

# EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND



## SIGNIFICANCE AND FUNCTIONING



COMMISSION OF THE EUROPEAN COMMUNITIES  
Directorate-General Information, Communication, Culture

COMMISSION OF THE EUROPEAN COMMUNITIES

**EUROPEAN  
AGRICULTURAL GUIDANCE  
AND GUARANTEE FUND**

**Financial instrument of the common agricultural policy**

*Manuscript completed in November 1986*

**SPECIAL ISSUE OF GREEN EUROPE**

The purpose of this brochure is to provide general information for non-specialists on the role, importance and operation of the European Agricultural Guidance and Guarantee Fund (EAGGF). Prepared by the Directorate-General for Agriculture, EAGGF Directorate, it replaces the brochure issued in 1977. With the cost of financing the common agricultural policy growing rapidly, it provides a response to the general interest shown in this aspect of Community activity, to which a further dimension has been added by the accession of Spain and Portugal.

H.H. Wächter  
Director

Authors: P. Parsy and Ch. Nordmann, assisted by U. Pigarella,  
M. Merla, Th. Nebe and W. Kruse.

T A B L E O F C O N T E N T S

	<u>Page</u>
<u>GENERAL CONCEPTS</u>	1
A. Bases of the European Agricultural Guidance and Guarantee Fund	1
B. Legal framework of the European Agricultural Guidance and Guarantee Fund (EAGGF)	3
C. Importance of the Fund	4
D. EAGGF share of the Community budget	5
E. Reasons for the increase in EAGGF expenditure	6
F. Ways and means contemplated by the Community to stem the upward movement of agricultural expenditure	9
G. The EAGGF's financial resources	11
G.1 Appropriations specific to the EAGGF Guarantee Section	11
G.2 Appropriations specific to the EAGGF Guidance Section	12
G.3 The Community's own resources	13
H. Management of the EAGGF appropriations	17
H.1 EAGGF Committee	17
H.2 Commission	17
H.3 Budgetary authority	18
H.4 Court of Auditors	18
<u>Part I - GUARANTEE SECTION</u>	21
A. Nature of expenditure financed by the Guarantee Section	22
A.1 Refunds on exports to non-member countries	22
A.2 Intervention on the internal market	23
A.3 Compensatory amounts	24
B. Financial results from 1979 to 1985	26
B.1 Overall trends	26
B.2 Expenditure for individual products	27
B.3 Breakdown of expenditure by product, according to the economic nature of the measures	31

	<u>Page</u>
C. Operation of Community financing of the Guarantee Section	
C.1 Centralization of Community financing and decentralization of individual payments	38
C.2 The financial mechanisms of the Guarantee Section	39
1. The switch from reimbursement to direct financing	39
2. The Community advance payments system	40
3. The paying departments or agencies	41
4. Auditing, accounts clearance decisions, prevention and prosecution of irregularities	42
4.1 General	42
4.2 Audit of expenditure and accounts clearance decisions	44
4.3 Prevention and prosecution of irregularities	46
<u>FOOD AID</u>	53
<u>Part Two - THE GUIDANCE SECTION</u>	55
A. Financing of the common policy on agricultural structures	56
A.1 Role of the Guidance Section	56
A.2 The three stages of the policy on structures	57
2.1 Coordination of the national policies on structures	58
2.2 The first Community policy on structures	59
2.3 Present policy	61
A.3 Appropriations	63
B. Execution, procedures and financial results	64
B.1 The financing systems applied	64
1.1 Direct measures	
1.2 Indirect measures	67
B.2 Procedures	69
B.3 Financial volume of measures concerning structures	71
C. Measures under the Guidance Section	72
C.1 Regulation (EEC) No 797/85	73
C.2 Regulation (EEC) No 355/77	74
C.3 Commission proposals for the adaptation of agriculture to the new situation of the markets and the preservation of the countryside (COM(86)199 final)	76

T A B L E S

	<u>Page</u>
<b>A. <u>General concepts</u></b>	
No 1 EAGGF overall expenditure, 1978 to 1985	4
No 2 EAGGF share of the Community budget	5
No 3 Average annual value of the US dollar in terms of the ECU	8
No 4 Community revenue from 1981 to 1986	16
<b>B. <u>Guarantee</u></b>	
No 5 Overall development of EAGGF guarantee expenditure	26
No 6 Total cost of the Guarantee Section as a proportion of gross domestic product	27
No 7 EAGGF Guarantee expenditure by individual products	29
No 8 Relative changes in EAGGF Guarantee expenditure for the main products	30
No 9 Breakdown of expenditure by sector according to the economic nature of the measures - 1985	32
No 10 Expenditure by product according to the economic nature of the measures (m ECU)	34
No 11 Export refunds and intervention as shares of total expenditure on the main products	37
No 12 Irregularities notified and status of recoveries (1985)	49
No 13 Irregularities notified and status of recoveries (1971-1985)	50
No 14 Process followed for the operation of Community financing of the EAGGF Guarantee Section	52
No 15 Food Aid - Quantities delivered and expenditure incurred	54
<b>C. <u>Guidance</u></b>	
No 16 EAGGF Guidance Section Measures	77
No 17 Aid granted from the Fund, by Member State, at 31 December 1985 - Direct Measures	81

	<u>Page</u>
No 18 Aid granted from the Fund, by Member State, at 31 December 1985 - Direct Measures	82
No 19 Regional breakdown by Member State of projects financed by the Guidance Section - Regulation (EEC) No 355/77 - Years 1978-1985	83
No 20 Improvement of marketing structures - Regulation (EEC) No 355/77 - Year 1985	84
No 21 Indirect measures in application - Commitments and payments up to 31.12.1985	85
No 22 Indirect measures completed	86
No 23 Directive No 72/159/EEC - Modernization of farms	87
Directive No 72/160/EEC - Cessation of farming	87
No 24 Directive No 72/161/EEC - Training and information	88
No 25 Directive No 75/268/EEC - Hill farming and farming in less-favoured regions	89

## GENERAL CONCEPTS

### A. Bases of the European Agricultural Guidance and Guarantee Fund

The European Economic Community could not have been set up without a sector as important as that of agriculture: this activity forms one of the cornerstones of the Community, not only because of the number of individuals who make their livings directly or indirectly from it (farmers, those working in processing industries) but also because of its commercial, financial and political importance in connection with trade in raw or processed products, whether within Europe or at world level.

Accordingly, the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957 with the purpose of establishing a common market through the elimination between its Member States of customs duties and quantitative restrictions on the movement of goods and any other measures of equivalent effect, included a clause - Article 38 - stipulating that "the common market shall extend to agriculture and trade in agricultural products". The Treaty also says that "the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States".

The main objectives of the policy were set out in Article 39:

- increasing agricultural productivity;
- ensuring a fair standard of living for the agricultural community;
- stabilizing the markets;
- ensuring availability of supplies;
- ensuring reasonable prices for consumers.

With a view to these objectives, the agricultural common market has been based on the following three principles, which have become, as it were, the golden rules of the common agricultural policy:

- The single market: this means entirely untrammelled movement of products between the Member States (to the exclusion of customs duties, other obstacles to trade, subsidies liable to interfere with competition), uniform



prices and common rules governing competition, the harmonization of administrative law, stable exchange rates and the introduction of common rules governing trade across the external frontiers of the Community;

- Community preference granted to European farming, which presupposes protection of the internal market against low-cost imports and prices which may penetrate widely on world markets. This Community guarantee is provided by the operation of buffer mechanisms for imports and exports (levies and customs duties), and by production aids.
- Common financial solidarity: as the policy is a common one, which, like all policies, has to be paid for, the costs arising must be borne jointly. To give practical expression to financial solidarity, which is one of the key features of the common agricultural policy, Article 40(4) of the Treaty of Rome, concerning the establishment of the common organization of the agricultural markets, stated that "in order to enable the common organization... to attain its objectives, one or more agricultural guidance and guarantee funds may be set up". Thus this Fund finances, on a common basis, expenditure arising under the agricultural policy, whatever the product or the Member State concerned.

Because of deficiencies with regard to structures, and especially because of regional disparities in this respect, it was vital that a Community policy should be gradually built up to provide the fundamental structural conditions needed for the application of the general agricultural policy, whilst retaining involvement and coresponsibility of the Member States.

B. Legal framework of the European Agricultural Guidance and Guarantee Fund (EAGGF)

On 4 April 1962, the Council of Ministers of the six founder members of the European Economic Community - Germany, Belgium, France, Italy, Luxembourg and the Netherlands - adopted Regulation No 25<sup>1</sup>, setting up a single fund: the European Agricultural Guidance and Guarantee Fund (EAGGF). Because of the wide variety of types of expenditure for which the Fund would be responsible, it was divided by Regulation No 17/64/EEC of 5 February 1964<sup>2</sup> into two sections: the Guarantee Section for Community expenditure arising under the policy on markets and prices, and the Guidance Section for Community expenditure incurred under the policy relating to agricultural structures.

Following a transitional period during which expenditure under the common agricultural policy was gradually taken over by the Community budget, the present arrangements were instituted for expenditure financed from 1 January 1971 by Council Regulation (EEC) No 729/70, 21 April 1970<sup>3</sup>.

The main features of the present system of financing the common agricultural policy, its scope and its operation from that date, are described in this brochure, for the Guarantee and Guidance Sections. More detailed information can be found in the financial reports submitted annually by the EC Commission to the Council and to Parliament on the administration of the EAGGF, and in particular on developments with regard to amounts and the nature of Fund expenditure, and on the way in which Community financing is carried out.

---

1 OJ No 30, 20 April 1962.

2 OJ No 34, 27 February 1964.

3 OJ No L 94, 28 April 1970.

C. Importance of the Fund

In recent years, the common agricultural policy and the expenditure it entails have attracted a good deal of publicity. At a time of widespread economic difficulties, when budget deficits have forced governments everywhere to retrench, it goes without saying that agricultural expenditure as well has also come under close scrutiny. Some observers feel that the policy has become altogether too expensive.

A review of EAGGF overall expenditure per year shows that it rose from 8 997 million ECU in 1978 to 20 563 million ECU in 1985 - an increase of nearly 130 % over seven years. The changes are shown in the following table:

Table No 1

Year	EAGGF expenditure m ECU <sup>1</sup>		
	Total expenditure	Guarantee Section	of which Guidance Section
1978	8 997	8 673	324
1979	10 844	10 441	403
1980	11 918	11 315	603
1981 (*)	11 717	11 141	576
1982	13 056	12 406	650
1983	16 648	15 920	728
1984	19 048	18 372	676
1985	20 563	19 843	720

\* Enlargement of the Community to include Greece.

<sup>1</sup> Not including expenditure reductions due to sums recovered on clearance of previous years.

However, while the common agricultural policy entails heavy expenditure, it also generates revenue: ordinary levies charged on imports into the Community of relevant agricultural products from non-member countries and special levies charged under the sugar market organization, to be explained below. The revenue, which accrues as the Community's own resources, has not changed a great deal over the years: 2 279 million ECU in 1978, 2 179 million ECU in 1985. Thus, in 1985, net expenditure from the Community budget on agriculture came to 18 384 million ECU (i.e. 20 563 million ECU - 2 179 million ECU = 18 384 million ECU).

D. EAGGF share of the Community budget

In the budget, the share of gross EAGGF expenditure has changed as follows:

Table No 2

(%)

Year	EAGGF	Guarantee Section	Guidance Section
1978	79.2	76.3	2.9
1979	75.5	72.7	2.8
1980	73.1	69.4	3.7
1981	64.6	61.4	3.2
1982	63.1	59.9	3.2
1983	66.7	63.7	3.0
1984	69.9	67.4	2.5
1985	72.6*	70.3*	2.3*

At first sight, it may seem surprising that about 70% of the Community's budget is devoted to the agricultural policy. The man in the street gets the impression that the budget is virtually monopolized by expenditure on farming. How can the formidable share taken by agriculture, at least apparently, be accounted for? Is this not a serious obstacle to the development of other policies?

So far, the CAP has been the only fully-fledged Community policy actually enjoying full financial solidarity, as the other policies have not yet reached this level of development. It remains, therefore, an isolated phenomenon. Also, the introduction of new common policies would have the effect that, as was the case with agricultural policy, the common expenditure incurred as a matter of financial solidarity would take the place of previous national expenditure. It stands to reason that a transfer of responsibility of this kind should entail a transfer of the corresponding revenue.

\* Provisional figure

E. Reasons for the increase in EAGGF expenditure

If we consider that part of the common agricultural policy which is by far the most expensive, namely expenditure on markets and price support under the Guarantee Section of the EAGGF, we note that expenditure financed by this Section soared from 8 673 million ECU in 1978 to 19 843 million ECU in 1985.

The increase is due to a number of factors, including:

- (a) The scope of the market organizations. After gradual extension of the market organizations, Community financing now covers most sectors of the Community's agricultural production, reaching nearly 91% of final Community agricultural production.

The main product groups are the following: cereals and rice, sugar, olive oil, oilseeds (rape, sunflower, soya); protein plants (peas and field beans, lupins, dried fodder), fibre plants, fresh and processed fruit and vegetables, wine, tobacco, milk and milk products, beef/veal, sheep-meat and goatmeat, pigmeat, and eggs and poultry. Live plants and flowers come under a market organization but do not take part fully in Community financing<sup>1</sup>. Also, within the different market organizations, additional arrangements have been made resulting in an increase in the volume of expenditure chargeable to the Guarantee Section. However, certain products are still outside the market organization, one of which is potatoes (although potatoes intended for starch-making come under the cereals market organization).

- (b) The enlargement of the Community. The Community was originally made up of six Member States, but three new Member States (Denmark, Ireland and the United Kingdom) joined in 1973 and Greece joined in 1981, with Spain and Portugal bringing the total to twelve in 1986. Obviously, these changes entailed major additional expenditure, especially as agriculture is relatively a more important economic activity in Greece, Spain and Portugal.

---

<sup>1</sup> Except for the decisions adopted under Council Regulation (EEC) No 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed.

- (c) The increase in agricultural production. As the Commission points out in its "Green Paper" of July 1985<sup>1</sup> on the "perspectives" for the common agricultural policy, over the last 25 years the more rapid modernization of European agriculture, the opening of a European common market following, in particular, the elimination of national obstacles to intra-Community trade, and the market and price guarantees provided by the common agricultural policy have all tended to boost the output of food.

Another reason for the increase in production is the very substantial technical progress made in European farming in recent decades, which have given it a vitality virtually unmatched elsewhere in the world: the genetic improvement in crop varieties (wheat, maize) and in livestock breeds (cattle) have meant a steady increase in yields, and there has been a marked improvement in production techniques, mainly through the use of mineral fertilizers and health-protection products.

Because of productivity gains, the growth of production has outstripped that of consumption of agricultural products in the Community and the expansion of outlets on world markets. The resulting disequilibria on the agricultural markets have led to a build-up of ever-heavier surpluses of many products, the disposal of which constitutes a costly item for the Community budget.

- (d) Agricultural policy decisions, such as those taken at the time of the annual price review. But the upward movement in agricultural prices, combined with increased aids, has meant extra expenditure which can amount to several hundreds of million ECU per year. For a number of years now, however, this trend has been curbed by a restrictive policy which, in April 1986, actually yielded some savings.
- (e) Price movements on world markets and relationships between the currencies, in particular the US dollar. The table below shows how the dollar has performed vis-à-vis the ECU since 1980. It can be seen that the United States currency, rising from 0.72 ECU in 1980 to 1.31 ECU in 1985 almost doubled in value in six years, bringing with it a corresponding increase in world market prices, most of which are expressed in dollars.<sup>2</sup>

---

1 COM (85) 333 final - Newsflash, Green Europe, No 33, July 1985.

2 The upward movement in the value of the dollar means lower Community expenditure on refunds, and vice-versa.

However, since that time, the situation has been reversed.

Table No 3

Average annual value of the US dollar in terms of the ECU

1980	1 US dollar =	0.72 ECU
1981	"	0.90 ECU
1982	"	1.02 ECU
1983	"	1.12 ECU
1984	"	1.27 ECU
1985	"	1.31 ECU
1986 (six months)	"	1.06 ECU

- (f) Some agricultural expenditure is the result of choices and decisions made under policies other than the common agricultural policy, in particular the Community's external relations policy and trade policy. Although these decisions do not depend directly on the common agricultural policy, they do have budgetary implications which are not shown under a heading separate from those directly connected to the CAP. The main items are imports of sugar (1 300 000 t/per year approximately) under preferential agreements in connection with the Lomé Convention and a special agreement with India, reduced-levy imports of butter from New Zealand (81 000 t in 1985), and reduced - or zero - duty imports of beef (400 000 t) and grain substitutes (notably manioc and corn gluten feed).

The low - or zero - duty imports from certain member countries have been agreed under the General Agreement on Tariffs and Trade (GATT) and are often a counterpart for certain concessions made to the Community.

F. Ways and means contemplated by the Community to stem the upward movement of agricultural expenditure

It is vital that, in a period of economic difficulty, the Community should be able to keep its expenditure under control and prevent excessive increases; the common agricultural policy cannot be an exception to this rule.

Accordingly, in connection with work on the future financing of the Community, the Commission, at the request of the Council, laid before the Ministers in February 1984 a Communication - entitled "Budgetary discipline" - designed to provide a framework restricting the growth of the Community's budgetary expenditure. Under this agreement, a principle laid down was that the growth of agricultural expenditure should be slower than that of the Community's own resources. In 1984, after protracted discussion, the European Council endorsed the principles of budgetary discipline and in December of the same year the Council approved the conclusions on the implementation of this system. In these conclusions, the Council undertook to establish, at the beginning of the budgetary procedure, a reference framework, i.e. a maximum total of expenditure which it felt should be taken for the financing of the common policies during the following year, so as to ensure that the net expenditure resulting from the operation of the agricultural markets should increase less rapidly than the Community's own resources.

In parallel, the Commission laid before the Council and Parliament in July 1985, in a Green Paper, the results of its policy work on the outlook for the common agricultural policy. This document includes an analysis of the problems those implementing the common agricultural policy have to contend with and recalls the economic and budgetary constraints which will govern its future development.

Following tentative consultations on the Green Paper, the Commission referred to the Council in December 1985 a set of practical guidelines under the general heading "A future for European agriculture". Here, it stressed that the need for the EAGFF Guarantee Section to comply with budgetary discipline will hamper the decisions to be taken, especially in view of recent developments on the agricultural markets. It expressed doubts as to whether the objectives mentioned in its Communication could be reached by the times proposed



while remaining within the normal framework of the financial rules and of the appropriations which these rules place at the disposal of the EAGGF. Certain specific measures contemplated will have the effect of slowing down the growth of agricultural expenditure in the medium and long term, but in the short term, they could well boost costs to the EAGGF, for example because of the elimination, by a special stock disposal operation, of the disequilibrium between supply and demand which is the key problem now confronting the policy-makers.

