

**Amended 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 27 September 1963)

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**EXECUTIVE SECRETARIAT OF THE COMMISSION  
OF THE EUROPEAN ECONOMIC COMMUNITY**

**Amended 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 27 September 1963)

**Explanatory Memorandum**

1. On 5 March 1963 the Commission sent the Council its proposal for a regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund and its proposal for a regulation on the European Fund for Structural Improvements in Agriculture. The first of these derived from Council Regulation No. 25 on the financing of the common agricultural policy, while the European Fund for Structural Improvements in Agriculture was already referred to in the Commission's general proposals of June 1960 on the common agricultural policy. The draft regulation on the latter was also intended to supplement the decision of 4 December 1962 on the co-ordination of agricultural structure policies. To facilitate general discussion, the Commission submitted both drafts at the same time.

2. During initial discussions at its session of 30 July 1963, the Council adopted a different standpoint from that embodied in the Commission's proposals. The Council noted that Regulation No. 25 contained no specific provision for the creation of a separate fund for structural improvements in agriculture and requested the Commission to submit proposals whereby a section covering action under Article 3 (1 *d*) of

Regulation No. 25 would be set up within the European Agricultural Guidance and Guarantee Fund. The Commission therefore withdrew its original draft for a fund for structural improvements in agriculture and recast the second part of its proposal for a European Agricultural Guidance and Guarantee Fund, bringing in the provisions originally intended for the other fund. This amalgamation involved a number of changes.

3. As the Council preferred to have a section of the European Agricultural Guidance and Guarantee Fund provide for action under Article 3 (1 *d*) of Council Regulation No. 25, the first part of the draft regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund had to be regarded as applying to another section of the Fund providing for action under Article 3 (1 *a*, *b* and *c*). It is therefore suggested that the European Agricultural Guidance and Guarantee Fund be made up of a Guarantee Section for expenditure in respect of refunds on exports to non-member countries and of intervention in the home market and a Guidance Section covering structural operations (Art. 1 of the attached draft). For simplicity's sake the Commission pro-

poses that the names of these two sections should reflect the name of the Fund itself.

4. The Guarantee Section takes over unchanged the various provisions on refunds and intervention made in the proposals of 5 March 1963. Community financing for a common organization of a market or for part of such an organization may conveniently be considered to take effect on the day on which the organization comes into operation. This means that Community financing for the common organizations of the markets in cereals, eggs and poultry and (in part) pigmeat came into force on 30 July 1962; financing for the organization of another part of the pigmeat market took effect on 2 September 1963.

5. In the case of refunds on exports to non-member countries, Community financing may be considered for every product in which the market has been organized, provided the Council has decided to apply Regulation No. 25 to it. The procedure whereby the Community will take over such expenditure (Art. 2 to 4) should be so interpreted that the Council will not need to go back over the same ground when it sets up other common organizations of markets.

6. In the case of intervention on the home market, Community financing may be considered to take effect when intervention within the Community is compulsory or is so closely linked with compulsory intervention that the two cannot be dissociated. At present this is true only of the common organization of the cereals market (Arts. 5 and 6).

7. Should the Council decree Community intervention in the pigmeat market in pursuance of Article 9 (2) of Regulation No. 20, such intervention should be chargeable to the Community in accordance with the above principle. This same principle could be taken as the basis for establishing the conditions under which intervention in other regulated markets — in dairy produce, beef and veal, and rice, for instance — might be charged to the Fund.

8. With respect to procedure in this Section, the Management Committees for the common organizations of markets should be called upon to draw up certain specified implementing provisions having reference to farming methods (Art. 7).

9. Member States' expenditure taken over by the Community will be refunded once a year (Art. 10).

However, the Member States will be requested to submit a quarterly return containing all quantitative and financial data likely to be helpful for the computation of the annual reimbursement and the drawing up of estimates of expenditure (Art. 8).

10. For the Guidance Section, which is dealt with in the second part of the attached draft, the first thing to be determined is what operations come under Article 2 (2 c) and Article 3 (1 d) of Regulation No. 25 (Arts. 11 and 12). Having regard to the standpoint adopted by the Council on 30 July 1963, the Commission believes that its scope, which relates to the objective set out in Article 39 (1 a) of the Treaty, including structural changes, comprises the adaptation and improvement of the conditions of production in agriculture, the adaptation and orientation of agricultural production, the adaptation and improvement of the marketing of agricultural products and the development of outlets.

11. As for the conditions on which aid may be granted, the Commission suggests that a number of general and specific criteria be established, with which all projects must comply, together with criteria for priority treatment by the Fund (Art. 14). Priority should be accorded to projects that will promote regional economic development, when readaptation or reorientation is essential to the implementation of the common agricultural policy and when the social and economic situation is so backward that it jeopardizes the implementation of the common agricultural policy.

12. Because of their special nature, projects involving measures that will affect the conditions of production must also be designed, in order to qualify for priority, either to promote advisory services and vocational training (for investments have often failed to produce the desired results because the people concerned did not have the technical knowledge required to put them to the best use), or to contribute to improving the social situation of workers in agriculture (Art. 15).

13. In measures to adapt and guide production, adapt and improve marketing and develop outlets, care must be taken to avoid financing conflicting projects and to ensure the full profitability of expenditure, which means that they must form part of Community programmes — and idea already embodied in the Commission's proposals of 5 March 1963 (Art. 16). So that

the scope of Community action may be better assessed, the Commission suggests that each Community programme should stipulate the total amount for which the Fund would be committed and the period over which the programme is to be executed.

14. As for the form in which action can be taken, the Guidance Section should be able to carry out several possible types of financial operation: non-repayable grants, interest subsidies, extension of redemption dates, or a combination of these (Art. 17).

15. Assistance by the Fund is intended to be a supplementary measure: it must not be substituted for or entail any reduction in the methods of financing normally used.

16. The amalgamation of the proposed Fund for Structural improvements and the Guidance Section of the European Agricultural Guidance and Guarantee Fund extends the scope of the latter. It is therefore proposed that the Standing Committee on Agricultural Structures be informed of the activities of the Guidance Section and consulted on matters falling within its ambit.

17. In order to facilitate the financing of structural operations, the Commission proposes that there be an annual deadline for the filing of applications. The Commission will examine whether the projects concerned satisfy the requirements laid down and the implementing provisions

made for the Guidance Section. Applications meeting the priority requirements will be granted first, if there are not enough funds to finance all projects.

18. Applications will normally be made through a Member Government. However, applicants should also be free to submit their projects direct to the Commission. The Commission will then inform the Government concerned that applications have been filed and will seek its opinion before taking any decision.

19. The Commission considers that a Committee of the European Agricultural Guidance and Guarantee Fund should be set up to deal with all financial problems relating to the Fund. The Committee would act in an advisory capacity, since the Fund, in accordance with Council Regulation No. 25, forms part of the Community budget and the Commission is the body responsible for executing that part of the Community budget relating to its operations.

20. To enable the Commission to consult trade circles interested in all the problems arising from the policy of improving agricultural structures and from Community financing for that policy, an Advisory Committee should be set up, drawn from Community-level trade organizations representing agriculture and other interested branches of activity. The duties, composition and working methods of this Committee will be decided by the Commission.