and of the general report prepared pursuant to Article 3 (3) and Article 4 of Council Regulation No. 25;

4. On the draft of any proposal in pursuance of Council Regulation No. 25 which the Commission intends to lay before the Council.

Article 26

The Committee of the Fund may consider any other matters referred to it by the chairman on his own initiative or at the request of a representative of a Member State.

The Committee of the Fund shall be regularly informed of the Fund's activities.

Article 27

The meetings of the Committee of the Fund shall be convened and arranged by the chairman.

The secretariat services for the Committee shall be provided by the Commission's staff.

On a proposal of the chairman, the Committee may consult experts.

The Committee shall draw up its own rules of procedure.

Article 28

The Member States shall supply the Commission with all the information needed for the satisfactory operation of the Fund and shall take steps to facilitate any supervision that the Commission may think fit to exercise prior to its decisions on refunds or subsidies.

The present Regulation shall be binding in all its parts and directly enforceable in all Member States.