In February 1986, the Commission laid before the Council its 1986/87 price proposals, in which to all intents and purposes it suggested that the prices should be frozen; action was suggested to adjust certain market organizations with a view to ensuring improved market equilibrium. On 25 April 1986, the Council reached agreement on the Commission's proposals, in particular for the introduction of a levy on cereals, for a system fixing maximum guaranteed quantities for oilseeds and for the further reduction in the milk quotas.

In these circumstances, the Commission emphasized that stringent measures with regard to policy on markets should be backed by a stronger socio-structural policy, in particular by new measures designed to encourage farmers to leave the land. As a result, it laid before the Council, on 21 April 1986, appropriate proposals.<sup>1</sup>

---

<sup>1</sup> COM(86) 199 final.

### G. The EAGGF's financial resources

The EAGGF is not a fund in the strict sense of the term, as, having no specific resources of its own, it does not enjoy financial autonomy. Under Article 1 of Regulation No 25, confirmed by Article 1 of Regulation (EEC) No 729/70, the EAGGF is "part of the Community's budget". As a result, it must comply with general budgetary rules, while being governed, in certain cases, by special provisions. The EAGGF's appropriations are subject, for their approval, to the usual procedures laid down for the establishment of the budget, as for the other Community appropriations. They are therefore adopted by the budgetary authority, namely first the Council and then Parliament, the signing by the President of the Parliament constituting the final approval of the budget of the Communities.

The appropriations fall into two categories: expenditure described as "compulsory", which "derives compulsorily from the Treaty or acts adopted under it", and "non-compulsory" expenditure, the amounts of which are not set by regulations. For the compulsory expenditure, the corresponding appropriations are approved in the last resort by the Council; Parliament can propose changes or make amendments to the Council's texts.

All EAGGF guarantee expenditure is compulsory, but some of the guidance expenditure is not.

The principles of "universality" and "annuality" apply to EAGGF expenditure as to all Community expenditure. This means that for the purposes of financing such expenditure, the authorities may use not only the specific "agricultural resources" (cf. G 3 b and c), but also all the resources of the Community budget.

#### G.1 Appropriations specific to the EAGGF Guarantee Section

These appropriations have particular characteristics:

- they serve to finance schemes relating to agricultural products and not to persons,

- they are compulsory, in that EAGGF guarantee expenditure derives from market regulations: the Community is obliged to finance expenditure made by the Member States for those entitled pursuant to agricultural regulations;
- the expenditure to which they refer is very difficult to predict: the outgoings under the common agricultural policy depend on a series of factors considered above (cf. E), which are very hard to assess when the budget is being drafted;
- it may therefore be adapted during the year, as the appropriations earmarked often fail to match real needs. The adaptations take the form of transfers from or to existing appropriations, or, if this is insufficient, the adoption of a supplementary budget, as is often the case.

## G.2 Appropriations specific to the EAGGF Guidance Section

Under the common policy on agricultural structures, these appropriations are used either for the partial reimbursement of expenditure incurred by the Member States or for financing investment projects. With the European Social Fund and the European Regional Development Fund, the EAGGF Guidance Section is the third of the Community's structural funds the activities of which are being more and more closely coordinated with a view to increased effectiveness; the first examples of this are the Integrated Mediterranean Programmes (IMP).

Aids to investment projects, which must form part of "common measures", are the subject of aid grant decisions (commitment appropriations) and, later, of payment decisions once the work has been done. This system of "differentiated" appropriations normally applies to all Guidance Section expenditure. However, much of this Section's expenditure (about two thirds) takes the form of reimbursements to the Member States on the basis of given percentages of the payments the latter have made pursuant to Community structural schemes set up for them. Here, the commitment decisions and the payment decisions are taken at the same time. Generally, the reimbursements are in respect of "indirect" measures and are compulsory. On the other hand, expenditure deriving from "direct" aids to investment projects is non-compulsory, in that the

scope for granting assistance does not derive from provisions in regulations but depends on the volume of commitment appropriations entered in the budget of the Communities.

The existence should also be mentioned of certain agricultural expenditure items resulting, for example, from veterinary measures or research programmes which, in the budget of the Communities, do not come under EAGGF appropriations properly so called, but are entered in Chapter 38, "Expenditure in the agricultural sector".

### G.3 The Community's own resources

The Community is almost entirely financed from its own resources. These can be increased only with the unanimous agreement of the Member States, an agreement which must be ratified by their parliaments. Originally, the Community was financed, like nearly all international organizations, from Member States' contributions, but since 1971 the Community budget has enjoyed resources of its own, in other words funds usually collected by the Member States' agencies but which now automatically accrue to the Community.

Depending on the political tasks entrusted to the Community, the own resources consist essentially in:

- (a) customs duties, collected on products imported from outside the Community on the basis of the rates set in the Common Customs Tariff;<sup>1</sup>
- (b) ordinary levies, premiums, compensatory amounts and other dues charged by the Community on trade with non-member countries under the common agricultural policy. These are mainly the import levies, which constitute variable charges imposed at the Community's external frontiers on imports of those agricultural products coming under market organizations from non-member countries to bridge the difference between world prices and Community prices. Conversely, but much more rarely, levies may be charged on exports, and these also accrue as own resources;

---

<sup>1</sup> ECSC duties are excluded.

- (c) sugar and isoglucose levies, instituted to curb surpluses of these products by involving producers in the financing costs. The sugar levies break down into sugar production levies paid by the refiners to cover part of the market support expenditure, and storage levies, which are commercial contributions ensuring the financial equilibrium of the system of equalization of storage costs set up to ensure steady disposal of the sugar throughout the marketing year;
  
- (d) a proportion of the revenue accruing to the Member States from the value added tax (VAT). Until 31 December 1985, the Community percentage, deemed to be applied to a standard basis of assessment, could not exceed a maximum rate of 1%. An agreement in the European Council, subsequently ratified by the Member States' parliaments, raised the rate on 1 January 1986 to a maximum of 1.4 %. The share of VAT accruals in the own resources has steadily grown. It rose from 52 % to nearly 64 % in 1986 (cf. Table No 4);
  
- (e) miscellaneous revenue, including the yield from the tax on the salaries of staff members of the European institutions, the yield from the sale of movable or immovable property of the Communities and the returns from the sales of publications.

In 1984, the Community had to face exhaustion of its VAT revenues, the rate having been set at a ceiling of 1 %. In order to be able to discharge its obligations, pending the raising of the ceiling, an intergovernmental agreement was signed, releasing exceptional contributions from the Member States for 1984 and 1985. The table on the following page shows Community revenues from 1981 to 1986.

#### "Coresponsibility" revenues

Since 1977, the Community's dairy farmers have been required to make a financial contribution known as the "coresponsibility levy". This levy, which does not rank as Community own resources, is deemed to form part of intervention operations for the stabilization of the agricultural markets. The funds go to finance specific schemes and contribute to the expenditure involved in

disposing of surpluses of dairy products. In 1984, a quota system for these products was introduced guaranteeing farmers given prices for specified quantities. Quota overruns attract an additional levy at a deterrent rate in addition to the coresponsibility levy. In 1984, this contribution from the farmers totalled 749.2 million ECU and in 1985 it was about 637.3 million ECU.

In April 1986 a coresponsibility levy, similar to the levy for milk, was also introduced for cereals. But the measure adopted in April 1986 for oilseeds, designed to ensure a reduction in aids where the guaranteed maximum quantities are exceeded, although intended to relieve the Community budget, does not constitute, strictly speaking, coresponsibility revenue.

Table No 4  
COMMUNITY REVENUE FROM 1981 TO 1986

	(m ECU)					
	1981	1982	1983	1984	1985	1986 <sup>1</sup>
Customs duties	6,392.3	6,815.3	6,988.7	7,960.8	8,310.1	9,700.5
Ordinary levies and sugar levies	1,747.5	2,227.8	2,295.1	2,436.3	2,179.1	2,698.7
VAT (*)	9,187.8	12,000.5	13,699.0	14,372.1	15,329.6	22,257.2
Financial contributions	151.4	197.0	217.7	222.5	262.0	211.0
Own resources	17,479.0	21,240.6	23,200.5	24,991.7	26,080.8	34,867.4
Additional financing <sup>2</sup>	-	-	-	1,001.8	1,981.6	-

(*) - VAT rate applied	0.79 %	0.92 %	1.0 %	1.0 %	1.0 %	1.25054 %
- VAT percentage/total own resources	52.6 %	56.5 %	59.1 %	57.5 %	58.8 %	63.8 %
- Percentage agricultural revenues (levies)/Total own resources	10.0 %	10.5 %	9.9 %	9.7 %	8.4 %	7.7 %

N.B.: 1981 to 1985 = Community of Ten; 1986 = Community of Twelve

1 Budget adopted on 10 July 1986 (OJ No L 214, 4.8.1986)

2 Additional financing by the Member States was necessary because of the 1 % limit on the VAT rate applicable to the standard basis of assessment.

## H. Management of the EAGGF appropriations

Management of the EAGGF - for both the Guarantee and Guidance Sections - is a Commission responsibility, which exercises powers delegated to it by the Council. However, this responsibility is exercised under a number of general provisions or provisions specific to the Fund. To enable the management of the EAGGF appropriations and the expenditure effected under the common agricultural policy to be properly monitored, procedures have been set up and Community agencies instituted ensuring that the expenditure is justified and that it is properly carried out.

### H.1. EAGGF Committee

For the financing decisions, the establishment of the implementing procedures and the proper execution of the payments made, the Commission's staff is assisted, in the preparation of drafts to be adopted, by the EAGGF Committee, the chairman of which is a Commission representative, and the members of which are sent by the Member States. This procedure thus allows close cooperation between the Member States and the Commission. The Committee is consulted on the financial implementation of the common agricultural policy, and, in cases laid down in the regulations, it renders opinions.

### H.2. Commission

Any new decision to be taken is examined with regard to its financial implications; from this angle, each proposed regulation, whether for the Guarantee Section or for the Guidance Section, is accompanied by a "financial statement", whether it be a Council or Commission regulation.

After each year, the Commission's staff carries out general verification of the expenditure claimed by the Member States. This operation leads, according to procedures which will be described in another part of this brochure (cf. p. 45), to accounts clearance decisions adopted by the Commission, which constitute, for the EAGGF Guarantee Section, official closure of the accounts for the relevant year. A similar system is operated for food aid expenditure. For the EAGGF Guidance Section, official closure of the accounts is effected by



the Commission's decisions to reimburse sums to the Member States, taken annually in respect of the various structural schemes.

### H.3. Budgetary authority

The budgetary authority is the Council and Parliament acting together. It is not only responsible for the establishment and the adoption of the budget, and accordingly, for the creation of available appropriations (Parliament, in particular, being responsible, through the signature of its President, for final adoption), but it also verifies, at the end of the year, the proper execution of the budget, in particular through its annual discharge procedure.

Because of the scale of Community financing, the Council and Parliament must be kept regularly informed of developments. Information takes the form of financial reports submitted annually by the Commission on the operation of the EAGGF during the year elapsed, and in particular on developments with regard to its expenditure, their nature and the way in which Community financing is carried out. So far, 15 reports have been submitted, the last dated 24 July and 19 November 1986, concerning 1985.<sup>1</sup> Additional information is provided during the year by a large number of regular communications, taking various forms. After the completion of each year, Parliament reviews the execution of the budget, in particular on the basis of the annual report from the Community's Court of Auditors. It takes a decision with regard to the discharge to be given to the Commission, in principle by 30 April of the second year following the relevant year, on the execution of the budget as a whole, and, on this occasion, makes observations and expresses desiderata for present and future management.

### H.4. Court of Auditors

Set up by the Treaty of Brussels of 20 July 1975, the Court of Auditors began work on 1 July 1977 as the agency responsible for the external review of the general budget of the Community. Internal review remains, as in the past, the responsibility of each institution's Financial Controller.

---

1 COM(86) 407 final (Guidance Section). #

2 COM(86) 631 final (Guarantee Section and Food Aid).

The Court of Auditors, some of whose responsibilities are comparable to those of the Government audit authorities, with which it cooperates, reviews all the Community's revenues and expenditures, considers their legality and proper execution and verifies the management of the budgetary appropriations. It can extend its investigations in the Member States in respect of operations that are carried out on behalf of the Community. It presents an annual report established after the completion of each budget year, which is published in the Official Journal of the European Communities, with the Community institutions' replies. The Court may also express views at any time - which means after the closure of the year as well as before - on particular points, and review or carry out a specific analysis of operations not yet completed. For this purpose, it presents special reports dealing with specific subjects, e.g. - for the Guarantee Section - the special report on the operation of the sheepmeat market organization<sup>1</sup> and the special report on the olive oil market organization,<sup>2</sup> and, for the Guidance Section, the special report concerning the implementation of Council Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas.<sup>3</sup> The procedure for these reports is now similar to that for the annual reports. The Court also makes special studies on a larger scale and of political character wherever this may prove necessary.

Thus, it published a report on Community finance at the request of the European Council held in Stuttgart on 18 June 1983; this review of the proper financial management of the Community's activities included a general analysis of the financing of the common agricultural policy.

Under the Rome Treaties (Article 209 EEC and Article 183 EAEC), the Council must consult the Court before adopting decisions on Commission proposals concerning financial regulations, methods of collecting revenues or covering cash requirements, and organization of the responsibility of authorizing officers and accounting officers (compulsory consultation). For proposals lying outside this framework but which may have budgetary aspects, reference to the Court may be recommended to the Council. The Director-General or the department responsible for the Commission's proposal states the reasons why it feels this recommendation is justified; the Commission decides case by case (optional consultation).

---

1 OJ C 234, 4 September 1984  
2 OJ C 134, 3 June 1985.  
3 OJ C 358, 31 December 1980.

In view of the growing scale of appropriations utilized by the EAGGF, the Court is giving special attention to expenditure in the agricultural area.

Part I

GUARANTEE SECTION

Financing of the expenditure under  
the market organizations

A. NATURE OF EXPENDITURE FINANCED BY THE GUARANTEE SECTION

Article 1(2) of Council Regulation (EEC) No 729/70 on the financing of the common agricultural policy stipulates that the Guarantee Section must finance refunds on exports to non-member countries and intervention operations carried out for the stabilization of the agricultural markets.

The scope of Community financing was extended to the monetary compensatory amounts (MCA) on 1 July 1972 for MCAs paid in trade with non-member countries and ranking as export refunds, and, on 1 January 1973, for those charged or paid in trade between the Member States, ranking as intervention operations.<sup>1</sup>

Pursuant to the various acts of accession, the accession compensatory amounts (ACA), paid for limited periods in respect of trade between the Member States and the new members - United Kingdom, Ireland, Denmark in 1973, Greece in 1981, Spain and Portugal in 1986 - are also financed by the EAGGF Guarantee Section.

A1. Refunds on exports to non-member countries

The purpose of the refunds on exports to non-member countries is to enable Community agricultural products to be sold on world markets by bridging the difference between world market prices and Community market prices. The Community enables operators to sell basic or processed products on outside markets by placing them on an equal footing as regards the terms offered by non-member countries for international transactions. The refund rates can be differentiated depending on what country the products are being exported to. Refunds are financed by the EAGGF and paid by the Member State from which the merchandise is cleared for export.

In respect of this type of expenditure, it should also be mentioned that the EAGGF contributes to the Community's food aid schemes for developing countries in the form of food gifts. Other expenditure relating to these deliveries is covered by the Community budget under the heading for cooperation

---

<sup>1</sup> Article 7 of Regulation (EEC) No 974/71 (OJ No L 106, 12 May 1971), repealed and replaced by Article 13 of Regulation (EEC) No 1677/85 (OJ No L 164, 24 June 1985).

expenditure (cf. also the Chapter on "Food aid", pp. 56 to 58).

Where, for a given product, world market prices are running higher than those on the Community market - this happened for sugar in 1974/75 - European producers may be tempted to export their products rather than selling them on the Community market, thus depriving the latter of supplies. To prevent this, a system of export levies, offsetting the price difference, can be applied. The revenue from these levies is not deducted from the refunds but, for financing purposes, is deemed to have accrued to the Community as its own resources.

#### A2. Intervention on the internal market

The purpose of intervention on the internal market is to ensure adequate incomes for farmers earned from their production, by cushioning the impact of market fluctuations and guaranteeing minimum prices, and to ensure uninterrupted supplies for consumers. Intervention thus helps to stabilize the operation of the agricultural markets.

Depending on the methods of Community financing, there are two types of intervention:

- (a) intervention under which, through a market organization, an amount per unit is fixed (e.g. production aid x ECU/100 kg), the resulting expenditure being entirely covered by Community financing.<sup>1</sup> The various production or processing aids and premiums are of this kind (production aids, e.g. for oilseeds, olive oil, tobacco; aids to processing or withdrawal of products - e.g. distillation of wine);
- (b) intervention for which no specific amount per unit has been set under a market organization.<sup>2</sup> This is public intervention taking the form of buying-in, intake, storage, processing and subsequent disposal of products bought in; the Member States' intervention agencies must buy in, at the prices set by the regulations governing the market organization, all merchandise offered to them.

---

1 "First category" intervention.

2 "Second category" intervention.

All these public intervention operations entail costs which the EAGGF Guarantee Section finances on a lump-sum basis in all the Member States, according to certain specific rules.<sup>1</sup>

### A3. Compensatory amounts

The arrangement for compensatory amounts is a temporary scheme designed to underpin the operation of the agricultural market set up under the common agricultural policy; in particular, it enables the principle of single prices to be complied with, and, consequently, intra- and extra-Community agricultural trade to be maintained.

There are two kinds of compensatory amount:

- the accession compensatory amounts (ACA) designed to bridge differences between the prices in the old Member States and in the new Member States until the end of transitional periods enabling the latter to align their prices gradually on Community prices. First introduced on 1 January 1973 until 31 December 1977, when the United Kingdom, Denmark and Ireland joined, they were used again from 1 January 1981 onwards, when Greece joined the Community, for a transitional period which ended on 31 December 1985. Now that Spain and Portugal have joined, accession compensatory amounts are again being used, from 1 March 1986 for a transitional period of not more than 10 years.
  
- the monetary compensatory amounts (MCA) served to temper the impact on agricultural trade of exchange rate changes which would otherwise force up or depress the common prices when they are expressed in national currencies. They make it possible for trade to continue according to the Community regulations. The monetary compensatory amounts were instituted following divergent alterations in exchange rates which began in the Community in 1969 when the French franc was devalued and the German mark was revalued at the same time. The amounts are called "positive" when they relate to a Member State the currency of which has appreciated, and "negative" when they relate to a Member State the currency of which has depreciated. The "positive"

---

<sup>1</sup> Articles 4 to 8 of Regulation (EEC) No 1883/78 (OJ No L 216, 5 August 1978).

MCAs are paid on exports of merchandise and charged on imports, while the "negative" MCAs are charged on exports and paid out on imports of agricultural products.

Since 1984, the changes made from time to time in the currency parities under the European Monetary System (EMS) have no longer entailed the creation of positive MCAs, but only the introduction or increase in negative MCAs. These MCAs are then scaled down, generally on the occasion of the annual price reviews. The monetary compensatory amounts, which are shown separately in the EAGGF Guarantee Section accounts, have entailed expenditure falling from 989 million ECU in 1977 to 376 million ECU in 1984 and 190 million ECU in 1985; the estimate for 1986 is about 434 million ECU.<sup>1</sup>

---

<sup>1</sup> For more details concerning the origin and operation of the MCAs, see Information Memo P 44, July 1982, released by the Spokesman's Group, entitled "A History of the Monetary Compensatory Amounts".



B. FINANCIAL RESULTS FROM 1979 TO 1985

B1. Overall trends

1. As the table below shows, total EAGGF guarantee expenditure rose from 10 400 million ECU in 1979 to 19 700 million ECU in 1985. Annual growth rates varied very widely from year to year. A drive to adjust policy on markets and ensure rigour in management has enabled the usual rate of increase to be effectively curbed in certain years. These efforts, however, have been counterbalanced by a sharp increase in Community costs resulting from a combination of various factors: unfavourable situation due to the decline in world prices, slack consumption because of the general world economic crisis, and an increase in production which, combined with a decline of exports, has meant more intervention and mounting stocks.

Table No 5

Overall development of EAGGF guarantee expenditure

Year	Total expenditure <sup>1</sup> (m ECU)	Annual growth rate (%)
1979	10,440.7	
1980	11,314.9	8.4
1981	10,980.2	-3.0
1982	12,405.6	13.0
1983	15,811.6	27.5
1984	18,346.4	16.0
1985	19,744.2	7.6

(1) Including expenditure reductions resulting from sums released on clearance of the accounts of previous years.

2. Changes in the shares of EAGGF gross overall expenditure in the total budget have been examined above (p. 5), and a comparison can now also be made between total EAGGF guarantee expenditure and the most significant economic indicator, the Community's gross domestic product (GDP) at market prices. The table below shows that in economic terms EAGGF guarantee expenditure represents only a relatively light charge on the Community's gross domestic product. For gross expenditure, the EAGGF guarantee share in GDP, starting at 0.59 % in 1979, reached 0.66 % in 1985, having declined in 1980 and 1981. As for net expenditure, i.e. after deduction of accruals from agriculture, .

the corresponding rate was 0.59 % in 1985, compared with 0.47 % in 1979 and 1980 and 0.42 % in 1981 and 1982.

Table No 6  
Total cost of the Guarantee Section as a proportion  
of gross domestic product

Year	EAGGF guarantee expenditure ('000 m ECU)		Gross domestic product of the Community at market prices ('000 m ECU) (source: CRONOS)	EAGGF guarantee expenditure as % of EEC gross domestic product	
	Gross	Minus accruals <sup>1</sup>		Gross	Net
a	b	c	d	e=100 b/d	f=100 c/d
1979	10.440	8.297	1,771.2	0.59	0.47
1980	11.315	9.313	1,997.5	0.57	0.47
1981	10.980	9.233	2,220.9	0.49	0.42
1982	12.406	10.178	2,421.3	0.51	0.42
1983	15.812	13.517	2,593.1	0.61	0.52
1984	18.346	15.910	2,776.2	0.66	0.57
1985	19.744	17.565	2,975.1 (*)	0.66	0.59

<sup>1</sup> see pp. 4 and 5.

\* provisional

**B2. Expenditure for individual products**  
(see Tables Nos 7 and 8 below)

1. Analysis of expenditure by individual product shows that in 1985 milk and meat products accounted for by far the greatest share of Community market support costs, at nearly one-third of overall expenditure. Next came beef/veal, and then, each with about one-tenth of Community expenditure, cereals and sugar.
2. A review of changes in Community expenditure by individual product for 1979-1985 is also very instructive: for the products mentioned above, it is found that:
  - for milk products, there was a substantial decline, from nearly half the EAGGF guarantee expenditure in 1979 to just under 27 % in 1982, followed by a modest increase thereafter. Until 1982, the situation was the

result of a slower increase in milk production and high world market prices; since 1983, the sharp increase in milk production until the milk quotas were introduced, less favourable conditions on the world market and an increase in public stocks of butter and skimmed-milk powder boosted expenditure, despite the revenues from the coresponsibility levies; without these levies, costs would have been even higher;

- for cereals, a very sharp decline between 1983 and 1984, following a period of relative stability, with a recovery in 1985. This contraction in expenditure was largely due to a sharp narrowing of the gap between world prices and Community prices as the dollar rose rapidly in value during the period concerned; however, the situation was reversed in 1985 as the dollar fell back again and world market prices declined;
- for beef/veal, a cyclical movement peaked out in 1979 and in 1982 and bottomed out in 1981 and 1985. The increase in expenditure in 1984 and 1985 was a result of an increase in production, as a consequence in particular, of the introduction of the milk quotas;
- for fruit and vegetables, a slow but fairly steady increase in expenditure until 1984: while spending on fresh fruit and vegetables fell as a result of fewer withdrawals, particularly of citrus fruit and pears (despite an increase in intervention in 1985 for tomatoes), there was, on the other hand, for processed fruit and vegetables a sharp increase, mainly on production aids for processed tomatoes, and, to a lesser degree, because of action taken to support dried grapes and dried figs.

Among the other products, wine increased substantially its share in Community expenditure, rising from 0.6 % in 1979 to nearly 7 % in 1984; in 1985, however, expenditure declined slightly. The shares accounted for by tobacco, oilseeds and protein plants, which cost relatively little, did increase fairly steadily over the years.

Table No 7  
EAGGF GUARANTEE EXPENDITURE BY INDIVIDUAL PRODUCTS<sup>1</sup>

Product	(m ECU, %)													
	1979		1980		1981		1982		1983		1984		1985	
	m ECU	%	m ECU	%	m ECU	%	m ECU	%	m ECU	%	m ECU	%	m ECU	%
Cereals	1.563,7	15,0	1.669,0	14,8	1.921,4	17,2	1.824,5	14,7	2.441,2	15,3	1.650,0	9,0	2.310,2	11,7
Rice	42,9	0,4	58,7	0,5	21,7	0,2	50,3	0,4	92,9	0,6	47,8	0,3	50,1	0,3
Sugar	939,8	9,0	575,2	5,1	767,5	6,9	1.241,9	10,0	1.316,2	8,3	1.631,5	8,9	1.804,5	9,1
Olive oil	388,2	3,7	317,9	2,8	442,7	4,0	493,1	4,0	675,3	4,3	1.096,4	5,9	692,2	3,5
Oilseeds	217,8	2,0	369,4	3,3	582,7	5,2	720,7	5,8	945,6	5,9	655,6	3,6	1.110,6	5,6
Protein plants	61,9	0,6	60,5	0,5	65,5	0,6	82,8	0,7	142,3	0,9	215,6	1,2	372,5	1,9
Fibre plants and silkworms	18,1	0,2	17,2	0,2	72,3	0,7	116,4	0,9	160,0	1,0	108,0	0,6	240,7	1,2
Fruit and vegetables	442,9	4,2	687,3	6,1	641,1	5,8	914,3	7,4	1.196,1	7,5	1.454,6	7,9	1.230,7	6,2
Wine	61,9	0,6	299,5	2,6	459,4	4,1	570,6	4,6	659,2	4,1	1.222,6	6,6	921,4	4,7
Tobacco	225,4	2,2	309,3	2,7	361,8	3,2	622,6	5,0	671,3	4,2	776,4	4,2	862,9	4,3
Other products	40,2	0,3	38,2	0,3	46,7	0,4	53,4	0,4	55,6	0,3	51,5	0,3	54,7	0,3
Milk products	4.527,5	43,4	4.752,0	42,0	3.342,7	30,0	3.327,7	26,9	4.396,1	27,6	5.441,7	29,6	5.933,2	29,9
Beef/veal	748,2	7,2	1.363,3	12,0	1.436,9	12,9	1.158,6	9,3	1.736,5	10,9	2.546,8	13,9	2.745,7	13,8
Sheepmeat and goatmeat	-	-	53,5	0,5	191,5	1,7	251,7	2,0	305,6	1,9	433,5	2,3	502,4	2,5
Pigmeat	104,9	1,0	115,6	1,0	154,6	1,4	111,6	0,9	145,0	0,9	195,9	1,1	165,3	0,8
Eggs and poultry	79,5	0,8	85,5	0,8	83,9	0,8	103,9	0,8	123,3	0,8	69,8	0,4	63,2	0,3
Non-Annex-II products	252,2	2,4	221,3	2,0	282,4	2,5	414,4	3,4	343,2	2,2	382,4	2,1	440,9	2,2
Fisheries	17,0	0,2	23,0	0,2	28,0	0,3	34,0	0,3	25,7	0,2	15,6	0,1	16,1	0,1
Total agricultural expenditure	9.732,1	93,2	11.016,4	97,4	10.902,8	97,9	12.092,5	97,5	15.431,1	96,9	17.995,7	98,0	19.517,4	98,4
Accession compensatory amounts	0,2	0,0	-	-	0,1	0,0	0,4	0,0	0,3	0,0	0,3	0,0	0,2	0,0
Monetary compensatory amounts	708,4	6,8	298,5	2,6	238,3	2,1	312,7	2,5	488,3	3,1	375,9	2,0	189,6	0,9
Comm. compens. measures	-	-	-	-	-	-	-	-	-	-	-	-	136,4	0,7
TOTAL EAGGF GUARANTEE EXPENDITURE	10.440,7	100,0	11.314,9	100,0	11.141,2	100,0	12.405,6	100,0	15.919,7	100,0	18.371,9	100,0	19.843,4	100,0
					10.980,2	(2)			15.811,6	(2)	18.346,4	(2)	19.744,2	(2)

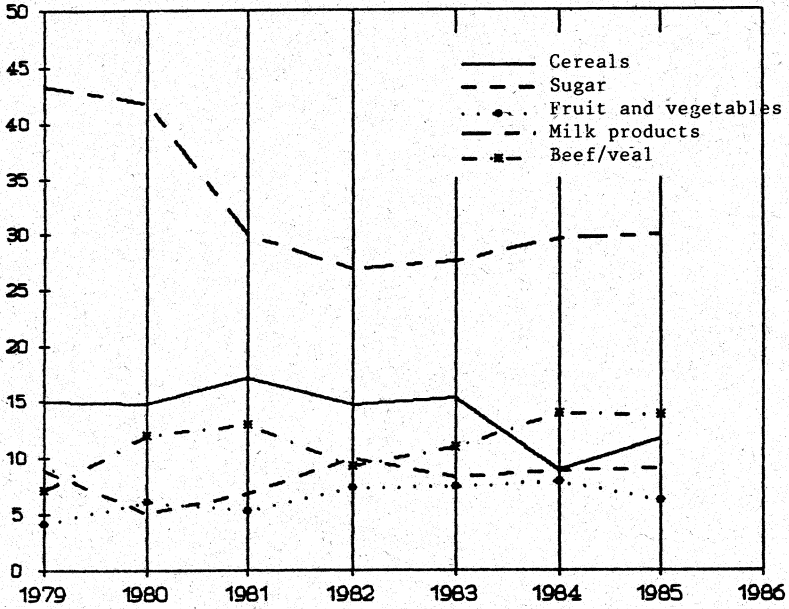
<sup>1</sup> The expenditure is drawn from the Member States' declarations under the advance payments system and shown by year according to Article 97 of the Financial Regulation.

<sup>2</sup> Allowing for expenditure reductions following clearance of accounts.

Table No 8

RELATIVE CHANGES IN EAGGF GUARANTEE EXPENDITURE  
FOR THE MAIN PRODUCTS

(%)



B3. Breakdown of expenditure by product, according to the economic nature of the measures

Tables No 9 and No 10 show, respectively, the breakdown of expenditure according to the economic nature of the measures for 1985, and changes in this type of expenditure, overall, for 1979-1985.

The breakdown by economic nature can only be a general guide because the budget nomenclature classifies expenditure according to legal basis and the legal basis may not coincide with the economic nature.

1. In 1985 payments on refunds on exports to non-member countries represented a little more than one-third of total expenditure for the year, the greatest share being accounted for by milk products (10 %), followed by sugar (7 %) and beef/veal (7 %).
2. Intervention mobilized nearly two-thirds of Community financing. It is broken down into public or private storage aids, withdrawals and similar operations, price-compensating aids, which are in fact aids for the internal market, and guidance premiums.

The price-compensating aids remain the main type of intervention. This heading includes aids granted to processors and consumers on the internal market of the Community, which are paid to ensure that the prices charged to consumers compete with those for products imported from non-member countries; there are three main classes - production aids, consumption aids and processing aids.

The main products supported by price-compensating aids in 1985 were meat products, oilseeds, fruit and vegetables, and tobacco. Production aids went mainly to olive oil, oilseeds (rape and sunflower), protein plants (peas and field beans, dried fodder), tobacco, wine, sheepmeat and beef/veal, cereals and rice, and cotton.

Table No 9: BREAKDOWN OF EXPENDITURE BY SECTOR ACCORDING TO THE ECONOMIC NATURE OF THE MEASURES - 1985

(m ECU)								
PRODUCT	Total expenditure	Export refunds	Breakdown according to economic nature of the measures					Total
			Intervention					
			Storage (1)	Withdrawals and similar operations	Price compensating aids	Guidance premiums		
1	2 = 3 + 8	3	4	5	6	7	8=4+5+6+7	
Cereals	2.310,2	1.076,7	751,8	-	-	481,7 (2)	-	1.233,5
Rice	50,1	36,6	-	-	-	13,5	-	13,5
Sugar	1.804,5	1.352,8	440,1 (3)	-	-	11,6	-	451,7
Olive oil	692,2	19,2	5,2	-	-	667,8	-	673,0
Oilseeds, of which	1.110,6	3,4	- 0,5	-	-	1.107,7	-	1.107,2
- rape, sunflower	986,2	3,4	- 0,5	-	-	983,3	-	982,8
Protein plants, of which:	372,5	-	-	-	-	372,5	-	372,5
- peas and field beans	255,5	-	-	-	-	255,5	-	255,5
- dried fodder	116,9	-	-	-	-	116,9	-	116,9
Fibre plants, of which	240,6	-	-	-	-	240,6	-	240,6
- hemp and flax	27,2	-	-	-	-	27,2	-	27,2
- cotton	212,7	-	-	-	-	212,7	-	212,7
- silkworms	0,7	-	-	-	-	0,7	-	0,7
Fruit and vegetables	1.230,7	74,5	-	213,4	-	942,8 (4)	-	1.156,2
Wine	921,4	18,9	89,6	599,0 (5)	-	213,9 (6)	-	902,5
Tobacco	862,9	32,0	11,9	-	-	819,0	-	830,9
Other products, of which:	54,6	-	-	-	-	54,6	-	54,6
- seeds	46,4	-	-	-	-	46,4	-	46,4
- hops	8,2	-	-	-	-	8,2	-	8,2
- beekeeping	p.m.	-	-	-	-	p.m.	-	p.m.
Milk and milk products	5.933,2	2.028,2	1.972,8	-	-	1.891,0 (7)	41,2 (8)	3.905,0
of which:								
- skimmed milk	2.815,1	408,0	580,0 (9)	-	-	1.827,1	-	2.407,2
- butter	2.345,2	616,4	1.325,8	-	-	403,0	-	1.728,8
Beef/veal	2.745,8	1.338,6	1.094,1	-	-	196,5	116,6 (10)	1.407,1
Sheepmeat and goatmeat	502,4	-	-	-	-	502,4	-	502,4
Pigmeat	165,4	102,9	62,5	-	-	-	-	62,5
Eggs and poultry	63,2	63,2	-	-	-	-	-	-
Non-Annex II products	440,8	440,8	-	-	-	-	-	-
Fisheries	16,1	- 0,1	-	16,2	-	-	-	16,2
Sub-total	19.517,2	6.587,7	4.427,5	828,6	-	7.515,6	157,8	12.929,5
%	100,0	33,8	22,7	4,2	-	38,5	0,8	66,2
Compensatory amounts	189,8	128,4	-	-	-	61,4	-	61,4
TOTAL	19.707,0	6.716,1	4.427,5	828,6	-	7.577,0	157,8	12.990,9
%	100,0	34,1	22,4	4,2	-	38,5	0,8	65,9

Notes concerning Table No 9

1. Private and public storage.
2. Including production refunds (processing of cereals and potatoes into starch) (180.8 m ECU) and durum wheat aid (242.5 m ECU).
3. Reimbursement of private storage costs.
4. Promotion (25.5 m ECU) and processing (100.0 m ECU) of Community citrus fruit plus intervention for processed products (817.3 m ECU).
5. Distillation (599.0 m ECU).
6. Aid to relocation (storage) of table wines (12.3 m ECU) and aid to concentrated must (148.2 m ECU).
7. This amount includes linear and supplementary coresponsibility levies (637.3 m ECU).
8. Milk non-marketing and dairy herd conversion premiums.
9. Of which, 573.0 m ECU for skimmed-milk powder for pig- and poultry-feed.
10. Calf premiums promoting herd reconstitution.



Table No 10  
Expenditure by product according to the economic nature of the measures (m. ECU)

	1979	%	1980	%	1981	%	1982	%	1983	%	1984	%	1985	%
					(*)					(*)				
					(*)					(*)				
Total expenditure (including CAs)	10.440,7	100,0	11.314,9	100,0	11.141,2	100,0	12.405,6	100,0	15.919,7	100,0	18.371,9	100,0	19.707,0	100,0
Refunds (R)	4.981,8	47,7	5.695,0	50,3	5.208,6	46,8	5.053,7	40,8	5.599,7	35,0	6.619,1	36,0	6.716,1	34,1
Intervention (I)	5.458,9	52,3	5.619,9	49,7	5.932,6	53,2	7.351,9	59,2	10.360,0	65,0	11.752,8	64,0	12.990,9	65,9
Cereals (excl. rice)	1.563,7	15,0	1.669,0	14,8	1.921,4	17,2	1.824,5	14,7	2.441,2	15,3	1.650,0	9,0	2.310,2	11,7
R	1.184,7	11,4	1.174,7	10,4	1.206,3	10,8	1.064,9	8,6	1.525,0	9,6	918,3	5,0	1.076,7	5,5
I	379,0	3,6	494,3	4,4	715,1	6,4	759,6	6,1	916,2	5,7	731,7	4,0	1.233,5	6,2
Sugar	939,8	9,0	575,2	5,1	767,5	6,9	1.241,9	10,0	1.316,2	8,3	1.631,5	8,9	1.804,5	9,2
R	685,1	6,6	286,2	2,5	409,2	3,7	744,0	6,0	758,1	4,8	1.190,0	6,5	1.352,8	6,9
I	254,7	2,4	289,0	2,6	358,3	3,2	497,9	4,0	558,1	3,5	441,5	2,4	451,7	2,3
Fruit and vegetables	442,9	4,2	687,3	6,1	641,1	5,8	914,3	7,4	1.196,1	7,5	1.454,6	7,9	1.230,7	6,3
R	34,5	0,3	41,3	0,4	42,8	0,4	59,5	0,5	58,1	0,4	58,6	0,3	74,5	0,4
I	408,4	3,9	646,0	5,7	598,3	5,4	854,8	6,9	1.138,0	7,1	1.396,0	7,6	1.156,2	5,9
Milk and milk products	4.527,5	43,4	4.752,0	42,0	3.342,7	30,0	3.327,7	26,8	4.396,1	27,6	5.441,7	29,6	5.933,2	30,1
R	2.087,9	20,0	2.745,9	24,3	1.886,3	16,9	1.521,3	12,3	1.326,8	8,3	1.943,4	10,6	2.028,2	10,3
I	2.439,6	23,4	2.006,1	17,7	1.456,4	13,1	1.806,4	14,5	3.069,3	19,3	3.498,3	19,0	3.905,0	19,8
Beef/veal	748,2	7,2	1.363,3	12,0	1.436,9	12,9	1.158,6	9,3	1.736,5	10,9	2.546,8	13,9	2.745,8	13,9
R	270,2	2,6	715,5	6,3	825,2	7,4	643,5	5,2	828,2	5,2	1.392,7	7,6	1.338,6	6,8
I	478,0	4,6	647,8	5,7	611,7	5,5	515,1	4,1	908,3	5,7	1.154,1	6,3	1.407,2	7,1
Other products	2.218,6	21,2	2.268,1	20,0	3.031,6	27,2	3.938,6	31,8	4.833,6	30,4	5.647,3	30,7	5.682,6	28,8
R	719,4	6,8	731,4	6,4	838,8	7,6	1.020,5	8,2	1.063,5	6,7	1.116,1	6,1	845,3	4,3
I	1.499,2	14,4	1.536,7	13,6	2.192,8	19,6	2.918,1	23,6	3.770,1	23,7	4.531,2	24,6	4.837,3	24,5

(\*) Not including the results of accounts clearance or of Community compensation measures.

On the other hand, processing aids go mainly to milk products and fruit and vegetables, and, to a lesser extent, cereals.

The guidance premiums, which are meant to guide production directly, concerned only milk products and beef/veal (e.g. premiums for cessation of dairy farming, suckler cow premiums, etc.).

Intervention concerning withdrawals from the market and similar operations concern wine, fruit and vegetables and fisheries.

Intervention concerning storage covers both private storage costs and public storage costs, including the cost of special disposal schemes. The storage of agricultural products is a relatively heavy item for the Community, representing in 1985 more than 22 % of total EAGGF guarantee expenditure. The product costing the Community most is milk, because of the surpluses of butter and skimmed-milk powder, with, well behind, beef/veal, cereals and olive oil.<sup>1</sup> The total value of products bought in and in store in the Community at the end of 1985 was about 10 500 million ECU. Ample appropriations will be needed to ensure their financing and disposal in coming years.

Unlike other intervention measures, the cost of intervention operations in the form of storage is defrayed initially by the Member States, the EAGGF being involved only later, to reimburse technical and financial costs on a flat-rate basis plus any losses on sales. Public storage costs, which in 1985 accounted for more than three-quarters of the expenditure incurred for this type of intervention, comprised technical costs (intake, storage proper, withdrawal, processing), financing costs (interest on the national funds immobilized), and losses suffered or profits made on the sale of goods stocked (including price reductions for special disposal schemes). The Member States' intervention agencies buy in and sell the intervention products and, for this purpose, borrow in their own countries the funds needed, the cost of which can vary very widely from one Member State to another.

In view of the budgetary difficulties, the Council has adopted Regulation (EEC) No 1334/86<sup>2</sup>, which authorizes the Commission to finance during 1986, 1987 and 1988 interest costs and storage costs at a level below the representative costs fixed on a flat-rate basis at Community level. This

---

1 Costs of storing sugar are covered by special storage levies on the refiners.

2 OJ No L 119, 8 May 1986

facility was used by the Commission in May 1986, so that the Member States must now defray part of these costs themselves.

In order to provide a book value of the stocks of products bought in and, from this, to be able to calculate interest paid by the EAGGF for capital immobilized for this purpose, a Community regulation (Regulation (EEC) No 1883/78<sup>1</sup>) specifies that the Commission must establish at the end of the year the carryover price to be referred to for the following year. Generally, this price is representative of the average buying-in price of the merchandise during the year.

As stocks are often sold below cost, or book value, the Commission has authority to reduce, within certain limits, the book value to bring it closer to the real value, in the light of funds available. This operation, known as "financial depreciation of quantities of products in intervention store at the end of the year", has been carried out three times - in 1978, 1981 and 1985.

On a proposal from the Commission, the Council adopted Regulation (EEC) No 964/86<sup>2</sup> rendering more flexible the financial depreciation mechanisms to enable the Commission to take advantage more easily of any opportunity for aligning the book value, which is to some extent artificial, on the real value and thus achieve interest charge savings. This regulation was implemented for the first time in May 1986.

3. Changes in expenditure according to the economic nature of the measures between 1979 and 1985 show that the share of export refunds, which, in 1979, accounted for a little less than half of total expenditure, was gradually worked down to 34 % in 1985. At the same time, but conversely, intervention, which accounted for 52.3 % of Community financing in 1979, rose to nearly 66 % in 1985.

Changes in the respective shares of export refunds and intervention in total expenditure on the main agricultural products between 1979 and 1985 can be shown more clearly than in extensive text by the following Table No 11:

---

1 OJ No L 216, 5 August 1978

2 OJ No L 89, 4 April 1986

Table No 11

Export refunds and intervention as shares of total expenditure on the main products

Products	Total Expenditure	%													
		1979		1980		1981		1982		1983		1984		1985	
		R	I	R	I	R	I	R	I	R	I	R	I	R	I
Cereals (excl. rice)	100	76	24	70	30	63	37	59	41	63	37	56	44	47	53
Sugar	100	73	27	49	51	54	46	60	40	58	42	73	27	75	25
Fruit and vegetables	100	7	93	7	93	7	93	7	93	5	95	4	96	6	94
Milk products	100	46	54	58	42	56	44	46	54	30	70	36	64	34	66
Beef/veal	100	36	64	53	47	57	43	56	44	48	52	55	45	49	51

R = refunds  
I = interventions

C. OPERATION OF COMMUNITY FINANCING OF THE GUARANTEE SECTION

C1. Centralization of Community financing and  
decentralization of individual payments

Centralization of Community financing was strengthened in 1971 when it was agreed that the Community would no longer simply reimburse to the Member States the costs the latter had defrayed, but would assume responsibility for the cash flow of the national agencies responsible for making the payments. This change thus consisted in an additional transfer of responsibility from the national budgets to the Community budget.

Disbursements on market support are technically carried out by the Member States' agencies, which are the links between the EAGGF and the farmers, traders and manufacturers: as it would be quite impossible for the Commission itself to carry out the formidable number of payments arising annually from the common policy on the agricultural markets, the Commission relies upon the existing national agencies, which must report their operations.

Subject to audit, the payments made by these agencies rank as payments coming under the budget of the European Communities. Their verification and recording in the Commission's accounts then follow the procedures implemented and applicable for all Community expenditure.

While the Commission is thus responsible for the EAGGF's centralized operations, only the Member States, in practice, implement the schemes financed by this Fund. As a result, the work carried out by the national departments is not only of the greatest importance but there is also a great deal of it.

The Member States's various national departments, and their paying agencies and audit boards, must handle on a day-to-day basis operations running into hundreds of thousands of items and involving the management of a large number of intervention schemes, the payment of export refunds, the collection of levies, etc. These agencies also have contacts with private individuals and

firms engaged directly or indirectly in these operations, and they therefore contribute directly to financing and audit and verification measures.<sup>1</sup>

Under Article 8 of Regulation (EEC) No 729/70, the Member States carry out this work in accordance with national laws and regulations; the administrative machinery and procedures used may therefore vary from Member State to Member State. The implementation and management of the schemes financed by the EAGGF involves, at the level of each Member State, the mobilization of a large number of departments and thousands of officials, and the use of the Member States' own administrative machinery.

## C2. The financial mechanisms of the Guarantee Section

The main features of the financial mechanisms of the Guarantee Section are:

1. the switch, on 1 January 1971, from a system of reimbursement to one of direct financing;
2. a Community system of advance payments to the Member States, so that, since 1971, they have no longer had to finance Community expenditure in advance;
3. the role, for the payments to beneficiaries (individuals or firms), of the paying departments and agencies;
4. Commission decisions clearing regularly and definitively the Member States' accounts, preceded by verification; the prevention and prosecution of irregularities.

### 1. The switch from reimbursement to direct financing

From the time when Community financing started until the date of entry into force of Regulation (EEC) No 729/70, i.e. from July 1962 to the end of 1970, the financial operation of the Guarantee Section was based on the principle of reimbursement to the Member States of expenditure eligible under this Section. The Member States therefore had to provide the necessary appro-

---

<sup>1</sup> In fact there is no legal link between the Community and a person entitled to financing under the common agricultural policy, the link being between the person and the Member States responsible for the financing.

priations in their own budgets, thereafter place the funds at the disposal of their departments, and subsequently file reimbursement claims with the Commission.

On 1 January 1971, coinciding with the introduction of the system of Community own resources intended to cover all the expenditure from the Community budget, Regulation (EEC) No 729/70 established a new arrangement quite different from the old one.

This transferred from the Member States to the Community the advance financing of expenditure on the agricultural markets, using a technique of advance payments. The role of the budget of the European Communities was thus substantially enhanced because of the need to open appropriations in advance.

## 2. The Community advance payments system

Under Regulation (EEC) No 729/70, introducing a definitive financing system, a system of advance payments of funds was set up, initially by Commission Regulation (EEC) No 2697/70,<sup>1</sup> later replaced by Regulation (EEC) No 380/78,<sup>2</sup> which consolidated all the provisions adopted since the original regulation.

Because of the adjustments necessitated by changes that had occurred and experience gained in subsequent years, the system was altered in 1983 by Regulation (EEC) No 3184/83,<sup>3</sup> and then in 1985 by Regulation (EEC) No 3462/85.<sup>4</sup>

Article 4(2) of Regulation (EEC) No 729/70 lays down the principle that "the Commission shall place at the disposal of the Member States the appropriations necessary to enable the appointed departments and agencies to proceed, in accordance with Community rules and national legislation, to the payment of expenditure...".

---

1 OJ No L 285, 31 December 1970.

2 OJ No L 56, 27 February 1978.

3 OJ No L 320, 17 November 1983.

4 OJ No L 332, 10 December 1985.

It is the Member State which decides on the distribution of the Community's financial resources among the various paying departments, but it must comply with certain general criteria. In exceptional circumstances, the Commission has power to make an extraordinary advance payment to a Member State.

The member government plays a role of go-between between the Community and the paying departments in this system; it thus assumes responsibility for applications for advance payments and for the distribution of the funds among the paying departments.

Close cooperation has been needed between the central governments, the paying departments - working under Community law - and the Commission.

The present system of advance payments does, however, have disadvantages inherent in its nature, reflected in rather cumbersome administration and a period of uncertainty as to the use of appropriations towards the end of the year. Because of these disadvantages, the Commission is studying the possibility of bringing the present arrangements closer to a normal budgetary procedure by a system of direct payments and accounting, requiring computerization of the links between the Commission and the Member States' paying departments.

### 3. The paying departments or agencies

The present system of financing requires more and stronger links between the Commission and the departments and agencies appointed by the Member States to pay EAGGF guarantee expenditure. Article 4 of Regulation (EEC) No 729/70 requires the Member States to notify the Commission of the departments it has decided to approve and to send to it information concerning their operation, in particular details of the administrative and accounting conditions under which the payments are made, and reports and accounts relating to such expenditure.

This clause gives the Community a watching brief over the work of the paying departments and agencies; this right is exercised in close cooperation with the Member State responsible.



The paying departments are the basic administrative units responsible for refund and intervention payments. These are the agencies normally keeping the detailed files recognizing the rights of the beneficiaries.

They generally enjoy some financial independence, and, in many cases, farming federation representatives are involved in varying degrees in their operation. The administrative structure of these departments varies from one Member State to another. In France and in the Netherlands, the agencies are specialized by market organization sector. In Germany and in Italy, there is one department responsible for refunds and another for intervention; for certain intervention expenditure, regional departments execute payments. In Luxembourg, Ireland and Greece, all the payments are made directly by the ministries of Agriculture, while in the United Kingdom and Denmark, these ministries use special departments for this work. In Belgium, two agencies are responsible respectively for the payment of refunds and intervention, certain intervention operations in the dairy sector being executed by a specialized agency.

At the end of 1985 the ten Member States had appointed 44 paying departments or agencies; with the enlargement of the Community to include Spain and Portugal, corresponding departments have been appointed in those countries.

The large number of departments responsible in various capacities for Community financing does have disadvantages hampering the smooth management of the Community's public finances.

#### 4. Auditing, accounts clearance decisions, prevention and prosecution of irregularities

##### 4.1 General

Under the common agricultural policy, and in particular the management of the various EEC market organizations, the Community's legislating bodies (the Council and the Commission) adopt annually more than 3 000 instruments (regulations and decisions) concerning mainly measures entailing expenditure.

In different ways depending on their administrative structures, the Member States have empowered departments and institutions to pay the aids to the beneficiaries. More than 44 paying agencies are now working in the Member States. The legal relations between the paying agencies and the beneficiaries come under the national legislation of each Member State. But it is the Commission which, when the accounts are cleared, adopts decisions with regard to all the expenditure disbursed by the Member States during a given budgetary year.

In this connection, the only key criterion consists in determining whether this Member State has effected its expenditure in accordance with Community law.

The Director-General of the Directorate-General for Agriculture (DG VI), as authorizing officer for agricultural expenditure, uses the EAGGF directorate for all audit tasks.

Expenditure by the Member States on behalf of the EAGGF Guarantee Section is verified by two departments:

- the accounts clearance division,
- and
- the specialized department responsible for irregularities and special controls.

Of their nature, the accounts clearance and irregularities and special controls departments have to work very closely together. Their work is organized in such a way that the former concentrates verification on the Member States' paying agencies and the latter verifies beneficiaries directly.

The two departments exchange information regularly, the accounts clearance procedure being the instrument which, where appropriate, enables financial sanctions to be applied to Member States failing to comply with their obligations.

#### 4.2 Audit of expenditure and accounts clearance decisions

The Member States' formal returns detailing real expenditure carried out during the year are the basis for the work on closing the accounts. These returns are verified at the Member States' paying agencies by the Commission's staff on the basis of documentary evidence produced. The aims of this audit work are not only to compare the Member States' returns with the paying agencies' own books, but also to check, on the basis of individual payment files, that Community law has been properly applied.

A systems audit is also carried out, i.e. a critical analysis of the management of Community funds and of national control mechanisms. In this context, the Commission's inspectors examine the administrative procedures followed by the paying agencies to ascertain whether expenditure has actually been carried out in accordance with Community law. If verification shows that there are weaknesses in the paying agencies' systems, these are reported to the Member States concerned and proposals for improvement are made. In this way systems audit by the Commission contributes to steady improvement in the management of expenditure and of the Member States' control mechanisms.

The procedure for accounts clearance now used under Regulations (EEC) No 729/70 and 1723/72, which involves a large number of complex administrative operations with a view to the formal clearance of the accounts, may be described as follows:

- transmission by the Member States of detailed returns concerning their expenditure chargeable to the EAGGF Guarantee Section, on the basis of guiding principles communicated by the Commission's staff to the Member States to ensure that the returns are presented in a uniform manner and that they can be compared with each other;
- verification by the Commission's staff, on the basis of documentary evidence produced, of the Member States' returns;
- verification by product and by type of expenditure, carried out on the spot at the paying agencies;
- establishment of a control report by product and by paying agency;
- formal transmission of the results of the control to the Member States;

- Member States' replies to observations made, accompanied, where appropriate, by documents and supplementary evidence;
- bilateral meetings ("dialogue") between the Commission staff and the Member States to settle disputes outstanding and clarify positions;
- consultation between the Commission's staff (EAGGF and divisions responsible for the various market organizations, Financial Control, Legal Service);
- drafting of a summary report giving the results of the verification and proposals for accounts clearance decisions resulting therefrom;
- formal consultation of the EAGGF Committee on the draft decisions; with explanatory memoranda, laid before the Commission;
- formal Commission decisions on the clearance of the accounts by Member State and by budgetary year.

In recent years, "preventive controls" and interpretations of the regulations given in response to requests from the Member States have acquired growing importance. "Preventive control" means more active participation by the audit departments in the preparation of regulations, and in particular of the Commission's implementing regulations. It consists in improving the audit provisions laid down by these regulations and in simplifying and wording more precisely these clauses in order to ensure, in a uniform and unambiguous manner, practical application by the Member States.

The Commission's replies to the questions submitted by the Member States concerning the proper interpretation of agricultural provisions relating to expenditure are made after careful consultation between the Commission's responsible departments. It is true that they impose no legal obligation on the Member State concerned, which - subject to review when the accounts are cleared - must apply the Community rules in its own way, but they provide guidance as to the attitude the Commission will adopt when clearing the accounts and thus forestall difficulties between the Commission and the Member States.

To keep all the Member States informed, the EAGGF circulates information memoranda or provides, at management committee meetings, information on the application of the regulations concerning the relevant product.

The accounts are cleared on the basis of cooperation with the departments concerned, such as the divisions responsible for the management of the agricultural markets, Financial Control and the Legal Service, and the procedure is subject to critical review by the Community's Court of Auditors and Parliament. The Member States have the right to appeal to the Court of Justice of the European Communities against the Commission's formal decisions. The Member States avail themselves of this right whenever they deem it appropriate. The judgments of the Court of Justice are thus important in ensuring that there is no arbitrariness in the application of the law when the accounts are cleared.

#### 4.3 Prevention and prosecution of irregularities

A formidable amount of money is channelled through CAP mechanisms to tens of thousands of beneficiaries, and it would be foolish to imagine that no attempts are ever made to misappropriate some of this. A protection system has therefore had to be set up to discourage, prosecute and punish such attempts. Regulation (EEC) No 729/70 defines the responsibilities and principles according to which the Community combats irregularities and recovers amounts wrongly paid out, and the rules for allocation of responsibility for any financial consequences.

Article 8 of this Regulation stipulates that the Member States must take all appropriate action to (a) ensure that operations financed by the EAGGF have actually taken place in accordance with the rules, (b) prevent or prosecute irregularities, (c) recover sums lost as a result of the irregularities or negligence. Thus, it is the Member States which, in the first instance, are responsible for combating irregularities, and this requires a monitoring system on a scale sufficient to verify thousands of day-to-day operations, effective organization for the detection and prosecution of irregularities and effective efforts to recover amounts misappropriated.

The Commission's main role is to oversee the effectiveness of the monitoring systems set up by the Member States and of the measures and actions taken to prevent and prosecute irregularities. However, the Commission may also,

where necessary, take more direct action, in particular in the form of enquiries on-the-spot (see below).

The general rules governing cooperation between the Member States and the Commission in this area are given in Regulation (EEC) No 283/72,<sup>1</sup> which requires the Member States to notify the Commission:

- of their laws and regulations concerning efforts to combat irregularities and cover amounts wrongly paid;
- regularly, of cases of irregularities which have been the subject of first administrative or judicial reports and of information on developments with regard to cases of irregularities (judicial or administrative procedures started with a view to the recovery of sums wrongly paid, amounts recovered etc.).

Tables Nos 12 and 13 below show, respectively, details by Member State and by sector of these quarterly notifications and recoveries during 1985, and a summary of overall data since 1971.

Apart from these notifications, there is a system of rapid exchange of information and mutual assistance.

- rapid exchange of information<sup>2</sup> is used to notify without delay the other Member States and the Commission of cases of irregularities in respect of which there is reason to fear that they may rapidly have repercussions in Member States other than that in which they have been discovered or which involve a new fraudulent practice;
- mutual assistance<sup>3</sup> is designed to ensure the proper application of customs and agricultural regulations.

In addition to its cooperation with the Member States' departments and its supervisory role, the Commission can carry out specific investigations.

---

1 OJ No L 36, 10 February 1972.

2 Based on Article 4 of Regulation (EEC) No 283/72.

3 Set up by Regulation (EEC) No 1468/81 (OJ No L 144, 2 June 1981).

Also, under a special directive, "a posteriori" checks to be carried out by the Member States supplement the other verification already carried out. This is a systematic scrutiny of commercial documents and, where appropriate, of the stock accounts of a number of firms taking part in the EAGGF Guarantee Section financing system.<sup>1</sup>

To ensure better management of the information obtained concerning irregularities and optimum use of the findings resulting from their examination, the Commission, using modern techniques, also has a computerized data base; this system allows for rational processing of the data concerning not only irregularities against the EAGGF but also those relating to the Communities' own resources (except VAT).

In addition, the Commission's staff organizes seminars on specific problems with a view to improving the effectiveness of the action taken in the Member States to combat fraud and irregularities.

Lastly, the public, through the media, has shown a growing interest in efforts to deal with irregularities. This topic is kept under review by the EAGGF Committee at Commission level, by the Court of Auditors, and by Parliament's Committee on Budgetary Control. In 1986, this Committee organized a public hearing on the development of the European system of financing and control with a view to improving efficiency in the EAGGF Guarantee Section.

---

<sup>1</sup> Directive No 77/435/EEC (OJ No L 172, 12 July 1977).

Table No 12  
Guarantee Section - 1985

Irregularities notified and status of recoveries

PRODUCT	Amounts in ECU										
	BELGIUM	DENMARK	GERMANY	GREECE	FRANCE	IRELAND	ITALY	LUXEM- BOURG	NETHER- LANDS	UNITED KINGDOM	TOTAL
CEREALS			(6) 169.377							(6) 396.828	(12) 966.205
BEEF/ VEAL	(7) 286.899	(2) 2.650	(13) 2.758.557		(1) 23.564					(5) 501.756	(28) 3.573.426
PIG MEAT	(4) 467.736	(3) 10.629	(4) 590.597		(1) 4.140				(1) 11.725		(13) 1.084.827
MILK PRODUCTS		(5) 305.333	(27) 132.290		(13) 197.123		(1) 243.890			(3) 53.194	(49) 931.830
WINE			(46) 780.370		(3) 17.346		(3) 182.444				(52) 980.160
SUGAR			(6) 94.505		(5) 51.827						(11) 146.332
OILS AND FATS			(1) 43.755				(26) ?				(27) 43.755
FOOD AND VEGETABLES					(1) 32.148		(10) 4.209.635				(11) 4.241.783
TOBACCO							(1) 1.141				(1) 1.141
EGGS									(1) 45.879	(1) 45.879	
NON ANNEX II PRO- DUCTS		(5) 13.685	(2) 13.347								(7) 27.032
FISHERIES		(1) ?									(1) ?
OTHER SECTORS			(1) 28.376	(1) ?	(4) 252.465						(6) 280.841
TOTAL	(11) 754.635	(16) 332.297	(106) 4.611.174	(1) ?	(28) 578.613	-	(41) 4.637.110	-	(1) 11.725	(15) 997.657	(219) 11.923.211
AMOUNTS RECOVERED	(0) -	(3) 12.304	(41) 720.932	(0) -	(24) 520.354	-	(0) -	-	(0) -	(2) 30.400	(70) 1.283.990
AMOUNTS BEING RECOVERED	(11) 754.635	(13) 319.993	(65) 3.890.242	(1) ?	(4) 58.259	-	(41) 4.637.110	-	(1) 11.725	(13) 967.257	(149) 10.639.221

N.B.: The figures in brackets represent the numbers of cases of irregularities notified.





Table No 14 below summarizes in flowchart form the process followed for the operation of Community financing of the EAGGF Guarantee Section in respect of year No 1, namely:

- the utilization of the Guarantee Section appropriations and the channelling of funds from the Community to the beneficiaries;
- the recording in the budget of the European Communities of Member States' expenditure;
- the monitoring and audit of this expenditure.

Table No 14

BUDGETARY YEAR No 1 (1 January to 31 December)

Monthly transmission on the 20th of month  $n-2$  of the financial requirements of the Member States (MS) to the Commission for the advance payments<sup>1</sup> to be made to enable them to cover their expenditure until the end of month  $n$

Commission Decision on advance payments to the MS taken before the 25th of month  $n-1$

Global commitment of advance payments of month  $n$  in the budget

Payment at latest three working days before the beginning of month  $n$  of the advance payments for month  $n$  to a special account in each MS<sup>2</sup>

Allocation according to requirements to the various paying agencies in each MS by the competent national ministry<sup>3</sup>

PAYMENT TO BENEFICIARIES

Transmission of the expenditure returns for month  $n$  by the paying agencies to the competent ministry<sup>3</sup>

Transmission of these returns grouped by sector and scheme by the competent ministry of each MS to the Commission by the 20th of month  $n+1$

Commitment and charging in monthly payments of expenditure of month  $n$  declared by the MS to the budget by budgetary line about the 20th of month  $n+3$

BUDGETARY YEAR No 2

March:

Provisional accounting of expenditure paid during year No 1

July:

Filing of returns relating to payments, by sector and scheme, made by the MS during year No 1 with the Commission with a view to the preparation of the clearance of the accounts for that year

Verification of documents and on the spot by the Commission staff of the MS' returns for the clearance of the accounts of year No 1

BUDGETARY YEAR No 3

Decisions for clearing the accounts adopted by the Commission in respect of expenditure made by the EAGGF Guarantee Section on behalf of each MS

Crediting/debiting to the budget of any differences ascertained

- 1 The advance payments constitute the appropriations necessary for the Member States to enable the appointed paying departments and agencies to proceed, in accordance with Community rules and national legislation, to payment of the expenditure chargeable to the EAGGF Guarantee Section. The amounts of the advance payments are fixed each month by Commission decision for each Member State. At the present time they exceed 1 500 million ECU each month.
- 2 However, if the cash available to the Commission does not enable it to make this payment as provided, the payment is made in instalments, the first, representing at least a third of the total payment, by the same deadline as previously, and the balance in time to ensure continuity of payments.
- 3 For the Member States which have several paying agencies.

FOOD AID

Under its policy of cooperation with the developing countries, the Community implements food aid operations. Food aid is provided for humanitarian purposes in the form of gifts and is one of the essential aspects of the Community policy on cooperation with the developing countries.

The programmes concerning these operations are adopted annually by the Council under Regulation (EEC) No 3331/81<sup>1</sup>. They concern the supply of cereals, rice, milk products, sugar, vegetable oils and other products.

The expenditure arising for the supply of agricultural products as food aid is financed by the Community under Regulation (EEC) No 2681/74<sup>2</sup>, which stipulates that expenditure accepted as chargeable to the budget of the Communities on deliveries of products as food aid must be managed by the EAGGF Guarantee Section.

This expenditure is financed, according to the budgetary nomenclature, by charging to Titles 1 and 2 - "European Agriculture Guidance and Guarantee Fund, Guarantee Section" - for the part concerning export refunds, and by charging to Title 9 - "Cooperation with Developing Countries and Non-member Countries" - for expenditure concerning the value of the product on the world market, transport and other accessory expenditure relating to Community food aid operations.

The financing system is modelled on that set up for EAGGF Guarantee Section expenditure, including arrangements for verification of expenditure, accounts clearance decisions and prevention and prosecution of irregularities.

Table No 15 below shows inter alia expenditure charged to Title 9 in the years 1980-1985.

---

1. OJ No L 352, 14 December 1982.  
OJ No L 288, 25 October 1974.

Table No 15

## FOOD AID

Quantities Delivered and Expenditure Incurred

Year	Cereals and Rice		Milk Products <sup>1</sup>		Sugar		Other Products	
	Quantities Delivered	Expenditure	Quantities Delivered	Expenditure	Quantities Delivered	Expenditure	Quantities Delivered	Expenditure
1980	657,7	108,9	188,4	180,7	6,1	3,5	11,5	9,7
1981	918,7	167,4	183,9	365,8	5,3	4,6	14,2	9,7
1982	844,0	172,8	200,8	267,5	7,1	2,3	19,4	27,4
1983	686,4	143,5	90,1	167,5	5,0	1,4	14,5	8,9
1984	1.505,2	275,0	222,9	275,8	0,3	1,2	36,6	31,0
1985	1.087,7	228,9	181,2	200,4	10,2	2,5	36,8	29,1

<sup>1</sup> Skimmed-milk powder and butter oil

Notes

- (a) The quantities delivered are expressed in '000 tonnes  
 (b) The expenditure is expressed in m ECU  
 (c) The expenditure does not include refunds on exports to non-Member countries referring to food aid operations.  
 The refunds are included in the accounts of the EAGGF Guarantee Section proper.

Part Two

THE GUIDANCE SECTION

Financing of the policy on agricultural structures

PART TWO - Guidance Section

A. Financing of the common policy on agricultural structures

A.1 Role of the Guidance Section

The role of the EAGGF Guidance Section is to finance common measures adopted with a view to the achievement of the objectives set out in Article 39(1)(a) of the Treaty, including changes to structures that have become necessary. Article 39(1)(a) stipulates that an objective of the common agricultural policy is to step up the productivity of agriculture by developing technical progress and ensuring the rational development of agricultural production and optimum use of the factors of production, in particular labour. Within this framework, the Guidance Section has made steady gains in recent years, both in terms of the number of operations financed and in terms of annual expenditure, although the appropriations are very much smaller than those for the Guarantee Section. One reason for this is that the Community provides only partial financing of the relevant schemes (generally between 25 and 50 %), while Community financing of guarantee spending is normally 100 %.

In contrast with the Community's other structural funds, intervention from which is mainly on the basis of general regulations, the Guidance Section takes part in each of the schemes financed on a particular legal basis (Council Regulation, Directive or Decision), which specifies in each case the type of measure, its scope, and funding. From the point of view of management, two types of measure may be distinguished:

- indirect measures, for which the Guidance Section reimburses to the Member States part (a percentage) of the eligible expenditure carried out in accordance with Community provisions, and, where appropriate, with national implementing procedures approved by the Commission, and
- direct measures for which the Commission provides direct Guidance Section assistance to a beneficiary applying, in respect of a specified investment project;

in the latter case, the decision to grant the assistance establishes a direct link between the Community and the beneficiary, since the assistance is paid directly to him and is not channelled through the Member State.

These features are reflected in management procedures. For example, for the indirect measures, the management of the grant of aid to the various beneficiaries is the responsibility of the Member States, the Commission verifying, through review of the various national procedures and sample checking of documents, that the schemes are being properly operated in the Member States. In this connection, this type of financing is comparable with the technique used under the Guarantee Section.

On the other hand, for direct measures, the Commission's staff follow, in each case, the procedure from the decision to grant assistance through to the payment of the last instalment, with on-the-spot verification and audit of documents. This work necessarily involves close cooperation with the competent national and regional authorities.

The differences are even more marked between the two EAGGF sections. While, in principle, the Community finances in its entirety the policy on markets, it bears only part of the expenditure relating to policy on structures. Also, the policy on structures combines national schemes and Community schemes, and the national share, i.e. the share not financed by the Community, is very much the larger.

In terms of management, the Guidance Section is thus, in many respects, closer to the Community's other agencies set up to finance structural change (the Regional Fund, the Social Fund) than to the Guarantee Section.

#### A.2 The three stages of the policy on structures

Historically, three stages can be distinguished in the development of the Community policy on agricultural structures, and, in parallel with this, in the development of the Guidance Section:

- a stage of coordination of the national policies on structures,
- a stage of initial conception of a Community policy on structures ("Mansholt plan"),
- the present conception of a Community policy, which, in principle, is complete, with major regional components and increased flexibility allowing of adaptation to future requirements.



The number and the financial scale of the schemes attracting assistance from the Guidance Section have increased as the policy on structures has progressed through these stages.

## 2.1 Coordination of the national policies on structures

The first stage, coordination of the national policies on structures, began with a Council Decision of 4.12.1962 which led to the setting up of the Standing Committee on Agricultural Structure (SCAS).

This Committee, manned by representatives from each of the Member States with a Commission representative in the chair, plays an important role in the elaboration and execution of the common policy on structures. The decision of 4.12.1962 states that responsibility for the policy on agricultural structures lies more particularly with the Member States, but it adds that an improvement in agricultural structures is a matter of urgency and must be stimulated at Community level.

Regulation No 25 of 4.4.1962, which set up the EAGGF, already provided for Community participation by indicating a breakdown of the Fund's appropriations, with one-third for the Guidance Section and two-thirds for the Guarantee Section, a ratio which was soon abandoned because guarantee expenditure quickly forged ahead with the development of the policy on market organizations and on prices.

The coordination of the national policies, under the Standing Committee on Agricultural Structure and under the provisions of the Treaty relating to aids, was supplemented in the financial area by the financing by the Guidance Section of the individual projects of Regulation 17/64/EEC and certain special schemes.

Despite a few gaps, due mainly to the fact that the Council had not been in a position to approve Community programmes, Regulation No 17/64/EEC has reached the age of fourteen years, a respectable age for a financing system, and it has also served as a model for a number of other schemes still operating (in particular Regulation (EEC) No 355/77 on the promotion of projects concerning the processing and marketing of agricultural products).

From 1964 to 1978, about 7 500 investment projects qualified for assistance under Regulation No 17/ 64 /EEC, totalling more than 2 100 million ECU. These projects have concerned all fields relating to farm structures, ranging from investments on the farm to the marketing and processing of agricultural products, and including agricultural infrastructure. The Community's assistance has taken the form of outright grants in amounts of 25 to 45 % of the cost of the investment. One of the most remarkable aspects was the Commission's power of decision in the granting of aid and the fact that this aid was paid directly to the beneficiaries, i.e. to the investors and not to the Member States.

Certain special schemes were also financed, e.g. for olives and olive oil, fruit and vegetables, and raw tobacco in Italy, for the integration of Luxembourg agriculture, and for surveys of structures.

## 2.2 The first Community policy on structures

However, although this assistance was important for the beneficiaries and although the projects were often of substantial regional significance and valuable within their sectors, they could not, in the absence of Community programmes, replace a common policy on structures.

It was quickly apparent that the policy on markets and prices would never eliminate the disparities within agriculture itself, between regions having different structures, and within these regions between the various types of farmer, and also that the policy was itself engendering major problems in certain areas, e.g. overproduction.

From 1972 onwards, the Commission's proposals, based mainly on the "Mansholt plan" (1968) led, after protracted negotiations, to the adoption of a number of measures defining for the first time a common policy with regard to agricultural structures.

Thus, in April 1972, the three "socio-structural" directives (72/159/EEC, 72/160/EEC and 71/161/EEC) were adopted, with the following three main objectives:

- that of encouraging (and, in particular, increasing the size of) those farms having the potential to provide their tenants or owners, on the basis of economic criteria, with fair incomes, comparable to those earned in other occupations;
- that of providing tide-over aid to enable farmers whose farms could not meet these criteria to leave the land;
- that of improving the skills of farmers and farm workers.

The main aim was to promote investment (normally by subsidizing interest on loans) in farms for which the farm head had established a development plan showing that after such investment the labour employed on the farm could obtain an income comparable to that earned by other occupations in the region concerned.

These measures were supplemented by the directive on farming in certain less-favoured areas (Directive 75/268/EEC), providing for special aids to farmers in areas where, because of natural conditions, a "comparable" income is difficult to achieve (in particular, mountain and hill areas) and where, also, agriculture is of special importance, were it only to avoid desertification. The terms governing qualification for investment aid were made less rigorous and direct aid to income was agreed for the first time to offset income losses due to natural conditions (compensatory allowance).

In addition to this operation applying to all the Community's less-favoured areas, a number of schemes were also set up to help areas which have particular problems to contend with, whether specific problems (e.g. aid to drainage in the West of Ireland or irrigation in Corsica) or to offer a set of measures in particularly critical situations to improve fundamentally structural deficits (e.g. the French Overseas Departments and the West of Ireland). Also, another type of operation was approved, the "integrated measures", requiring direct cooperation among all Community agencies (e.g. the Western Isles of Scotland and south-east Belgium).

The aim of all these measures was to make good structural shortcomings hampering the application of "horizontal" measures, the elimination of which was therefore a prior condition for the achievement of economically viable

farming. Of particular interest, were it only because of its high overall financial impact, is the "Mediterranean package", the aim of which was to improve agricultural infrastructure in the Mediterranean areas in order to dispose of some of the particular problems the Community's southern regions have to contend with.

The last horizontal measure adopted by the Council in February 1977 was Regulation (EEC) No 355/77, which superseded Regulation No 17/64/EEC, incorporating in full the positive aspects of the previous regulation. The aim was to promote investment for the processing and marketing of agricultural products and (later) fishery products.

As one of the most effective means of improving farm incomes consists often in improving marketing or in better processing of agricultural products, particularly in areas where structure is weak and agricultural cooperatives are not developed, the aid is subject to a key condition: the beneficiary, i.e. the seller or processor, must show that the economic advantages of the project will also benefit the farmers.

Another important element is the requirement that the projects should be dovetailed into programmes for the relevant sector established by the Member States and approved by the Commission. In this way, the businessmen concerned receive important information relating to their investment decisions; moreover, the mutual consistency of the various investments is thus strengthened, so that the overall structural effect can be optimized.

### 2.3 Present policy

The third stage of the policy on structures was based on the realisation that the policy pursued so far, essentially through the application of the 1979 socio-structural directives, had, for various reasons, fallen short of expectations.

In the first place, two objective problems stood in the way of the success of these directives: their very diffident implementation in certain Community areas, due partly to problems of organization, and the abrupt change in

the economic situation because of the oil-price shock, so that structural change was no longer facilitated, especially because there were fewer and fewer alternatives for external trade. Furthermore, there were problems of surpluses for certain agricultural products attributable to farms accounting for a relatively large share of the development plans.

It was clear that, in a difficult situation as regards structures, the system offered could not possibly be exploited to best advantage. Despite the objective set, a disproportionate share of the aids was accruing to the relatively well structured areas of the Community and for products the expansion of which, in view of the market situation, was less desirable.

The review of the Community policy in this field, which led to the adoption of Regulation (EEC) No 797/85 on the improvement of the efficiency of agricultural structures, therefore had the following features:

- inclusion of the proven "regional" components to deal with specific structural shortcomings,
- greater flexibility, enabling better promotion of investment,
- restriction of aid, notably for milk and pig farming,
- fuller accommodation of other alternatives, including investments (rationalization, energy savings, protection of the environment, etc.).

Although it had been very successful, Regulation (EEC) No 355/77 was also reviewed, though to a lesser extent, to adapt it even more closely to future requirements.

Although originally the regulation was confined to the traditional fields, other less central areas, though often very important, in particular because of their value as examples, were included in the objectives (pilot projects, energy savings, processing of manufacturing waste, etc.).

Another aspect of the current stage in the policy on agricultural structures is that the measures laid down for the Mediterranean area of the Community of Ten, i.e. without Spain and Portugal, form part of the Integrated Mediterranean programmes (IMPs) combining the financial efforts of the Community and of its financial instruments.

A last point, and at the time of writing this is only a prospect for the future, the measures mentioned in the review of the common agricultural policy (Green Paper) presented by the Commission must not be forgotten; they are designed to deal with structural problems forming obstacles to the effective implementation of the Community's agricultural policy as a whole.

### A.3 Appropriations

We have seen that when the EAGGF was set up it was originally intended to split appropriations one-third for the Guidance Section and two-thirds for the Guarantee Section. This allocation had to be discarded when guarantee expenditure forged ahead so rapidly from the end of the 60s onwards.

Regulation (EEC) No 729/70 on the financing of the common agricultural policy eventually set the annual appropriation for the Guidance Section at 285 million units of account. The legal nature and the size of this amount were immediately challenged; in particular, the question was raised as to whether it was a "ceiling".

In fact, the Council approved the distribution of funds under an annual regulation until 1975. The matter assumed an institutional dimension with the strengthening of Parliament's budgetary powers, since EAGGF guidance expenditure is partly "compulsory" and partly "non-compulsory", so that Parliament's prerogatives are involved in an unequal way. "Compulsory expenditure" generally refers to expenditure for the indirect measures leading to reimbursements to the Member States, since the latter are entitled to request Community participation where the conditions set out in the Community requirements are met.

"Non-compulsory" expenditure refers to expenditure for direct measures, i.e. for direct aid to investment projects, for here there is no right to aid but only a right that the aid application should be duly examined. In fact, applications for this type of aid consistently exceed, by far, available funds.

When three new countries joined the Community in 1973, the annual amount was raised to 235 million units of account by Regulation (EEC) No 2788/72, as of 1.1.1973. This amount was manifestly insufficient, since, as the second stage of the policy on structures was implemented, guidance expenditure also rose appreciably. To allow for this, deal with the institutional problems and achieve a more flexible budget system allowing more fully for the tendency for expenditure on certain schemes to increase, it was decided in 1979, under Regulation (EEC) No 929/79, to replace the annual amount by a five-year amount, set at 3 600 million ECU for 1980-84. When Greece joined, this amount was raised to 3 755 million ECU, by Regulation (EEC) No 3509/80.

For the 1985-1989 period, Regulation (EEC) No 870/85 set the five-year amount at 5 250 million ECU, an amount which was eventually raised to 6 350 million ECU by Regulation (EEC) No 3769/85 when Spain and Portugal joined.

This amount is in respect of foreseeable expenditure for existing structural schemes, i.e. it does not cover expenditure on schemes which are still to be proposed, notably in connection with the Green Paper.

B. Execution, procedures and financial results

B.1 The financing systems applied

We have seen that the policy on structures comprises direct measures and indirect measures; it also includes measures for which the Community's financial contribution is paid only after completion (although in some cases advance payments may be granted); lastly, there are "horizontal" and regional schemes and operations referring to certain markets or certain product groups. The latter include capital subsidies, interest subsidies, flat-rate assistance and premiums, and the Community's contribution may correspond to a variable percentage of the total cost.

This very wide range of schemes is accounted for mainly by the fact that the Guidance Section has a special character, founded not on a general legal basis but requiring for each scheme a special legal instrument adopted by

the Council. This instrument can be specially tailored to the requirements as regards terms, objective and method, and must not derive from pre-existing intervention mechanisms. The structural schemes, despite their diversity and large number, can be reduced to a limited number of types.

#### 1.1 Direct measures

The oldest type is the "direct measure", i.e. the direct grant of Community funds to investment projects. This type is the oldest because it can be implemented even if there is no very detailed policy on structures.

But the direct measures are not an attempt to "short-circuit" the Member States: a condition that must be met for the financing of the projects is always that the Member State itself submits the project, having endorsed it, and that it contributes to its financing.

For the rest, there are no longer direct measures for which the establishment of national programmes on a regional or "sectoral" basis is not inserted between the basic Council instrument (which is always a regulation for direct measures) and the financing of the projects. These programmes, which must be presented by the Member States to the Commission for endorsement, must implement the criteria in the Council regulation relating to the regional and sectoral situation in the areas of implementation. The aim of this rule is to ensure coordination between the national and Community policies on structures but also to turn to good account the direct experience of the administrative departments and national and regional private operators, so that arrangements made will always be practicable.

For the measure which is the most costly and also the most complex because of its broad scope, a measure coming under Regulation (EEC) No 355/77 concerning projects for improving structures in the area of marketing and processing of agricultural products, the Commission also sets selection criteria, which are published in the Official Journal of the Communities. The Commission, in addition, adopts a regulation which states what facts and figures and documents must be sent in with the aid application to enable it to carry out a detailed and uniform assessment of all the projects concerning all the Community areas.



This scrutiny, carried out jointly on the basis of the regulation, the relevant programme and the criteria, leads eventually to a choice of the best projects from the angle of the Community interest, and the Commission grants aid for these projects. But for the direct measures, this decision constitutes only a promise of assistance, which is subject to the condition that the project is realized in accordance with requirements set out in the decision.

The actual payment is made under a separate procedure within which, again, a Commission regulation determines the content and form of payment applications. A prior condition in this connection is confirmation by the competent national authorities that the documents and vouchers provided have been examined and found valid, that the investments have actually been carried out in accordance with the descriptions and that there is a national contribution. If necessary, the Commission's staff may make verifications on the spot.

To ensure that beneficiaries do not have to wait too long for actual payments, notably for large projects, the regulations provide for the payment of instalments as the work progresses, and, in particular cases, advance payments may be made.

The scale of the assistance has been increasingly varied on the basis of regions. For example, Regulation (EEC) No 335/77 lays down the following rates (these refer to costs eligible for assistance):

- 50 % maximum for the Mezzogiorno, Greece (outside Athens), the French Overseas Departments, Portugal, the West of Ireland;
- 35 % maximum for Languedoc-Roussillon and the French Departments of Vaucluse, Bouches-du-Rhône, Var, Ardèche and Drôme;
- 25 % maximum for the other regions.

This last rate may, however, be raised to 30 % in certain regions. There are also special rates for harvesting equipment. The question of varying regional rates for Spain had not yet been settled at the time of writing.

Under the special programme for Portuguese agriculture and the Integrated Mediterranean Programmes, other additional aid (10 %) is also available.

The minimum beneficiary's contribution required by Regulation (EEC) No 355/77 ranges between 25 and 50 %.

Under the regulation, beneficiaries must submit reports on the results of the projects two years after the assistance has been paid in full. The reports must be such as to enable the Commission to review the economic, structural and financial results of the aid programme in order to draw from the experience gained guidance for future operations.

## 1.2 Indirect measures

The content of the indirect measures is much less homogeneous. These are large in cost and scale, but few in number, while the indirect measures account for the great majority of structural programmes.

In general, direct measures are entertained only when the number of projects concerned is not unduly high, when the size of the investment per project is relatively large and when a decision on the specific case is desirable and feasible at Community level. On the other hand, the indirect measures concern the cases where the number of projects is very high and the amount for each project relatively low, and where for objective reasons, a Commission decision is neither desirable or feasible.

While Regulation (EEC) No 355/77 is a typical example for direct measures, the indirect measures can be best illustrated by taking as example the financing of investments on farms themselves. This type of measure relates to a large number of projects (several thousand investment plans each year), each project generally concerning only a relatively small amount of capital. A Commission decision in each case is therefore neither feasible nor desirable, since it would need detailed knowledge of the local situations and of the farm itself for that purpose (information which the Commission's staff cannot possess for all the regions) and because there is a right to this aid wherever the conditions are met (i.e. there is no need to take decisions in terms of any higher Community interests, with the exercise of a power of discretion).

Such a system of indirect measures, which confers on the competent national authorities responsibility for execution of the aid (from the payment application through to its approval), requires, between the legal instrument adopted by the Community and its implementation, the organization by the Member States of specific implementing provisions which must be submitted for endorsement to the Commission and which allow the latter to exercise regular control in the Member States with a view to ensuring proper compliance with Community law. It often happens that the instrument chosen in a particular case takes the form of a directive or a decision addressed directly only to the Member States concerned, so that only the implementing provisions or the national programmes constitute the practical legal basis for the granting of the aid. But there are also cases in which the form of instrument chosen is the regulation, either because in addition to provisions addressed more to the States, it also contains provisions which are directly applicable, or because, for certain less complex measures (e.g. certain payments or premiums), the conditions for granting the aid can be determined fully in the Community basic rule and because only administrative matters remain to be settled under national regulations.

In all cases, the Commission adopts implementing provisions (generally in the form of a decision addressed to the Member States) which determine the form in which the Member States must submit to the Commission reimbursement applications and indicating what documents must be enclosed. The Commission's staff verify the national documents on a sample basis, and carry out on-the-spot checks.

The rate of reimbursement varies depending on the measure and the region concerned. Generally, the rate is 25 %, but rates ranging up to 65 % are also approved, especially for the financially weaker regions and those whose structures most stand in need of improvement. Advance payments can often be made, especially in these cases, to speed up the execution of the measures and at least make sure that work is not prevented by a lack of appropriations at national or regional level.

## B.2 Procedures

The basic legislative instrument for the Guidance Section is, as for the Guarantee Section, Regulation (EEC) No 729/70 on the financing of the common agricultural policy. The clauses in this regulation concerning the Guidance Section are, however, few in number and are confined, as regards the content of the policy to be financed, to referring to the objectives of the Treaty set out in Article 39(1)(a), including alterations to structures required for the proper operation of the common market. For the rest, the regulation stipulates that the Council must adopt procedures implementing the common provisions to be adopted for this purpose. Among the procedures which the basic regulation does not establish are not only the contents, objective, cost and duration, but also the procedures essential for the execution of the measure.

Any measure to be financed by the Guidance Section therefore has its point of departure in a Commission proposal to the Council. Parliament must be consulted, in accordance with Article 43 of the Treaty, and the Economic and Social Committee is also consulted in nearly every case.

The adoption of common measures by the Council generally entails an obligation on the Member States to act, both for direct and for indirect measures, either by adopting the necessary national implementing provisions or by establishing a programme (regional or sectoral) and by making available the necessary funds.

In both cases, the provisions or programmes must be laid before the Commission for approval. The approval procedure involves two committees, the EAGGF Committee (Fund Committee) and the Standing Committee on Agricultural Structure (SCAS).

The members of the EAGGF Committee are generally from the finance ministries, while the Standing Committee on Agricultural Structure is normally manned by officials from the agriculture ministries.

Within the Guidance Section, the Standing Committee has a crucial role to play, although it is not mentioned in the basic regulation: whenever the

Commission has to take a decision of substance concerning structures and not only a technical-financial decision, it consults the Standing Committee, the EAGGF Committee being consulted on financial aspects. The Standing Committee is consulted on the basis of special provisions which are included in each of the common measures and the wording of which is always similar.

In the procedures for approval of the national implementing provisions and of the national programmes, the Commission thus takes its decision (following the "management committee" procedure) after consulting the Standing Committee and the EAGGF Committee. The same procedure is followed in connection with direct measures when the Commission decides to grant assistance for the various projects.

On the other hand, the Commission decides directly after consulting the EAGGF Committee (but without consulting the Standing Committee) when it acts, for indirect measures, as regards the reimbursement of part of the Member States' expenditure. The reason for this is that reimbursement in these cases is compulsory provided the legal requirements are met, and in particular provided the corresponding provisions have been complied with, and there is no decision as to the substance or of a discretionary kind to be taken within the area of agricultural structures: the decision as to the merits has already been taken under the Council's decision on the measure itself or the Commission's decision on the national implementing provisions.

There are also other cases in which the EAGGF Committee renders opinions. These are implementing provisions adopted by the Commission on technical and financial aspects, in particular on the form and content of reimbursement applications to be submitted by the Member States for indirect measures, or payment applications to be submitted by the beneficiaries for direct measures.

For direct measures, payment of the assistance is made directly by the Commission staff following internal administrative procedures (notably, in compliance with the Financial Regulation), since the work consists here only in the execution and administrative supervision of decisions already adopted by the Commission.

### B.3 Financial volume of measures concerning structures

A number of tables are annexed providing information on the financial volume and breakdown of measures relating to structures encouraged by the Guidance Section.

The table of assistance granted from 1964 to the end of 1985 also shows a predominance of expenditure for direct measures, mainly because financing was for a long time governed by Regulation No 17/64/EEC. At the present time, expenditure breaks down at about two thirds for indirect measures and one third for direct measures. All in all, 7 600 million ECU have been granted, of which 4 300 million ECU for direct measures and 3 300 million ECU for indirect measures.

It should be noted, (while bearing in mind that some Member States have, of course, been members of the Community much longer than others) that Italy accounts for the largest share, but that Ireland and especially Greece also account for large shares of the direct measures. This reflects the Commission's efforts to accommodate, in the selection of the projects, the particular structural needs of these countries.

Another noteworthy point is the large shares accounted for by the United Kingdom, the Federal Republic of Germany and also the Netherlands and Denmark in the indirect measures, which is accounted for by the fact that, for these measures, the Commission does not make a selection: whenever the conditions are met, the Member States are entitled to reimbursement from the EAGGF. But these figures also show that access to these aids during the stage of the first Community policy on structures was easier for the Member States which were strongest in terms of their economies, structures and organization.

This is a general problem for the Community, as is borne out by the figures relating to assistance actually paid, differences being discernible here only for direct measures (for the indirect measures, the grants and the payments must coincide).

In general, the payments corresponding to the direct measures fall short of the decisions granting assistance, which is due to the fact that it takes a number of years to complete the projects. What is, however, discernible is that certain Member States which have weaker structures also have payment rates well below the average, which means that they are using the assistance granted to them much more slowly than others (although the terms on which they are granted the assistance are often much more favourable, in particular as regards the amounts and the approval of advance payments).

The other tables give information on the breakdown of assistance for certain particularly important measures, and in particular for Regulation (EEC) No 355/77 in the field of direct measures, and for the socio-structural directives in the field of indirect measures.

#### C. Measures under the Guidance Section

Details of the various measures financed under the Guidance Section are given in the annex, broken down by main categories.

The socio-structural measures are now financed solely under Regulation (EEC) No 797/85, which has superseded the three 1972 directives (and also the 1975 directive on the less-favoured areas). Because of its particular importance, this measure will be discussed in more detail below.

The main feature of the other measures for the less-favoured areas is their large number and wide diversity. Here, there are no real types of measure or typical content, as the very point of these measures is to find remedies for structural shortcomings peculiar to individual regions.

None the less, the main emphasis is on agricultural infrastructure (roads and paths, electrification, provision of potable water, irrigation and hydraulic measures) and the development of farm advisory services.

The class of measure for less-favoured areas also includes a large proportion of the direct measures, i.e. those coming under Regulations (EEC) Nos 1362/78, 1760/78, 269/79, 1938/81, 1941/81 and 2968/83. Most of the measures for the

Mediterranean areas of the Community of Ten (i.e. without Spain and Portugal) come under the Mediterranean programmes and will be promoted in future only in this framework.

As regards measures related to the market situation, there are three main categories:

- measures to promote producers' groups;
- measures promoting action against livestock diseases (which are no longer financed by the Guidance Section, but from a special budget heading);
- measures to improve the structure of production of wine.

The important direct measure designed to improve the marketing and processing of agricultural products (Regulation (EEC) No 355/77) will be described in detail below. This regulation also covers the processing and marketing of fishery products. The new measures relating to structures proposed by the Commission following the Green Paper will also be presented briefly.

#### C.1 Regulation (EEC) No 797/85

Regulation (EEC) No 797/85 on the improvement of the efficiency of agricultural structures is the outcome of a review of the policy on structures conducted on the basis of the 1972 and 1975 directives. Its aim is to retain the aspects of the legislation which have proved sound and at the same time to make the adjustments needed to achieve the objective set, which remains that of improving the efficiency of the structures of production. For this purpose, it provides for contributions from the Guidance Section to schemes connected with:

- (a) investments in farms and the setting up of young farmers;
- (b) other measures to promote farms concerning the introduction of accounts and the establishment and the operation of groups, services and other measures for small farms;
- (c) specific measures to promote mountain and hill farming and farming in certain less-favoured areas;
- (d) forestry measures for farms;
- (e) the adaptation of occupational training to the requirements of modern farming.



The key aspect of the Regulation is thus once again the scheme of aids to investments in farms of which the farmer

- (a) works in that capacity as his main occupation;
- (b) has adequate farming skills;
- (c) presents a farm improvement plan;
- (d) undertakes to keep simplified accounts.

The aim of the farm improvement plan is to achieve, per man/work unit, a reference income fixed by the Member States but not exceeding the average gross wage earned by non-agricultural workers in the region. The aids relate to investments for:

- the qualitative improvement and conversion of production in relation to market requirements;
- the adaptation of the farm with a view to reducing production costs, improving living and working conditions or achieving energy savings;
- the protection and improvement of the environment.

The aids granted may take the form of capital subsidy or its equivalent in interest subsidies or in "deferred depreciation", or a combination of such aids. The capital subsidy may concern a volume of investment of 60 000 ECU per man work unit (MWU) and 120 000 ECU per farm.

In the area of special measures for mountain and hill farming and farming in less-favoured areas, the main provision remains compensation against permanent natural handicaps (compensatory allowance).

## C.2 Regulation (EEC) No 355/77

Council Regulation (EEC) No 355/77 of 15 February 1977 on common measures for the improvement of the conditions of processing and marketing of agricultural products and of fishery products provides for direct involvement of the Guidance Section in investment projects including:

- (a) projects for the rationalization or the development of storage, packaging, preservation, treatment or processing of agricultural products;
- (b) projects for the improvement of marketing channels;

- (c) projects for improved information on prices and pricing of the markets for agricultural products;
- (d) projects for feasibility studies of new technical and economic processing techniques at industrial level (pilot projects), and in particular the development of new products and by-products;
- (e) projects for energy saving or evacuation, recuperation and/or recycling of manufacturing waste under facilities referred to at points (a), (b), (c) and (d);
- (f) projects (on certain conditions) for the purchasing of harvesting machinery.

Also, the projects must normally refer to products listed in Annex II to the Treaty (agricultural products).

The aids are intended in the first place for projects which, while contributing to the improvement of the situation in agricultural products section, also meet the following criteria:

- (a) that they contribute to the guidance of production sought by the common agricultural policy or entail the creation of new outlets for agricultural production, in particular through the marketing of new products;
- (b) that they are likely to relieve the intervention machinery of the EEC market organizations by providing a response to a need to improve structures in the long term;
- (c) that they are located in regions which have particular difficulties to contend with in adapting to the economic conditions and consequences of the common agricultural policy or that they benefit such regions;
- (d) that they help to shorten or improve marketing channels or contribute to the rationalization of the processing of agricultural products;
- (e) that they contribute to improving the quality, presentation and packaging of products or contribute to a better use of by-products (in particular through the recycling of waste).

Also, the projects must:

- (a) form part of programmes;
- (b) be sufficiently profitable;
- (c) contribute to the lasting economic effect of the improving of structure sought by the programmes.

Applications must be submitted through the Member State concerned, with its endorsement. The Commission takes decisions twice a year on the granting of assistance.

C.3 Commission proposals for the adaptation of agriculture to the new situation of the markets and the preservation of the countryside (COM(86)199 final)

Following up the Green Paper, the Commission proposed the following measures (COM(86) 199):

- (a) introduction of a "pre-pension" scheme to encourage early departures from the land for farmers over 55 years of age agreeing that their land should be withdrawn from farming or transferred to a young close relative. The aim of this measure is to cut back production potential and help rejuvenate the industry, which will facilitate the necessary adaptation and reorientation;
- (b) aid to the adaptation and reorganization of farms by young farmers setting up for the first time as "main occupation" farmers, with a view to achieving qualitative improvement, conversion or "extensification" of production in relation with market requirements. In this framework, financial compensation for any cutback in production will be paid;
- (c) increase in the compensatory allowance, on certain conditions, in specified less-favoured regions;
- (d) introduction in certain areas of incentives to encourage farming methods compatible with the increasing need to protect the environment and preserve the countryside;
- (e) strengthening of training and advisory schemes;
- (f) renewal and intensification of the scheme to encourage farmers to form groups;
- (g) under Regulation (EEC) No 355/77, less stringent conditions for projects for processing or marketing of products of "biological" agriculture and for pilot or experimental projects.

Table No 16  
EAGGF Guidance Section measures

1. INDIRECT MEASURES

Socio-structural measures

- Council Directive 72/159/EEC of 17 April 1972 on the modernization of farms
- Council Directive 72/160/EEC of 17 April 1972 concerning measures to encourage the cessation of farming and the reallocation of utilized agricultural area for the purposes of structural improvement.
- Council Directive 72/161/EEC of 17 April 1972 concerning the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture
- Council Regulation (EEC) No 797/85 of 12 March 1985 concerning the improvement of the efficiency of agricultural structures.

Measures for less-favoured areas

- Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas
- Council Regulation (EEC) No 270/79 of 6 February 1979 on the development of agricultural advisory services in Italy
- Council Directive 78/627/EEC of 19 June 1978 on the programme to accelerate the restructuring and conversion of vineyards in certain Mediterranean regions in France
- Council Directive 79/173/EEC of 6 February 1979 on the programme for the acceleration and guidance of collective irrigation works in Corsica
- Council Directive 79/174/EEC of 6 February 1979 concerning the flood protection programme in the Hérault Valley
- Council Directive 79/359/EEC of 26 March 1979 on the programme to speed up the conversion of certain areas under vines in the Charentes departments
- Council Directive 78/628/EEC of 19 June 1978 on a programme to accelerate drainage operations in the less-favoured areas of the West of Ireland
- Council Directive 79/197/EEC of 6 February 1979 on a programme to promote drainage in catchment areas including land on both sides of the border between Ireland and Northern Ireland
- Council Regulation (EEC) No 1820/80 of 24 June 1980 for the stimulation of agricultural development in the less-favoured areas of the West of Ireland

- Council Regulation (EEC) No 1054/81 of 21 April 1981 establishing a common measure for the development of beef cattle production in Ireland and Northern Ireland
- Council Regulation (EEC) No 1939/81 of 30 June 1981 on an integrated development programme for the Western Isles of Scotland (Outer Hebrides)
- Council Regulation (EEC) No 1940/81 of 30 June 1981 on an integrated development programme for the department of Lozère
- Council Regulation (EEC) No 1942/81 of 30 June 1981 for the stimulation of agricultural development in the less-favoured areas of Northern Ireland
- Council Regulation (EEC) No 1944/81 of 30 June 1981 establishing a common measure for the adaptation and modernization of the structure of production of beef and veal, sheepmeat and goatmeat in Italy
- Council Directive 81/527/EEC of 30 June 1981 on the development of agriculture in the French overseas departments
- Council Regulation (EEC) No 2195/81 of 27 July 1981 on a special programme concerning drainage operations in the less-favoured areas of the West of Ireland
- Council Regulation (EEC) No 1975/82 of 19 July 1982 on the acceleration of agricultural development in certain regions of Greece
- Council Regulation (EEC) No 2966/83 of 19 October 1983 on the development of agricultural advisory services in Greece
- Council Regulation (EEC) No 2969/83 of 19 October 1983 establishing a special emergency measure to assist stock farming in Italy<sup>1</sup>
- Council Regulation (EEC) No 2088/85 of 23 July 1985 on the Integrated Mediterranean Programmes
- Council Regulation (EEC) No 3828/85 of 20 December 1985 establishing a specific programme for the development of agriculture in Portugal

#### Measures concerning markets

- Council Regulation (EEC) No 1360/78 of 19 June on producer groups and associations thereof
- Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organization of the market in hops
- Council Regulation (EEC) No 1035/72 of 18 May 1972 on the common organization of the market in fruit and vegetables

---

<sup>1</sup> Financed under Chapter 38 of the budget

- Council Regulation (EEC) No 1078/77 of 17 May 1977 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds
- Council Directive 77/391/EEC of 17 May 1977 introducing Community measures for the eradication of brucellosis, tuberculosis and leucosis in cattle extended by Council Directive 82/400/EEC of 14 June 1982<sup>1</sup>
- Council Regulation (EEC) No 2511/69 of 9 December 1969 laying down special measures for improving the production and marketing of Community citrus fruit
- Council Regulation (EEC) No 456/80 of 18 February 1980 on the granting of temporary and permanent abandonment premiums in respect of certain areas under vines and of premiums for the renunciation of replanting
- Council Regulation (EEC) No 457/80 of 18 February 1980 establishing a system of premiums for the cessation of wine-growing in France and Italy
- Council Decision 80/1096/EEC of 11 November 1980 introducing Community financial measures for the eradication of classical swine fever<sup>1</sup>
- Council Decision 80/1097/EEC of 11 November 1980 on financial aid from the Community for the eradication of African swine fever in Sardinia<sup>1</sup>
- Council Regulation (EEC) No 1055/81 of 21 April 1981 introducing temporary financial aid from the Community to Ireland for pre-movement tuberculin testing and brucellosis blood sampling of cattle<sup>1</sup>
- Council Regulation (EEC) No 389/82 of 15 February 1982 on producer groups and associations thereof in the cotton sector
- Council Regulation (EEC) No 895/85 of 1 April 1985 concerning a common action for the improvement of structures for wine-growing in Greece
- Council Regulation (EEC) No 777/85 of 26 March 1985 on the granting, for the 1985/86 to 1989/90 wine years, of permanent abandonment premiums in respect of certain areas under vines

## 2. DIRECT MEASURES

- Council Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the structures for processing and marketing agricultural products
- Council Regulation (EEC) No 1760/78 of 25 July 1978 on a common measure to improve public amenities in certain rural areas
- Council Regulation (EEC) No 269/79 of 6 February 1979 establishing a common measure for forestry in certain Mediterranean regions of the Community
- Council Regulation (EEC) No 1362/78 of 19 June 1978 on the programme for the acceleration and guidance of collective irrigation works in the Mezzogiorno

---

<sup>1</sup> Financed under Chapter 38 of the budget

- Council Regulation (EEC) No 458/80 of 18 February 1980 on collective projects for the restructuring of vineyards
- Council Regulation (EEC) No 1938/81 of 30 June 1981 on a common measure to improve public amenities in certain less-favoured agricultural areas of the Federal Republic of Germany
- Council Regulation (EEC) No 1941/81 of 30 June 1981 on an integrated development programme for the less-favoured areas of Belgium
- Council Regulation (EEC) No 1943/81 of 30 June 1981 on a common measure to improve the processing and marketing conditions in the cattlefeed sector in Northern Ireland
- Council Regulation (EEC) No 2968/83 of 19 October 1983 introducing a common measure for the acceleration of collective irrigation operations in Greece

3. MEASURES CONCERNING FISHERIES

- Council Regulation (EEC) No 3796/81 of 29 December 1981 on the common organization of the market in fishery products
- Council Regulation (EEC) No 31/83 of 21 December 1982 on an interim common measure for restructuring the inshore fishing industry and aquaculture

Table No 17

Aid granted from the Fund, by Member State, at 31 December 1985

## DIRECT MEASURES

('000 u.a./EUA/ECU)

REGULATION	BELGIQUE/ BELGIE	DANMARK	DEUTSCHLAND	ELLAS	FRANCE	IRELAND	ITALIA	LUXEMBOURG	NERLAND	UNITED KINGDOM	TOTAL
17/64	123,557	42,808	513,411	-	330,496	38,484	291,537	7,108	134,845	98,874	1,581,120
355/77	28,196	24,126	117,404	14,388	152,366	52,747	202,245	1,621	40,926	65,985	700,005
1852/78	858	3,971	4,314	1,580	10,043	17,723	12,527	-	2,261	16,936	70,213
1505/76	-	-	-	-	-	-	21,155	-	-	-	21,155
2395/79	-	-	-	-	8,478	-	-	-	-	-	8,478
1760/78	-	-	-	-	26,321	-	45,883	-	-	-	72,204
269/79	-	-	-	-	49,742	-	79,395	-	-	-	129,137
1362/78	-	-	-	-	-	-	142,366	-	-	-	142,366
2722/72	-	-	2,869	-	6,516	-	-	-	-	-	9,385
1943/81	-	-	-	-	-	-	-	-	-	3,720	3,720
1938/81	-	-	14,305	-	-	-	-	-	-	-	14,305
1941/81	46	-	-	-	-	-	-	-	-	-	46
2968/83	-	-	-	2,579	-	-	-	-	-	-	2,579
2908/83	2,800	3,345	3,366	321	6,067	2,246	2,341	-	558	6,142	27,186
TOTAL I	155,457	74,250	655,669	18,868	590,029	111,200	797,449	8,729	178,590	191,657	2,781,898
INDIRECT MEASURES											
In progress	60,743	101,853	555,976	155,950	668,100	380,140	161,581	9,977	111,580	676,727	2,882,627
Completed	9,200	2,298	58,991	-	45,289	1,873	177,468	7,946	10,061	40,341	353,467
TOTAL II	69,943	104,151	614,967	155,950	713,389	382,013	339,049	17,923	121,641	717,068	3,236,094
TOTAL I + II	225,400	178,401	1,270,636	174,818	1,303,418	493,213	1,136,498	26,652	300,231	908,725	6,017,992



Table No 18

Aid granted from the Fund, by Member State, at 31 December 1985

DIRECT MEASURES

('000 u.a./EUA/ECU)

REGULATION	BELGIQUE/ BELGIE	DANMARK	DEUTSCHLAND	ELLAS	FRANCE	IRELAND	ITALIA	LUXEMBOURG	NETHERLAND	UNITED KINGDOM	
17/64	123,501	42,808	512,013	-	327,697	36,855	283,472	6,776	134,637	98,007	1,565,766
35/77	43,923	38,510	181,757	191,970	273,614	121,740	539,813	2,636	57,041	122,551	1,573,555
1760/78	-	-	-	-	47,487	-	136,576	-	-	-	184,063
269/79	-	-	-	-	89,538	-	197,088	-	-	-	286,626
1362/78	-	-	-	-	-	-	265,435	-	-	-	265,435
1852/78	852	4,829	4,886	8,047	13,478	20,114	28,155	-	3,453	19,808	103,622
2722/72	-	-	2,869	-	6,714	-	-	-	-	-	9,583
1505/76	-	-	-	-	-	-	45,000	-	-	-	45,000
2395/76	-	-	-	-	12,115	-	-	-	-	-	12,115
1943/81	-	-	-	-	-	-	-	-	-	6,763	6,763
1938/81	-	-	35,743	-	-	-	-	-	-	-	35,743
1941/81	93	-	-	-	-	-	-	-	-	-	93
458/80	-	-	3,525	-	70,850	-	9,945	-	-	-	84,320
2968/83	-	-	-	16,083	-	-	-	-	-	-	16,083
2908/83	8,222	12,436	6,103	10,374	25,252	5,204	41,043	-	3,399	19,778	132,360
TOTAL I	176,591	98,583	746,896	227,024	866,745	183,913	1,546,527	9,412	198,529	266,907	4,321,127
<u>INDIRECT MEASURES</u>											
In progress	60,781	103,953	565,205	155,952	674,144	380,183	161,581	10,020	110,933	678,787	2,901,539
Completed	9,200	2,298	58,991	-	45,289	1,873	177,468	7,946	10,061	40,341	353,467
TOTAL II	69,981	106,251	624,196	155,952	719,433	382,056	339,049	17,966	120,994	719,128	3,255,006
TOTAL I + II	246,572	204,834	1,371,092	382,976	1,586,178	565,969	1,885,576	27,378	319,523	986,035	7,576,133

Table No 19

Regional breakdown by Member State of projects financed by the Guidance Section - Regulation (EEC) No 255/77 - Years 1978-1985

('000 ECU/ECU)

BELGIQUE/BELGIE		DANMARK		DEUTSCHLAND		FRANCE		ELLAS		IRELAND		ITALIA		LUXEMBOURG		RECHERLAND		UNITED KINGDOM	
Region	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted	Regions	Number of projects Aid granted
Flandre Oost- Vlaanderen	40 6,516	Stork- banken Net for Storkbank akts	0 776	Schleswig- Holstein Hamburg	89 18,258	110-de- France	4 753	West	11 4,978	Donegal	20 11,371	Piemonte Valle Aosta	24 6 1,842	Luxem- bourg	14 2,635	Graveling	4 932	North	31 5,772
Flandre Occidentale West- Vlaanderen	67 11,080	Net for Storkbank akts	40 5,633	Rheinland- Pfalz Bremen	93 26,727	Champagne- Ardennes Picardie	19 3,070	North-West	14 18,100	North-East	9 3,139	Liguria	4 2,791			Friesland	6 3,599	Forthshire- Highland	46 9,254
Antwerpen/ Limburg	30 5,839	Net for Storkbank akts	165 31,999	Hessen	94 19,113	Normandie Centre Basse- Normandie	29 7,947	West	12 10,189	Midlands	29 12,050	Lombardia Trentino- SOUTH	24 67 29,118			Overijssel	12 2,290	East- Midlands	43 10,365
Liège/ Namur	24 5,279	Multi- regional	1 102	Baden- Württemberg	350 42,571	Bourgogne Nord-Pas- de-Calais	11 4,961	East	46 15,889	South-East	46 15,622	Emilia- Romagna Toscana Umbria	63 2 4,525			Guiderland	36 5,240	East- Anglia	48 10,570
Brabant	22 3,589			Bayern	75 34,241	Alsace Franche- Comté	2 1,125	Midwest	8 1,043	West	21 6,969	Friuli- Venetia J.	2 4,525			North- Holland	24 9,713	South-East	55 11,132
Limburg	5 4,093			Saarland	4 2,312	Bourgogne Nord-Pas- de-Calais	11 4,961	South-East	11 14,241	South-East	16 11,030	Calabria Sicilia	171 58,626			Zeeland	56 21,302	South-West	48 10,419
Liège/ Luk	21 3,414			Bavaria	4 2,312	Lorraine Alsace	9 4,136	Multi- regional	4 2,401	Multi- regional	4 2,401	Emilia- Romagna Toscana Umbria	69 15,114			North- Holland	29 7,135	West- Midlands	24 7,135
Luxembourg	6 890			Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	5 2,177	Multi- regional	5 2,177	Emilia- Romagna Toscana Umbria	51 30,093			Zeeland	22 1,587	North-West	24 5,103
Multi- regional	841			Saarland	4 2,312	Alsace Franche- Comté	2 1,125	Multi- regional	16 11,030	Multi- regional	16 11,030	Lazio Campania	82 37,110			North- Holland	34 8,147	Wales	33 8,659
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	2 2,881	Multi- regional	2 2,881	Campania Abruzzo	23 45,243			North- Holland	11 2,106	Scotland	155 23,513
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	18 13,745	Multi- regional	18 13,745	Abruzzo Basilicata	29 28,877			North- Holland	1 126	North- Holland	96 22,635
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	18 13,745	Multi- regional	18 13,745	Basilicata Calabria	37 39,645			North- Holland	2 230	Multi- regional	2 391
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	18 13,745	Multi- regional	18 13,745	Calabria Sicilia	50 47,231			North- Holland	2 230	Multi- regional	2 391
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	18 13,745	Multi- regional	18 13,745	Sicilia Sardinia	45 35,509			North- Holland	2 230	Multi- regional	2 391
				Wurttemberg	350 42,571	Alsace Franche- Comté	2 1,125	Multi- regional	18 13,745	Multi- regional	18 13,745	Sardinia Multi- regional	18 18,252			North- Holland	2 230	Multi- regional	2 391
TOTAL	230 43,824		214 38,510	851 181,756	876 273,616	876 273,616	876 273,616	876 273,616	16 191,969	314 121,742	867 598,814	867 598,814	14 2,635	216 57,044	610 122,549				

Table No 20

DIRECT MEASURES

Improvement of marketing structures - Regulation (EEC) No. 355/77 - Year 1985

('000 ECU)

SECTOR	BELGIUM/BELGIE		DENMARK		FRANCE		GERMANY		IRELAND		ITALY		LUXEMBOURG		NETHERLANDS		UNITED KINGDOM		TOTAL		% of investment
	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	No. of projects	Aid granted	
I. All products	17	4,249	11	3,374	-	2,548	-	13,140	-	3	6,972	-	-	-	-	-	-	-	10	9,470	3.2
II. Meat	-	-	-	712	-	18,073	-	15,738	-	-	3	6,972	-	-	-	-	-	-	10	9,470	38.4
III. Wine	-	-	-	95	-	435	-	4,861	-	-	3	3,899	-	-	-	-	-	-	107	19,681	6.8
IV. Fruit and vegetables	4	630	5	1,066	22	15,440	43	9,386	1	672	22	16,796	-	-	11	1,582	10	1,803	138	52,962	18.2
V. Flax and jute	1	115	1	162	3	1,260	1	771	-	-	-	-	-	-	2	1,895	-	-	11	4,336	1.5
VI. Fishery products	4	833	18	2,406	3	1,881	3	339	9	5,781	10	6,761	-	-	8	889	35	3,691	100	24,569	8.4
VII. Cereals	7	782	2	145	30	3,870	1	1,545	2	823	34	16,478	-	-	-	-	16	3,430	93	27,377	9.3
VIII. Animal feed	-	-	-	452	-	-	-	2,122	2	3,771	-	-	-	-	-	-	-	-	7	6,845	2.3
IX. Seeds	1	93	1	146	8	1,266	-	6	2,366	1	70	-	-	-	4	251	3	249	24	4,383	1.5
X. Eggs and poultry	1	71	2	52	-	1,044	-	828	-	4	828	-	-	-	8	911	9	3,584	25	6,170	2.2
XI. Olive oil	-	-	-	-	-	2,015	-	-	-	5	5,134	-	-	-	-	-	-	-	8	7,419	2.6
XII. Tobacco	-	-	-	-	-	10,874	-	-	-	11	19,582	-	-	-	-	-	-	-	18	30,496	10.5
XIII. Other	3	1,570	-	-	-	-	-	1,598	-	1	2,382	-	-	-	-	-	-	-	32	14,429	5.1
TOTAL AID GRANTED	38	8,164	41	8,145	138	53,828	130	40,520	39	74,937	105	99,289	2	223	45	7,668	93	21,011	681	294,059	100.0
TOTAL INVESTMENT		42,114		68,462		142,577		184,565		73,658		282,513		944		51,818		95,428		1,064,316	

Table No 21

INDIRECT MEASURES IN APPLICATION

(Commitments and payments up to 31.12.1995)

('000 n.a./EUA/ECU)

MEASURES	BELGIQUE/BELGIE	DANMARK	DEUTSCHLAND	ELLAS	FRANCE	IRELAND	ITALIE	LUXEMBOURG	ROUMANIE	UNITED KINGDOM	TOTAL
<b>I. General socio-structural</b>											
Directive No 72/159/EEC	21,433	50,839	189,394	191	83,676	47,177	17,225	1,683	83,927	252,971	746,206
Directive No 72/160/EEC	134	-	4,551	-	807	270	-	-	112	149	6,422
Directive No 72/161/EEC	1,351	699	4,473	-	27,755	1,418	1,563	-	396	714	36,273
<b>TOTAL I</b>	<b>23,122</b>	<b>51,537</b>	<b>198,518</b>	<b>181</b>	<b>112,238</b>	<b>48,865</b>	<b>19,098</b>	<b>1,683</b>	<b>84,435</b>	<b>253,334</b>	<b>793,907</b>
<b>II. To assist less-favoured regions</b>											
Directive No 75/268/EEC	19,599	-	108,947	81,542	203,459	172,779	60,720	6,854	110	289,383	943,392
Regulation (EEC) No 270/79	-	-	-	-	-	-	91	-	-	-	91
Regulation (EEC) No 194/51	-	-	-	-	-	-	11,951	-	-	-	11,951
Directive No 78/627/EEC	-	-	-	-	48,402	-	-	-	-	-	48,402
Directive No 79/173/EEC	-	-	-	-	2,847	-	-	-	-	-	2,847
Directive No 79/174/EEC	-	-	-	-	829	-	-	-	-	-	829
Directive No 79/350/EEC	-	-	-	-	13,576	-	-	-	-	-	13,576
Regulation (EEC) No 1940/81	-	-	-	-	2,823	-	-	-	-	-	2,823
Directive No 81/527/EEC	-	-	-	-	47,345	-	-	-	-	-	47,345
Directive No 79/520/EEC	-	-	-	-	-	53,275	-	-	-	-	53,275
Directive No 79/197/EEC	-	-	-	-	-	1,199	-	-	-	3,727	5,122
Regulation (EEC) No 1826/80	-	-	-	-	-	46,024	-	-	-	-	46,024
Regulation (EEC) No 1054/81	-	-	-	-	-	25,969	-	-	-	4,705	30,674
Regulation (EEC) No 1821/80	-	792	-	-	-	-	-	-	-	-	792
Regulation (EEC) No 1939/81	-	-	-	-	-	-	-	-	-	2,002	2,002
Regulation (EEC) No 1942/81	-	-	-	-	-	-	-	-	-	32,997	32,997
Regulation (EEC) No 1975/82	-	-	-	-	63,266	-	-	-	-	-	63,266
Regulation (EEC) No 2056/83	-	-	-	-	3,233	-	-	-	-	-	3,233
Regulation (EEC) No 2098/83	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL II</b>	<b>19,599</b>	<b>792</b>	<b>108,947</b>	<b>146,061</b>	<b>319,281</b>	<b>301,446</b>	<b>72,762</b>	<b>6,854</b>	<b>110</b>	<b>332,904</b>	<b>1,310,625</b>
<b>III. Structural connected with market organizations</b>											
Regulation (EEC) No 1360/78	-	-	-	-	-	-	-	-	-	-	-
Regulation (EEC) No 1696/71	213	-	5,399	-	454	1	-	-	-	1,109	7,175
Regulation (EEC) No 1035/72	1,025	865	3,267	426	1,551	98	10,753	-	1,208	1,346	20,539
Regulation (EEC) No 389/82	-	-	-	6,428	-	-	-	-	-	-	6,428
Regulation (EEC) No 1163/76	20	-	-	-	30,822	-	17,010	-	-	-	47,832
Regulation (EEC) No 459/80	-	-	-	261	76,380	-	-	-	-	-	77,141
Regulation (EEC) No 457/80	-	-	-	-	-	-	-	-	-	-	-
Regulation (EEC) No 458/80	-	-	1,495	-	6,715	-	750	-	-	-	8,960
Regulation (EEC) No 2511/69	-	-	-	347	420	-	36,955	-	-	-	37,722
Directive No 77/391/EEC	9,675	260	7,460	268	45,944	13,634	4,211	-	-	4,796	87,248
Decision No 80/1096/EEC	-	-	-	-	-	-	-	109	-	-	109
<b>TOTAL III</b>	<b>10,833</b>	<b>1,125</b>	<b>17,620</b>	<b>7,130</b>	<b>163,706</b>	<b>13,733</b>	<b>69,679</b>	<b>109</b>	<b>1,208</b>	<b>7,251</b>	<b>293,174</b>
<b>IV. Common measure financed by the Guarantee Section(50 2) and the Guidance Section(40)</b>											
Regulation (EEC) No 1070/77	7,122	50,509	240,041	-	78,988	16,047	-	1,374	25,181	84,582	503,444
Payments	7,095	48,410	230,813	-	72,545	16,004	-	1,331	25,827	82,581	484,536
<b>V. Fishery Measures</b>											
Financed under Item 461 of the budget											
Regulation (EEC) No 3796/81	-	-	79	-	251	92	52	-	-	316	790
<b>TOTAL I - V</b>	<b>60,781</b>	<b>103,953</b>	<b>565,205</b>	<b>155,952</b>	<b>674,144</b>	<b>380,183</b>	<b>161,581</b>	<b>10,020</b>	<b>110,933</b>	<b>678,787</b>	<b>2,301,539</b>
Financed under Item 3800 of the budget											
Payments	60,744	101,854	555,977	155,952	669,101	380,140	161,581	9,977	111,580	676,126	2,882,632
Financed under Item 3800 of the budget											
Directive No 82/1400/EEC (77/391/EEC)	2,084	35	434	472	9,792	3,981	4,767	-	-	-	21,565
Regulation (EEC) No 1055/81	-	-	-	-	-	-	-	-	-	-	-
Decision No 80/1096/EEC	3,709	-	21,210	89	945	-	3,160	2	16,272	-	45,397
Regulation (EEC) No 2969/83	-	-	-	-	-	-	21,823	-	-	-	21,823
<b>TOTAL</b>	<b>5,793</b>	<b>35</b>	<b>21,644</b>	<b>561</b>	<b>10,737</b>	<b>3,981</b>	<b>29,750</b>	<b>2</b>	<b>16,272</b>	<b>-</b>	<b>88,775</b>

Table No 22 - INDIRECT MEASURES COMPLETED

(n.a./ECU)

MEASURE	TOTAL	BELGIQUE/ BELGIE	DANMARK	DEUTSCHLAND	FRANCE	IRELAND	ITALIA	LUXEMBOURG	NEderland	UNITED KINGDOM
1. Olive and olive oil Art. 13 R. 130/66	8.000.000,00	-	-	-	-	-	8.000.000,00	-	-	-
2. Fruit and vegetable and olive oil Art. 4 R. 130/66	45.000.000,00	-	-	-	-	-	45.000.000,00	-	-	-
3. Structural surveys R. 70/65	7.307.748,00	256.602,00	-	1.622.626,00	2.012.694,00	-	3.135.030,00	11.898,00	268.896,00	-
4. Fruit and vegetable Art. 13 R. 159/66	87.299.539,00	-	-	-	-	-	87.299.539,00	-	-	-
5. African swine fever R. 349/66	3.151.222,94	-	-	-	-	-	3.151.222,94	-	-	-
6. Pig numbers survey R. 350/68	3.600.000,00	111.870,00	-	938.160,00	1.013.850,00	-	1.404.000,00	20.250,00	111.870,00	-
7. Raw tobacco Art. 12 § 1 R. 130/66	15.000.000,00	-	-	-	-	-	15.000.000,00	-	-	-
8. Integration of Luxembourg agriculture R. 541/70	7.500.000,00	-	-	-	-	-	-	7.500.000,00	-	-
9. Slaughter of cows R. 1975/69	47.474.900,16	3.408.146,39	-	25.467.402,61	15.359.708,61	-	818.400,00	153.798,58	2.267.443,97	-
10. Grubbing of fruit trees R. 2517/69	35.437.544,72	3.601.630,00	-	10.436.335,04	8.983.468,97	-	7.763.575,08	91.087,04	4.561.448,59	-
11. 1975 structural survey Dir. 75/108	8.539.041,59	238.272,48	242.504,96	1.300.542,99	1.733.788,96	618.364,59	3.666.341,78	20.610,57	300.554,20	418.061,06
12. Fruit tree survey Dir. 71/286	729.900,00	15.000,00	-	42.000,00	196.000,00	-	441.600,00	300,00	35.000,00	-
13. Conversion to beef production R. 1353/73	78.372.292,50	1.309.651,78	2.029.446,90	18.855.896,35	12.947.642,25	1.254.556,69	-	141.149,65	1.911.343,88	39.922.605,19
14. Reorganizing Community fruit production R. 794/76	6.054.984,13	258.589,62	26.242,96	327.981,31	3.041.460,91	-	1.788.609,88	7.352,39	604.747,06	-
TOTAL	353.467.173,04	9.199.762,28	2.298.194,82	58.990.946,30	45.288.613,70	1.872.921,28	177.468.318,68	7.946.446,23	10.061.303,50	40.340.666,25

Table No 23  
Directive No 72/159/EEC  
Modernization of fares

MEMBER STATES	Measures provided for by					Reimbursement by the Fund (ECU)		
	Art. 8 (1)	Art.10 (2)	Art. 11 (3)	Art. 12 (4)	Art. 13 (5)	in 1985	from the beginning of the scheme until 31.12.1985	% of total at 31.12.1985
BELGIQUE/BELGIE	14.235	145	19.102	747	-	4.526.136	21.632.569	2,9
DANMARK	15.229	29	10.409	57	-	6.619.564	50.838.601	6,8
DEUTSCHLAND	42.326	228	27.214	116	520	25.377.013	189.894.283	25,3
ELLAS	-	-	4.875	-	-	-	180.671	-
FRANCE	33.076	6.928	56.379	13.463	18	-	83.676.237	11,2
IRELAND	30.676	1.215	23.625	21	-	-	47.176.811	6,3
ITALIA	5.105	793	76.251	321	-	7.492.088	17.225.226	2,3
LUXEMBOURG	241	9	-	3	-	679.576	1.683.029	0,2
NEDERLAND	21.124	97	-	953	54	10.585.665	83.926.988	11,2
UNITED KINGDOM	33.146	14.740	27.769	3	-	39.811.987	252.971.473	33,8
TOTAL	195.158	24.184	245.624	15.684	582	95.091.969	749.205.888	100,0

From the beginning of the scheme:

- (1) Number of development plans approved
- (2) Number of farmers qualifying for the premium for switching to beef/veal or sheepmeat production
- (3) Number of farmers qualifying for aid as an incentive to keeping accounts
- (4) Number of groups qualifying for launching aid for mutual assistance between farms
- (5) Number of land consolidation and irrigation projects

Directive No 72/160/EEC

Cessation of farming

MEMBER STATES	Number of beneficiaries from the beginning of the scheme	Reimbursement by the Fund (ECU)		% of total at 31.12.1985
		in 1985	from the beginning of the scheme until 31.12.1985	
BELGIQUE/BELGIE	161	23.633	133.916	2,2
DEUTSCHLAND	3.820	792.006	4.550.785	75,6
FRANCE	2.157	-	806.658	13,4
IRELAND	110	17.559	269.532	4,5
ITALIA	-	-	-	-
LUXEMBOURG	-	-	-	-
NEDERLAND	243	42.607	111.817	1,8
UNITED KINGDOM	235	14.895	149.241	2,5
TOTAL	6.312	890.700	6.021.949	100,0

Table No 24

Directive No 72/161/EEC

Training and information

MEMBER STATES	Measures provided for by		Reimbursement by the Fund (ECU)		
	Title I (1)	Title II (2)	in 1985	from the beginning of the measure until 31.12.1985	% of total at 31.12.1985
BELGIQUE/BELGIE	142	12,747	165,251	1,360,882	3,6
DANMARK	12	2,808	163,625	698,473	1,8
DEUTSCHLAND	758	21,075	403,890	4,072,863	10,6
FRANCE	63	339,862	4,976,144	27,755,339	72,5
IRELAND	-	10,237	318,125	1,418,017	3,7
ITALIA	101	18,656	188,640	1,862,915	4,9
NEDERLAND	26	-	-	396,481	1,0
UNITED KINGDOM	313	1,135	94,403	713,793	1,9
TOTAL	1,415	406,520	6,310,078	38,278,763	100,0

From the beginning of the scheme:

- (1) Number of socio-economic counsellors trained and appointed
- (2) Number of farmer-trainees who have attended and completed a course to obtain a further qualification

Table No 25

Directive No 75/268/EEC

Hill farming and farming in less-favoured regions'

MEMBER STATES	Measures provided for in		Reimbursement by the Fund (ECU)		% of total at 31.12.1985
	Title II (1) (3)	Title IV (2) (3)	in 1985	from the beginning of the measure until 31.12.85	
BELGIE/BELGIE	11.696	963	2.387.958	19.597.555	2,0
DEUTSCHLAND	90.026	554	13.674.108	108.946.932	11,6
ELLAS	183.857	-	29.159.833	81.541.544	8,6
FRANCE	140.394	1.301	-	203.458.704	21,6
IRELAND	90.109	15.141	26.005.374	172.778.668	18,3
ITALIA	123.132	1.164	11.903.305	60.719.898	6,4
LUXEMBOURG	3.810	-	-	6.853.609	0,7
NEderland	230	-	47.130	110.150	0,1
UNITED KINGDOM	46.246	173	34.909.292	289.382.771	30,7
TOTAL	689.500	19.296	118.087.000	943.389.831	100,0

From the beginning of the scheme:

- (1) Number of farmers qualifying for the compensatory allowance for natural handicaps
- (2) Number of joint investment schemes
- (3) The numbers of beneficiaries given in the table represent those considered for Fund aid, i.e. not necessarily all the beneficiaries in the Member States



